



ADAS Consulting Ltd

FINAL REPORT

A Study Into Helping New Entrants Into Farming

Prepared for The National Assembly for Wales

Submitted To

Prepared by:

ADAS Consulting Ltd
Henstaff Court Business Centre
Groesfaen
CARDIFF
CF72 8NG
Tel: 01222-899100
Fax: 01222-890054

June 2000

PRINCIPAL STAFF

Project Manager	David Roderick
Lead Consultant	Bill Hall
Lead Consultant	Ronnie Lynes
Lead Consultant	John Crabb
Lead Consultant	David Morris

CONTENTS

	Page
1. SUMMARY	5
2. INTRODUCTION	7
3. STUDY OBJECTIVE	8
4. RESEARCH METHODS	8
5. ANALYSIS OF CURRENT SITUATION AND TRENDS	9
5.1.1 Net Farm Income	9
5.1.2 Annual Incomes and Capital Investment by Sector	10
5.1.3 Balance Sheets 1998/99	11
5.1.4 Key Points	12
5.2 Changes in Welsh Farming	13
5.3 Trends in farm structure	13
5.4 Statistics on age structure of holding managers	15
5.5 Estimate of percentage of farms which have successors	17
5.6 How many young people are really in the industry?	18
5.7 Young people entering FE and HE	18
5.8 Forecasting trends	19
5.9 Conclusions from this section about the position of young people in the industry	19
6. FUTURE ROLE OF YOUNG PEOPLE IN WELSH FARMING	20
6.1 Summary of Findings from Field Research	20
6.2 Attitudes of those who do not wish to farm	22
6.3 Motivation of those who want to farm	22
6.4 Perceived barriers to entry into farming	22
6.5 Attitudes to land ownership, diversification and skill levels	23
7. THE YOUNG ENTRANT'S SCHEME	24
7.1 How might a scheme operate?	24
7.1.1 Provisions of proposed scheme.	24
7.1.2 Business Plan	24
7.1.3 Training and mentoring	25
7.1.4 Specific Purpose Aid	25
7.1.5 Diversification or Enterprise Development Option	25
7.1.6 Environmental Safeguards	26
7.1.7 Methods of payment	26
7.1.8 Cost of Scheme Administration	27

8. WHAT MIGHT THE SCHEME ACHIEVE?	28
8.1 Farm Purchase	28
8.2 Encouraging Succession within a family farm	28
8.3 Possible Scheme Uptake in Successor situations	29
8.4 Encouraging non-successors to establish viable holdings	29
8.5 Potential Uptake by those who cannot inherit a family farm	30
8.6 Experience of other countries	30
9. OVERALL CONCLUSIONS	31
10. OTHER MEASURES	33
10.1 COMPLIMENTARY STRUCTURAL FUND MEASURES	33

Appendices

1. Specification of Study
2. Definition of Economic Size Unit (ESU)
3. Setting up Aid Eligibility Criteria
4. Responses from Organisations Consulted

1. SUMMARY

- The underlying background to the study is to establish if young farmers could be assisted in establishing themselves into a viable agricultural enterprise using policy options under the European Union's Rural Development Regulation.
- The study is a combination of desk research and survey work.
- Net farm incomes for all farm types in Wales have fallen dramatically in recent years but the study has also highlighted the large capital investment which is still tied up in the industry.
- Despite the depressed incomes, education is still regarded as important. The number of young people entering higher education to pursue agriculture has not declined significantly in the last 3 years. The number attending further education courses has increased, due apparently to the diversity of courses linked to agriculture and countryside management now on offer.
- The number of Welsh holdings is declining slightly with an underlying re-structuring process taking place. There has been a dramatic growth in “mixed/other” farm types at the expense of specialist units, likely to be attributable to a shift towards diversification, alternative enterprises and adding value.
- Fewer young people are entering the industry but there is a trend for young people to be farming larger size units. However, only 16% of holdings of over 100 ESU are managed by under 40 years olds.
- The tradition and attitude towards land ownership, rather than land tenancy, remains very high in Wales. The survey indicates that potential new entrants also aspire to own land. Statistics and the survey suggest that there may soon be some opportunities to change the ‘ownership’ culture with slightly more land likely to become available for renting. However, the supply of tenanted land is still likely to fall well short of the demand and the parcels of available rented land will be mostly too small to provide viable units.
- The priority needs of young farmers as identified by the survey are:
 - guaranteed outlets and prices
 - preferential access to quotas
 - being able to make an acceptable living
 - capital availability
- The tradition has been for a high level of succession within farming families. While this is likely to continue, only about 50% of current farmers of over 50 years of age potentially have a successor. Consequently land is going to become available and market forces may encourage an increase in the rental sector in Wales. However, new entrants will face strong competition from existing farmers needing to expand to remain viable.

- Setting-up aid should be viewed primarily as a means of helping young farmers become established, without purchasing land. The amount of aid available is insignificant in supporting land ownership.
- A young entrants scheme would have relatively restricted scope for helping young people establish new holdings from scratch, even if rented. The main take up, if an aid package was introduced, would be in terms of encouraging the older generation to hand over management control to a younger successor within a family farm.
- A fundamental requirement of the scheme is that viability can be demonstrated by means of a 3 year Business Plan.
- The survey has shown that there is some interest in adding-value, so the scheme should cater for diversification away from main-stream agriculture and encourage a wider income base in Welsh farming. Assistance for diversification could be additional to the setting-up aid, being funded from either Articles 4 -7, Article 33 (with match- funding from the farmer) or under Objective 1.
- Unfortunately, training is not viewed as an important issue by young farmers but regular access to a business mentor is viewed as beneficial. Mentoring should be a condition of approval and a training need assessment could also be made at the time of application.

2. INTRODUCTION

This document provides the findings of a study, carried out by ADAS Consulting Ltd into helping new entrants into farming, commissioned by The National Assembly for Wales. The report is structured to address the issues raised in the tender document, issued in March 2000, by The National Assembly for Wales Agriculture Department (NAWAD).

The rationale for this project lies in the need to determine how effective a Young Farmer Setting Up Aid Scheme as specified under the EU Rural Development Regulation 1257/1999 (RDR) would be in helping young people become established in farming in Wales.

