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Special Report

EU support to young farmers should be better targeted to foster effective generational renewal

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CURIA RATIONUM

EUROPEAN COURT OF AUDITORS

Audit team

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This report was adopted by Audit Chamber I — headed by ECA Member Phil Wynn Owen — which specialises in sustainable use of natural resources. The audit was led by ECA Member Janusz Wojciechowski, supported by Kinga Wisniewska-Danek, head of private office; Katarzyna Radecka-Moroz, private office attaché; Helder Faria Viegas, principal manager; Lorenzo Pirelli, head of task, Malgorzata Frydel, deputy head of task. The audit team consisted of Antonio Caruda Ruiz, Anzela Poliulianaite, Carlos Sanchez Rivero, Frédéric Soblet, Matteo Tartaggia and Diana Voinea. Secreterial assistance was provided by Frederique Hussenet, Monika Schmidt and Terje Teppan-Niesen.

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CONTENTS

GLOSSARY

Active farmer: The active farmer provision set in Article 9 of Regulation (EU) No 1307/2013[1] aims at preventing individuals and companies from receiving support from the CAP when their business is not agricultural or is only marginally so. The key element of the active farmer provision is a negative list of businesses/activities, which includes airports, waterworks, real estate services, railway services and permanent sport and recreational grounds. If Member States want to, they can apply a stricter definition of active farmer.

Agricultural holding: A single unit, in both technical and economic terms, operating under a single management, which undertakes agricultural activities within the economic territory of the European Union, either as its primary or secondary activity. Other supplementary (non-agricultural) products and services may also be provided by the holding.

CAP (Common Agricultural Policy): The set of legislation and practices adopted by the European Union to provide a common, unified policy on agriculture. The initial measures were introduced in 1962. Since then, the policy has been adapted and developed and has undergone a number of reforms.

CMEF (Common Monitoring and Evaluation Framework): EU-wide monitoring and evaluation framework for rural development in the 2007-2013 programming period. For the 2014-2020 programming period it covers both CAP pillars (EAFRD and EAGF).

Direct payments: Are granted directly to farmers to ensure them a safety net. They are mainly granted in the form of a basic income support, decoupled from production, stabilising their income stemming from sales on the markets, which are subject to volatility. They are provided by the European Agricultural Guarantee Fund, commonly referred to as “Pillar 1” of the CAP.

[1] Regulation (EU) No 1307/2013 of the European Parliament and of the Council of 17 December 2013 establishing rules for direct payments to farmers under support schemes within the framework of the common agricultural policy and repealing Council Regulation (EC) No 637/2008 and Council Regulation (EC) No 73/2009 (OJ L 347, 20.12.2013, p. 608).

EAFRD: European Agricultural Fund for Rural Development. It finances the EU's contribution to rural development programmes and is commonly referred to as “Pillar 2” of the CAP.

EAGF: European Agricultural Guarantee Fund. It primarily finances direct payments to farmers and measures regulating or supporting agricultural markets and is commonly referred to as “Pillar 1” of the CAP.

Farm accountancy data network (FADN): An instrument for evaluating the income of commercial agricultural holdings and the impacts of the CAP. It is based on the accounting data of a sample of more than 80 000 agricultural holdings across all the EU Member States.

Farm structure survey (FSS): A survey carried out by all EU Member States. The FSS are conducted consistently throughout the EU using a common methodology and provide comparable and representative statistics across countries and time, at regional levels. The FSS is carried out every three or four years as a sample survey, and every ten years as a census.

Impact: Long-term changes in society that are, at least partly, attributable to the EU’s action.

Intervention logic: Sets out the relationship between the socio-economic needs to be addressed by the intervention and its objectives, inputs, processes, outputs, results and impacts.

Managing authority: The local, regional or national body appointed by the Member State to submit a Rural Development Programme to the Commission and then manage and implement it.

Output: The deliverables of the programme.

Paying Agency: The national or regional body responsible for assessing, calculating and paying out agricultural subsidies.

Payment entitlements: Introduced by the 2003 reform of the CAP to implement the single payment scheme. Payment entitlements were distributed to farmers based on historical data (at regional or individual farmer level). Following the 2003 reform, to qualify for a single payment, a farmer had to activate the payment entitlements that he or she held together with the same number of eligible agricultural hectares. The 2013 reform replaced these payment entitlements with newly-established payment entitlements under the basic payment scheme. By derogation, some Member States that fulfilled certain conditions may keep existing payment entitlements.

Pillar: The CAP consists of two funds, also referred to as “pillars”: “Pillar 1” is used to refer to the EAGF, providing direct payments to farmers, while “Pillar 2” is used to refer to EAFRD, financing rural development programmes.

Programming period: Multiannual framework planning and implementing EU policies such as the rural development policy. This audit concerns the 2007-2013 and 2014-2020 periods.

Result: The immediate effects of the programme on direct addresses or recipients.

Rural Development Programme (RDP): A programming document prepared by a Member State and approved by the Commission for planning and monitoring the implementation of the EU rural development policy at regional or national level.

Shared management: Method of implementing the EU budget whereby implementation tasks are delegated to the Member States[2], while the Commission retains final responsibility (supervisory duties).

SMART objectives: Specific, measurable, achievable, relevant and timed objectives[3].

Young farmer: Under Pillar 1, a person who is under 40 years old at the moment of submitting the application and is setting up for the first time in an agricultural holding as head of the holding, or has already set up such holding in the last five years prior to application, as defined in Article 50(2) of Regulation (EU) 1307/2013. Under Pillar 2, a person who is under 40 years old at the moment of submitting the application and is setting up for the first time in an agricultural holding as head of the holding and possess adequate

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2 Article 59 of Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002 (OJ L 298, 26.10.2012, p. 1).

3 Article 30(3) of Regulation (EU, Euratom) No 966/2012.

occupational skills and competence, as defined in Article 2(n) of Regulation (EU) No 1305/2013[4]. It is not possible to know the number of farmers up to 40 years old as Eurostat data does not split the age group 35-44 years into further sub-groups.

[4] Regulation (EU) No 1305/2013 of the European Parliament and of the Council of 17 December 2013 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) and repealing Council Regulation (EC) No 1698/2005 (OJ L 347, 20.12.2013, p. 487)

EXECUTIVE SUMMARY

I. The overall number of farmers in the EU-27 has fallen rapidly in the last decade, dropping from 14.5 million farmers in 2005 to 10.7 million farmers in 2013. The number of young farmers (up to 44 years old) fell from 3.3 million in 2005 to 2.3 million in 2013. As the number of farmers decreased across all age groups, the percentage of young farmers in the farming population remained relatively stable, at just above 20 %. However, significant differences exist between Member States.

II. In 2007-2020 the EU allocated 9.6 billion euro in specific aid to young farmers to enhance the competitiveness of agricultural holdings and generational renewal in agriculture. Including co-financing from Member States of Pillar 2 setting-up measure, total public support amounts to 18.3 billion euro. Almost 200 000 young farmers received EU aid for setting up in the 2007-2013 period. More than 70 % of the EU funding was provided under the Pillar 2 (EAFRD) measure for the setting up of young farmers, while the remaining 30 % is provided, in 2014-2020, under the Pillar 1 (EAGF) direct payment to young farmers.

III. Against this backdrop, we examined the role of the EU in supporting young farmers and fostering generational renewal. The audit was carried out at the Commission and in the four Member States with most spending for young farmers: France, Spain, Poland and Italy. The audit aimed to answer the following question: **'Is the EU support to young farmers well designed to contribute effectively towards improved generational renewal?'**

IV. The overall conclusion is that EU support for young farmers is based on a poorly-defined intervention logic, with no expected result and impact specified. It should be better targeted to foster effective generational renewal. However, we found significant differences between the Pillar 1 payment to young farmers and the Pillar 2 setting-up measure.

V. For Pillar 1 payment to young farmers we found that:

- the aid is not based on a sound needs assessment and its objective does not reflect the general objective of encouraging generational renewal. The Member States did not coordinate Pillar 1 payment with the Pillar 2 setting-up measure or national measures;

- in the absence of a needs assessment the aid is provided in a standardized form (annual payment per hectare), in an amount and in a timing where it is unclear which specific needs other than additional income are addressed;

- the common monitoring and evaluation framework did not provide useful indicators for assessing the effectiveness of this payment, as there are no results indicators for this payment and data on the income and viability of the supported holdings are not collected.

VI. For Pillar 2 measure for setting up of young farmers we found that:

- although it is generally based on a vague needs assessment, its objectives are partially specific, measurable, achievable, relevant and timed and reflect the general objective of encouraging generational renewal. There is some effective coordination with the Pillar 2 investment measure;

- the aid is provided in a form (lump sum subject to the accomplishment of a business plan and, in some cases, also an interest subsidy on a loan) addressing more directly the young farmers' needs of access to land, capital and knowledge. The amount of aid is generally linked to the needs and modulated to prompt specific actions (e.g. introducing organic farming, water- or energy-saving initiatives);

- the aid is directed to more qualified farmers, who commit to implement a business plan guiding them in developing viable holdings and who are often encouraged through the project selection process to set up in less favoured areas. However, the business plans were of variable quality and managing authorities in some cases did not apply selection procedures to prioritise best projects. Selection criteria were introduced late in the 2007-2013 period, minimum thresholds were either too low or non-existent and the seven-year budget for the measure was used up in some Member States to fund nearly all applications submitted at the start of the programming period, thus preventing young farmers who set up later from receiving funding;

- we found little evidence about whether the EU measures facilitated the setting-up of young farmers and improved generational renewal and the viability of the supported holdings, mainly because of the low quality of indicators set by the common monitoring system.

VII. We recommend that Commission and the Member States:

(a) improve the intervention logic by reinforcing needs assessment and defining SMART objectives, which will reflect the overall objective of fostering the generational renewal;

(b) improve the targeting of the measures through better project selection systems and use of business plans;

(c) improve the monitoring and evaluation framework by drawing on best practices developed by Member States in their monitoring systems and evaluation reports.

INTRODUCTION

A decreasing farming population

1. EU agriculture is facing a decreasing farming population. The overall number of farmers in the EU-27[5] has rapidly decreased in the last decade, falling from 14.5 million in 2005 to 10.7 million in 2013, i.e. a reduction of one fourth in less than a decade. All age groups of farmers were affected (see ***Figure 1***). It is not possible to know the number of farmers up to 40 years old as Eurostat data does not split the age group 35-44 years old into further sub-groups[6].

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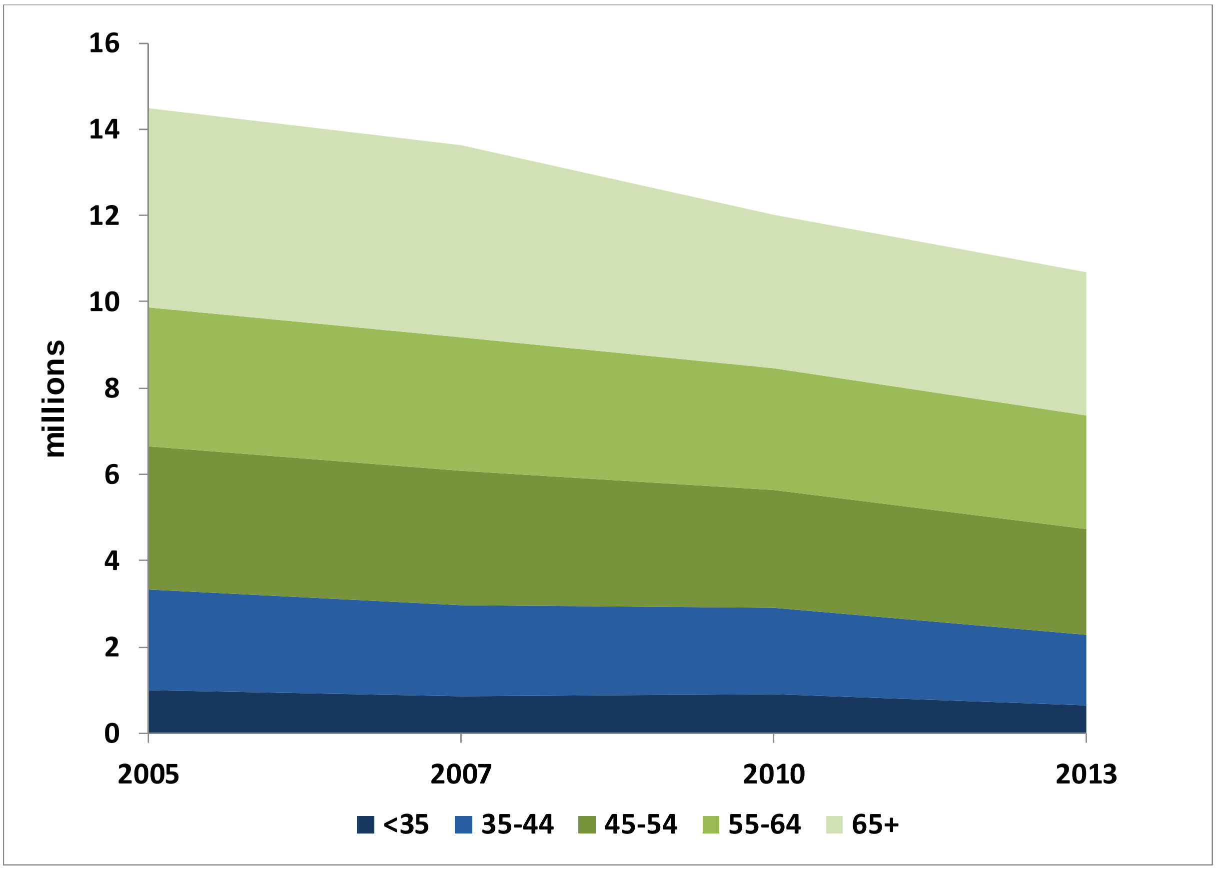
5 Croatia was not included in the statistics up to 2013.

6 Eurostat provides data for the following age groups: less than 35, 35-44, 45-54, 55-64, more than 65 years.

<u>Figure 1</u> - Evolution of the number of farmers by age group in the 27 EU Member States

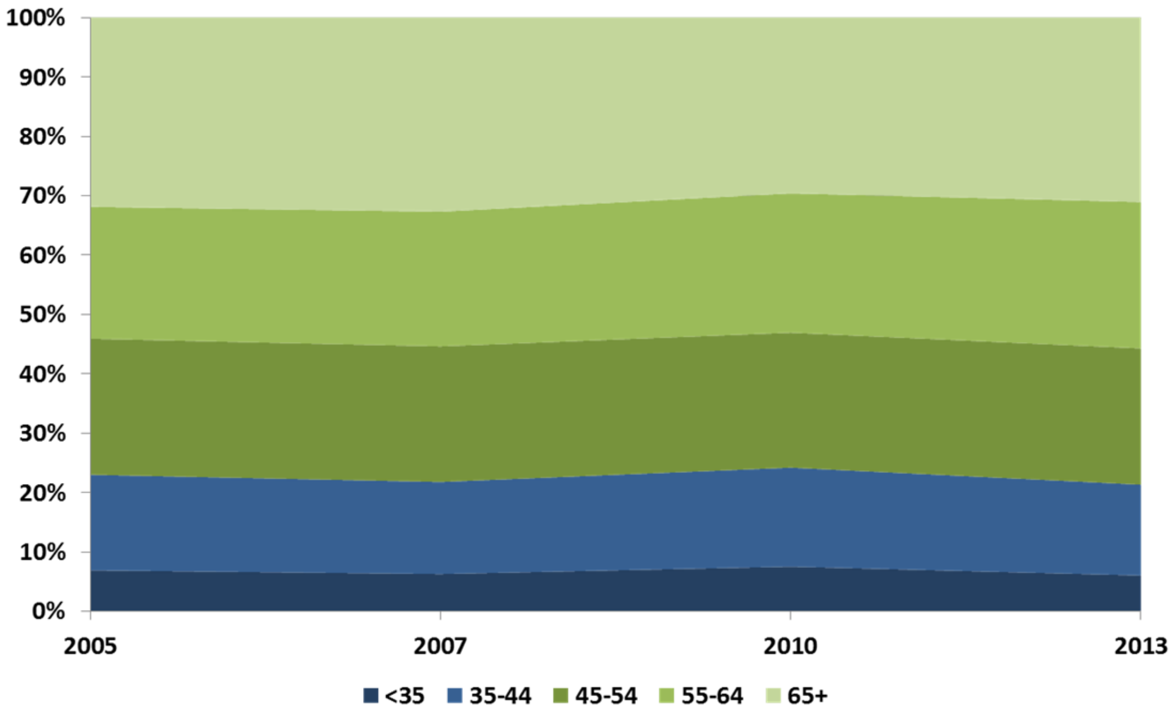


Source: Eurostat, Farm Structure Survey[7].

2. The number of young farmers (up to 44 years old) decreased from 3.3 million in 2005 to 2.3 million in 2013, i.e. a reduction of one third in less than a decade. However, the percentage of young farmers in the farming population remained relatively stable, at just above 20 % (see ***<u>Figure 2</u>***).

[7] The Farm Structure Survey is carried out every three years by all Member States with a common methodology and provides therefore comparable and representative statistics over time across Member States. It is not possible to know the number of farmers up to 40 years old as Eurostat data does not split the age group 35-44 years old into further sub-groups.

<u>Figure 2</u> - Evolution of the breakdown of farmers' by age group in the 27 EU Member States



Source: Eurostat, Farm Structure Survey.

3. Significant differences exist between Member States: for example, in Poland the share of young farmers in the farming population increased from 34 % in 2007 to 36 % in 2013, while in Spain it decreased from 21 % in 2007 to 16 % in 2013. ***Annex I*** provides an overview of the number of farmers in individual Member States and of the variation between 2007 and 2013, while ***Annex II*** indicates the evolution of the distribution of farmers by age.

Generational renewal is high on the political agenda

4. In 2008 the European Parliament considered that "generational change is necessary to preserve a high level of food quality and food safety within the EU as well as EU's self-sufficiency in the future" and that "the CAP must seek to remove the barriers currently facing young people wishing to set up in farming, by making generational change one of its priorities"[8]. In 2011 it noted that "the measures for young farmers contained in the second

[8] European Parliament resolution of 5 June 2008 on the future for young farmers under the ongoing reform of the CAP (2007/2194(INI)).

pillar have proved to be insufficient to stop a rapid ageing of the agricultural sector" and that "support schemes in the second pillar should be extended"[9]. Also the Council in 2014 pointed out[10] that young farmers and generational renewal in agriculture are fundamental for the sustainability and long term competitiveness of European agriculture.

5. In 2015 the Commission argued[11] that supporting young farmers is a priority. According to Commissioner Phil Hogan[12]: "… 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". He stated that there are "barriers which hinder young people from taking up agricultural activity" naming access to land, finance and knowledge as the most significant.

EU support for young farmers

6. The total EU budget allocated specifically for the support to young farmers over the 2007-2020 period is 9.6 billion euro. It doubled from 3.2 billion euro in the 2007-2013 period, provided under the Pillar 2 setting-up measure, to 6.4 billion euro in the 2014-2020 period, mainly due to the introduction of an additional direct payment to young farmers under Pillar 1 (see ***Figure 3***). Total public expenditure, including national co-financing by Member States of Pillar 2 setting-up measure, is 18.3 billion euro.

