

Agriculture must compete for the young generation with other sectors and the urban areas, which offer more flexible lifestyles and often higher incomes.

### Motivation

The SURE - Farm project aims to better understand the resilience of European farming systems and to develop recommendations for its enhancement. A farming system is characterised by its functions, local conditions, actors, and stakeholders. Important actors and stakeholders are the farmers, the young generation potentially interested to work within the farming system, farmers’ associations, financial institutions, cooperatives, supply chain actors, NGOs, civil society, and public administration. Farming system resilience is defined as the ability of the farming system to ensure the provision of its societal functions in the face of increasingly complex economic, social, environmental and institutional changes (Meuwissen et al. 2019). These functions include the provision of private goods, such as agricultural products, income for farmers and rural areas as well as public goods, such as biodiversity, landscapes, consumer health, and food security.

One important longer-term building-block of a farming system’s resilience is generational renewal. Vice versa, farming systems are only attractive for the younger generation to enter if they offer long-term prospects. Within the EU, regional farming systems differ enormously with regard to their organisational and demographic characteristics, their production systems, and their local natural, institutional, and infrastructural conditions. Accordingly, generational renewal is multifaceted and related to many different issues, such as whether and how farms should organise farm succession, how farms can ensure the availability of a sufficient labour force, how they can adapt to and prepare for generational and demographic changes, and how the younger generation can benefit from the training and employment opportunities in the farming sector.

Fuelled by key findings of the SURE-Farm project, the aim of this business brief is to raise awareness among farmers and stakeholders of opportunities and challenges related to the various aspects of generational renewal.

### What does generational renewal mean?

Given the dominance of family farming across the EU, intra-family farm succession is still the most common form of generational renewal. Whereas intra-family succession is often interpreted as children formally taking complete control over the farm from their parents, there are other forms of intra-family generational renewal. For example, children taking over part of the farm business, or entering the farm as a paid employee – often with specific work roles and bringing in new skills and knowledge – while the parent remains the official farm head.

While discussions on generational renewal in agriculture are largely associated with intra-family succession, generational renewal is much broader. An increasing amount of European farms rely on permanent and seasonal hired labour, especially for fruit and vegetable production and in countries which entered the EU since 2004. In many of these countries, corporate and cooperative farms together with large family farms dominate agricultural production. On corporate and cooperative farms, even the management is often formally employed; though the manager may be a shareholder,



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and generational renewal occurs through attracting new and young farm managers and labour.

Generational renewal of some farming systems is also affected by migration. Farmers from old member states invested in the new member states, taking advantage of the relatively cheaper land prices. At the same time, and moving in the other direction, many people from rural areas in the new member states have migrated temporarily or permanently to work in agriculture and the processing of agricultural products in the old member states.

Although a less frequent form of generational renewal, new entrants emerge by taking over existing farms through extra-family succession or by starting entirely new farms. New entrants often introduce innovative business models, ideas, and activities.

These processes are overlapped by the aging of farm managers and farm workers but also of society. Europe is currently in the midst of a demographic shift which is expected to continue into the coming decades. Not only are the younger generations much smaller in size than the baby boomer generation, which will retire within the coming decades, they also have grown up in a digital era with unprecedented mobility. Thus, the younger generations may be best positioned to digitalise modern farming systems which will be essential for the agricultural sector to sustainably address global challenges and to cope with a further digitalising economy and society. The agricultural sector is competing for the members of the young generations with other sectors and urban areas, both of which often offer more flexible and mobile lifestyles, higher incomes, as well as provide more attractive infrastructures than many rural areas.

### Is a lack of successors of family farms a key concern for the resilience of farming systems?

The often raised concern that there are not enough successors in the EU is misleading. To better understand and illustrate the effects that the availability of successors have on the resilience of different European farming systems, simulation-based analyses have been carried out within the SURE-Farm project on selected case study regions in the EU. The two regions are dominated by either small to medium-sized family farms (Flanders in the northern part of Belgium) or large-scale family, corporate and cooperative farms (the Altmark in the eastern part of Germany). The simulations compared two scenarios: one where all farms had a potential successor and one where a substantial share of farms had no successor (e.g., because a farmer has no children, children may not be able to manage the farm, or children are not interested in farming). In the first scenario, the successor chooses to take over based on their prospective income. In the second scenario, the simulations show that irrespective of whether all farms or only a small portion of farms had a successor, both regions demonstrated their resilience by maintaining their essential functions such as farming all agricultural land, the provision of food, and the generation of income from farming.

Furthermore, in the region dominated by small- to medium-sized family farms, the



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scenario with fewer successors led to several positive economic and social effects. With fewer farms, the remaining farms were able to grow in size and intensity whereby increasing their efficiency and profitability. The simulations showed that the achieved factor income from farming for remunerating land, labour, and capital increased because the remaining farms became more efficient, particularly by exploiting economies of scale. While such a future may entice more potential young farmers to enter, a more profitable sector could intensify the challenges young farmers currently face with regard to accessing land and capital.