The farming industry in Wales as in the rest of the UK is currently experiencing a prolonged economic depression for all mainstream agricultural enterprises, due to:

- increased competition from world markets and cheaper imports
- downward world market prices
- the strength of sterling against the Euro, reducing the value of subsidy payments upon which most farmers have been dependant for profitability

This economic crisis is having an effect on the structure of Welsh agriculture, both in terms of size and age structure, with the smaller marginally viable holdings being sold to be incorporated with larger holdings. Older farmers are finding it increasingly difficult to give up not having made sufficient provision for retirement. The younger generation have higher expectations.

The economic outlook for the foreseeable future does not appear to show signs of significant improvement, with the Agenda 2000 reforms being implemented. Further liberalisation of world trade is likely to increase the long-term pressure on prices in commodity markets.

The current economic problems of rural Wales mean that the future prospects for young people in farming are becoming critical and as such are high on the political agenda.

As a result the project is significant in providing a broader view on the most appropriate ways to support young Welsh people in agriculture, based on their needs.

As part of this study various representative organisations have been consulted and their views are shown in the Appendices . Wherever possible, we have taken account of these views, but have striven to provide research that is impartial and independent.

ADAS would like to thank all those that have contributed to the research, without their input this work would have been impossible.

The rest of this document details the key objective of the work, methods used and research findings. Conclusions are also presented.

3. STUDY OBJECTIVE

As given in the tender documentation the study objective is:

To research the trends in the age profile, identify the current barriers to entry for potential entrants, evaluate whether the goal of future sustainability of agriculture requires interventions targeted on new entrants and appraise the options for intervention.

Details of the contract specification are given at Appendix 1.

4. RESEARCH METHODS

The findings of the study are drawn from two main areas of work:

1. Desk Research.

Published and unpublished data has been used to establish a baseline of the holdings and age structures of the industry, trends and forecasts for the future. The project team have also considered the impact of the current farming crisis on the number of people starting farming in Wales. These findings along with the field work, have been used to explore the likely impact of a young farmers scheme and variations of this model.

2. Field Research

Data has been obtained from survey work with farmers, their offspring, agricultural students and members of young farmers clubs. The survey was conducted using questionnaires specially designed for each target group (see under separate cover). The farmer and offspring questionnaires were distributed to holdings using the NAWAD census database by post with pre-paid reply envelopes. The students and young farmers were sent to tutors and local co-ordinators respectively for distribution to students and young farmers. The tutors and local co-ordinators then collected the data sheets and returned them to ADAS for analysis.

The survey was designed to identify the key issues relating to young people in Welsh agriculture. The survey also gave the opportunity for respondents to make comments. Respondents received the survey in late May 2000 and responses were analysed and reported in June 2000.

5. ANALYSIS OF CURRENT SITUATION AND TRENDS

5.1.1 Net Farm Income

Information taken from Farm Incomes in the UK 1998/99 shows that the average net farm income for all farm types in Wales fell by just over 50% in 1998/99, compared to 1997/98. The actual average income was £5,800 with only 1% of Welsh farms returning net farm incomes of over £50,000 in 1998/99. Subsidies comprised 31% of the output in 1998/99 but only 24% of the output in 1997/98. Subsidy as a percentage of net farm income was 351% in 1998/99 and 148% in 1997/98.

Looking at trends between 1991/92 and 1998/99, net farm income has fallen in real terms by almost 50% on Welsh dairy farms, by 61% on LFA cattle and sheep farms and by 116% on lowland cattle and sheep farms.

For dairy farms, the average net farm income in 1998/99 fell by 44%, compared to 1997/98. In 1999/00, input costs are forecast to remain at a similar level to the previous year. However, substantial falls in milk prices are expected to depress output for the fourth consecutive year and net farm income is estimated to fall by a further 35%.

Less Favoured Area cattle and sheep farms experienced a net farm income fall of 52% in 1998/99, compared to the previous year. Despite the aid package announced in September 1999, incomes are estimated to have fallen by a further 14% in 1999/00.

Average incomes from lowland cattle and sheep farms fell by over 175% in 1998/99, to a net loss of over £1,000 per farm. Whilst costs have fallen slightly, output has fallen by a greater amount, due in part to large negative valuation changes for livestock. The strength of sterling and competition from overseas remain significant factors in determining the relative competitiveness of Welsh products, both at home and abroad.

5.1.2 Annual Incomes and Capital Investment by Sector

5.1.2.1 Dairy Farms

	1997/98	1998/99
Average size of Business (ESU)	65	67
		£'000
Net Farm Income	23.2	13.0
Net Investment in Land and Buildings	10.2	7.5
Net Investment in Other Assets	6.8	3.7
A fall of 44% in NFI and a reduction of 34% in net investment.		

5.1.2.2 LFA Cattle and Sheep Farms

	1997/98	1998/99
Average size of Business (ESU)	33	33
		£'000
Net Farm Income	9.2	4.4
Net Investment in Land and Buildings	2.6	1.2
Net Investment in Other Assets	4.7	4.4
NFI down by 52% and net investment reduced by 23%.		

5.1.2.3 Lowland Cattle and Sheep Farms

	1997/98	1998/99
Average size of Business (ESU)	32	32
		£'000
Net Farm Income	1.7	-1.3
Net investment in Land and Buildings	4.4	1.9
Net Investment in Other Assets	5.7	3.6
Net Farm Income reduced by 176% and net investment by 46%.		

5.1.3 Balance Sheets 1998/99

5.1.3.1 All Farm Types

	£'000	
	Opening	Closing
Total Assets	432.1	424.7
Total Liabilities	43.9	44.1
Net Worth	388.2	380.7

As a result of falling asset values, mainly land, net worth declined by about 2%.

5.1.3.2 Dairy Farms

	£'000	
	Opening	Closing
Total Assets	548.3	542.8
Total Liabilities	70.5	74.1
Net Worth	477.8	468.8

A fall of 1.9% in net worth

5.1.3.3 LFA Cattle And Sheep Farms

	£'000	
	Opening	Closing
Total Assets	390.9	383.2
Total Liabilities	36.0	34.9
Net Worth	354.9	348.2

Net worth down by 1.9%.

5.1.3.4 Lowland Cattle and Sheep Farms

	£'000	
	Opening	Closing
Total Assets	375.6	366.2
Total Liabilities	26.8	24.2
Net Worth	348.9	342.0

A decline of 2% in net worth.