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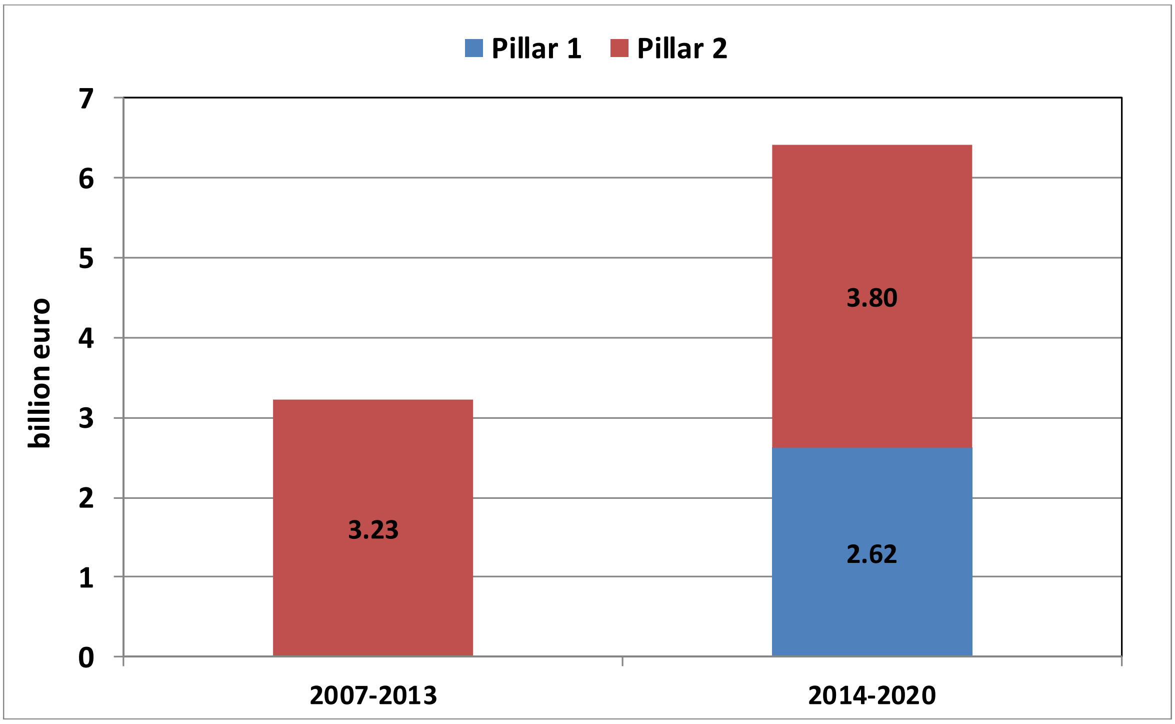
[9] European Parliament resolution of 23 June 2011 on the CAP towards 2020: meeting the food, natural resources and territorial challenges of the future (2011/2051(INI)).

[10] EU Council, Presidency conclusions on strengthening of EU policies for young farmers, Agriculture and Fisheries Council meeting Brussels, 15 December 2014.

[11] European Commission, "Young farmers and the CAP", Luxembourg, Publications Office of the European Union, 2015.

[12] Speech by Commissioner Phil Hogan at JOINT ENRD/CEJA Workshop on generational renewal – Brussels, 25 January 2017.

<u>Figure 3</u> - EU budget for support to young farmers under Pillar 1 (EAGF) and Pillar 2 (EAFRD) in the 2007-2013 and 2014-2020 programming periods



Source: ECA based on Commission's data (2007-2013 expenditure and 2014-2020 allocations).

7. Support for young farmers was introduced back in the 1980s[13]. Since 2000, most support has been provided under the Pillar 2 measure for the setting-up of young farmers[14]. This measure was followed by the 'Farm and business development' measure in the 2014-2020 period. The measure is implemented in 92 out of the 118 Rural Development Programmes (RDPs) across 24 out of the 28 Member States.

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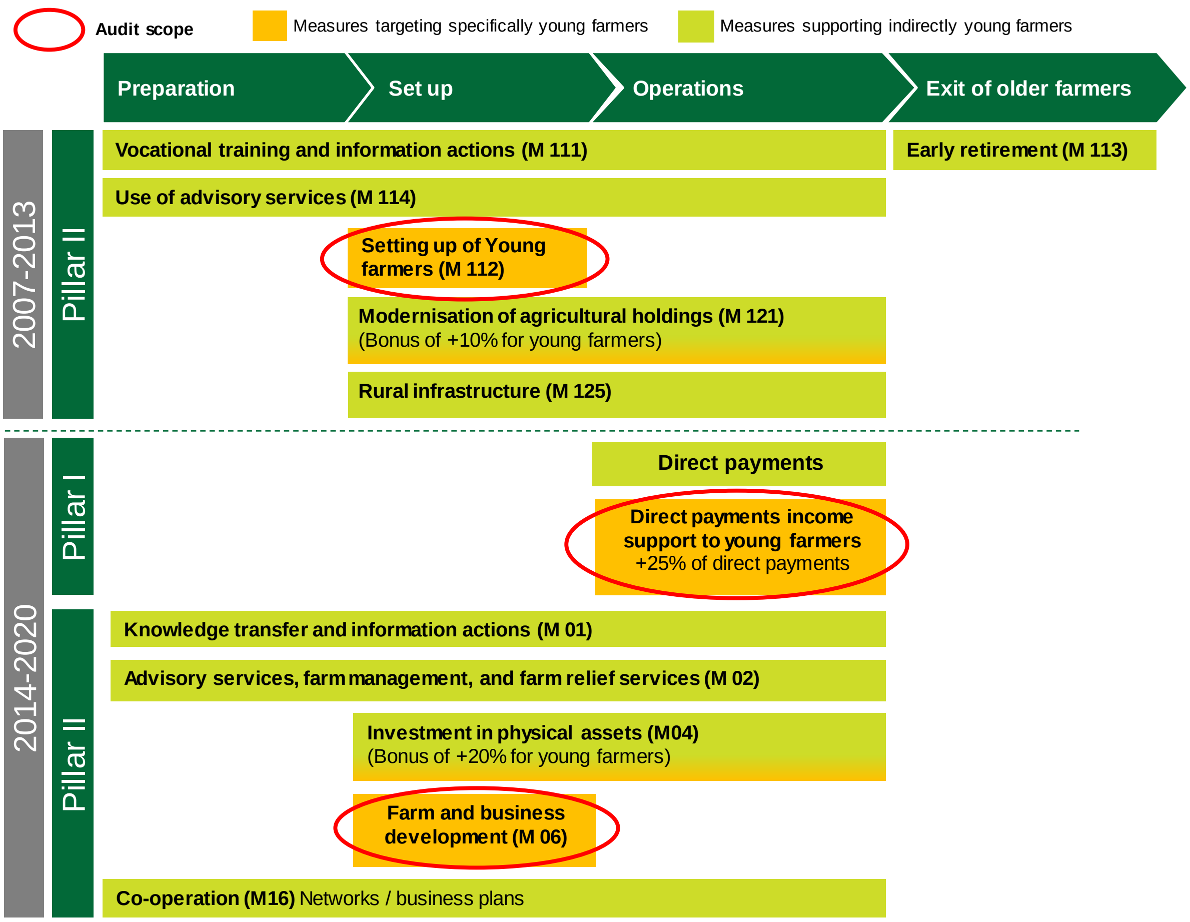
13 Council Directive 81/528/EEC of 30 June 1981 amending Directive 72/159/EEC on the modernization of farms (OJ L 197, 20.7.1981, p. 41) introducing, inter alia, specific measures aimed at young farmers under the age of 40.

14 Council Regulation (EC) No 1257/1999 of 17 May 1999 on support for rural development from the European Agricultural Guidance and Guarantee Fund (EAGGF) and amending and repealing certain Regulations (OJ L 160, 26.6.1999, p. 80).

8. Additional support for young farmers was introduced in the 2014-2020 period under Pillar 1[15] in the form of an additional payment of 25 % for young farmers on top of direct payments.

9. ***Figure 4*** provides an overview of the EU instruments targeting – directly or indirectly – young farmers in the 2007-2020 period. As ***Figure 4*** indicates, the audit focused on the measures supporting directly young farmers: the Pillar 2 setting-up measure and the Pillar 1 additional payment for young farmers.

Figure 4 - Overview of EU measures supporting young farmers in 2007-2020 period



Source: ECA.

[15] See Regulation (EU) No 1307/2013, in particular Preamble (47): "The creation and development of new economic activity in the agricultural sector by young farmers is financially challenging and constitutes an element that should be considered in the allocation and targeting of direct payments. This development is essential for the competitiveness of the agricultural sector in the Union".

10. ***Table 1*** below compares the main features of Pillar 1 and Pillar 2 support for young farmers in the 2014-2020 period.

Table 1 - Main features of Pillar 1 and Pillar 2 support for young farmers in the 2014-2020 period

	Pillar 1 – European Agricultural Guarantee Fund (EAGF) **Payment to young farmers**	**Pillar 2 – European Agricultural Fund for Rural Development (EAFRD)** **Measure 6.1 – Farm and business development for young farmers**
Legal basis	Article 50 of Regulation (EU) No 1307/2013	Article 19 of Regulation (EU) No 1305/2013
Form of support	Additional payment to young farmers entitled to a payment under the basic payment scheme or the single area payment scheme.	Business start-up aid of maximum 70 000 euro granted on the basis of a business plan (final payment is conditional upon the correct implementation of the business plan).
Support duration	Paid **yearly** for a maximum of 5 years (from the year of setting up).	Paid **once** per holding / per farmer in at least 2 instalments.
Implementation	**Compulsory** for all Member States, which can only set few parameters: budget, calculation method, limit of hectares, requirements for skills and joint control over legal holdings (see paragraph 40).	**Voluntary** for Member States/regions, which define priorities and objectives in RDPs, set eligibility and selection criteria, select projects and report to the Commission on the implementation of the measures.
Objective	"To facilitate the initial establishment of young farmers and the structural adjustment of their holdings after the initial setting up"[1], and contribute to the general CAP objective of viable food production by enhancing farm viability[2] and encouraging generational renewal[3]	
Eligible beneficiaries	• Farmers under 40 years old. • Farmers setting up as head of a farm **for the first time or who set up in the last 5 years** prior to 2015 direct payment applications. • Natural and legal persons, including those where a young farmer exercises joint control over the holding.	• Farmers under 40 years old. • Farmers setting up as head of a farm **for the first time.** • Legal persons, including those where a young farmer exercises joint control over the holding.
Number of beneficiaries	**279 071** (in 2015).	**193 828** in 2007-2013 period. No target at EU level for 2014-2020 period.

Average amount of aid per beneficiary	**1 135 euro** (in 2015).	**20 000 euro** (in 2007-2013).

[1] Preamble (47) of Regulation (EU) No 1307/2013 and Preamble (17) of Regulation (EU) No 1305/2013.

[2] See Article 5 of Regulation (EU) No 1305/2013.

[3] For Pillar 1 see Commission's Memo "CAP Reform – an explanation of the main elements" of 26 June 2013: "In order to encourage generational renewal, the Basic Payment awarded to new entrant Young Farmers (those under 40) should be topped up by an additional 25 % for the first 5 years of installation." and the European Parliament factsheet "First pillar of the Common Agricultural Policy (CAP): Direct payments to farmers": "To encourage generational renewal, the basic payment awarded to young farmers (under 40 years of age), newcomers or farms set up in the previous five years is increased by 25 % for the first five years."
For Pillar 2 see Article 5 of Regulation (EU) No 1305/2013, referring to the specific priority of "facilitating the entry of adequately skilled farmers into the agricultural sector and, in particular, generational renewal".

Source: ECA based on Commission's data.

AUDIT SCOPE AND APPROACH

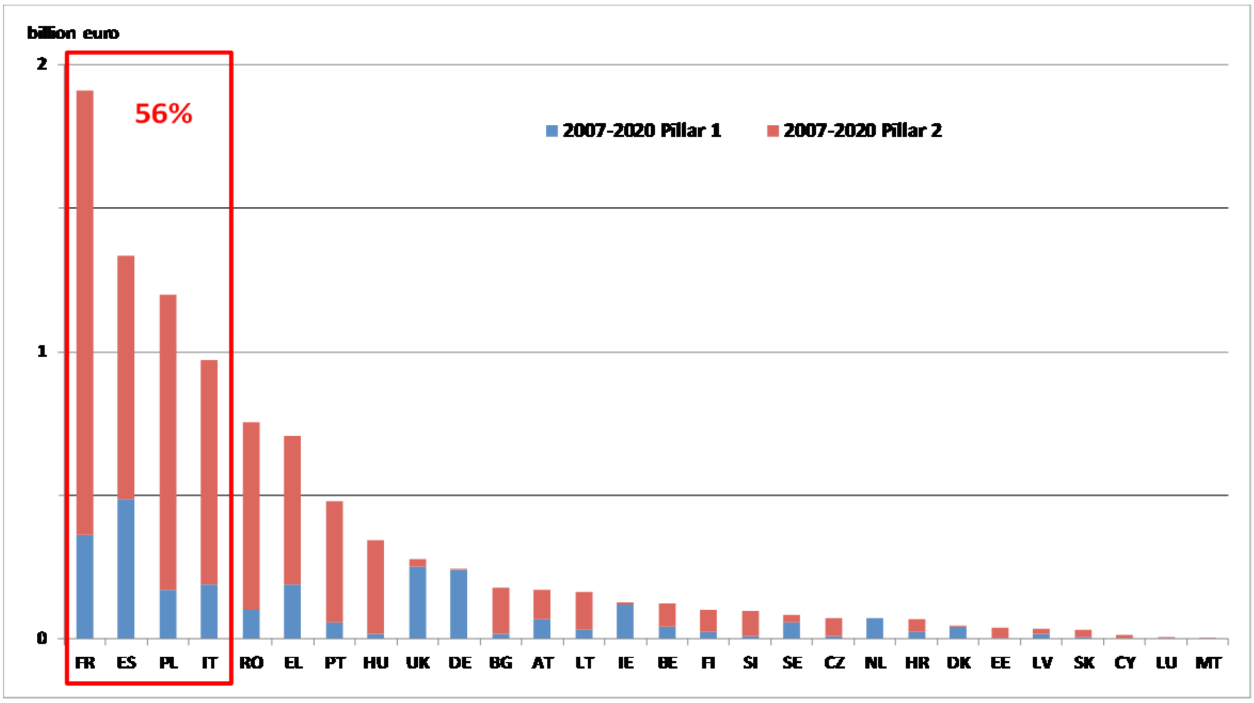
11. The audit aimed to answer the following question:

Is the EU support to young farmers well designed to contribute effectively towards improved generational renewal?

12. In order to answer this question we focused on the measures supporting directly young farmers in the 2007-2020 period (see ***Figure 4***), namely the 2007-2013 Pillar 2 measure 112 for setting-up of young farmers and its corresponding measure 6.1 in 2014-2020, and the 2014-2020 Pillar 1 payment to young farmers. We assessed the intervention logic (Part I of the report), the targeting in the implementation of the measures (Part II), and their results (Part III).

13. The audit was carried out between April and October 2016 and covered four Member States that spent the highest amount on young farmers: France, Spain, Poland and Italy (see ***Figure 5***). These four Member States represent 56 % of the total EU budget corresponding to the measures supporting directly young farmers in the 2007-2020 period (see ***Figure 4***). ***Annex III*** provides an overview of the EU budget allocated specifically to young farmers by Member State.

<u>Figure 5</u> - EU support for young farmers under Pillar 1 (EAGF) and Pillar 2 (EAFRD) in the 2007-2020 period (the rectangle represents the audited Member States)



Source: ECA based on Commission's data (2007-2013 expenditure and 2014-2020 allocations).

14. In these four Member States we examined the national frameworks, that set the intervention logic and the main features of the measures, and the extent of coordination between such measures and national policies favouring generational renewal. To assess the implementation and results of the measures, we focused on seven regions that are among the ones which spent the most under the measures supporting directly young farmers:

- France (Pays de la Loire and Midi-Pyrénées);
- Spain (Andalucía);
- Poland (Warminsko-Mazurskie and Dolnoslaskie);
- Italy (Emilia-Romagna and Puglia).

15. The audit approach combined an audit of the control systems, mainly at Commission and Member State level, with an examination of a sample of 57 projects at final beneficiary level to verify the implementation and the result of the measures. We also analysed relevant statistics and studies provided by Eurostat (e.g. Farm Structure Surveys), national

parliaments and statistical offices, universities and young farmers' organisations at EU, national and regional level.

16. These studies indicated that there are general factors other than EU measures influencing generational renewal (e.g. the economic and social situation, the propensity of banks to provide loans, the employment possibilities in sectors other than agriculture, and the high concentration of agricultural land in relatively low number of farms[16]). National policies favouring the exit of old farmers can also play an important role, as indicated by Germany, one of the Member States which, like Denmark, Ireland, the Netherlands and UK-Northern Ireland, chose not to implement the setting up measure under 2014-2020 Pillar 2. In fact, the 2007-2013 mid-term evaluation for Germany (Rhineland-Palatinate) showed that the measure 112 for the setting up of young farmers failed to adequately address the problem of farms lacking a suitable successor and that it was not possible to identify what impact such support had had on farmers' age structure. In addition, Germany considered that its 'Hofabgabeklausel' social security scheme, which requires farmers to relinquish their farm in order to receive their old-age pension, plays a major role in successful generational renewal in the farming sector.

OBSERVATIONS

Part I – Intervention logic

17. The Commission and the Member States should adequately design policy interventions. For this purpose we examined whether the Commission and the Member States were:

- carrying out sound ex-ante needs assessments in the specific areas of intervention;
- deciding which funds are best matching the young farmers' needs;
- defining specific, measurable, achievable, relevant and timed (SMART) objectives;

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[16] See European Parliament, "Report on the state of play of farmland concentration in the EU" (2016/2141(INI)): in 2010 only 3 % of farms already controlled 50 % of agricultural land in the EU-27, "whereas EU policies and subsidies encourage concentration phenomena, as direct payments disproportionately benefit large farmers, and the use of these funds leads to a rise in market prices".

- defining arrangements to ensure an effective, efficient and coordinated use of the various funds.

Young farmers' needs identified at general level …

18. According to Commission's studies, interviews with the audited managing authorities and young farmers' associations, barriers hindering young people to become farmers can be classified as relating to:

(a) access to land: around 60 % of young farmers in the 28 EU Member States reported problems in buying or renting land[17]. According to several studies[18], the problem lies in the high price of land and the reluctance of older farmers to retire;

(b) access to capital: around 35 % of young farmers in the 28 EU Member States reported problems in accessing subsidies and credits[19]. According to studies[20] and interviewed young farmers' associations, in France, Italy and Spain the problem is due to the complexity and length of the public support procedures rather than to the insufficiency of the subsidies;

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17 ECORYS, LEI-Wageningen UR, Aequator Groen & Ruimte for Commission: "Young farmers' needs", September 2015. As part of the study, carried out in 2014-2015, an average of 78 interviews was conducted with farmers in each EU Member State. The results of these surveys and the needs of young farmers were discussed by focus groups in the individual Member States.

18 See European Parliament, "Study on possible effects on land markets on EU land of new direct payments", 2013: "New Member States' land sales and rental prices have increased strongly with the increase in SAPS since accession in 2004. The correlation between the direct payments and the land prices is very strong." and "There is significant capitalization of SPS in the EU-15". See also Italian national Institute of Agricultural Economy ,"Young people and generational renewal in Italian agriculture", 2013.

19 ECORYS, LEI-Wageningen UR, Aequator Groen & Ruimte for Commission: "Young farmers' needs", September 2015.

20 For France see Annual Report (2007) of the French Court of Auditors.
For Italy see Italian national Institute of Agricultural Economy, "Young people and generational renewal in Italian agriculture", 2013.
For Spain see paragraph 68 of this report.

(c) access to knowledge: around 20 % of young farmers in the 28 EU Member States reported problems in accessing knowledge[21]. In 2010, only 14 % of farmers up to 35 years old in the 27 EU Member States had a full agricultural training[22], although this varied significantly across the EU. For example, in France (Pays-Loire) 84 % of farmers up to 35 years old had a full agricultural training, in Italy (Emilia-Romagna) 27 %, in Poland 26 % and in Spain (Andalucía) only 3 %;

(d) access to a sufficient and stable income: some Member States and young farmers' associations indicated such a need, although in the four audited Member States there are no statistically representative data on the income of young farmers (up to 40 years old) or data showing whether the income in the first years of farming activity is generally insufficient or unstable, or more so than in later years;

(e) access to basic infrastructure and services in rural areas, equivalent to those available to young people who do not live in rural areas, such as broadband, nurseries, schools, transport and postal services, healthcare and replacement services.