Concerns over the decreasing the number of farms must be contextualised and cannot solely be contributed to the absence of potential farm successors. Another equally driving factor in farm closure is low profitability, causing farmers and potential farmers to seek employment outside the sector. In regions dominated by small and medium-sized farms, many farms suffer from low efficiency, because scale efficiency cannot be exploited, and from ruinous competition for the scarcest factor, land. Under such conditions, farm closures due to the absence of a successor or to low profitability offer the remaining farms opportunities to increase farm size, efficiency, and profitability. However, not all surviving farms benefit equally. Rather, those farms which are already relatively more efficient benefit from the available land or have the potential to rapidly increase efficiency. Such growth can provide substantial economic benefits at the regional level, but policy makers should be aware of possible trade-offs with potential environmental spillover effects.

Furthermore, the simulations raise questions about certain limitations of farm growth with regard to hired labour and societal acceptance. Once a family farm can no longer rely principally on family labour, the availability of qualified hired labour, the wage levels, and the cost of hired labour become an issue. The difference between hired labour and family labour and the effect on a farm’s resilience becomes particularly important during times of crisis. Hired labour must be paid while family farms often have the capacity to “tighten their belts” and/or finance costs of living from equity for some time period. The simulations do not take into account the role of societal acceptance, especially with farm growth. In the densely populated Flanders, unlimited farm growth, in terms of size and density, may not be socially accepted and face public and political resistance.

The analyses show that rather than focusing solely on the quantity of successors, one should worry about qualitative characteristics such as who succeeds, in which roles, and with which perspectives. Thought should be put into how to support quality successors, particularly with regard to the high-capital demands of taking over larger farms. Successful generational renewal must also think past the farm owner or manager and to supporting farms with trained hired labour.

### Does agricultural education and training have a future?

Attractive and future-oriented agricultural education and training opportunities are crucial for successful generational renewal. Agricultural technology and management are becoming increasingly complex as operations are rapidly growing in size. With such developments comes the need for farmers to continuously develop and improve their financial literacy. Farming requires a significant amount of competency in order to minimise animal welfare and environmental problems. Increasing public concerns



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related to animal welfare and the environment require new skills related to the management of farms, including communication skills as well as anticipating potential problems and solutions.

Focus groups in Flanders and the Altmark revealed that experts view the need to bolster the skills of those employed in the sector. The skills and expertise of farmers, farm managers, and hired labour must reflect the sectors’ development. The types of relevant education differ however between two groups; family farmers and hired labour.

The abovementioned technological, economic, and societal trends require a sound vocational training. The training must provide not only adequate qualification which is up to date with current state of the art technology, but also provide a solid foundation off which farmers can continue their learning. Experts from the two study regions defined particularly two key areas for which family farmers need to improve their managerial skills to complement their technical knowledge typically acquired through family farming background; financial literacy and understanding market mechanisms. Improving financial literacy positions farmers to make better decisions based on factors like costs per unit of production, returns to investments, impacts of interest for loans, and risk management. An improved understanding of market mechanisms, and in particular marketing, supply chains, and bargaining power, provides farmers with the information needed to implement the best strategies for their operation.

Across all European agricultural regions, modern farms tend to require trained labour with an agricultural education. As a result, farmers may struggle to find the required amount and quality of workers. To tackle this issue, adequate training and education programmes are needed. They could specifically target the regionally unemployed who are interested in and capable of work in agriculture. Farms which are dependent on qualified hired labour or expect to become, should engage actively and timely in human resource development. They should also reflect on increasing attractiveness of working in agriculture. Vice versa, people interested to work on farms, should be aware of the need to invest their time in training at a college or university and/or through internships.

Because of the difficulties larger farms are facing to hire locally, foreign labour has become a major source of the agricultural workforce in many regions of the EU. This migration is strongly driven by the still substantial differences in non-agricultural wage levels within the EU and neighbouring countries. Given personal mobility and an interest in farming, it may well pay off for young people from these countries to invest in agricultural training via apprenticeships as well as at agricultural schools or even universities. Ideally, this should come along with training in a foreign language, such as the local language where they desire to work. Vice versa, larger farms may not just search locally for young students interested in an agricultural training and education but also abroad. Moreover, given the relevance of mobility and the demand for continued education and training, farmers’ organisations and public institutions should ensure that the standards and techniques are compatible across regions and countries.



Farm succession benefits greatly from timely and open communication and planning not only with regard to farm production, but to the legal and formal aspects of farm transfer.

### What is important for the farm transfer process?

Farm transfer is a complex, multidimensional process that cannot be completed overnight. Therefore, transferors and potential successors should plan the succession process well ahead of time. Communication is key for smooth farm succession, wherein the needs and interests of all parties are respected. If a potential successor indicates their interest to take over the farm, they can be gradually acknowledged as the successor by all other farm stakeholders. This can coincide with strategic farm decisions being implemented as a result of cooperative forms of management, through which long- and short-term aims of the farm are met. A crucial role in farm succession is played by the older generation as a mentor. Successful farm succession often requires the successor to be supported in both technical farm-specific issues and financial and legal aspects related to running the farm. At the same time, gradually stepping down while coaching the next generation can mitigate personal challenges associated with letting go of the farm. However, financial motivations can also explain the reluctance of the current farm manager to legally hand over the farm. Both types of challenges should be dealt with in a constructive manner to make place for the aspiring farmer.