5.1.4 Key Points

- All farming sectors in Wales have seen a significant decline in Net Farm Income over the past 3 years.
- Whilst liabilities incurred have increased there has been a significant fall in investment in land, buildings and other assets as indicated by the balance sheets for the various sectors.
- Despite a general reduction in asset values, the average farm business asset value for Welsh farms in 1998/99 was still £424,000. The average for dairy farms, which in the past, have offered the best opportunities to achieve viability for young farmers was higher at £543,000. This represents a vast amount of capital for a young new entrant to finance.
- The capital investment of cattle and sheep farms is somewhat lower at around £380,000. However, Net Farm Income levels in the current economic climate cannot be regarded as providing a viable business (LFA Cattle and Sheep NFI of £4,400, Lowland Cattle and Sheep -£1,300). Therefore, for a new entrant to establish a viable business, either efficiency would need to be substantially higher or more likely, the size of holding required would be noticeably larger. Both would increase the level of capital investment needed.

5.1.5 Viability

The challenge of maintaining viable businesses in Welsh agriculture is clearly highlighted in the following figures:

Table 1: Distribution of Net Farm Incomes in Wales - 1998/99

£	Dairy	LFA Cattle and Sheep	Lowland Cattle and Sheep
	%	%	%
less than zero	18	37	54
0 - 10,000	29	34	33
10,000 to 20,000	23	20	9
20,000 to 30,000	15	5	3
over 30,000	16	3	2

Source: Farm Incomes in the United Kingdom 1998/99

Care needs to be exercised, in providing incentives to new entrants, to ensure that the recipients can establish genuinely viable business proposals. Detailed business planning is an essential requirement in the current economic climate.

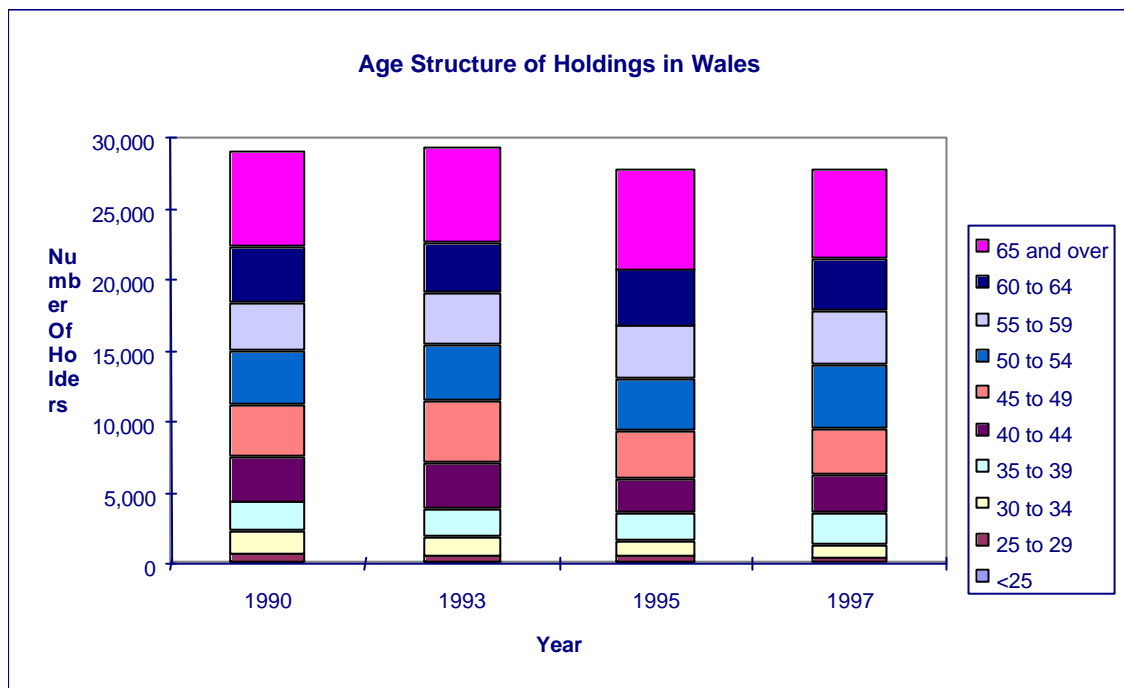
5.2 Changes in Welsh Farming

For the purposes of this study, change is defined as ‘the change in the number of businesses over time and the change in the age structure of those farmers running farm businesses’. This section analyses the available statistics to draw conclusions. Information is taken from:

- EC Farm structure data 1990, 1993, 1995, 1997. Specific analysis by MAFF Census Branch, York.
- June Census data

Chart 1 illustrates the trend in holding numbers (by age group) over an 8 year period between 1990 and 1997. This shows a slight decrease of 4.8%, indicating that the number of holdings have remained relatively stable. The trend until the mid 90s had been one of increasing numbers but from the mid 90s onwards there has been a slight decline. A very similar pattern is seen for the UK as a whole except that the decline has been even lower at 1.7%.

Chart 1.



Source: EC Farm Structure Survey 1990, 1993, 1995, 1997

5.3 Trends in farm structure

Table 2 below shows the number of farms by farm type between 1990 and 1997. The numbers of main stream enterprises have fallen significantly, with dairy and cropping enterprises falling by over 20%. Wales mirrors the trends with the UK.

The total farm type numbers however change very little with Wales falling by 6% the UK by 11% and England 4%. The reason is a significant increase in mixed/other farm types of 32% in Wales, this compares to 49% for the whole of the UK. The explanation for this is not entirely clear but could be attributed to a shift towards diversification, alternative enterprises, adding value or part-time farming.