… but general needs were not further investigated

19. In most audited Member States/regions our examination showed that it is not known if the extent of such barriers is common to all young farmers setting up in a given region or only to some of them, for example those in specific geographical areas, agricultural sectors or financial situations (e.g. those who have not inherited sufficient land or capital). Nor is it known at which moment during the setting-up process which of these obstacles appear to be more serious.

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[21] ECORYS, LEI-Wageningen UR, Aequator Groen & Ruimte for Commission: "Young farmers' needs", September 2015.

[22] Eurostat, "Farm Structure Survey 2007-2013".

Pillar 1

20. The Pillar 1 additional payment for young farmers is based on the assumption that young farmers starting an agricultural activity face financial challenges[23]. Although this assumption may be true, the Commission's impact assessment[24] did not provide data supporting it or an estimation of the expected impact of this additional payment on the young farmers' income, on the viability of their holdings or on generational renewal rates, but focused only on the budgetary implications of the different methods proposed for calculating this payment. It is not clear what young farmers' needs this payment should address, other than additional income, and what should be its added value.

21. Also at Member State level there were no documents, studies or data explaining why this additional payment was needed or supporting the assumption that young farmers starting an agricultural activity face financial challenges. In Italy we found some non-representative data at national level showing that the Farm Net Added Value[25] was slightly higher (80 000 euro on average) in 2010 for holdings held by farmers under 40 compared to older farmers (73 000 euro). Nor are there any data showing whether income in the first years of farming activity is generally insufficient or unstable, or more so than in later years.

22. Regulation (EU) 1307/2013 delegates to Member States some implementation choices, such as fixing a certain budget for the payment or a certain limit on the number of hectares on the basis of which it should be calculated (see also paragraphs 39 to 41). However, there were no documents, studies or data providing sound justification for such choices.

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[23] Recital 47 of Regulation (EU) No 1307/2013: "The creation and development of new economic activity in the agricultural sector by young farmers is financially challenging and constitutes an element that should be considered in the allocation and targeting of direct payments".

[24] SEC(2011) 1153 final/2 of 20.10.2011 "Impact Assessment Common Agricultural Policy towards 2020", Annex 3.

[25] The Farm Net Added Value is an income indicator of the Farm Accountancy Data Network, which measures the amount available to pay for all fixed production factors of an agricultural holding (land, labour and capital).

Pillar 2

23. The general needs and the decrease in the number of young farmers were mentioned in most of the audited Member States' programming documents (ex-ante assessments, rural development programmes) relating to the Pillar 2 measure for the setting-up of young farmers. However, the underlying reasons why young people face barriers in terms of accessing land, capital, knowledge, income or services were not sufficiently investigated and were generally not supported by quantifiable evidence.

Partial mismatch between needs and form of support

Pillar 1

24. In the absence of a needs assessment it is unclear which specific needs other than additional income are addressed by the Pillar 1 payment to young farmers. However, concerning income we could not determine if the need for a higher and more stable income, which should normally be addressed directly by this payment, was dealt with. The audited Member States could not provide statistically representative data on young farmers' incomes or data showing whether their income in the first years of farming is generally insufficient or unstable, or more so than in later years. Concerning the other needs:

(a) the need to improve access to land is not directly addressed by this payment, which is only provided to young farmers who already have land;

(b) the need for better access to capital is not evident since it is not known if beneficiaries of this payment lack sufficient capital to run a viable holding and/or sufficient access to credit to subsidise investments likely to increase their viability;

(c) the need for better access to knowledge is not specifically addressed by this payment, which is provided without requiring a minimum level of agricultural education in most Member States.

Pillar 2

25. Under Pillar 2 measure for setting up young farmers the aid is provided in the form of a lump sum (subject to the accomplishment of the business plan), an interest subsidy or a

combination of the two. It therefore addresses more directly the specific needs of young farmers, in particular:

(a) the need to improve access to land is partially addressed, as farmers could use the lump sum to buy land or could subsidise credit for land purchases;

(b) the need for better access to capital is generally addressed, as the farmers can use it for investments likely to increase the viability of their holdings and, in some cases, also to get a subsidised loan;

(c) the need for better access to knowledge is generally addressed by this measure, as beneficiaries must have or acquire a minimum level of agricultural education;

(d) the need for sufficient and more stable incomes is indirectly addressed by supporting the actions and investments likely to lead to the development of viable holdings.

Objectives set at general level …

26. The common general objective of the support to young farmers under Pillars 1 and 2 at EU level is to facilitate the initial establishment of young farmers and the structural adjustment of their holdings after the initial setting up, with the ultimate aim of increasing viability and favouring generational renewal (see ***Table 1***).

… but the general objective of encouraging generational renewal was not reflected in the objective of Pillar 1 payment to young farmers

27. ***Annex IV*** shows the intervention logic of Pillar 1: the payment to young farmers should contribute to improving agricultural competitiveness and enhancing farm income and, more generally, to achieving the CAP objective of viable food production. However, the general objective of encouraging generational renewal was not reflected in the objective of this payment.

28. In the absence of a needs assessment, the objective of the Pillar 1 payment for young farmers remains:

(a) not sufficiently **specific** as there is no description of the expected outcome (e.g. expressed as rate, number, percentage or frequency) or indication of the targeted population of young farmers to support (e.g. in specific geographical areas or financial situations);

(b) only partially **measurable** since it is not known what percentage of the income of young farmers this payment should represent, nor are there any quantifiable targets in terms of the results this payment should generate;

(c) not known if the objective is **achievable** or to what extent is achievable, as it is not sufficiently specific and measurable;

(d) not clear to which extent the objective is **relevant**, as it is not known what young farmers' needs this payment should address, other than additional income, and how widespread is such need among young farmers starting an agricultural activity (see paragraphs 19 to 22);

(e) not **timed** as it is not defined by when the objective should be achieved.

The general objective of encouraging generational renewal was reflected in the objective of Pillar 2 setting-up measure

29. At EU level, the objective of the Pillar 2 measure for the setting up of young farmers is to "favour the setting up of adequately skilled farmers in agriculture and, in particular, generational renewal" and contribute to the general CAP objective of viable food production by enhancing farm viability (see ***Table 1***). In addition to this EU-wide objective, the Member States defined in their 2007-2013 RDPs more specific objectives for this measure, such as promoting employment, retaining population in rural areas, improving the competitiveness of the farms, increasing their profitability and using new technologies and improving human capital.

30. We found that the objectives of the Pillar 2 measure for the setting up of young farmers in the four audited Member States were partially SMART, as they were:

(a) reasonably **specific**, as the aim was to support adequately-skilled young farmers and they were often accompanied by a description of an expected result (e.g. “to create added value through diversification and job creation” or “to increase the profitability of farms”);

(b) partially **measurable**, as there was a target indicator in terms of output (absolute number of young farmers to be supported and, in relative terms, percentage of the total number of holdings in a region), but no quantifiable target in terms of expected results, such as the generational renewal rate needed to achieve the objectives (see paragraph 71);

(c) partially **achievable**, since they were achievable in terms of output (number of young farmers to be supported), but it is not known if they were achievable in terms of results and impact on generational renewal;

(d) partially **relevant**, since they were relevant to the general need to support generational renewal. However, it was often not known to what extent they were relevant to the needs of access to land, capital, knowledge, income or services (see paragraphs 19 and 23);

(e) partially **timed** as there is no deadline by which, for example, a certain rate of young/older farmers should be achieved.

Limited coordination between support measures, though some good practices were identified

<u>Little coordination between EU and national measures supporting young farmers</u>

31. In the four audited Member States we observed limited coordination between the EU and national support measures. More specifically:

- In France there is a wide range of national aids in favour of young farmers, such as tax advantages, exemptions from social security contributions, priority access for purchasing agricultural land, and aid for training courses. There are information centres to inform potential beneficiaries about the various aids. There are also coordination bodies to ensure complementarity between the various aids but no specific coordination mechanisms between the EU and national measures;

- In Italy there is some coordination of the scope of the intervention with the national measure providing young farmers an interest subsidy for the purchase of land (an issue only partially addressed by the EU measures) and mechanisms in place to avoid accumulation of this aid with the EU Pillar 2 setting-up measure; there are also tax advantages for which there are no coordination mechanisms with EU measures;

- In Poland there are loans with favourable conditions but no coordination mechanisms with EU measures;

- In Spain there are loans with favourable conditions and tax advantages having a direct impact on the young farmers' income, like the Pillar 1 payment to young farmers. However, there is no coordination mechanism between these aids, which can be cumulated.

32. In none of the four audited Member States the authorities have an overview of the different EU and national aids provided to the beneficiaries. There is a risk that some young farmers are over-supported in comparison to their actual needs (e.g. benefitting from the EU Pillar 1 payment to young farmers, Pillar 2 setting-up measures, investments, diversification, training and the various national aids), while others are under-supported.

No coordination between Pillar 1 payment to young farmers and Pillar 2 setting-up measure

33. Although the Commission indicated that the 2013 CAP reform was aimed at "increasing the links between the two Pillars, this offering more holistic and integrated approach to policy support"[26], in the four audited Member States we did not observe any coordination between the national authorities managing Pillar 1 payment to young farmers and Pillar 2 setting-up measure. The two measures are managed by different authorities, according to different rules (see ***Table 1***). In particular, the fact of having received aid from the Pillar 2

[26] European Commission, Agricultural Policy Perspective Brief, N°5 "Overview of CAP Reform 2014-2020", December 2013.

setting-up measure has no influence on the possibility of receiving the Pillar 1 payment to young farmers.

Good synergy in Pillar 2 between the setting up and the investments measure

34. In the four audited Member States we observed different levels of coordination between the Pillar 2 setting-up measure and the investment measure, which generated some synergistic effects.

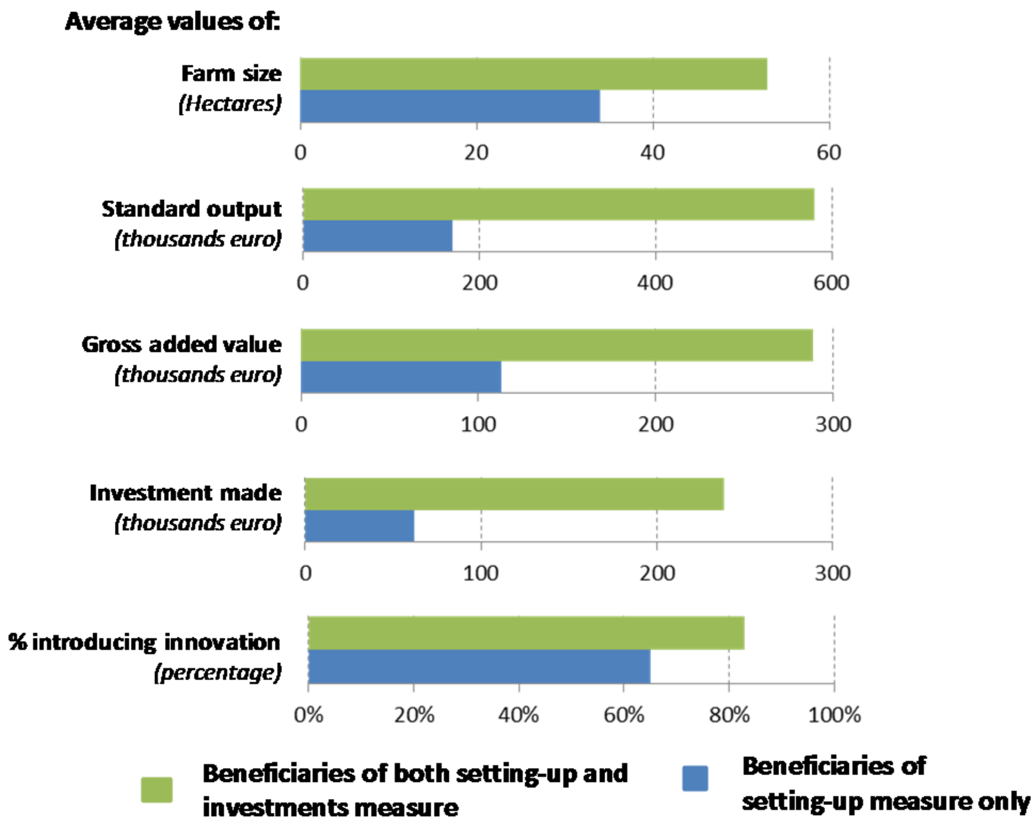
35. In Italy, where the aid to young farmers was provided in the form of an aid package, as recommended by the National Strategic Plan (see ***Box 1***), the combination of the setting up and investment measures proved successful.

Box 1 – Example of good synergy between the setting-up and investment measures

Italy (Emilia-Romagna)

Young farmers applying for the setting-up measure were encouraged to apply at the same time also for the investment measure thanks to higher amounts of aid under the setting-up measure (in 2007-2013) and the award of more points increasing the likelihood of being selected (in 2014-2020). Therefore, half of the applicants for the setting-up measure also received support under the investment measure. On average, these applicants set up larger, more productive, more profitable holdings and invested and innovated more than the others[27]:

[27] *Source:* Ex-post evaluation of the 2007-2013 RDP Emilia-Romagna, see also paragraph 75.



Source: ECA elaboration based on data from 2007-2013 RDP Italy (Emilia-Romagna) ex-post evaluation report.

The aid provided by the setting-up measure is twice more cost-effective when provided jointly with the investments measure. In fact, the return on the public aid (measured as the increase in the annual gross added value of the holdings over the amount of aid[28]) for beneficiaries of both measures is double that for beneficiaries of the setting-up measure only.

36. Also in Spain (Andalucía) in 2007-2013 joint calls were organised between the setting-up and the investment measure, allowing young farmers to receive support under both measures. However, in 2014-2020 the aid package approach was discontinued and separate calls were organised for the two measures, which were assessed at different times against different selection criteria.

37. In France and Poland the setting-up and investment measures worked separately, but young farmers applying for the investment measure benefitted from an extra 10 % in aid to

[28] For beneficiaries of both measures, only the share of the increase of annual gross added value related to the aid provided by the setting-up measure has been considered.

co-finance the investments, while in France, they were also awarded additional points in the project selection system.

Part II – Targeting of the measures

38. The Member States should apply selection methods that prioritise the most cost-effective interventions, for example by:

- targeting the aid towards more qualified young farmers and less favoured areas (e.g. facing highest insufficiency of generational renewal);
- applying selection procedures (e.g. competitive calls for proposals based on clear and relevant selection criteria) and tools (e.g. business plans) to prioritise beneficiaries likely to increase the viability of their holdings thanks to the aid;
- providing an amount of aid linked to improving their viability;
- providing the aid within a reasonable time frame, when needed to facilitate the initial establishment of young farmers and the structural adjustments of their holding.

Pillar 1 payment to young farmers: an over-standardized aid

Pillar 1 legal framework limits the scope for targeting …

39. The Pillar 1 payment to young farmers is provided yearly for a maximum period of five years to any applicants no older than 40 in the year of their first application, setting up for the first time in an agricultural holding as head of the holding, or who have already set up such a holding during the five years preceding the first application for the scheme.

40. Pillar 1 does provide additional income to young farmers. However, the Pillar 1 legal framework does not allow Member States to sufficiently target young farmers who are most likely to need an additional payment to be viable. In fact, Member States can only:

(a) fix the percentage of the national ceiling to be used to finance payments to young farmers[29] (up to 2 % of the direct payment budget);

(b) choose between three calculation methods[30] (most Member States, including France and Poland, calculated it as 25 % of the national average direct payment per hectare);

(c) set a limit (between 25 and 90 hectares) for the number of hectares on the basis of which this payment is calculated (most Member States set it at 90 hectares);

(d) opt to require additional skills and/or training (10 Member States and one region added such requirements[31]);

(e) choose whether to accept joint control of young/non-young farmers over the legal entities applying for the payment or to limit access to legal entities controlled solely by young farmers[32].

41. Furthermore, the implementation of the payment for young farmers is compulsory for all Member States, including those which chose not to implement the setting up measure under Pillar 2 (see paragraph 16). ***Table 2*** provides an overview of the audited Members States' choices in implementing the Pillar 1 payment to young farmers, while ***Annex V*** provides an overview for all 28 EU Member States.

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[29] On average Member States devoted 1.33 % of their 2015 direct payment's budget to this additional payment for young farmers. This refers to estimated financing needs, not actual expenditure.

[30] Article 50(6) to 50(8) of Regulation 1307/2013. As an alternative, Member States may opt for an annual lump-sum payment irrespective of the size of a holding (only Luxembourg chose this option), as foreseen by Article 50(10) of Regulation 1307/2013.

[31] Belgium, Bulgaria, Ireland, Spain, France, Croatia, Luxembourg, Austria, Portugal, Slovakia and United Kingdom (Northern Ireland).

[32] Estonia, Cyprus, Lithuania and Finland opted to limit access to this payment to legal entities controlled solely by young farmers for the period 2016-2020 and Latvia for the period 2017-2020.

Table 2 - Audited Members States' choices in implementing the Pillar 1 payment for young farmers

	France	**Italy**	**Poland**	**Spain**
% of the annual national ceiling	1 %	1 %	1 %	2 %
Calculation method:	25 % of the national average payment per hectare	Average value of entitlements held by a farmer	25 % of the national average payment per hectare	Average value of entitlements held by a farmer
Maximum limit of hectares on the basis of which the payment is calculated	34 ha	90 ha	50 ha	90 ha
Additional skills and/or training requirements	Yes	No	Yes	No
Allow joint control of young and non-young farmers over legal persons	Yes	Yes	Yes	Yes

Source: ECA based on Commission's data.

… resulting in an over-standardized aid

42. Therefore, this payment is provided regardless of:

(a) applicants' skills and/or training requirements (in most Member States[33]): young farmers without any agricultural training are also supported;

(b) the location of the beneficiaries: young farmers located in less favoured areas, who generally face greater viability challenges, are not favoured in comparison with those located in other areas;

(c) the viability of the holdings: holdings that are already profitable and do not need this additional payment to be viable are also supported (see examples in ***Box 2***).

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[33] See ***Annex V*** for an overview.

Box 2 – Examples of holding not needing Pillar 1 additional payment for young farmers to be viable

Poland

One audited beneficiary had a holding of 513 hectares, was receiving around 100 000 euro of EU direct payments every year and was generating a net profit of around 150 000 euro (equal to 15 times the average GDP per capita in Poland) in the three years before applying for the additional payment for young farmers. Therefore, this beneficiary had no financial challenges and was already running a viable holding before obtaining the payment for young farmers (3 000 euro in 2015).

Spain (Andalucía)

Two of the eight audited beneficiaries had holdings of more than 50 hectares, generating an agricultural income of around 400 000 euro and 700 000 euro, respectively (i.e. more than 10 times the average Spanish reference income[34]), in the year before applying for the payment for young farmers. These beneficiaries had already been running a viable holding for more than three years before obtaining the payment for young farmers (4 200 and 1 200 euro respectively in 2015).

Payment also provided to holdings in which young farmers have a minor role

43. In case of joint control of a legal holding with other non-young farmers, this payment is provided under the same conditions regardless of the role of the young farmer in terms of decision-making power. In such situation, even a small share of a legal holding held by a young person not exercising an agricultural activity and, as an individual, not qualifying as an active farmer[35] can make the entire holding eligible for this payment (see example in ***Box 3***).

Box 3 – Example of holding receiving the payment for young farmers despite the young person having only a minor role in the holding

Italy (Emilia-Romagna)

In case of simple companies[36] at least one shareholder needs to be young, irrespective of his/her share, to make the entire holding eligible for the payment for young farmers. This payment is not

34 Renta de referencia: Indicator of non-agricultural gross salaries for Spain. It is set out by Spanish national law No 19/1995. In 2016, its value was 28 397 euro.