The succession process can benefit substantially from professional guidance and counselling, relating to the legal and financial aspects as well as interpersonal issues. Professionals can supervise an open and clear communication between the predecessors and successors that focusses not only on the production but also on the legal and organisational aspects of the farm. Legal provisions related to company law, inheritance, fiscal policies, and land tenure can greatly affect the smoothness of the succession process and can have far reaching financial consequences. Therefore, in addition, policy makers interested in supporting generational renewal in agriculture should review whether inheritance and other financial regulations are in need of updating to reflect the complexities of farm transfer.

### What are alternative business models?

While the SURE-Farm project has not engaged directly with alternative business models, H2020 Project NEWBIE has reviewed business models of young European farmers, specifically new entrants. Access to financial capital and the high start-up costs remain a large problem for young farmers and especially those who have not inherited a farm or land. To decrease the financial risks associated with founding a farm, several alternative models have developed amongst young farmers. Although not new, the first is part-time farming, or having a portion of income coming from outside agriculture. This provides security during harder times, such as a bad harvest or low prices. Another model is joint-ventures, where the ownership, and risks, are shared amongst several farmers. Due to the high financial barriers of entrance and the general relative smaller size of new farms, a common strategy for new entrants is to access niche markets, such as organic farming in combination with self-marketing and Community Supported Agriculture. Accessing such markets offers farmers to earn higher prices than conventional farming, where farms must be operating at a larger scale to see profits.



Attracting young people to work in agriculture requires not only more outreach and flexibility from farms, but government investments into rural areas lacking in social services and decent infrastructure.

### How can young people be attracted to work on farms?

Attracting young people to work on farms requires efforts from farmers and governments. Farmer interviews and expert focus groups revealed that farmers who are successful in obtaining and retaining skilled talent have several strategies. Utilising personal networks is a frequently cited method of acquiring labour. This can mean circulating advertisements throughout regional organisations, reaching out to contacts from university or higher education, and of course more formalised farmer networks like unions or associations. Farms which take the time to invest in young labour through internships see high returns on their investments. Both through former students interested in returning permanently to the farm after they complete their education and being able to utilise the intern’s networks to advertise job openings. Other farmers speak about the importance of creating and maintaining a good image and working atmosphere so that local young people have positive associations with their farm. They do so by hosting annual gatherings which introduce people to the farm, outreach with the local schools, and providing support to the nearby villages through lending machinery when needed.

Another opportunity to acquire trained labour is to tap into potential family farm successors who are concerned about the development prospects of their farm or the demands of leading a farm. Candidates who are mobile, well-equipped and willing to work on a farm, and have realistic salary expectations are likely to have many opportunities to work on other farms. Admittedly, large challenges for this kind of mobility result from psychological barriers to give up the farm or to shrink in size as well as from the legal implications, particularly related to taxation and inheritance. Both barriers can and should be addressed by professional guidance and counselling.

If farmers are concerned that they will not be able to attract the required labour force, to pay competitive wages, or manage employees, they should prepare either by rationalisation through digitalisation of their production or by adapting their production capacities. These adaptations may occur within a farm or through collaboration across farms.

Across diverse European case studies, the SURE-Farm qualitative research showed that a major motivation for working in agriculture is the satisfaction achieved from an outdoor-lifestyle and connection with nature. Working in the agricultural sector is frequently associated with living in the countryside. In some European regions, where rural areas are abandoned and lack social services, this association lowers the attractiveness of working in agriculture. To improve the attractiveness of these rural areas could support re-migration into these areas.

Beyond the scope of the individual farm is the need to improve the reputation of farming and working in agriculture. This is not just an issue of income prospects and practical working conditions or the specific expectations of the younger generations. Scandals regarding animal welfare and environmental issues have resulted in agriculture’s bad reputation. Agricultural regulations are increasing and alongside the stress of many farmers. Many farmers raise the question whether they should



encourage their children to enter agriculture given the psychological, regulatory, and economic pressure. Overcoming this pressure will require addressing the public concerns and finding ways to convince the general public that modern and future farming is and will be in line with societal expectations.

### Summary

- Agriculture must compete for the young generation with other sectors and the urban areas, which offer more flexible lifestyles and often higher incomes.
- Farm generational renewal includes intra- and extra-familial succession, hiring managers and labour, as well as newly created entities.
- More focus ought to be placed on the quality of succession rather than the quantity of successors.
- Improved and diversified lifelong education that is available to different groups of stakeholders plays a strong role in successful generational renewal.
- Farm succession benefits greatly from timely and open communication and planning not only with regard to farm production, but to the legal and formal aspects of farm transfer.
- Particularly for new entrants, minimising financial risk, through income outside of agriculture or a shared venture, and accessing niche markets are promising models to explore.
- Attracting young people to work in agriculture requires not only more outreach and flexibility from farms, but government investments into rural areas lacking in social services and decent infrastructure.



### Further reading:

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