Table 2: Analysis of Agricultural Holdings Numbers in Wales 1991 -1997

	Numbers							1991 -1997 % Change
	1991	1992	1993	1994	1995	1996	1997	
Dairying	5,076	4,891	4,230	4,625		4,251	4,008	-21.04%
Cattle and Sheep	18,441	18,526	18,142	17,487		16,693	16,654	-9.69%
Cropping	697	731	507	515	No data	512	499	-28.41%
Pigs & Poultry	598	636	425	414	available	380	401	-32.94%
Horticulture	267	268	324	309		277	276	3.37%
Mixed and Other	4,631	4,851	6,288	6,560		5,977	6,099	31.70%
Total	29,710	29,903	29,916	29,910		28,090	27,937	-5.97%

Source: June Census Data

Table 3: Analysis of Total Area by Farm Type 1991 - 1997

	Hectares							1991 -1997 % Change
	1991	1992	1993	1994	1995	1996	1997	
Dairying	278,673	269,351	229,383	263,306		256,270	245,516	-11.90%
Cattle and Sheep	1,075,467	1,076,091	1,078,848	1,038,503	No data	1,036,052	1,035,686	-3.70%
Cropping	43,118	44,492	30,248	32,220	available	33,258	33,644	-21.97%
Pigs & Poultry	8,955	9,288	4,856	4,954		5,142	5,776	-35.50%
Horticulture	2,519	2,540	2,877	2,616		2,751	2,936	16.55%
Mixed and Other	83,531	88,560	146,809	148,398		153,175	153,889	84.23%
Total	1,492,263	1,490,322	1,493,021	1,489,997		1,486,648	1,477,447	-0.99%

Source: June Census Data

Table 4: Analysis of Average Area of Holdings 1991 - 1997

	Hectares							1991 -1997 % Change
	1991	1992	1993	1994	1995	1996	1997	
Dairying	55	55	54	57		60	61	11.58%
Cattle and Sheep	58	58	59	59	No data	62	62	6.63%
Cropping	62	61	60	63	available	65	67	8.99%
Pigs & Poultry	15	15	11	12		14	14	-3.81%
Horticulture	9	9	9	8		10	11	12.75%
Mixed and Other	18	18	23	23		26	25	39.89%
Average	50	50	50	50		53	53	5.29%

Source: June Census Data

The EC Farm Structure survey groups holdings by Economic Size Unit (ESU). ESU is a standard EU measure used to assess the relative contribution of the different types of farming. A detailed definition of the ESU is given at Appendix 2. Since 1986 1 ESU is equivalent to a standard gross margin of €1200. Recognised economic practice defines holdings of less than 8 ESU as not full time holdings.

Table 5 demonstrates the restructuring of holdings, it shows that whilst the number of part time holdings has increased slightly, the number of medium size businesses has fallen. The analysis show that the medium size businesses have either got bigger through amalgamation, have left the industry or have split into smaller units.

Table 5: Breakdown of holding numbers by Economic Size Unit (ESU)1990 -1997

ESU	1990		1993		1995		1997		1990-1997 % Change
	Number	% of total		% of total		% of total		% of total	
<2	7351	25%	6844	23%	5621	20%	6658	24%	-9.4%
2 to 4	2684	9%	2460	8%	2871	10%	2997	11%	11.7%
4 to 8	3359	12%	2999	10%	3416	12%	3432	12%	2.2%
Subtotal	13394	46%	12303	42%	11908	43%	13087	47%	-2.3%
8 to 16	3630	13%	3350	11%	3630	13%	3502	13%	-3.5%
16 to 40	6539	23%	5482	19%	5772	21%	5413	20%	-17.2%
40 to 100	4794	17%	6110	21%	5202	19%	4313	16%	-10.0%
Over 100	663	2%	2028	7%	1218	4%	1315	5%	98.3%
Subtotal	15626	54%	16970	58%	15822	57%	14543	53%	-6.9%
Total	29020	100%	29273	100%	27730	100%	27630	100%	-4.8%

Source: EC Farm Structure Survey 1990, 1993, 1995, 1997.

Table 5 also shows that almost 50% of holdings are under 8 ESU, inferring that a significant proportion of the total are part time farms. This in itself focuses the project upon those businesses which have the potential to perform as full time businesses.

5.4 Statistics on age structure of holding managers

The statistics that are available on the age structure of the industry show the age of people who manage farm holdings, rather than the age of all those working in farming. They ignore, for instance, the presence of a younger generation working on farms where the senior generation remains the official holding manager. The guidance on the Survey of Labour on Agricultural and Horticultural Holdings 1997 states that where two or more people share the occupancy, detailed information is only needed about one of them. Also, only one person needs to be shown as the holder. This leads to some difficulty in interpreting these figures.

The figures as seen between 1990 and 1997 show that the proportion of holdings where the manager is under 40 have dropped from 15% to 13% of the total, a drop of 19% in relative terms. This is evidence of an ageing profile of holding managers with a decline in the number of new entrants coming into the industry.

Table 6: Age Structure of holders on all holdings in Wales

Age	1990		1997		%Change 1990-1997
	Number of Holders	% of Total	Number of Holders	% of Total	
<25	162	1%	55	0.2%	-66%
25 to 29	527	2%	392	1%	-26%
30 to 34	1576	5%	947	3%	-40%
35 to 39	2034	7%	2096	8%	3%
Sub Total	4299	15%	3490	13%	-19%
40 to 44	3133	11%	2767	10%	-12%
45 to 49	3743	13%	3234	12%	-14%
50 to 54	3700	13%	4448	16%	20%
55 to 59	3501	12%	3820	14%	9%
60 to 64	3909	13%	3638	13%	-7%
65 and over	6735	23%	6233	23%	-7%
Sub Total	24721	85%	24140	87%	-2%
Total	29020	100%	27630	100%	-5%

Source: EC Farm Structure Survey 1990, 1997

Looking at the full time businesses i.e. those over 8 ESU (Table) the picture is not quite the same. The proportion of holding managers under 40 drops by a lesser degree, from 16% to 15% of the total, a relative fall of 10%, as opposed to 19% for all holdings. The fact that the overall decline in numbers is greater for full time businesses supports the argument that businesses are restructuring despite static holding numbers.

Table 7: Age Structure of Holders on Farms greater than 8 ESU in Wales

Age	1990		1997		%Change 1990-1997
	Number of Holders	% of Total	Number of Holders	% of Total	
<25	101	1%	28	0%	-72%
25 to 29	366	2%	210	1%	-43%
30 to 34	823	5%	695	5%	-16%
35 to 39	1164	7%	1274	9%	9%
Sub Total	2454	16%	2207	15%	-10%
40 to 44	1803	12%	1548	11%	-14%
45 to 49	2093	13%	1703	12%	-19%
50 to 54	2257	14%	2409	17%	7%
55 to 59	2116	14%	2009	14%	-5%
60 to 64	2188	14%	1813	12%	-17%
65 and over	2715	17%	2854	20%	5%
Sub Total	13172	84%	12336	85%	-6%
Total	15626	100%	14543	100%	-7%

The above picture is only true with the smaller full time businesses as illustrated by Table. The development of larger holdings has however been different.