35 As defined by Article 9 of Regulation (EU) 1307/2013. See definition in the Glossary.

36 This is the simplest and most common type of company in Italian agriculture. It is defined by Articles 2251-2290 of the Italian Civil Code.

proportional to the share held by the young shareholder or to his/her decision-making power and the active farmer requirement has to be fulfilled by the company, not by the individual young shareholder. Consequently, there are no checks on whether the young shareholder is exercising an agricultural activity as his/her main activity, (s)he is registered as a farmer with social security or that a non-insignificant part of his/her revenue derives from agriculture.

For example, one audited young farmer, who owns 16 % of the shares of a simple company, was neither working in the company nor exercising any agricultural activity and, as an individual, would not qualify as an active farmer. Nonetheless, the company received 8 000 euro in 2016 in additional payment to young farmers for its 90 eligible hectares.

44. There is a risk that this payment is being provided across the EU to numerous holdings in which the young beneficiary has a minor role in the holding and limited decision-making power and, as an individual, would not qualify as an active farmer, as in the example reported above. Out of the 279 071 applicants[37] for this payment in the EU in 2015, 61 742 (around 20 % of the total) exercise joint control over the holding. Nearly half of them (i.e. 26 925, around 10 % of the total) exercise control over the holding jointly with non-young farmers.

45. Out of the four Member States audited, this risk is higher in France and Italy (Emilia-Romagna), where respectively 64 % and 42 % of beneficiaries set up in legal holdings. We could not obtain data in either Member State on the average share of the legal holdings held by young beneficiaries or other information to assess their actual role (e.g. whether the young farmers have a decisive influence on management decisions regarding the holdings, whether (s)he, as an individual, would qualify as an active farmer, whether (s)he is registered as a farmer with the social security).

46. More generally, there is a risk that this payment is provided across the EU to holdings in which the young farmer is not involved in daily management. Additionally, as the aid is

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[37] Based on partial data provided by Member States to the Commission and the Court of Auditors: data from Croatia, France, Italy, Romania, Malta and the United Kingdom were still missing or incomplete at the end of February 2017.

delivered under the same conditions as for direct payments, there are no checks on the legal title to use the land declared by the young farmer to receive this payment.

Not known if amount of aid is linked to needs

47. ***Table 3*** provides an overview of the amount of aid in the four audited Member States.

Table 3 - Overview of the amount of aid provided yearly under Pillar 1 payment to young farmers in the four audited Member States in 2015.

Amount of aid *(euro)*	**France[1]**	**Italy**	**Spain (Andalucía)**	**Poland**
Average	Not known	1 143	2 182	1 040
Minimum	Not known	15	16	25
Maximum	Not known	25 887	15 342	3 000

[1] As of February 2017, the French authorities could not provide a database with the list of beneficiaries of this payment in 2015 indicating the amount received from this payment and the other Pillar 1 direct payments, the date of setting-up and application, the number of hectares and the share of the holding held by the young farmer (in case of joint control of the holding).

Source: ECA based on Member States' data.

48. At EU level, the average amount of aid provided by the payment for young farmers was 1 200 euro per holding in 2015. This amount represents around 4 % of the average income of a holding (30 000 euro) in the EU[38] and even less in some Member States. For example, in Italy the average amount of aid was 1 143 euro, representing less than 2 % of the average income of a holding run by a young farmer (64 328 euro)[39].

49. This amount is not linked to the viability or other characteristics of the holdings (see paragraph 42) and it is not known if it is proportional to young farmers' needs, as these were

[38] According to the Farm Accountancy Data Network the average Farm Net Value Added (FNVA) in the E27 EU Member States in 2012 was around 30 000 euro, while the FNVA per Annual Work Unit was around 19 000 euro.

[39] Istituto Nazionale di Economia Agraria, "I giovani e il ricambio generazionale nell'agricoltura italiana", 2013, p. 45. This value is based on the survey conducted in the framework of the Farm Accountancy Data Network and may not be statistically representative of the population of farmers less than 40 years old in Italy.

not assessed (see paragraphs 19 to 22). Audited beneficiaries indicated that this amount was mainly used to cover current expenditure and to make up for shortfalls in their revenue resulting from the fluctuation of agricultural prices, which is a situation that all farmers – not only those up to 40 – have to face. It is therefore unlikely that the amount of aid currently provided by this payment would have a substantial impact on the viability of the holdings and on the young farmers' setting-up decisions.

50. Italy and Spain opted for calculating the amount of aid as 25 % of the average value of entitlements held by each young farmer. This value is linked to the historical value of the entitlements held by each young farmer, who acquired or rented them from other farmers (e.g. parents or older farmers). Since the objective of this payment is to facilitate the initial establishment of young farmers it is not clear why the amount of aid is linked to the history of the holdings and consequently penalises young farmers who are not inheriting or obtaining high-value entitlements previously held by other farmers.

Timing of aid not facilitating the initial setting-up of young farmers

51. The aid was often paid to beneficiaries who had been established for several years and, in some cases (see examples in ***Box 2***), had already achieved a sufficient and stable income. This means that the timing of the aid was generally not consistent with its claimed objectives, as it was often paid too late to facilitate the initial establishment of young farmers or to contribute to any structural adjustment of their holdings. Nor did it act as incentive, as most of young farmers audited had set up before knowing that they would receive the aid.

Pillar 2 project selection system allows good targeting, although best projects were sometimes not prioritised

Eligibility and selection criteria allowed targeting the aid towards more qualified farmers and less favoured areas …

52. All four audited Member States directed the aid towards more qualified farmers, by requiring either to have a sufficient level of agricultural education or to acquire it within 36 months from application. The aid has generally increased the professional competence of

young farmers and their capacity to introduce innovations. For example, in Italy (Emilia-Romagna) 31 % of supported young farmers hold an agricultural degree, while only 25 % of all young farmers existing in the region hold such a degree. In Spain (Andalucía) 84 % of supported young farmers have some agricultural training, compared to only 26 % of all young farmers existing in the region and 12 % of supported young farmers apply organic farming methods, compared to only 4 % of all young farmers existing in the region.

53. All four audited Member States encouraged young farmers to set up in less favoured areas (e.g. areas with natural constraints, with higher unemployment):

- in France and Italy (Emilia-Romagna) this was done by providing significantly higher amount of aid (around 20 000 euro more) to applicants setting up in less favoured areas;
- Italy (Puglia) effectively favoured young farmers setting up in less favoured areas both by awarding more points in selection criteria and by granting an additional amount of 5 000 euro to young farmers setting up in such areas. As a result, a higher proportion of young farmers located in rural areas with overall development problems (12 %) and intermediate rural area areas (10.6 %) was supported than those in rural areas under specialised intensive farming (9.9 %) and urban hubs (8 %)[40];
- in Spain (Andalucía) this was done both by awarding more points in the selection criteria and by granting an additional amount (+10 %) to young farmers setting up in such areas;
- in Poland this was done through selection criteria by awarding additional points, in the 2007-2013 period, to applicants setting up in areas with higher unemployment.

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[40] Rural areas with overall development problems represent the most disadvantaged territories of the region, in which the difficult topography and the scarcity of infrastructure limits productive activities, and are characterised by a significantly lower GDP per capita than other areas.

Picture 1 – Holding that received support to set up in a less favoured area

Source: ECA.

… although generational renewal was rarely addressed in the selection criteria

54. Only in Spain (Andalucía) in the 2007-2013 period and in Poland in the 2014-2020 period was there a selection criterion directly encouraging generational renewal: in Spain (Andalucía) applicants setting up as a result of an early retirement received more points, while in Poland the higher the age difference between the transferor of the holding and the young farmer the more points were awarded to the project. However, in practice, such criteria almost never had a decisive impact on targeting the aid, mainly because minimum thresholds of points were too low or non-existent (see paragraph 55).

Weaknesses in selection systems often hindered prioritisation of best projects

55. The selection systems should enable the comparative assessment and ranking of the project proposals to prioritize the most cost-effective projects. However, the selection

criteria often had a limited impact in terms of targeting aid towards the best projects, as they were either introduced late in the 2007-2013 period or hardly ever applied to exclude low-quality projects. This was due to minimum thresholds of points for projects to be selected being too low or non-existent, and to an unbalanced distribution of the seven-year budget for the measure.

56. For example, in Italy (Puglia), the whole 2007-2013 budget of the measure was used up, as almost all the applications submitted under the call for proposals organised in 2009 were funded. The threshold was so low that only eight projects out of 2 424 were rejected. Consequently, young farmers who set up in the following five years with potentially better projects could not be funded.

57. Similarly, in Spain (Andalucía), the whole 2014-2020 budget of the measure was used up in the first two calls for proposals (2015 and 2016) and the minimum points threshold was only one point out of 20. This means that for the rest of the programming period young farmers with potentially better projects will not have the opportunity to be funded, unless the budget for the measure is increased.

58. In Poland, the managing authority applied a 'first come first served' system with no selection criteria until 2011, when the budget was exhausted. Until 2014, when the budget for the measure was increased and selection criteria were introduced, no further call for proposals could be organised, preventing young farmers who set up in the intervening three-year period from being funded.

59. Only in France and Italy (Emilia-Romagna) was the budget equally spread out through the programming periods with sufficiently high minimum points thresholds (although in France only for Midi-Pyrénées in 2014-2020 period). This made it possible to select a constant number of applications of sufficient quality to be funded every year.

Little evidence of improved viability

60. The Pillar 2 measure for setting up of young farmers aims at enhancing farm viability by favouring the setting up of adequately skilled farmers in agriculture and generational renewal (see paragraph 29). Business plans are in principle useful tools to guide young

farmers in developing viable holdings. They should also allow managing authorities to assess, at selection stage, the viability of the holdings and, later, monitor and evaluate the results.

61. In none of the audited Member States was the initial estimated income of the holdings (before the project) used in the selection process to assess their potential to self-finance the investments. Moreover, business plans are useful tools but we found little evidence of improved viability (see ***Box 4***).

Box 4 –Little evidence of improved viability

France

Business plans were used to assess the likely viability of the holdings and support only young farmers setting up in holdings expected to generate an income – by the end of the project (normally the fourth year) – at least equal but not more than three times to the French minimum wage[41]. This criterion generally allowed aid to be channelled towards holdings that were both likely to be viable and in need of public aid. However, because of the significant delays in carrying out the checks at the end of the project, for most beneficiaries who started their projects in the period 2007-2010 there is as yet no evidence that they became viable. In Pays-Loire almost half of the 598 projects that were completed and checked by November 2016 failed to respect the business plans, while in Midi-Pyrénées only 3 % of checked projects failed to respect the business plans.

Poland

Business plans were not required to show an increase in the viability of the holdings but only to mantain the initial level of standard output (or to reach a minimum level of 4 800 euro, where the initial level was lower than that) in 2007-2013, or achieve a modest increase (+10 %) in 2014-2020. This requirement is an attempt to prompt young farmers to maintain or slightly increase their farm size and/or to choose more productive crops. However, it is not necessarily prompting young farmers to increase their income and viability, since the standard output does not consider the costs or, therefore, the income. It only measures the agricultural production potential of a holding on the basis of its size and type of crops/livestock.

41 *Salaire minimum interprofessionnel de croissance (SMIC)*, net of social contributions. This is calculated by the French statistical office and equals to a gross monthly salary of 1 480 euro (at 1.1.2017) based on 151.67 working hours per month.

Spain

Business plans were used to support, as a priority, young farmers setting up in holdings expected to generate sufficient workload for at least one annual work unit and an income per annual work unit between 35 % and 120 % of the Spanish reference income[42]. However, the estimated income was influenced by the cost estimates stated by the beneficiaries in their business plans, whose reliability was not checked by the managing authority when approving projects. Also the checks at the end of the project were not based on actual costs, income, equipment or employees.

In addition, business plans were not required to show an increase in the viability of the holdings and were not used to assess the need for public support. Three of the seven audited beneficiaries used the aid essentially for buying additional land or acquiring shares in a holding from parents or brothers, without demonstrating any increase in the viability of their holdings.

62. Only in Italy (Emilia-Romagna) we found evidence of improved viability of the supported holdings, as shown by the ex-post evaluation report (see ***Box 5***).

Amount of aid linked to needs and modulated to trigger specific actions

63. The following ***Table 4*** provides an overview of the possible amounts of aid in the audited Member States in the 2007-2013 and 2014-2020 programming periods.

[42] Renta de referencia: Indicator of non-agricultural gross salaries for Spain. It is set out by Spanish national law No 19/1995. In 2016, its value was 28 397 euro.

Table 4 - Overview of the amounts of aid under the Pillar 2 setting-up measure in the audited Member States in the 2007-2013 and 2014-2020 periods

2007-2013 programming period					
Amount of aid *(euro)*	**France**	**Italy (Emilia-Romagna)**	**Italy (Puglia)**	**Spain (Andalucía)**	**Poland[1]**
Average	15 440	38 077	40 000	53 270	17 000
Minimum	8 000	15 000	40 000	24 000	12 000
Maximum	58 400	40 000	45 000	70 000	24 000
Examples of modulation	Minimum amount increased to 16 500 euro for setting up in mountain areas	Introducing organic farming, contracting a loan, making over 60 000 euro of investments	+5 000 in less favoured areas	+10 % in less favoured areas	None

2014-2020 programming period					
Amount of aid *(euro)*	**France**	**Italy (Emilia-Romagna)**	**Italy (Puglia)**	**Spain (Andalucía)**	**Poland**
Average	20 282 in Midi-Pyrenees 12 747 in Pays-Loire	Not yet available	Not yet available	60 331	24 000
Minimum	8 000	30 000	40 000	30 000	24 000
Maximum	58 000	50 000	45 000	70 000	24 000
Examples of modulations	+30 % in Pays-Loire for setting up outside the family circle	+ 20 000 in less favoured areas	+5 000 in less favoured areas	+25 000 if standard output above 50 000 euro	None

[1] As of 12.12.2014 it is 24 000 euro (PLN 100 000), while until 31.12.2011 it was 12 000 euro (PLN 50 000) and from 1.1.2012 to 12.12.2014 it was 17 000 euro (PLN 75 000).

Source: ECA based on Member States' data.

64. In France, Italy and Spain the amount of aid was generally linked and modulated in function of the specific needs and characteristics of the holdings (e.g. location, standard

output) as well as of the actions included in the business plans (e.g. innovations, loans, investments) in 2007-2013.

65. Modulations of the amount of aid proved to be a good tool to encourage young farmers to set up in more difficult conditions (e.g. in mountain areas, outside of the family circle, contracting a loan), introduce production quality systems like organic farming, water/energy saving technologies, undertake larger investments or run more productive holdings. However, for the 2014-2020 programming period the Commission required Member States not to link the amount of aid with the investments elements or their size.

Picture 2 – Holding that received support to set up and introduced organic farming production methods

Source: ECA.

66. Poland set a fixed amount of aid (currently 24 000 euro) for any young farmer setting up, regardless of the characteristics of the holdings and content of the actions and targets set out in the business plan (e.g. location, size, investments, etc). This standardized approach increases the risk that the amount of aid might not be proportional to the needs and efforts of the young farmer setting up and does not incentivise specific actions.

Timing of aid generally appropriate

67. In France, Italy and Poland the timing of the aid was generally appropriate since, in most cases, the young farmers received the aid within one year from setting-up, i.e. when it was needed to develop their holding. In fact, project applications were generally processed within a reasonable time frame (less than six months from the application date). Young farmers received the aid before implementing most of the actions set out in the business plan. So, the aid helped to mitigate the problem of access to capital and, sometimes, also to obtain a loan from banks.

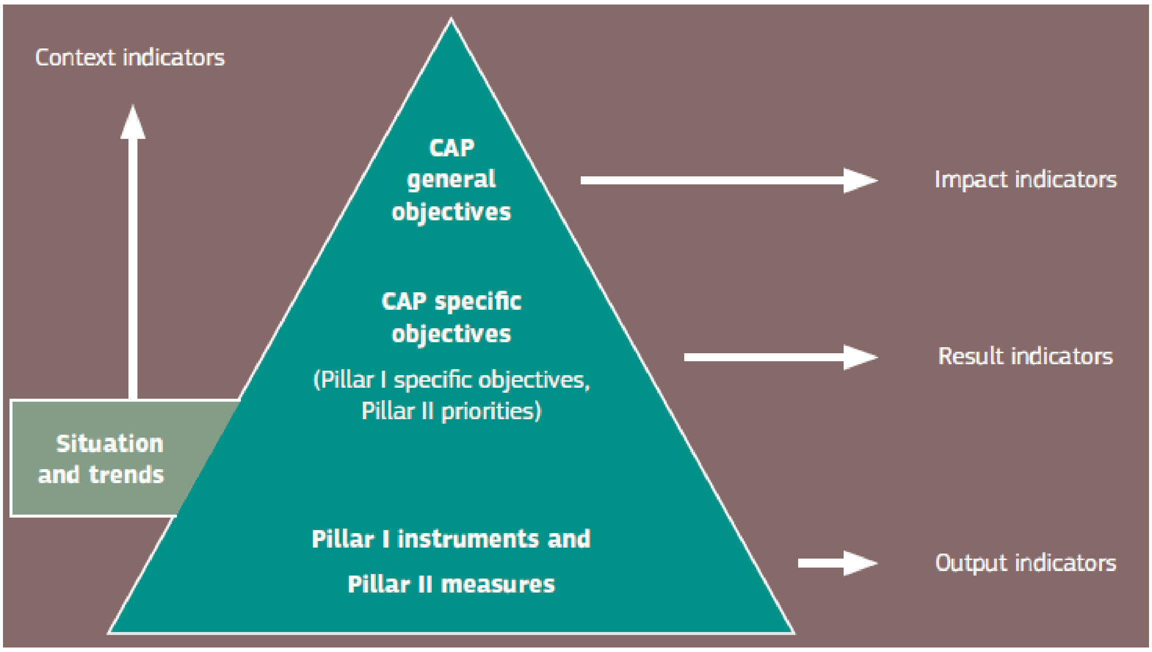
68. Only in Spain (Andalucía) the administrative processing times were long in 2007-2013 and on average applicants had to wait 17 months for project approval (well beyond the six-month limit the managing authority set in the calls for projects). As a result, two of the eight audited beneficiaries had made some investments before knowing if their projects would be approved. Moreover, the aid was always paid on the basis of proof of expenditure, so after the beneficiaries had made all the investments. Thus, the aid was generally provided too late in relation to young farmers' needs in the setting up process.

Part III – Monitoring and evaluation of the measures

69. To obtain performance information on the effectiveness and efficiency of EU spending:

- the Commission should establish a Common Monitoring and Evaluation Framework (CMEF) providing output, results and impact indicators allowing to assess the progress, effectiveness and efficiency of the policy against objectives (see ***Figure 6***);

Figure 6 - Hierarchy of indicators in the CMEF



Source: EC, Technical Handbook on the Monitoring and Evaluation Framework of the Common Agricultural Policy 2014-2020.

- the Member States should provide the Commission with all the information allowing the monitoring and evaluation of the measures, also by developing useful additional indicators. As far as possible, this information shall be based on established sources of data, such as the Farm Accountancy Data Network and Eurostat;

- performance evaluations should be carried out by independent contractors under the responsibility of the Commission (for Pillar 1 measures) and of the Member States (for Pillar 2 measures).

CMEF indicators do not allow assessing the performance of the measures in achieving their objectives

70. In order to demonstrate the performance of the EU measures supporting young farmers in achieving their objectives (see paragraphs 26 to 30), Member States should collect data on the outputs and results achieved. Under the CMEF, Member States must collect information for the following output and result indicators as a minimum (see ***Table 5***).