Table 8: Age Structure of Holders on Farms greater than 100 ESU in Wales

Age	1990		1997		%Change 1990-1997
	Number of Holders	% of Total	Number of Holders	% of Total	
<25	0	0%	0	0%	0%
25 to 29	16	2%	10	1%	-38%
30 to 34	41	6%	88	7%	115%
35 to 39	49	7%	114	9%	133%
Sub Total	106	16%	212	16%	100%
40 to 44	86	13%	154	12%	79%
45 to 49	98	15%	201	15%	105%
50 to 54	109	16%	233	18%	114%
55 to 59	90	14%	199	15%	121%
60 to 64	101	15%	136	10%	35%
65 and over	73	11%	180	14%	147%
Sub Total	557	84%	1103	84%	98%
Total	663	100%	1315	100%	98%

Source: EC Farm Structure Survey 1990, 1997

Table shows the development of larger businesses has been dramatic, almost doubling in 7 years. The proportion of holding managers aged under 40 in this category remained constant at 16% but doubled in absolute numbers from 106 to 212. This suggests that there are opportunities for those willing to develop their businesses. This trend is mirrored by the UK statistics. The 212 farmers aged under 40 years old in this >100 ESU group represent the lifeblood of Welsh agriculture. However it is worth remembering that in the over 40 grouping there are significant numbers of young farmers on holdings where their fathers, or even grandfathers are shown as holders, but where the son does most of the work.

5.5 Estimate of Percentage of farms which have successors

Table 9 shows the responses to the same question asked to farmers in Wales for this survey and for the ADAS Farmers Voice survey. Both surveys show that 30%-32% of respondents are definitely or very likely to pass their holdings onto a successor after they retire. A further 24%-34% will possibly pass their farm onto a family member, with 37%-44% unlikely or definitely not.

Table 9. Responses to the Question: Will a member of your family take on the farm business after you retire?

	Project Survey	Farmers Voice 1999
Definitely	14%	14%
Very Likely	18%	16%
Possibly	24%	34%
Unlikely	24%	23%
Definitely Not	20%	14%

If the survey results are applied to the total number of holdings (See Table 7), between 10,300 and 12,300 holdings are unlikely or definitely not going to be passed on to successors. Further evidence from a survey, the NFU's Audit for Action covering England and Wales in September 1999, shows that when asked if 'your children will be taking over the farm when you retire' 65.9% answered no. The reasons given were: low levels of income (33%), future instability (31%) and the length of hours worked (24%).

The average farm size sampled in this survey of those unlikely or definitely not handing on the farm to a successor was 85 ha.

Table 10: Estimated holding numbers in survey succession categories

	Project Survey	Farmers Voice 1999
Definitely	3923	3923
Very Likely	5043	4483
Possibly	6724	9526
Unlikely	6724	6444
Definitely Not	5604	3923
Total Number of Holdings	28018	28018

5.6 How many young people are really in the industry?

The survey results show:

Survey Report Table 22: No of offspring in employment

If we assume that the number of children in the 18 - 40 age group are relevant to this project and is representative of the industry as a whole, then there are 207 children in employment from the 369 respondents to the survey.

This represents 56% of farms. If this is extrapolated to the data for farmers between 40 -60 in holdings over 8ESUs this equates to 4295 (7669 - table 4 x 56%). The question posed does not ask how many children are in full time education, in the relevant age category.

Table 1: No. of offspring in education

This table shows 159 sons/daughters in full or part time education, again assuming the response to be from 369 returned questionnaire this represents 43%.

If the same calculation is used as above (7669 - table 4 x 43%) a figure of 3298 is arrived at.

Tentatively if the 2 figures are added together then an assumption of 7593 children in education or employment in the relevant age banding to qualify for a new entrant scheme is arrived at.

5.7 Young people entering FE and HE

This section is to try and establish whether the current crisis in agriculture is having an impact on the numbers of young people entering agriculture. The starting point is to establish whether student numbers have been affected. The reason being that most people established in a holding undergo some formal training in agriculture. If student rates have declined it may indicate that fewer people will take on a holding.

Table 11 shows that there has been no change in the number of students studying in the HE sector but there has been a significant rise in the number of students studying agriculture in the FE sector. The significant expansion in the number of students studying FE courses can be explained partially in a change in the data collection methods used by the Welsh Funding Council, which from 1997 onwards collected the data using different coding systems. The data collected post 1997 now includes all courses with an agricultural content. For example, the data now includes in addition to purely agriculture courses, courses that are agriculture plus marketing or agriculture plus environmental studies.

Table 11: Numbers of Students studying agriculture in Wales

	1995/96	1996/97	1997/98	1998 /99
Further Education Qualifications Achieved relating to agriculture.	4,925	5,335	8,457	8,896
Higher Education Students Studying Agriculture	360	341	366	341
Total	5,285	5,676	8,823	9,237

Source: Welsh Funding Councils statistics

The statistics are backed up by circumstantial evidence from FE colleges who commented that ‘the numbers of young people entering higher education to pursue agriculture has, surprisingly, not declined significantly in the last 3 years. There is a view widely held by farming families that their sons/daughters should take the opportunity to study further while this current crisis exists. This is presumably in the hope that at the end of 3-4 years, the economy of farming will have improved’.

Another reason why the number of students studying agriculture may not have declined is borne out by the research. The survey identified that farming lifestyle is particularly important to young farmers and this is a major factor in their career choice and not first and foremost the farming economics.

5.8 Forecasting Trends

The EC farm structure datasets for the periods 1990, 1993, 1995 and 1997 were analysed to identify whether trends existed that could be used to forecast the development of the age profile of holders in Wales. Despite using both linear and non linear methods, the dataset exhibited too much noise for the forecasting to be reliable. It was therefore decided that it would be inappropriate to try and estimate the future trends in the age profile of agricultural holders under these circumstances.

5.9 Conclusions from this section about the position of young people in the industry

There have been significant changes in Welsh agriculture during the last decade and given the current pressures on agricultural incomes this will continue as businesses strive to drive down unit costs of production. The same trend has been shown across the UK as a whole.

- The number of holdings within the traditional sectors i.e. dairy, cropping, livestock have declined.
- The area of land farmed however has fallen only slightly as the average holding size has increased. This fallout from the traditional sector has been offset by a significant increase in the numbers of businesses classified as “mixed and other”.
- The indication is that there is an increase in the number of businesses that can be classified as part time.
- While the percentage of total holdings (>100 ESU) farmed by the under 40s has remained the same the actual numbers have doubled indicating that where viability is still apparent, the younger generation is still willing to enter the industry.

6. FUTURE ROLE OF YOUNG PEOPLE IN WELSH FARMING

6.1 Summary of Findings from Field Research

- A survey of 3,500 farmers was conducted based on a sampling frame of four farm types, dairy, beef and sheep, mixed and other. In each of these farm types four ESU farm sizes were sampled, 8 to 40, 40 to 100, 100 to 200 and 200 plus.
- The objective of this farmer survey was to elicit baseline data on the current structure of farms, tenure, cropping, stocking and labour profile in particular family labour. This baseline data to be related to the farmer's farming background, age, experience and education, attitude to their future in farming and view of their current profitability.
- Complementing the farmer survey, three surveys of potential new entrants were conducted. A questionnaire to be completed by farmers' children was included with the farmer questionnaire. The second target group were members of Young Farmers Clubs and the third were students at Welsh Colleges or Universities (and those at Harper Adams University College, Shropshire, which is where over 50% of UK agricultural students take their degrees). For the Young Farmers, 500 questionnaire were given to organisers for completion at meetings. For the students, lecturers were asked to hand out 350 questionnaires to students reading agricultural related subjects. These three questionnaires were identical with the exception of one question designed to accommodate the potential for variation in the background of the target respondent.

Table 12: Survey Response Rates

Target Group	Number Posted	Returns	Response Rate %
Farmers	3500	369	10.5
Sons/daughters	3500	216	6
Young Farmers Clubs	500	47	9
Colleges	350	94	27

The above responses are based on those received approximately two weeks after the receipt of the questionnaires. The farmers response rate of 10.5% closely fits the expectation within the time-scale, while the student response was good, despite a clash with examinations and end of term dispersal. It is accepted that the sons/daughters and Young Farmers Club responses were lower than hoped for, the likely reasons for this being busy seasonal work on farms and a clash with the peak period for YFC Rallies.

While the response rates may look low we are of the opinion that they are a fair representation of the farming population.. It should also be noted that there were many similarities in the views expressed in this survey with those from the 1999 Farmers Voice Survey in Wales where 2,500 returns were received from a sample of 7,000, a response rate of 36%.

A detailed report on the results of the various surveys , including copies of the questionnaires, is available under separate cover, but the main findings were as follows:

FARMERS RESPONSE

Tenure

- 84% of respondents were owner occupiers
- 7% of the land farmed by respondents was under a tenancy agreement

Likelihood of Succession

- The question posed was 'do you expect your son or daughter to take on the farm business after you' Of the 324 respondents 44% were unlikely or definitely not like, 24% possibly and 32% definitely or very likely
- It appears from comparison with previous surveys that there is less likelihood of succession in 2000 than in 1990/91 when the previous survey was conducted.

Likelihood of passing on the farm business by age

- For the over 50 age group (142 respondents) just over 50% (74) said that they were definitely not or unlikely to pass on the farm business.
- Most farms where there is unlikely to be family succession fall into the 20-99 ha size group.
- 76% of farmers intend to pass on their business in their lifetime.
- The data suggests that there is a move, compared to the 1999 Farmers Voice Survey, towards more part time farming.

YOUNG PEOPLE RESULTS

Sons/daughters employment

- Of the 216 respondents nearly 40% worked full time on farm, 15% part time and nearly 30% were in part time or full time education. The remainder lived at home but worked outside agriculture.

Attitudes and perceptions about farming

- Primary food production is viewed as the most important role of farming in Wales
- The overall ambitions to own their own farms
- If opportunities presented themselves in agricultural related businesses there is sufficient interest and numbers to meet the demand
- key drivers in aspiring to farming are working in the open air and being your own boss.

Perceived barriers to entering farming

- Not being able to make an acceptable living
- Uncertain markets
- Capital requirement for land ownership

Perceived influences in encouraging new entrants

- Guaranteed prices and outlets for agricultural products (87% of sons/daughters responding considered this a major influence
- Financial support for asset purchase
- Preferential access to quotas
- Start up funds, the means of payment preferred a single payment as opposed to a loan subsidy although there was not a big distinction.
- Guaranteed minimum wage

These answers demonstrate the traditional views on farming.

6.2 Attitudes of those who do not wish to farm

- Young peoples aspirations are different to those of previous generations. While their parents may have been content with long hours of manual work for little reward, young farmers clearly are not. The older generation were happy in the knowledge that eventually the farm would be theirs, even if it was a very long wait.
- Leisure time is another requirement often not compatible with farming.
- Young farmers are more aware of the opportunities outside farming. Many of those at present on farms want more wages and will often work off-farm on a casual basis or providing contracting services such as shearing, fencing, hedge cutting and silage making. Once they are used to a higher standard of living farming tends not to be a great attraction.
- Compared to previous generations, young people wish to have a greater say in the decision making process, in addition to providing the manual inputs. If this is not encouraged, many lose their motivation to farm.
- An awareness of the recession in the industry is not only discouraging youngsters from entering farming but is also influencing farmers to direct their children towards other professions, which happened to a much lesser degree in the past.
- The attraction to farm is often at its greatest while youngsters are at school. Too many farm children continue to drop out of mainstream education too early and also many underachieve while in education. The harsh reality follows later.

6.3 Motivation of those who want to farm

- Despite poor economic prospects for young people entering the industry, due to low incomes and the poor holding structure in Wales, many still have an all consuming passion to start farming in their own rights. Just over 70% of survey respondents are likely to seek to start a farm-based business if they perceive that conditions are suitable.
- The survey findings show the main drivers for those aspiring to farm are working in the open air and being their own boss.
- Interest in land ownership and livestock farming are strong motivators as are the wish to live and work in a local environment or community. Many young farmers are still very insular and business profitability falls far behind many other considerations.