Table 5 - Overview of compulsory indicators under the CMEF for the Pillar 2 setting-up measure (measure 112 in 2007-2013, measure 6.1 in 2014-2020) and the Pillar 1 top-up payment for young farmers (in 2014-2020)

Type of indicator	**2007-2013 Pillar 2 (measure 112 for setting up of young farmers)**	**2014-2020 Pillar 2 (measure 6.1 for setting up of young farmers)**	**2014-2020 Pillar 1 (payment to young farmers)**
Total Public Expenditure ***(euro)***	5 281 543 934	10 440 973 292	2 621 619 765
Output	- Number of young farmers supported - Total volume of investments	- Number of agricultural holdings with RDP-supported business development plan/investments for young farmers	- Number of young farmers - Number of hectares
Result	- Increase in gross value added in supported holdings	- Percentage of agricultural holdings with RDP-supported business development plan/investments for young farmers (out of total holdings)	None
Impact[1]	- Economic growth (net added value per annual work unit) - Labour productivity (added value per annual work unit)	- Agricultural entrepreneurial income - Agricultural factor income - Total factor productivity in agriculture - EU commodity price variability	

[1] At RDP level in 2007-2013 and related to CAP objective of viable food production in 2014-2020.

71. As in previous ECA reports[43], we found that the performance information collected via the CMEF indicators does not allow assessing the effectiveness and efficiency of the measures in achieving their objectives. This is mainly due to the fact that:

- for the 2007-2013 period, in all audited Member States except Italy (Emilia-Romagna, see paragraph 35), the only result indicator in the CMEF (Increase in gross value added in supported holdings) was based on unverifiable estimates and not on actual data collected from the supported holdings;

[43] See Special Reports Nos 8/2012, 1/2013, 6/2013, 12/2013, 25/2015 (http://eca.europa.eu).

- for the 2014-2020 period there are no result indicators in the CMEF allowing to assess the improvement in the viability of the holdings, which is the ultimate objective to which such measures should contribute. The only result indicator relating to the Pillar 2 measure for the setting up of young farmers (Percentage of agricultural holdings with RDP-supported business development plan/investments for young farmers (out of total holdings)) is not a proper result indicator but rather an output indicator, as it does not measure the effect of the support in relation to its objectives (e.g. viability of the holdings, generation renewal, job creation, increase in educational and innovation level of young farmers, etc.);

- actual data on the structural and financial characteristics of the supported holdings (e.g. revenue, income, number of employees) is not usually collected. Also the estimates of income from the Farm Accountancy Data Network are not representative for supported young farmers or for the young farmers' population[44]. It is therefore unknown for all audited Member States except Italy (Emilia-Romagna, see paragraph 75), whether the supported holdings are actually employing more people, becoming larger, more productive and more viable, and generating more income than non-supported holdings. It is also unknown whether holdings supported by the Pillar 1 payment for young farmers and the Pillar 2 setting-up measure are actually performing better in these respects than holdings supported only by one measure.

… however, some Member States developed useful indicators

72. In addition to the compulsory indicators under the CMEF, Member States may set additional specific indicators. ***Table 6*** provides an overview of the additional voluntary indicators set by some audited Member States in relation to the Pillar 2 setting-up measure.

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[44] The FADN sample was set up to observe incomes of commercial agricultural holdings. It can provide useful information about the business performance of agricultural holdings per agricultural sector and size class. However, it was not designed to be representative of specific groups such as CAP beneficiaries or young farmers. Therefore, sufficiently representative information is not available on the income of young farmers or on the effects of specific EU support measures, such as the measure for setting up of young farmers. For further information see Special Report No 1/2016 paragraphs 48 to 50 (http://eca.europa.eu).

<u>Table 6</u> - Overview of additional indicators set by some audited Member States in relation to the Pillar 2 measure for the setting up of young farmers.

Type of indicator	Pillar 2 measure for the setting up of young farmers
Italy (Emilia-Romagna)	
Result	- Increase or maintaining of employment in supported holdings - Number of supported young farmers introducing voluntary certification systems - Number of supported young farmers integrating environmental and animals' well-being aspects in the investments
Impact	- Number of jobs created
Poland	
Result	- Average increase in the economic size (standard output) of supported holdings - Average percentage increase in the economic size (standard output) of supported holdings - Average size of supported holdings after implementation of the business plan
Impact	- Number of jobs created
Spain (Andalucía)	
Output	- Number of young farmers who set up as a result of an early retirement - Percentage of women among supported young farmers setting-up
Result	- Number of jobs created

Source: ECA elaboration based on the audited RDPs.

73. These additional indicators set by Member States allow assessing the effectiveness of the measures in relation to specific objectives, such as job creation, gender balance, rejuvenation of farmers and innovation. For example, in Italy (Emilia-Romagna), thanks to the indicator "Number of supported young farmers introducing voluntary certification systems" we know that 214 (13 %) out of the 1640 beneficiaries of the measure in 2007-2013 have introduced this type of innovation in their holdings. In Spain (Andalucía) thanks to the two additional output indicators, we know that the measure was less effective than expected in fostering rejuvenation of farmers (only 53 supported young farmers set up as a result of an early retirement, compared to a target of 92) and the setting-up of women (only 23 % of supported young famers were women, compared to a target of 45 % and a percentage of women under 44 years old in the farmers population in Andalucía of 32 %).

Evaluations do not generally provide valuable information on the performance of the measures, though one good practice was identified

74. In the four audited Member States the mid-term and ex-post evaluations of the 2007-2013 programming period provided very little or unreliable information on the performance of measure 112 for the setting up of young farmers, except for Italy (Emilia-Romagna). For example:

- France had not yet provided (at end of February 2017[45]) the 2007-2013 RDP ex-post evaluation report, which was due by 31.12.2016;

- Italy (Puglia) 2007-2013 RDP ex-post evaluation indicated that the average turnover of supported holdings increased, on average, by 15 500 euro from setting-up and that 73 % of the supported holdings hired new staff. However, such results are based on a web survey to which only 16 beneficiaries replied and the underlying declarations on turnover were not checked against any evidence;

- Poland 2007-2013 RDP mid-term evaluation indicated that the “Gross value added of the supported holdings increased, on average, by 35 % by the end of 2009”, without indicating a base year of comparison. In addition, the evaluation report indicated that this increase was largely due to the increase in the amount of grants and subsidies rather than to an increase in the value of agricultural production;

- Spain 2007-2013 RDP ex-post evaluation indicated that the “Gross value added of the supported holdings increased, on average, by 23.5 %” but did not explain the estimation methodology or the source of data.

75. Only in Italy (Emilia-Romagna) the 2007-2013 RDP ex-post evaluation provides valuable information on the performance of the measure for setting up of young farmers (see ***Box 5***).

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[45] France provided the ex-post evaluation report at the end of March 2017, after the closure of this audit.

Box 5 – Example of an ex-post evaluation report showing the effectiveness of the measure for the setting up of young farmers

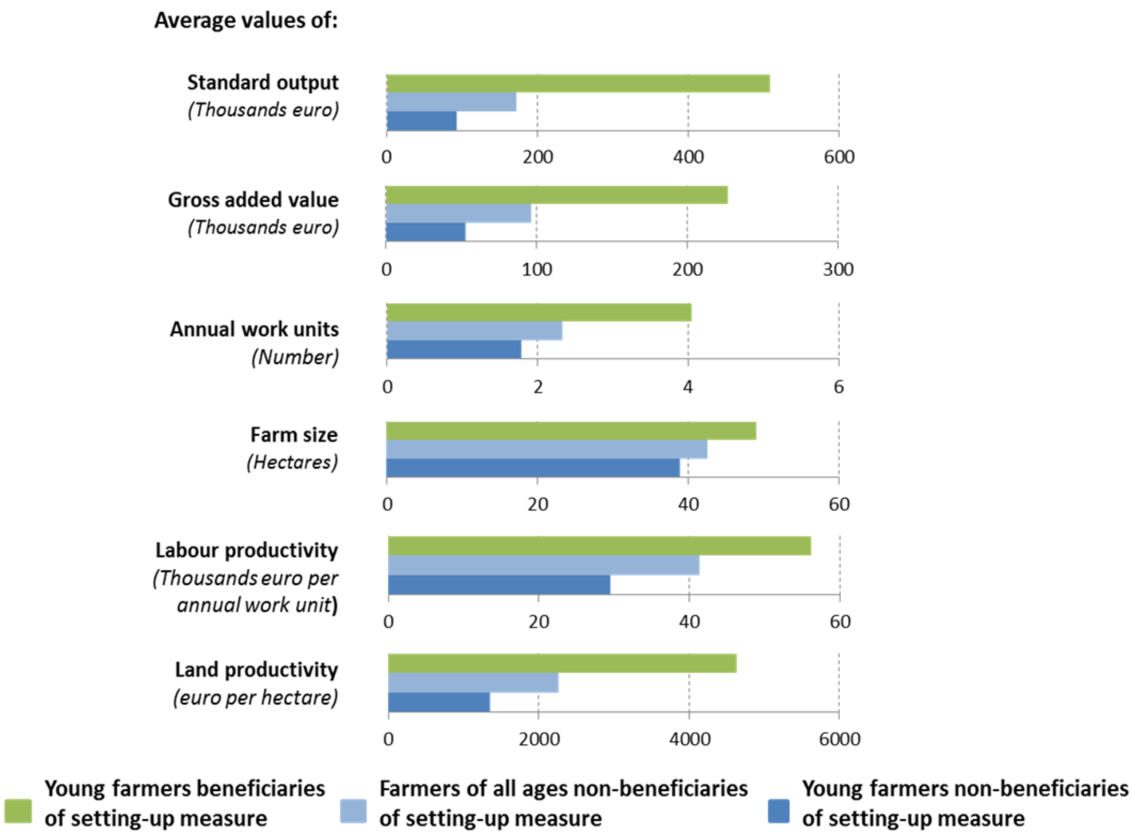
Italy (Emilia-Romagna)

The 2007-2013 RDP ex-post evaluation provides a counter-factual analysis, comparing a sample of 56 young farmers supported by measure 112 with two counter-factual samples:

- a sample of 122 farmers of all ages not-supported by the measure;

- a sample of 22 young farmers not-supported by the measure.

This analysis shows that young farmers supported by measure 112 always performed better than the other two counter-factual samples, in terms of standard output, gross added value, number of annual work units, farm size, labour productivity and land productivity.



Source: ECA based on data from 2007-2013 RDP Italy (Emilia-Romagna) ex-post evaluation report.

The ex-post evaluation also shows positive results for the measure in terms of the sustainability of the supported holdings. In fact, 94.6 % of the 624 beneficiaries who set up in 2008-2009 were still in business six years later (compared to 94.3 % of farmers of all ages who set up in 2007-2013 in Emilia-Romagna). Among the supported young farmers, abandonment rates were significantly lower for holdings above 16 hectares than for smaller holdings (4.6 % vs 9.5 %) and for beneficiaries who set up in legal holdings rather than in individual holdings (3.7 % vs 6.5 %).

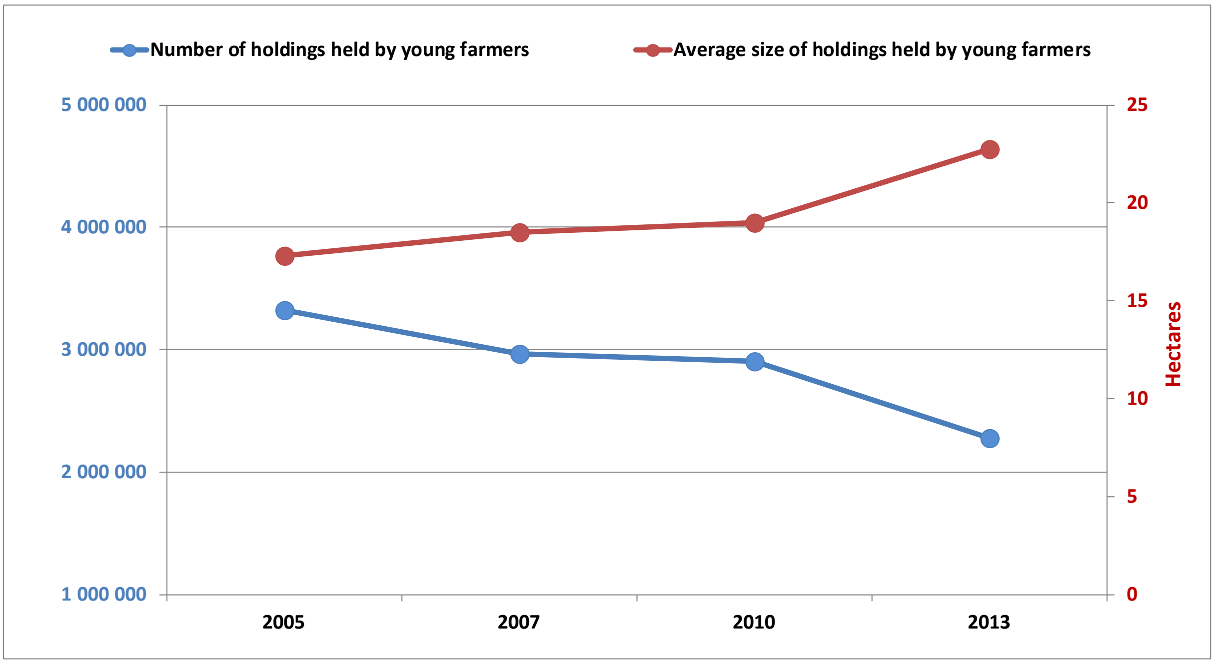
Limited evidence of facilitating young farmers' setting-up

76. In the four audited Member States we found limited evidence that the EU measures had facilitated the setting-up of young farmers by helping to overcome the initial entry barriers, such as access to land, capital, knowledge and sufficient income.

77. The EU measures helped only to a little extent young farmers in accessing land. In fact, the Pillar 1 payment for young farmers was provided only to young farmers who already had land, while Pillar 2 was only to a little extent prompting young farmers to increase their farm size via eligibility and selection criteria (see paragraphs 60 to 61), although there was no evidence that it prompted an increase in farm viability. Only for Italy (Emilia-Romagna) was there some evidence that supported young farmers increased their farm size more than non-beneficiaries (see paragraph 75).

78. In general terms, the total number of hectares held by young farmers has remained stable in the 2005-2013 period (see ***Figure 7***). The reduction in the number of holdings held by young farmers has been offset by an increase in the average farm size.

Figure 7 - Evolution of the number of holdings held by young farmers, the average size of their holdings and the total number of hectares held by young farmers in the 27 EU Member States



million hectares	2005	2007	2010	2013
Total number of hectares held by young farmers	57.7	54.8	55.2	51.9
Total number of hectares held by farmers of all ages	172.1	172.8	174.5	173.0

Source: ECA based on Eurostat, Farm Structure Survey 2005-2013.

79. The EU measures directly helped young farmers access to capital, thanks to the provision of financial aid. However, there is no evidence – in case of the Pillar 1 payment to young farmers – and little evidence – in case of Pillar 2 measure for the setting up of young farmers – that EU aid has facilitated young farmers' access to credit from commercial banks:

- In France and Italy (Puglia) the aid from Pillar 2 could also be provided also in the form of an interest-subsidy on a loan, however such form of aids had little success. In France many beneficiaries expressed their dissatisfaction with the fact that the loans they have obtained are non-negotiable and cannot be re-financed, obliging them to pay a fixed interest rate much higher than the current market interest rate. In Italy (Puglia), only 37 beneficiaries out of the 2 502 beneficiaries in the 2007-2013 period requested such aid, mainly because the managing authority required all investments included in the business plan to be completed before beneficiaries could request the interest subsidy;

- In Italy (Emilia-Romagna) and Poland the aid under the Pillar 2 setting-up measure was not provided in the form of an interest-subsidy on a loan, although in Italy (Emilia-Romagna) beneficiaries could receive a higher amount of aid when they obtained a loan for more than 30 000 euro (see ***Table 4***);

- only in Spain (Andalucía), where the aid from Pillar 2 was also provided in the form of an interest-subsidy on a loan (to 567 beneficiaries out of the 738 beneficiaries in the 2007-2013 period) and the access to credit is particularly problematic for young farmers[46], commercial banks became more prone to provide loans, as shown for seven out of the eight audited beneficiaries.

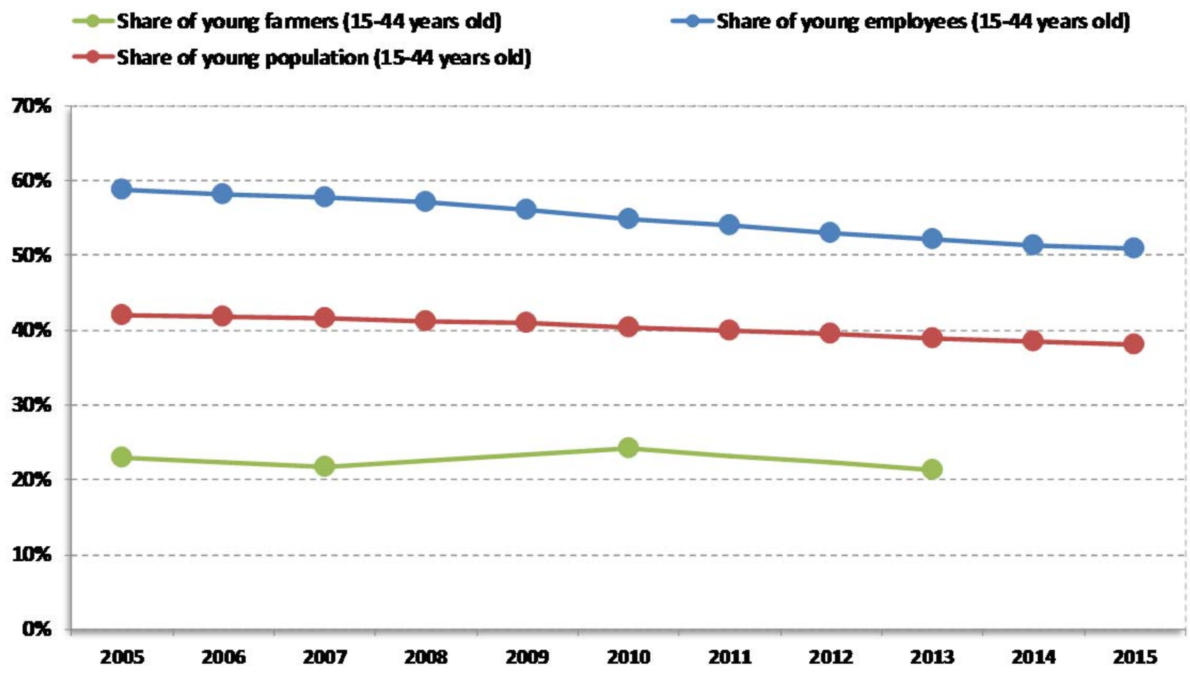
80. The EU measures, especially the Pillar 2 measure for the setting-up of young farmers, generally had a positive impact on young farmers’ knowledge levels, thanks to eligibility criteria which favoured the entry of more qualified farmers in the agricultural sector. However, this positive impact on young farmers’ knowledge levels was not ensured in Italy and Poland by the Pillar 1 payment to young farmers, as these Member States did not require applicants to have or acquire any particular skills or training.

No clear relationship between EU aid and generational renewal

81. Generational renewal is a general issue that affects the entire population and labour force in the EU. As shown in ***Figure 8***, the share of young people in the total population and in the labour force is decreasing more rapidly than in the farmers’ population.

[46] According to the ECORYS, LEI-Wageningen UR, Aequator Groen & Ruimte for Commission: “Young farmers’ needs in Spain”, September 2015, 56 % of young farmers in Spain perceived access to credit as problematic, compared to 33 % of young farmers in the 28 EU Member States.

<u>Figure 8</u> - Evolution of the share of young people in the total population, in the labour force and in the farmer population in the 27 EU Member States.

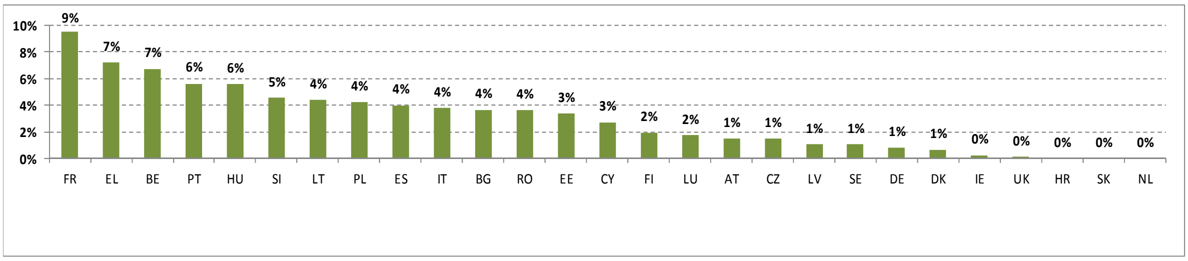


Source: ECA based on Eurostat data from Population Census (2005-2015), Labour Force Survey (2005-2015) and Farm Structure Survey (2005-2013).

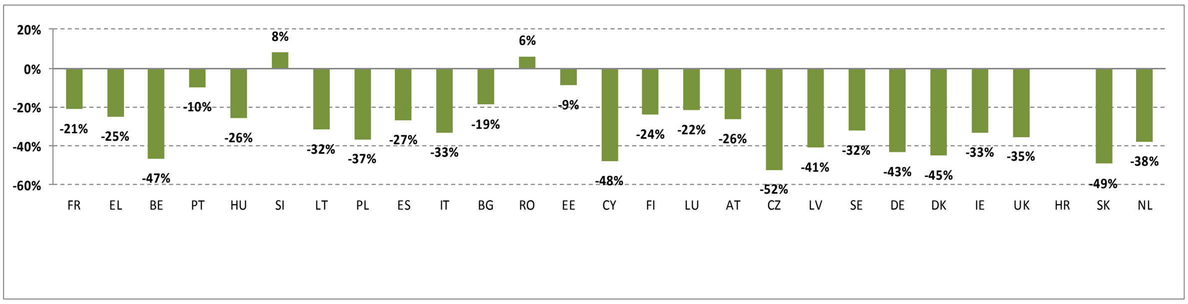
82. It is generally not possible to establish a clear relationship between the EU aid provided and the evolution of the number of young farmers (see ***<u>Figure 9</u>***). It is also difficult to know if and to what extent the EU aid has contributed to the increase in the average farm size (see paragraphs 77 and 78), or if this increase has led to a higher viability of the holdings.

Figure 9 - Comparison of share of EAFRD expenditure for setting up of young farmers (measure 112) and variation in the number of farmers up to 44 years old in 2007-2013

Share of EAFRD expenditure spent for young farmers (M112)
(% of total EAFRD expenditure)



Variation 2007-2013 of number of farmers below 44 years
(% of 2007 population)



Source: ECA based on Eurostat, Farm Structure Survey 2007-2013 and Commission data (at January 2017).

83. This is due to various reasons:

- the EU aid is generally provided to a small percentage of young farmers: only 7 % of all young farmers existing in 27 EU Member States[47] received EU aid for setting up;

- there are several national policies supporting young farmers, which are rarely coordinated with the EU measures (see paragraphs 16 and 31 to 32).

- the monitoring and evaluation system does not produce adequate information on the achievement of the objectives, mainly because of the low quality of indicators provided by the common monitoring system (see paragraphs 70 to 71) and the limited or unreliable performance information provided by most evaluations (see paragraph 74);

[47] Based on average number of farmers in the age group 15-44 years old in the 2007-2013 period.

- there are general factors other than EU measures influencing this relationship, such as the economic and social situation, the propensity of banks to provide loans, and the employment possibilities in sectors other than agriculture (see paragraph 16).

CONCLUSIONS AND RECOMMENDATIONS

84. EU agriculture is facing a decreasing farming population. The overall number of farmers in the EU-27 has rapidly decreased in the last decade, falling from 14.5 million farmers in 2005 to 10.7 million farmers in 2013. Young farmers (up to 44 years old) fell from 3.3 million in 2005 to 2.3 million in 2013. As the reduction affected all age groups, the percentage of young farmers in the farming population remained relatively stable, slightly above 20 %. However, significant differences exist between Member States (see ***Annex II***).

85. In 2007-2020 the EU allocated 9.6 billion euro in specific support to young farmers to foster the competitiveness of agricultural holdings and generational renewal in agriculture. Together with Member States' co-financing of Pillar 2 setting-up measure, the total public support amounts to 18.3 billion euro. Almost 200 000 young farmers received the EU aid for setting up in the 2007-2013 period. More than 70 % of the EU spending was provided under the Pillar 2 (EAFRD) measure for setting up of young farmers and the remaining 30 % is provided, in 2014-2020, under the Pillar 1 (EAGF) additional direct payment for young farmers.

86. Against this backdrop, we examined the role of the EU in supporting young farmers and fostering generational renewal. The audit sought to answer the following question:

Is the EU support to young farmers well designed to contribute effectively towards improved generational renewal?

87. The overall conclusion is that the EU support to young farmers is based on a poorly defined intervention logic, with no expected result and impact specified. It should be better targeted to foster effective generational renewal.

88. As regards the intervention logic:

For Pillar 1 payment for young farmers we found that:

- It is not based on a needs assessment, its objective does not reflect the general objective of encouraging generational renewal, and Member States did not coordinate it with Pillar 2 setting-up measure or national measures (see paragraphs 19 to 33);

- In the absence of a needs assessment the aid is provided in a standardized form (annual payment per hectare), in an amount and in a timing where it is unclear which specific needs other than additional income are addressed (see paragraphs 39 to 51).

For Pillar 2 measure for setting up of young farmers we found that:

- Although it is generally based on a vague needs assessment, its objectives are partially SMART and reflect the general objective of encouraging generational renewal. There is good coordination between the Pillar 2 measures for setting-up and investments. However, there is little coordination with national financial instruments, such as loans at favourable conditions to buy land (see paragraphs 19 to 37);

- The aid is provided in a form addressing directly the young farmers' needs of access to land, capital and knowledge. The amount of aid is generally linked to the needs and modulated to trigger specific actions, like introducing organic farming, water or saving initiatives, setting up in less favoured areas (see paragraphs 25 and 52 to 53).

Recommendation 1 – Improve the intervention logic by reinforcing needs assessment and defining SMART objectives

For the post-2020 CAP, the Commission should indicate (or require Member States to indicate, in line with the shared management provisions) clear intervention logic for the policy instruments addressing generational renewal in agriculture. The intervention logic should include:

- a sound assessment of young farmers' needs investigating the underlying reasons why young people willing to become farmers face barriers in their setting up process and the degree of diffusion of such barriers across geographical areas, agricultural sectors or other specific holdings' characteristics;

- an assessment of which needs could be addressed by EU policy instruments and which needs can be or are already better addressed by Member States' policies as well as an analysis of which forms of support (e.g. direct payments, lump sum, financial instruments) are best suited to match the identified needs;

- a definition of SMART objectives, making explicit and quantifiable the expected results of the policy instruments in terms of expected generational renewal rate and contribution to the viability of the supported holdings; in particular it should be clear if the policy instruments should aim at supporting as many young farmers as possible or target specific type of young farmers (e.g. the most educated, those setting up in less favoured areas, those introducing energy or water savings technologies in the holdings, those increasing the profitability or productivity of the holdings, those employing more people).

89. As regards the targeting of the measures:

For Pillar 1 payment to young farmers we found that:

- The aid is provided in a standardized form regardless of the viability of the holdings, their location and, in most Member States, the skills and/or educational levels of beneficiaries. In case of joint control of legal holdings with other non-young farmers, the aid is sometimes provided to holdings in which young farmers could have only a minor role – in terms of decision making power – (see paragraphs 39 to 46).

For Pillar 2 measure for setting up of young farmers we found that:

- The aid is directed to more qualified farmers, who commit to implement a business plan guiding them in developing viable holdings and who are often encouraged through the project selection process to set up in less favoured areas. However, business plans were of variable quality and managing authorities often did not apply selection procedures to prioritise best projects. Selection criteria were introduced late in the 2007-2013 period, minimum thresholds were either too low or non-existent and the 7-years budget of the measure was used up in some Member States to fund nearly all applications submitted at the start of the programming period, implying that young farmers who set up later could not be funded (see paragraphs 52 to 61).

Recommendation 2 – Improve the targeting of the measures
When implementing the post-2020 CAP measures, the Member States should improve the targeting of the measures by: - applying criteria to ensure the selection of the most cost-effective projects, such as projects delivering the highest increase in productivity or viability of the supported holdings, or the highest increase in employment in the areas with highest unemployment or in less favoured areas with lowest generational renewal; - applying clear criteria for assessing the role of young farmers to be supported in case of joint control of legal holdings (e.g. by defining what percentage of voting rights or shares the beneficiary should have, what minimum percentage of her/his revenues should come from his activity in the supported holding) to direct the aid towards young farmers making farming in the supported holdings their main activity; - applying sufficiently high minimum thresholds of points that projects should reach and adequately split the budget of the measures to provide equal availability of funds to young farmers setting up during the entire duration of the programming period; - improve the use of business plans as a tool to assess both the need for public funding by assessing – at application stage – the likely viability of the holdings without the aid and – at the end of the projects – the impact of the aid on the viability of the holding or on other clearly specified objectives (e.g. employment, introduction of energy or water savings technologies).

90. As regards the results of the measures:

For Pillar 1 payment for young farmers we found that:

- The common monitoring and evaluation framework does not provide useful indicators to assess the effectiveness of this payment, as there is no result indicator for this payment and data on the income and viability of the supported holdings are not collected (see paragraph 70 to 71).

For Pillar 2 measure for setting up of young farmers we found that:

- There is little evidence that the measure has facilitated the setting up of young farmers and improved the generational renewal and the viability of the supported holdings, mainly because of the low quality of the indicators provided by the common monitoring and evaluation system. Only in Italy (Emilia-Romagna) we found evidence that beneficiaries of the setting up measure developed larger holdings, more productive, more profitable and employing more people than non-supported ones (see paragraphs 70 to 83).

Recommendation 3 – Improve the monitoring and evaluation system
When implementing the post-2020 CAP measures, the Commission and the Member States (in line with the shared management provisions) should improve the monitoring and evaluation system. In particular: - the Commission should define output, result and impact indicators allowing to assess the progress, effectiveness and efficiency of the policy tools against objectives, by drawing on best practices, such as useful indicators developed by Member States in their monitoring systems (see paragraphs 72 and 73); - the Member States should regularly collect actual data on the structural and financial characteristics of the supported holdings (e.g. revenues, income, number of employees, innovations introduced, farmers' educational levels) allowing assessing the efficiency and effectiveness of the measures in achieving the desired policy objectives; - the Commission and the Member States should require evaluations to provide useful information on the achievements of the projects and measures based on actual data on the evolution of the structural and financial characteristics of the supported holdings, by drawing on best practices (e.g. benchmarking, counter-factual analyses, surveys) such as those identified in this audit (see paragraph 75).

This Report was adopted by Chamber I, headed by Mr Phil WYNN OWEN, Member of the Court of Auditors, in Luxembourg at its meeting of 31 May 2017.

For the Court of Auditors

Klaus-Heiner LEHNE

President

ANNEX I

Variation in the number of farmers up to 44 years old between 2007 and 2013 in Member States

Member State	Number of farmers up to 44 years old		Variation in the number of farmers up to 44 years old between 2007 and 2013
	2007	2013	
Belgium	13 580	7 240	-6 340
Bulgaria	61 540	49 980	-11 560
Czech Republic	10 660	5 080	-5 580
Denmark	12 190	6 700	-5 490
Germany	133 080	75 570	-57 510
Estonia	5 120	4 670	-450
Ireland	33 770	32 020	-1 750
Greece	188 470	141 220	-47 250
Spain	216 810	158 620	-58 190
France	167 220	131 970	-35 250
Croatia	Data not available		
Italy	231 970	155 270	-76 700
Cyprus	5 780	3 020	-2 760
Latvia	27 090	15 990	-11 100
Lithuania	48 990	33 460	-15 530
Luxembourg	690	540	-150
Hungary	139 150	103 330	-35 820
Malta	1 680	1 570	-110
Netherlands	21 080	13 090	-7 990
Austria	67 480	49 680	-17 800
Poland	808 330	512 690	-295 640
Portugal	28 450	25 640	-2 810
Romania	638 490	676 770	38 280
Slovenia	12 810	13 860	1 050
Slovakia	10 940	5 550	-5 390
Finland	21 850	16 620	-5 230
Sweden	16 980	11 510	-5 470
United Kingdom	42 740	27 650	-15 090
EU-27	**2 966 940**	**2 279 310**	**-687 630**

Source: Eurostat, Farm Structure Survey 2007 and 2013.

ANNEX II

Distribution of farmers per age group in Member States in 2007 and 2013

Member State	<35		35-44		45-54		55-64		65+	
	2007	2013	2007	2013	2007	2013	2007	2013	2007	2013
Belgium	6.1 %	4.0 %	22.2 %	15.2 %	28.6 %	32.9 %	22.7 %	26.8 %	20.5 %	21.2 %
Bulgaria	3.1 %	6.4 %	9.4 %	13.2 %	17.5 %	18.5 %	25.1 %	25.2 %	45.0 %	36.7 %
Czech Republic	9.7 %	4.6 %	17.4 %	14.8 %	27.2 %	23.8 %	28.5 %	33.9 %	17.2 %	23.0 %
Denmark	5.9 %	2.5 %	21.4 %	14.7 %	29.1 %	31.2 %	23.9 %	27.6 %	19.6 %	24.0 %
Germany	7.7 %	6.8 %	28.2 %	19.7 %	33.9 %	37.2 %	22.6 %	29.8 %	7.5 %	6.5 %
Estonia	6.2 %	7.5 %	15.8 %	16.8 %	23.1 %	23.4 %	23.8 %	21.8 %	31.1 %	30.4 %
Ireland	8.1 %	6.3 %	18.3 %	16.7 %	24.6 %	25.1 %	25.5 %	25.5 %	23.5 %	26.5 %
Greece	6.9 %	5.2 %	15.1 %	14.7 %	21.6 %	23.9 %	20.2 %	24.9 %	36.3 %	31.3 %
Spain	5.2 %	3.7 %	15.6 %	12.7 %	23.3 %	25.0 %	24.5 %	25.2 %	31.4 %	33.3 %
France	8.1 %	8.8 %	23.6 %	19.1 %	31.5 %	32.7 %	23.9 %	27.0 %	12.9 %	12.4 %
Croatia	data not available									
Italy	3.1 %	4.5 %	10.7 %	10.8 %	19.4 %	21.6 %	23.9 %	23.3 %	42.9 %	39.7 %
Cyprus	2.4 %	1.7 %	12.0 %	6.9 %	26.7 %	21.4 %	29.1 %	30.1 %	29.8 %	40.0 %
Latvia	7.1 %	5.0 %	18.1 %	14.5 %	25.0 %	26.3 %	20.7 %	24.1 %	29.2 %	30.1 %
Lithuania	4.4 %	5.6 %	16.9 %	13.9 %	21.4 %	25.6 %	18.2 %	20.9 %	39.1 %	34.0 %
Luxembourg	7.4 %	8.7 %	22.5 %	17.3 %	33.8 %	32.2 %	22.5 %	27.4 %	13.9 %	14.4 %
Hungary	7.6 %	6.1 %	14.6 %	14.9 %	23.2 %	19.4 %	27.1 %	29.2 %	27.5 %	30.3 %

Malta	4.9 %	3.8 %	10.3 %	12.9 %	29.3 %	24.8 %	32.4 %	33.4 %	23.0 %	25.1 %
Netherlands	4.0 %	3.1 %	23.5 %	16.3 %	28.7 %	32.7 %	26.1 %	26.9 %	17.7 %	21.0 %
Austria	11.0 %	10.9 %	29.7 %	24.4 %	33.3 %	36.5 %	16.5 %	19.6 %	9.4 %	8.6 %
Poland	12.2 %	12.1 %	21.6 %	23.7 %	31.1 %	30.2 %	19.3 %	24.3 %	15.8 %	9.6 %
Portugal	2.2 %	2.5 %	8.2 %	7.2 %	17.6 %	16.6 %	25.4 %	23.6 %	46.7 %	50.1 %
Romania	4.4 %	4.7 %	11.9 %	13.9 %	17.0 %	16.9 %	22.6 %	23.5 %	44.2 %	41.0 %
Slovenia	4.0 %	4.8 %	13.0 %	14.4 %	24.6 %	26.4 %	23.5 %	29.1 %	34.9 %	25.3 %
Slovakia	3.8 %	8.1 %	12.0 %	15.4 %	25.2 %	24.9 %	27.3 %	30.0 %	31.7 %	21.6 %
Finland	9.2 %	8.5 %	22.8 %	22.0 %	32.0 %	30.1 %	29.8 %	29.1 %	6.2 %	10.2 %
Sweden	6.0 %	4.4 %	17.4 %	12.8 %	26.7 %	24.8 %	29.3 %	28.0 %	20.6 %	30.0 %
United Kingdom	3.9 %	3.9 %	15.0 %	11.0 %	25.0 %	26.6 %	28.6 %	27.9 %	27.6 %	30.6 %
EU-27	**6.3 %**	**6.0 %**	**15.5 %**	**15.3 %**	**22.8 %**	**22.9 %**	**22.7 %**	**24.7 %**	**32.7 %**	**31.1 %**

Source: Eurostat, Farm Structure Survey 2007 and 2013.