6.4 Perceived barriers to entry into farming

The student and young farmer survey results indicated the following as the main perceived barriers to entry:

- Inability to make an acceptable living, due to the current industry crisis, resulting from low commodity prices and world-wide competition.
- Capital requirements, both set-up and working.
- Uncertain markets for farm produce.

Lack of capital for installation costs has long been, and remains, the single most important difficulty facing young people wishing to enter farming. While this is largely based on the concept that land ownership is a pre-requisite of being able to farm, it also includes being able to meet rental costs, purchase of livestock and machinery, cost of farm improvements, cost of sustaining more than one family during a farm hand-over period, the debt burden from buying out co-heirs and the purchase of quotas.

An effect of implementing CAP reforms has greatly added to the capital cost of farming by indirectly increasing land values and introducing additional capital requirements in the form of quotas.

The survey findings also indicated that the major influence encouraging young people to stay in or come into farming is perceived to be 'guaranteed outlets and prices for farm production.' Close behind were 'financial support for the purchase of assets, preferential access to quotas, provision of start-up funds and a guaranteed minimum wage.'

6.5 Attitudes to land ownership, diversification and skill levels

- Traditionally, Wales has a high proportion of owner occupiers and provisional data from the 1999 June census show that around 75% of all holdings in Wales are owned, while a further 10% are holdings where more than half the land is owned. (A similar picture emerged from the farmer survey respondents, where 83% were owner-occupiers).
- The survey results highlight that land ownership is still a key driver, largely for the perceived security it brings. This, however, is anything but the case if the business is burdened with high borrowings.
- With regards to diversification, there is some interest in adding-value and in remoter areas where there may be little or no opportunity for farm retailing, adding-value is likely to be one avenue that can provide important revenue opportunities.
- Support for leisure and recreational activities is considered to be of least importance. This appears to demonstrate a traditional view of farming opportunities among many respondents. However, within the responses there are also clearly those who appear to have a wider view.
- Most youngsters are happy about their skill levels and believe that they have the experience, training, knowledge and track record to take over. This, in many cases, indicates a level of misplaced complacency and while not considered a barrier for entry into the industry, the apparent confidence is weakened by the concern about not making an acceptable living.

7. THE YOUNG ENTRANT'S SCHEME

7.1 How might a scheme operate?

7.1.1 Provisions of proposed scheme.

Chapter II, Article 8 of the Rural Development Regulation allows member states to help and to offer young people setting up in farming:

- A single premium up to a maximum of 25,000 Euros (circa £15,000) or
- An interest subsidy on loans taken out to cover the capital costs of setting-up. The capitalised value of the interest subsidy may not exceed the value of the premium.

See Appendix 3 for details of eligibility criteria regarding the young entrant, the holding and time and income tests.

There is a long tradition of lump-sum or one-off aid payments to farming in the UK and the industry understands this concept very well. This would not necessarily be the wrong approach for a Young Entrants scheme in Wales and the risk of it materialising as a 'quick fix' can be greatly reduced if it is only available following the submission of a three year Business Plan, proving business viability at the end of period (see 7.1.2.). A degree of follow-up would be essential to ensure that plans materialise and objectives are achieved.

The National Assembly for Wales has some flexibility to adapt the setting-up aid within the framework of the regulations and the project team have considered the following options as alternatives to lump sum payment at the outset:

- Phased payment
- Loan interest subsidy
- Specific purpose aid
- Enterprise development or diversification grant

These are dealt with in more detail at 7.1.4, 7.1.5 and 7.1.7.

7.1.2 Business Plan

- A fundamental requirement of any scheme should be the demonstration of viability by means of a 3 year Business Plan.
- A brief description of the proposed plan to include physical targets should form part of each application. Targets such as stocking and cropping at the beginning of the plan and planned and actual numbers and areas at the end of each year can easily be compared. Alternative enterprises such as farm tourism, retailing and adding-value may be more difficult to plan and monitor and a more detailed description would be necessary.
- Financial targets are essential in any plan. Ideally, a detailed plan should include profit, cashflow and balance sheet forecasting. The benefits in terms of assessing the likely success of the plan, of adopting this approach as an eligibility criterion, must be balanced against the cost of administration. This could be significant in so far as a professional evaluation of plans rather than a clerical assessment may be required. The easier and cheaper assessment option would be the whole

farm budget approach. A threshold minimum income per labour unit at the end of the plan could be an eligibility criterion.

- The submission of annual accounts to assess whether both physical and financial targets are being achieved would assist in ensuring that scheme resources were being well spent. The extent of monitoring and the complexity of the process will be influenced to a large extent by administration costs. Clearly, the main funds available must end up in the hands of new entrants rather than be swallowed up in administration.

7.1.3 Training and mentoring

- Training is not viewed as an important issue by young farmers but regular access to a business mentor is regarded slightly more highly. The complacent attitude towards training, most pronounced amongst college students, fits with the view that they believe they already have the skills to be successful in farming.
- Despite the views expressed, business management remains an area of weakness amongst both young and older farmers. The requirement to submit a plan and monitor progress during a 3 year implementation phase will prove difficult for many potential participants. Whilst the necessary expertise could be 'bought-in', it will be important for new entrants to have an understanding of business concepts, including accounts analysis and interpretation. Continued innovations and improvements are also likely to require increased understanding and use of new communication technology and the application of IT as part of a business orientated culture.
- A qualification such as an OND could be regarded as a minimum eligibility criterion. However, this would exclude many capable young people and a more flexible eligibility criterion would be a requirement to attend formal farm business training during the first year of the scheme. In this respect, the type of training currently available through Business Connect and Training and Enterprise Councils (or their equivalents) may be suitable.
- A training need assessment could usefully be applied at the application stage and mentoring could be included as a condition of approval.

7.1.4 Specific Purpose Aid

- This option limits the opportunities available to the new entrant in terms of capital investment. In effect focusing the limited aid to key areas identified as a common impediment to business success and particularly in relation to new entrants.
- For example grant could be directed towards livestock quota purchase or farm building construction or IT purchase. Arguably improved targeting of grant aid to satisfy clearly set-out objectives would achieve a greater impact. Also, the likelihood of assisting in the establishment of successful businesses would increase.