ANNEX III

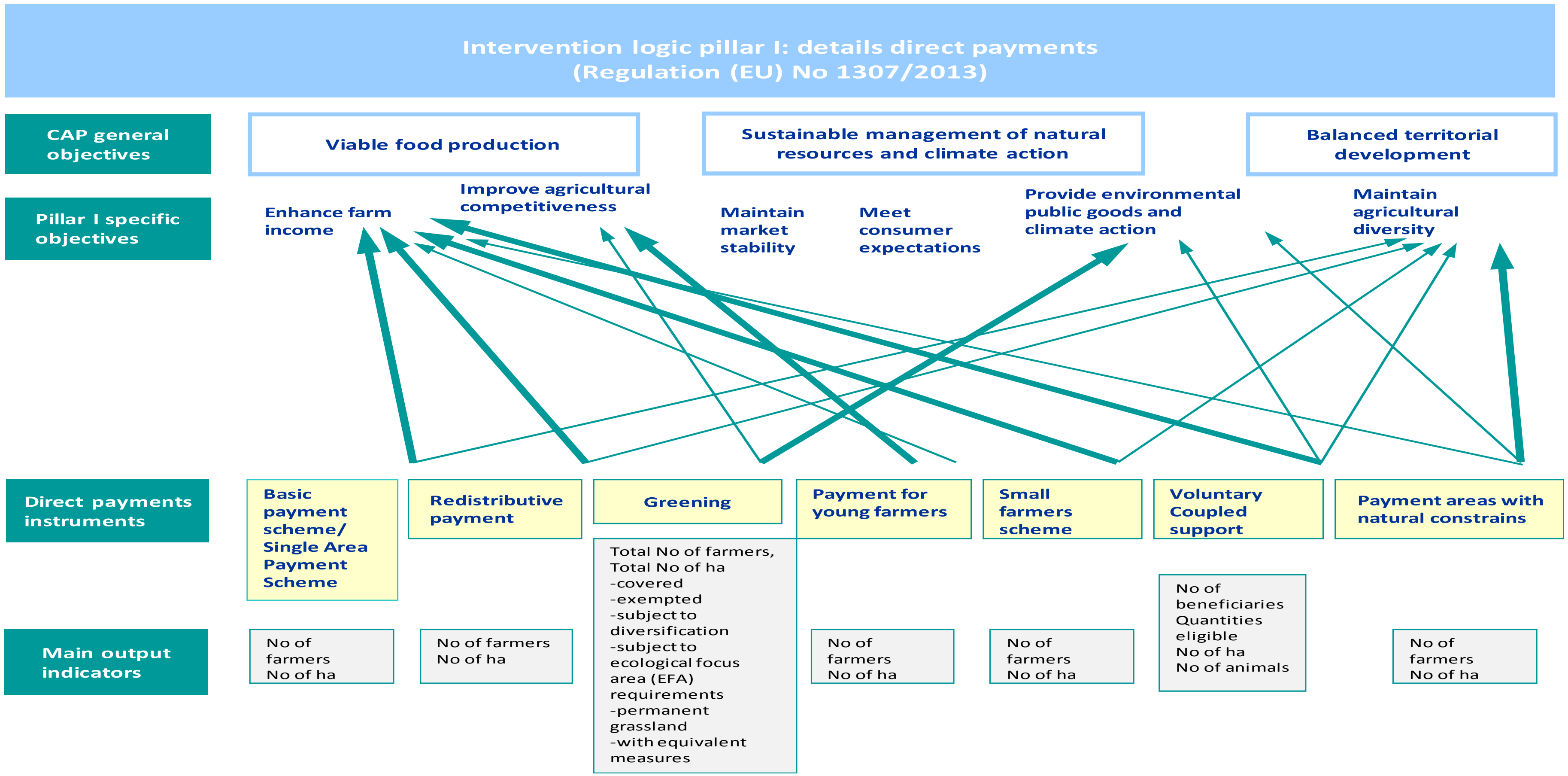
EU budget for young farmers per Member State

Member State	2007-2013 programming period (expenditure)		2014-2020 programming period (allocated budget)	
	Number of young famers supported under Pillar 2 measure 112	Pillar 2 measure 112 for setting up of young farmers *(euro)*	Pillar 2 measure 6.1 for setting up of young farmers *(euro)*	Pillar 1 direct payment for young farmers *(euro)*
Belgium	2 152	32 563 695	46 833 607	42 897 688
Bulgaria	5 808	92 325 533	68 861 719	18 576 263
Cyprus	320	4 504 895	7 000 000	1 891 663
Czech Republic	1 364	41 734 186	24 750 000	8 511 002
Denmark		3 811 130		44 088 268
Estonia	846	24 253 253	18 164 000	1 891 635
Finland	2 966	41 510 603	33 088 500	26 189 410
France	34 629	631 741 559	902 843 886	362 156 470
Germany	325	2 254 554		242 542 160
Greece	19 128	246 270 288	276 800 000	187 750 920
Hungary	8 411	219 299 316	108 867 861	16 127 358
Ireland	862	6 504 938		121 258 400
Italy	21 925	335 322 041	460 259 594	190 086 580
Latvia	407	11 168 738	9 452 635	15 515 660
Lithuania	2 668	77 645 851	55 000 000	31 296 288
Luxemburg	267	1 612 973	2 209 200	2 512 935
Malta			3 225 000	104 844
Netherlands				72 480 060
Austria	9 375	59 831 898	46 704 425	69 214 480
Poland	38 857	570 569 560	456 849 802	170 675 060
Portugal	8 595	226 807 119	194 263 175	58 237 760
Romania	12 770	260 504 741	400 355 600	102 773 360
Slovakia			22 302 000	7 796 253
Slovenia	2 652	41 500 643	48 520 000	9 516 155
Spain	17 603	305 951 740	542 330 984	486 689 740
Sweden	1 796	19 928 329	6 564 399	55 839 760
United Kingdom	102	883 508	27 832 582	250 504 493

Source: ECA based on Commission's data.

ANNEX IV

Intervention logic of Pillar 1



Source: European Commission, "Technical Handbook on the Monitoring and Evaluation Framework of the Common Agricultural Policy 2014-2020".

ANNEX V

Member States' implementation choices for Pillar 1 payment for young farmers

Member State	% of the annual national ceiling (2015)	Additional eligibility criteria			Payment to farmer					
					Calculated as 25 % of the				and with the maximum limit of (ha/entitlements)	As a lump sum amount per farm
		As regards appropriate skills	As regards training requirements	Applied to all YF in control over the legal person	Average value of entitlements held by a farmer	BPS flat rate	Single area payment	National average payment per ha		
Belgium	1.89				N	Y	N	N		
Belgium Flanders		N	Y	N	N	N	N	Y	90	N
Belgium Wallonia		Y	Y	N	N	N	N	Y	90	N
Bulgaria	0.47	N	Y	N	N	N	Y	N	30	N
Czech Republic	0.20	N	N	N	N	N	Y	N	90	N
Denmark	2.00	N	N	N	N	N	N	Y	90	N
Germany	1.00	N	N	N	N	Y	N	N	90	N
Estonia	0.30	N	N	N	N	N	Y	N	39	N
Ireland	2.00	N	Y	Y	N	N	N	Y	50	N
Greece	2.00	N	N	N	Y	N	N	N	25	N
Spain	2.00	Y	Y	Y	Y	N	N	N	90	N
France	1.00	Y	Y	N	N	N	N	Y	34	N
Croatia	2.00	N	Y	Y	N	Y	N	N	25	N
Italy	1.00	N	N	N	Y	N	N	N	90	N
Cyprus	1.00	N	N	N	N	N	N	Y	90	N
Latvia	1.50	N	N		N	N	N	Y	90	N

Member State	% of the annual national ceiling (2015)	Additional eligibility criteria			Payment to farmer					
					Calculated as 25 % of the				and with the maximum limit of (ha/entitlements)	As a lump sum amount per farm
		As regards appropriate skills	As regards training requirements	Applied to all YF in control over the legal person	Average value of entitlements held by a farmer	BPS flat rate	Single area payment	National average payment per ha		
Lithuania	1.75	N	N	N	N	N	N	Y	90	N
Luxembourg	1.50	Y	Y	Y	N	N	N	N		Y
Hungary	0.20	N	N	N	N	N	N	Y	90	N
Malta	0.40	N	N		Y	N	N	N	90	N
Netherlands	2.00	N	N		N	N	N	Y	90	N
Austria	2.00	Y	N	N	N	N	N	Y	40	N
Poland	1.00	N	N		N	N	N	Y	50	
Portugal	2.00	Y	Y	N	N	Y	N	N	90	N
Romania	1.79	N	N	N	N	N	Y	N	60	N
Slovenia	1.00	N	N	N	N	N	N	Y	90	N
Slovakia	0.55	Y	Y	Y	N	N	N	Y	28	N
Finland	1.00	N	N		N	N	N	Y	90	N
Sweden	2.00	N	N	N	N	N	N	Y	90	N
United Kingdom	1.63					Y	N	N		N
United Kingdom (England)		N	N	N	Y	N	N	N	90	N
United Kingdom (Northern Ireland)		N	Y	Y	N	N	N	Y	90	N
United Kingdom (Scotland)		N	N	N	Y	N	N	N	90	N
United Kingdom (Wales)		N	N	N	N	Y	N	N	25	N

REPLIES OF THE COMMISSION TO THE SPECIAL REPORT OF THE EUROPEAN COURT OF AUDITORS

"EU SUPPORT TO YOUNG FARMERS SHOULD BE BETTER TARGETED TO FOSTER EFFECTIVE GENERATIONAL RENEWAL"

EXECUTIVE SUMMARY

Common Commission's reply to paragraphs V and VI.

The objective (Pillar 1) to provide "income support to young farmers commencing their agricultural activities in order to facilitate their initial establishment and the structural adjustment of their holdings after the initial setting up" (Recital 47, Regulation (EU) No 1307/2013) is not provided by the Young Farmer scheme alone, as this scheme is a top-up payment to the basic payment the young farmers receive under direct payments. It was a policy decision to provide more targeted direct payments under Pillar 1 to better address the specific needs of young farmers. As explained in the Impact Assessment (SEC(2011) 1153 final), the ageing of the farming population is an issue, which, before the CAP post-2013 reform, was tackled only by voluntary schemes (Pillar 2 set of measures supporting young farmers and possible allocations of Payment entitlements from the reserve), which were not applied across the board in all Member States.

The creation and development of new economic activity by young farmers starting their agricultural activities is financially challenging. Therefore the allocation and targeting of direct CAP support to young farmers was reinforced with the 2013 reform.

On this basis, the Pillar 1 payment aims at granting young farmers newly set up an enhanced income support (compared to other farmers) for a period of maximum 5 years.

One of the six Rural Development priorities, through its "focus area 2B" aims at *facilitating the entry of adequately skilled farmers into the agricultural sector and, in particular, generational renewal* (Article 5(2)(b) of Regulation (EU) No 1305/2013). Besides the specific business start-up support, which is covered under the scope of this audit, under Pillar 2 young farmers can benefit from a wide range of other support schemes. For example, the following measures have been programmed under the afore-mentioned focus area in the current programming period: Knowledge transfer and information actions (M1), Advisory services, farm management and farm relief services (M2), Investments in physical assets (M4) and Cooperation (M16)

Pillar 2 measures are programmed by the Member States based on a needs analysis of their respective programming areas.

While Pillar 2 facilitates the process of setting-up of young farmers, Pillar 1 provides a compulsory payment for young farmers already set up to support their initial phase of activity. The intended complementarity between the two Pillars was explained in the Impact assessment: "*In order to avoid double funding and an overlap with similar measures under Pillar 2, the young farmer scheme should be designed in such a way as to bring additional income and lower the cost of capital, which would make it complementary to rural development support."*

(b) Young farmers newly set up generally have higher income support needs during the first five years after their setting-up.

Pillar 1-direct payments aim at supporting income. The young farmer payment therefore follows the form (payment per hectare) and the annual logic of Pillar 1 and is a way to enhance this income support for a group with higher needs. Moreover, co-legislators provided for a number of options to Member States as regards calculation of the support. On this basis, the Member States can better adjust to their particular situation when establishing an adequate support level to young farmers given their national situation. For example, one Member State opted for applying payment for young farmers as a lump-sum per holding.

As for the timing, the pillar I support is targeted at the initial 5-year period after setting-up, which is considered the most financially challenging. A setting up aid only targets new entrants, not those young farmers already well-established in the sector.

(c) The common monitoring and evaluation framework (CMEF) result indicators are linked to the specific objectives of the CAP, not to objectives of individual measures such as the pillar I support provided to young farmers.

VI.

(a) Rural development measures are programmed by the Member States based on needs analysis of the respective programming areas.

The general objective of encouraging generational renewal is not solely targeted by the specific measure for setting-up of young farmers (see Commission's reply to paragraph V).

(c) Selection criteria have to be applied to this measure in the current programming period (Article 49 of Regulation (EU) No 1305/2013)

In case the initial budgetary allocations were exhausted at the beginning of the programming period Member States had the possibility to reshuffle financial allocations between measures at any point in time during the programming period. Attribution of budgetary allocations to specific measures also reflects the need to ensure an adequate coverage of different needs against limited resources.

(d) As regards the specific rural development measure supporting the setting-up of young farmers, the monitoring indicator "number of established young farmers" provides relevant information to assess how the measure facilitated the setting-up of young farmers. Broader considerations about "viability of supported holdings" and "generational renewal" should be part of evaluation. As regards "generational renewal" its assessment should take into account the effects of several measures, not only the one concerning the support for setting-up

Moreover, an indicator will never allow to directly observe the impact of a measure. This needs to be done in the context of an evaluation. The Commission has announced in the DG AGRI studies and evaluation plan the launch of such an evaluation by the end of 2017.

VII.

(a) The Commission partially accepts this recommendation.

Whilst the Commission welcomes the recommendation, notably as regards those elements of it that clearly fall directly under the Commission's responsibilities, it is not in a position at this stage to make specific commitments in relation to legislative proposals for the post-2020 period.

(b) This recommendation is addressed to the Member States.

(c) The Commission partially accepts this recommendation.

Whilst the Commission welcomes the recommendation, notably as regards those elements of it that clearly fall directly under the Commission's responsibilities, it is not in a position at this stage to make specific commitments in relation to legislative proposals for the post-2020 period.

INTRODUCTION

6. This report deals with two instruments supporting specifically young farmers (i.e. the top-up payment under the first pillar and the setting-up measure under the second pillar). However, young farmers benefit also from a wide range of other instruments under the CAP:

- under Pillar 1, Young Farmers primarily get the Basic Payment (which is in fact a pre-requisite to be granted the Young Farmer Payment), and generally the green payment ("payment for agricultural practices beneficial for the climate and the environment"). They may also get complementary payments under the "Voluntary Coupled support" if they are eligible for a measure designed by their Member State, as well as a payment for their first hectares under the "redistributive payment" (if their Member States implement it). In fact the Young Farmer Payment is only a "top-up" to enhance the income support to this category of farmers. Based on the total amount of direct payments received by the beneficiaries of the young farmer payment in 2015, the Commission estimates that over the period 2015-2020 those beneficiaries would receive a total of around 15 billion Euro in direct payments. 2015 implementation data indicates that in half of the Member States the beneficiaries of the young farmer payment received on average more than 10,000 Euro in direct payments.

- Under the Pillar 2, in addition to the support for the setting up of young farmers, other measures have been partially programmed under the objective of *facilitating the entry of adequately skilled farmers into the agricultural sector and, in particular, generational renewal.* These measures include "*Knowledge transfer and information actions*" and "*Advisory services, farm management and farm relief services*", "*Investments in physical assets*" and "*Cooperation".* In total some 6.7 billion euro are programmed in 2014-2020 under the above-mentioned objective (of which 80% represents the specific setting-up measure).

Other rural development forms of support such as the ones directed towards infrastructures, broadband development and improved services in rural areas can be considered to have an indirect effect on generational renewal.

9. See Commission's reply to paragraph 6.

10. It is important to mention that:

- The "specific policy objective" of the Young farmer's scheme (Pillar 1) is to provide "income support to young farmers commencing their agricultural activities in order to facilitate their initial establishment and the structural adjustment of their holdings after the initial setting up". See Recital 47 (Regulation (EU) No 1307/2013).
- Rural Development: as specified in Article 5(2)(b) of Regulation (EU) No 1305/2013 Focus area 2B aims at "*facilitating the entry of adequately skilled farmers into the agricultural sector and, in particular, generational renewal*".

OBSERVATIONS

17. While the rules governing Pillar 1 and Pillar 2 are set at EU level, their implementation is managed directly by each Member State under the principle known as 'shared management'.

This means that national authorities are responsible for the administration and control of direct payments to farmers under Pillar 1 in their Member State. Each Member State also has a certain level of flexibility in the way they grant these payments to take account of national farming conditions, which vary greatly throughout the European Union.

Under Pillar 2, the role of the Commission in the process of the RD programmes' implementation is limited by the fact it is up to the Managing Authorities to set up arrangements to ensure effective, efficient and coordinated implementation of the ESI Funds (Article 27 of Regulation (EU) No 1303/2013).

19. The young farmer top-up payment is providing an enhanced income support targeting this group during a period of estimated higher needs.

At the same time, as part of the system of direct payments, it follows the same rules: standardised aid decoupled from production, provided annually on a per-hectare basis to all farmers fulfilling the eligibility conditions and submitting an aid application.

Given the high number of direct payment beneficiaries (almost 7 million farmers), any in-depth assessment of the needs of the applicants would be complex and, given data protection legislation, may prove unfeasible.

Under Pillar 2, the legal framework for rural development support (Article 8 of Regulation (EU) No 1305/2013 rural development programmes) clearly requires the Member States to programme rural development measures based on needs analysis of the respective programming areas.

20. Direct income support is indeed not prescriptive about the way the farmers should use the funds, and does not point to specific costs which should be covered with that payment. It is for the farmer to assess which is the best usage he can make of it during his setting-up phase.

The added-value is thus to ensure an enhanced support for young farmers newly set up and to ensure it consistently throughout the EU as the scheme is compulsory for the Member States.

22. Some implementation choices have been left to Member States because they are best placed to estimate the number of new young farmers to set-up in a given year, as well as their potential size, and the consequent needs for granting the young farmer payment within the maximum envelope they have available for this purpose. In view of this high level of subsidiarity and under the principle of shared management, it is expected that Member States make these choices in line with the policy objective of the scheme and their national specificities.

23. The legal framework for rural development support (Article 8 of Regulation (EU) No 1305/2013 rural development programmes) clearly requires the Member States to programme rural development measures based on needs analysis of the respective programming areas.

24. See Commission's replies to paragraphs 19 and 20 above.

(a) The Commission considers that the Young Farmer Payment, together with the other direct payments the young farmers get, can contribute to improving the access to land for young farmers: it is not ear-marked for any particular type of expenses and the farmer can decide to use it to lease or to buy new land.

Furthermore, the Young Farmer Payment, together with the possibility for young farmers to increase the value of their Payment Entitlements to the regional/national average via the reserve, provide incentives for parent farmers to transfer their farms to the younger generation. Such transfers within the family are a very common way of getting access to land for European farmers.

(b) The enhanced income support young farmers newly set up receive under direct payments is feeding their capital. It can therefore be used directly to run the holding, or as a way to facilitate access to credit (by increasing the share of own capital brought to the investment project).

(c) In line with the principle of subsidiarity, the additional eligibility conditions concerning skills and training of the young farmers are at the discretion of Member States and it is expected that they use this subsidiarity to implement the requirements that they deem relevant in view of their national characteristics.

25.

(b) Young farmers can combine the setting-up support with investment support, for which they can benefit from higher support rates.

(c) Young farmers can combine the setting-up support with various forms of support targeting skill acquisition (e.g. training, farm exchanges, advisory services…).

Specific advice for farmers setting-up for the first time is part of the scope of advisory services supported under rural development (Article 15(4)(g) of Regulation (EU) No 1305/2013).

26. See Commission's reply to paragraph 10.

27. Intervention logics are per definition simplified and schematised descriptions of how a policy intervention is intended to function. Generational renewal is an intermediate step for contributing to improving agricultural competitiveness and farm income, for which the CMEF has defined appropriate indicators.

28.

(a) The target population under the Pillar 1 payment for young farmers is defined with the very intention to reach out a maximum number of farmers up to the age of 40, who are setting up for the first time as head of holding without limiting it to sectors or areas.

Common Commission's reply to paragraphs 28 (b) and (c).

The Commission considers that pre-defining a % that the young farmer payment should represent in the young farmers' income is not appropriate. For example, the income per Annual Work Unit (AWU) figure is a function of the underlying trends for sector income and labour input.

(d) See Commission's replies to paragraphs 19, 20 and 24(a), in particular that there is also an expected effect on the transfer of farms and decision to set-up.

30. In the current programming period, the Pillar 2 measure for the setting up of young farmers is programmed (together with others) against the objective of *facilitating the entry of adequately skilled farmers into the agricultural sector and, in particular, generational renewal* (focus area 2B).

Common Commission's reply for paragraphs 30 (b) and (c).

The target indicator represents a reasonable proxy for the specific objective of the focus area for which it is defined: "facilitating the entry of adequately skilled farmers into the agricultural sector and, in particular, generational renewal".

(d) The link between the rural development setting-up support and the needs addressed is to be described in the business plan.

Common Commission's reply to paragraphs 31(a), (b), (c), and (d).

It is for Member States to ensure coordination with national support measures. The Commission is not empowered to oversee all national support measures and ensure such coordination.

32. It is for Member States to ensure coordination with national support measures.

This is also why the exact level of support, and the hectare threshold under Pillar 1 are left to be set by the Member States (within certain boundaries established by the EU regulation to ensure consistency).

In France, for example, at national level, there is a specific unit with the Agricultural Ministry (*bureau de financements des enterprises*) which is exclusively dedicated to design support to young farmers installations and coordinate all the national and EU actions.

33. There is an inbuilt complementarity of interventions as the support provided under the two pillars purses different objectives: the young farmer payment brings additional income for a period of maximum 5 years, which is complementary to the rural development one-off start-up aid based on a business plan.

It is for Member States to ensure such coordination with national support measures. At EU policy level the construction for such coordination is available. (see Commission's reply to paragraph V).

38.

(a) As for Pillar 1, see Commission reply to paragraph 24(c).

Under rural development, targeting of the support for the setting up of young farmers is pursued through the application of selection criteria (Article 49 of Regulation (EU) No 1305/2013).

(b) Applying selection procedures is a requirement for the Member States under Pillar 2 (Article 49 of Regulation (EU) No 1305/2013).

(d) Direct Payments follow an annual logic with all eligibility conditions complied with each year and all payments made annually. The support is limited to a maximum of 5 years.

In rural development the support is provided in time span of maximum 5 years.

40. See the Commission's reply to paragraph 19.

42.

(a) See the Commission's reply to paragraph 24(c).

(b) Under Pillar 1 Member States have the possibility to enhance income support in areas with natural constraints – an option used by only two Member States (DK, SI) to date. Direct payments have to be seen as a whole (not the young farmer payment in isolation), as it is the combination of the different layers which modulate the income support depending on the needs identified.

(c) The suggested targeting would imply that income support is provided on the basis of project selection, which is not the type of instrument that has been favoured so far. With approximately 7 million beneficiaries under Direct Payments, it remains uncertain whether managing project selection (even simply for the beneficiaries of the top-up payment) on the basis of such criteria is feasible.

Box 2 – Examples of holding not needing Pillar 1 additional payment for young farmers to be viable

Spain (Andalucía)

It is to be noted that these two beneficiaries are outstanding in the farming community. Only 1% of farms in Spain have income close to or above 400 000 euro (expressed in FNVA), an indicator that has been rather stable over time. This observation also holds true when only looking at the farms in Andalucía. Only 0.5% of the total farms in this region had income between 500 000 and 750 000 Euro (2010 data).

43. Cases of payment provided where the young farmers have a minor role are considered as non-compliant with the regulation by the Commission. The notion of joint control was introduced by the legislators to take into consideration the fact that young farmers often start by working together with non-young farmers.

In the EU there are many holdings with associated young and non-young farmers, and this is why the rules prescribe that the top-up payment to young farmers is only granted where the young farmers exercise at least a "joint control". Where young farmers have a minor role in these holdings, they are simply not eligible for the young farmer payment as the young farmer does not have effective control.

The Commission has provided Member States (and the European Court of Auditors) with interpretation in the form of letters[1] and explanations during an expert workshop[2] of the notion of joint control in the context of young farmers who are legal persons.

To exercise effective and long-term control, a young farmer has to meet three **cumulative** conditions, namely to have a share of the capital, to be able to take part in the decision making process regarding the running (also financially) of the legal person and to be capable of exercising daily management of the legal person.

Member States need to implement the notion of effective and long-term control taking into account both their national law on companies and the individual circumstances of the case at stake (articles of association, etc.).

This interpretation is incorporated in the relevant audit procedures of DG AGRI.

The definition of farmer and the active farmer provision are applicable at the level of the beneficiary (i.e. the legal person).

Box 3 – Example of holding receiving the payment for young farmers despite the young person having only a minor role in the holding

Italy (Emilia-Romagna)

The Commission does not dispute that the Court has witnessed such a case. However, such cases point to problems of poor implementation (including controls) despite the interpretation provided on the notion of joint control.

As regards proportionality, it is reminded that the legal framework does not envisage the payment being proportional to the role of the young farmer. But the young person must control (solely or jointly) the legal person.

The definition of farmer and the active farmer provision are applicable at the level of the beneficiary (i.e. the legal person).

The Commission does not dispute that the Court has witnessed such a case. However, such cases point to problems of poor implementation (including controls) despite the interpretation provided on the notion of joint control. Being a shareholder is not a sufficient condition for establishing joint control (see Commission's reply to paragraph 43).

46. Where payment is provided to farmers who are not involved in the daily management of the holding, the definition of a young farmer according to Article 50(2) of Regulation (EU) No 1307/2013 is not respected. Payment for young farmers is available only to those farmers of young age who are set-up **as a head of the holding**. Non-compliances detected by the Commission are to be examined under the clearance of accounts.

As regards legal title to use land the following is to be noted: considering Case law (C-61/09, C-375/08), Member States cannot insist on a very specific legal title for the land. Regulation (EU) No 1307/2013 provides that land has to be at farmer's "disposal" on a date fixed by a Member State (linked to the latest date for submitting application for direct payments) and such availability may

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[1] Letters to DK (Ares(2015)162942 of 15/01/2015), NL (Ares(2015)1173220 - 17/03/2015), EE (Ares(2016)6004433 - 19/10/2016) which have been made available in due time for consultation by Member State authorities via CircaBC.

[2] Expert workshop "Payment for Young Farmers – exchange of Member States' experiences of implementation and control" organised on 23 September 2015 (documentation available to Member States in CircaBC).

be based on any type of contract (e.g. some national Civil laws provide also for an oral contract) either on the basis of lease, sale or any other legal terms.

In cases of doubt Member States have all rights to require more information from farmers regarding their legal title to use the land.

48. These ratios reflect only the young farmer top-up, not the actual income support provided to newly set-up young farmers under Pillar 1 (see Commission's reply to paragraph 6).

49. This observation shows that the amounts play their role of income support by covering unavoidable expenditure, including current expenditure and making up for shortfalls in their market revenues.

50. The decision on the calculation method for the Young Farmer top-up is at the discretion of Member States, who can link the amount of the top-up to the average payment per hectare, to the basic payment or grant a lump sum per farmer. IT and ES have decided to base it on the average value of entitlements held.

However, it is important to specify that:

- young farmers with no entitlements at all are a priority category for allocation of payment entitlements from the national reserve and in that case, they are provided payment entitlements of value at the national/regional average.

- young farmers with entitlements below the national/regional average are entitled to an increase in the value of their payment entitlements from the reserve.

Therefore, thanks to the reserve of payment entitlements, the young farmers who are not inheriting or obtaining high-value entitlements previously held by other farmers are generally less penalised.

51. While the aid is limited to the first 5 years after the initial setting up of the young farmer, this 5-year period should be reduced by the number of years that elapsed between the setting-up and the first application to the scheme. The total duration and timing of the support depends thus on both the timing of setting-up and that of the application.

Furthermore, see the Commission's reply to paragraph 19.

54. It is to be noted that Andalucía has reintroduced the selection criterion by which the applicants setting up as a result of an early retirement receive more points as of 7 April, 2017.

56. The threshold for Pillar 2 project selection in Puglia was not particularly low (30%). Four calls for proposals were launched in total (three between the end of 2009 and the beginning of 2011, and one in mid-2015) and during each call some projects were refused because not reaching the minimum points' threshold.

In order to avoid excluding beneficiaries having exceeded the maximum eligible age between two calls, the Commission services, in its advisory capacity, recommended all managing authorities to: a) distribute more homogenously the available resources in 2014-2020; b) open several calls along the whole programming period; c) set selection criteria ambitious enough to target the best beneficiaries in terms of quality and needs.

57. The Commission, as member of the Monitoring Committee, has informed several times the Managing Authority, that a minimum threshold of 1 point was far too low. It was also mentioned that in case of not getting 2 points, the amount of the aid should be reduced by 10%. In the last modification of selection criteria, in force as of April 7, 2017, the minimum threshold has changed to 6 points (for a maximum of 29 points, which means a threshold of 20%) with 10 % reduction of the aid if total is less than 7 points.

61. The Commission considers that the legal provisions in force (Article 5(1)(a) of Commission Delegated Regulation (EU) No 807/2014) allows Member States request, among other elements, information on the initial estimated income of the holding to be included in the business plan.

In addition to the preparation of the business plan, the setting measure promotes economic viability of supported holdings through other means:

- the support is only provided to young farmers who possess "adequate occupational skills and competence".

- the support is conditional to the implementation of a business plan.

- the support is provided only to farms of a minimum economic size (to be defined by Member States).

In addition, young farmers can benefit from a number of rural development measures promoting economic viability.

Box 4 –Little evidence of improved viability

Spain

See Commission's reply to paragraph 61 on business plans.

The conditions mentioned are part of the definition of priority holding according to the Spanish law. In 2007-2013 programming period, one of the possibilities was to set-up as priority holding (as fixed in the national framework) and the grant was higher in this case. As from 2011, the setting-up as priority holding was also a selection criterion. Therefore part of the selection was done taking into account these conditions. Control remains the responsibility of the regional authorities. For the checks regarding priority status of holdings corrective actions have been recently taken (following an AGRI audit in 2015).

The business plan is set up with the objective of developing agricultural activities based on investment, trainings, advisory, etc. The impact of the generation renewal must lead to better structured holdings and to their modernization, which means viability.

65. While the level of support can be modulated according to the level of ambition of the business plan, as clarified by the Commission to Member States in the RDC of 18 March 2015, support cannot be linked to implementation of specific investments included in the business plan.

66. Poland's approach followed a logic of simplification for the provision of the support.

69.

(c) The Commission has also a responsibility for reporting on the performance of the CAP as a whole.

70. The CMEF defines a set of indicators to be provided by the Member States for measuring the CAP performance against the objectives as laid down in Article 110 of Regulation (EU) No 1306/2013, not by individual measure.

71. As often several measures contribute to the same objectives, the effectiveness and efficiency of measures should be assessed in the course of an evaluation, not directly observed via result or impact indicators. For this reason, the indicators are linked to specific (result indicators) and general (impact indicators) objectives.

(b) The Commission considers that the target indicator represents a reasonable proxy for the specific objective of the focus area for which it is defined: "facilitating the entry of adequately skilled farmers into the agricultural sector and, in particular, generational renewal".

A reasonable balance has to be established as regards the definition of monitoring indicators and their cost-effectiveness and data availability.

The assessment of broad outcomes of supported measures (e.g. viability of the holdings, generation renewal, job creation, increase in educational and innovation level of young farmers, etc.) is to be placed in the context of evaluation, for which the CMEF indicators provide only a supportive function.

(c) The selection procedures for farms to participate in the Farm Accountancy Data Network (FADN) cannot be in such a way that it guarantees representativeness for all possible CAP measures, yet, it does provide useful data on other criteria such as age of the farmer and support received.

74. The Commission envisages to finalise the examination of the ex-post evaluations of the Rural Development Programmes and will give feedback to the Member States. It will by the end of 2017 also provide a summary of the main findings based on all evaluations.

Reply to third indent:

The Commission envisages to finalise the examination of the ex-post evaluations of the Rural Development Programmes, by end of May 2017.

Reply to fourth indent:

The Commission envisages to finalise the examination of the ex-post evaluations of the Rural Development Programmes, by end of May 2017.

77. See Commission's replies to paragraphs 24(a) and 61.

79. Facilitating young farmers’ access to credit from commercial banks is not an explicit objective of the EU support to young farmers, but by strengthening the financial position of the beneficiaries, it improves their access to finance. However, in the last years the Commission has greatly promoted and facilitated the use of financial instruments in rural development, including by young farmers.

82. The Commission agrees that it is difficult to establish the relationship between measures taken for young farmers, their viability and the number of young farmers. This can never be done by simply looking at an indicator set, but needs to be carefully analysed in an evaluation. The Commission intends to launch an evaluation on generational renewal at the end of 2017; it needs to also be noted that the support under Pillar 1 was only introduced in 2015.

Support provided to young farmers under Pillar 2 contributes in several ways to the economic viability of their holdings. See Commission's reply to paragraph 61.

83.

(b) The Commission considers that the target indicator represents a reasonable proxy for the specific objective of the focus area for which it is defined: "facilitating the entry of adequately skilled farmers into the agricultural sector and, in particular, generational renewal".

As often several measures contribute to the same objectives, the effectiveness and efficiency of measures should be assessed in the course of an evaluation, not directly observed via result or impact indicators. For this reason, the indicators are linked to specific (result indicators) and general (impact indicators) objectives.

A reasonable balance has to be established as regards the definition of monitoring indicators and their cost-effectiveness and data availability.

The assessment of broad outcomes of supported measures (e.g. viability of the holdings, generation renewal, job creation, increase in educational and innovation level of young farmers, etc.) is to be placed in the context of evaluation, for which the CMEF indicators provide only a supportive function.

See Commission's replies to paragraphs 70-82.

CONCLUSIONS AND RECOMMENDATIONS

85. Young farmers can benefit from a wide range of other instruments under the CAP (see Commission's reply to paragraph 6). The overall support to Young Farmers in Pillar 1 consists of the top-up payment and the amounts of different layers of Pillar 1 support received by young farmers. It is this combination of different layers that is modulating the income support according to certain needs and in line with implementation choices made by the Member States.

87. The creation and development of new economic activity by young farmers starting their agricultural activities is financially challenging.

Under direct payments, the Young Farmer Payment aims at granting young farmers newly set up an enhanced income support (compared to other farmers) in the form of a "top-up" to the basic payment. See Commission's replies to paragraphs V, 6, 17, 19 and 20.

Under rural development expected results have to be defined and quantified by the Member States through target indicators. The objective of the support is defined, in particular in Article 5(2)(b) of Regulation (EU) No 1305/2013 "*…facilitating the entry of adequately skilled famers into the agricultural sector and, in particular, generational renewal."* The assessment of the impact of the support is a matter of evaluation.

88.

(a) While generation renewal is a policy priority and important efforts are made to this end, in itself it is not a stand-alone general objective of the CAP in the established intervention logic.

The types of support of Pillar 1 and of Pillar 2 are complementary by design and do not need extensive coordination by Member States, especially as they can be cumulative.

See also Commission's replies to paragraphs V and to points 19-33.

(b) The Young Farmer Payment is a top-up to the basic payment targeting newly established young farmers and provided as part of the overall system of decoupled area-based direct payments.

See also Commission's replies to paragraphs 39-51 and to paragraph 85.

(c) For rural development, coordination exists also between the support for setting-up and other rural development measures (beyond investments), such as knowledge transfer and advisory services.

Recommendation 1 – Improve the intervention logic by reinforcing needs assessment and defining SMART objectives

The Commission partially accepts this recommendation.

Whilst the Commission welcomes the recommendation, notably as regards those elements of it that clearly fall directly under the Commission's responsibilities, it is not in a position at this stage to make specific commitments in relation to legislative proposals for the post 2020 period.

The Commission will analyse and consider possible relevant policy instruments for the support to young farmers and their logic of intervention in the context of the preparation of future legislative proposals.

The Commission will continue to carry out relevant studies and investigations at the level of the EU, about which needs could be addressed by EU policy instruments and will continue to promote best practices through networking activities.

The Commission will also reflect about the definition of SMART objectives as regards any possible future Union support to young farmers and of an appropriate performance framework.

However, giving the diversity of conditions and territorial realities throughout the EU, the Commission cannot replace Member States as regards the detailed assessment of specific young farmers' needs, the choice and articulation in the use of instruments available at national or EU level and the quantification of expected results from the support provided.

89.

(a) See also Commission's replies to paragraphs 19, 24(c) and 43-45.

As regards joint control, non-compliances in the way Member States have implemented the EU legislation may indeed result in the aid being provided to holdings in which young farmers only have a minor role in terms of decision making power. The Commission has provided guidance to Member States on implementing the notion of long-term and effective control and has incorporated this aspect in the clearance of accounts procedure.

(b) The Commission services, in its advisory capacity, recommended all managing authorities to: a) distribute more homogenously the available resources in 2014-2020; b) open several calls along the whole programming period; c) set selection criteria ambitious enough to target the best beneficiaries in terms of quality and needs.

Recommendation 2 – Improve the targeting of the measures

This recommendation is addressed to the Member States.

With regard to Pillar 1, the Commission takes note of the need for clearer criteria in the case of joint control of legal holdings, but underlines that:

- assessing the role of young farmers in legal persons is interlinked with important aspects at national level, in particular national company law that vary widely across the EU;

- young farmers often work and gradually take control over joint holdings with elder farmers;

- and that farm diversification is an important aspect of the CAP.

With regard to Pillar 2, the Commission is of the opinion that the different elements of this recommendation (applying clear selection criteria – also in case of joint setting-up, applying minimum thresholds, and require business plans) are already under the scope of the current legal framework. The Commission in its advisory role will continue to encourage the Member States to improve the quality of the required business plan and more generally, the selection process.

90.

(a) The CMEF defines a set of indicators to be provided by the Member States for measuring the CAP performance by objective as laid down in Article 110 of Regulation (EU) No 1306/2013, not by individual measure.

See also Commission's replies to paragraphs 70-71.

(b) The Commission considers that the target indicator represents a reasonable proxy for the specific objective of the focus area for which it is defined: "*facilitating the entry of adequately skilled farmers into the agricultural sector and, in particular, generational renewal*". As often several measures contribute to the same objectives, the effectiveness and efficiency of measures should be assessed in the course of an evaluation, not directly observed via result or impact indicators.

The assessment of broad outcomes of supported measures (e.g. viability of the holdings, generation renewal, job creation, increase in educational and innovation level of young farmers, etc.) is to be placed in the context of evaluation, for which the indicators as defined in the CMEF are only one element.

A reasonable balance has to be established as regards the definition of monitoring indicators and their cost-effectiveness and data availability.

See Commission's replies to paragraphs 70-83.

Recommendation 3 – Improve the monitoring and evaluation system

The Commission partially accepts this recommendation.

Whilst the Commission welcomes the recommendation, notably as regards those elements of it that clearly fall directly under the Commission's responsibilities, it is not in a position at this stage to make specific commitments in relation to legislative proposals for the post 2020 period.

However, the following precise replies can be put forward:

- First bullet point: While the Commission is strongly committed to improve the performance framework for the CAP post 2020, the concrete way to achieve this improvement will depend on the overall new policy setting. However, also such a monitoring and evaluation system needs to be proportionate and provide value for money. In this context, inevitably a balance will need to be found between scope and depth of the monitoring and evaluation system and related costs and burdens. As often several measures contribute to the same objectives, the effectiveness and efficiency of measures should be assessed in the course of an evaluation, not directly observed via result or impact indicators. For this reason, the indicators are linked to specific (result indicators) and general (impact indicators) objectives.

- Second bullet: The Commission takes note that this recommendation is addressed to Member States. The Commission will monitor progress in implementing actions and tools related to generational renewal.

- Third bullet point: The Commission is committed to keep high standards as regards evaluations carried out at the level of the Union. However, a balance needs to be found between what can be done through monitoring and evaluation taking into account the risk of excessive administrative burden.

While the Commission will continue to promote exchange of best practices on indicators and drawing on lessons learnt, the possibility to concretely integrate programme specific indicators into the common indicators system will have to be considered on case by case, and will depend on the possibility to apply those indicators at the level of the Union.

As regards "generational renewal", its assessment at EU level should take into account the effects of several measures, not only the one on setting-up of young farmers. This needs to be done in the context of an evaluation. The Commission has announced in the DG AGRI studies and evaluation plan the launch of an evaluation on generational renewal by the end of 2017.

Event	Date
Adoption of Audit Planning Memorandum (APM) / Start of audit	16.3.2016
Official sending of draft report to Commission (or other auditee)	30.3.2017
Adoption of the final report after the adversarial procedure	31.5.2017
Commission’s (or other auditee’s) official replies received in all languages	28.6.2017

The number of young farmers fell from 3.3 mln in 2005 to 2.3 mln in 2013. The EU allocated 9.6 billion euro to young farmers in 2007-2020 to foster generational renewal in agriculture. The Court found that this aid is often poorly-defined, with no expected result and impact specified. For Pillar 1 (direct payments), the aid is provided in a standardized form not matching young farmers' needs other than additional income. For Pillar 2 (rural development), the aid better addresses young farmers' needs and prompts specific actions (e.g. introducing organic farming, water- or energy-saving initiatives), however the managing authorities did not always apply selection procedures to prioritise the best projects. The Court recommends to better define the objectives and target the EU support in order to foster effective generational renewal.

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