7.1.5 Diversification or Enterprise Development Option

- The idea of an enterprise development grant scheme for non main-stream, but nevertheless farm based activity, is a worthwhile consideration. Some interest in diversification is confirmed by the survey and it seems inevitable that main-stream farming activity in Wales will not return to a profitability level on a par with its best years.
- The encouragement of diversified enterprises could represent a better return on investment than the utilisation of aid to help new entrants enter a failing industry already heavily loaded with unviable units. An added advantage would be that the more entrepreneurial new entrants and perhaps, also, the most likely to develop secure business propositions, would receive the support they need. This route could well prove the best use of funds in developing the rural economy and the wider benefits would quickly become apparent.

- A scheme meeting minimum agricultural criteria tests could be offered which gave preference to businesses diversifying into niche markets such as organic horticulture, or adding-value enterprises. Plans could be prioritised on the basis of entrepreneurship and innovation being demonstrated.

7.1.6 Environmental Safeguards

- The opportunity to protect and conserve the environment scored lowest of the attributes associated with farming in the young people's survey. However, many were neutral on the issue.
- Setting-up aid could subsidise changes in farming policies which often lead to more intensive farming practices. The Countryside Council for Wales (CCW) have already expressed concerns about the potential dangers of damaging the environment, through the encouragement of a more intensive approach.
- Appropriate safeguards regarding both environmental and animal welfare standards should be agreed with organisations such as C.C.W and the British Veterinary Association (BVA). Scheme participants should be required to sign declarations on safeguards and infringements after scheme approval could result in withholding or reclaiming grants.
- Where new entrants submit plans providing significant environmental improvements, consideration could be given to enhanced investment aids.

7.1.7 Methods of Payment

- There is no difference in survey respondents' perception of the three methods of providing financial support, free advice perhaps surprisingly, scoring equally with capital grants and subsidised loans.
- Rather than the single premium paid at the outset, a phased payment option, including three equal instalments over a three year period could be considered. Alternatively, this could be structured so that a greater proportion of the aid is paid out in years 1 and 2 eg 50%, 30% and 20% in year 3. While less aid would be available at the outset, there remains a significant incentive to strive towards achieving targets and objectives. Consequently, the overriding objective of achieving viability at the end of the implementation period is more likely to be achieved. Where plans fail to meet targets, aid could be withheld in years 2 and/or 3.
- A loan interest subsidy method of payment would appeal to all new entrants borrowing capital. Significant capital reserves, or more likely, borrowed capital is usually an essential requirement when starting farming. While interest rates have fallen sharply in recent years, a means of easing the financial burden would obviously be welcomed by heavily borrowed businesses.
- When considering interest subsidies it should be recognised that the present agricultural recession has more to do with the weak market than with high interest rates. It is equally true that new entrants into farming with excessive borrowings are unlikely to achieve viability, irrespective of interest rate subsidies.

7.1.8 Cost of Scheme Administration

Table 13 provides an estimate of the administrative cost per applicant for a young farmers scheme. This assumes that the applicant submits a completed application package for an assessment against the scheme criteria. The assessor will then visit the applicant to verify the points made in the application and allow the assessor to get a better insight to the application. Having completed this the assessor would present his recommendations to an approval panel who would have the final say on the project.

If successful, the assessor would draft an offer letter containing the standard terms and conditions of the scheme plus any special conditions.

The successful applicant would then be subject to monitoring checks over the next 3 years with a final detailed visit to gather monitoring information that will allow the overall evaluation of the impact of the aid.

Table 13 : Estimated administration cost per applicant

	<u>Time</u>	<u>Daily rate</u>	<u>Estimate cost per applicant</u>	<u>Total Scheme costs</u>				
				<u>100</u>	<u>300</u>	<u>500</u>	<u>700</u>	<u>900</u>
Application Process	2.5 days	£95/day	£237.50	£23,750	£71,250	£118,750	£166,250	£213,750
Application Monitoring	1 day	£95/day	£95	£9,500	£28,500	£47,500	£66,500	£85,500
Total admin costs	3.5 days		£332.50	£33,250	£99,750	£166,250	£232,750	£299,250

Table 13 also shows an estimate of the total cost of running the scheme. This does not include an estimate of the fixed costs such as accommodation etc. that would be incurred operating this scheme. This could represent a significant amount if large numbers of applications were received.

8. WHAT MIGHT THE SCHEME ACHIEVE?

8.1 Farm Purchase

- €25,000 Euro will have negligible impact on farm purchase decisions, but may encourage the purchase of small parcels of land for enlargement of existing businesses, following succession.
- While the 'land ownership' culture still exists in Wales, the survey results indicating that a strong attraction to land ownership remains, setting-up aid should be viewed primarily as a means of helping young farmers become established, without purchasing land. The amount of aid available is insignificant in supporting the purchase of the amount of land and capital investment which would be needed to establish a viable farm.

8.2 Encouraging Succession within a family farm

- It is recognised that the ageing structure in Welsh agriculture is, at least in part, responsible for holding back innovation and development.
- The majority of young people likely to be eligible for a new entrant scheme are already on existing holdings as elder sons/daughters, who in time will succeed their parents.
- It is thought that the new entrant scheme may assist in speeding up the succession process.
- The benefits of speeding up this hand-over are:
 - will assist in redressing the average age of the Welsh farming population
 - decision making passed to a younger generation
 - will promote speedier adoption of new technology and best practises and stimulate innovation.
- This option assesses the likely impact of encouraging the transfer of management control within families to the younger generation.
- If it was made a condition of the scheme that the existing holder or partners (aged 65 plus) must retire to coincide with a son or daughter taking over the business, then structural change would gain pace. There would be no financial incentive to the retiring farmer, the aid would be paid to the new entrant.
- Soundings with the farming unions as to how this might be accepted in practise have been favourable. Many farmers approaching or older than the accepted norm (65) for retirement have made insufficient pension provision. The successor then has to financially assist ageing parents, creating an additional financial burden in the early years of taking over a new business. An injection of 25,000 Euro through the new entrant scheme would help to relieve this additional burden.
- The feelings are that the transfer of management control will be more pronounced if there is a larger age gap between father and son. An active parent retiring at 65 with a successor of 40 may still command respect and influence decision making.
- On balance however linking succession to retirement would more likely accelerate structural change within Welsh agriculture.
- The obvious downside to this is the pure dead-weight loss, through paying for something that would have happened naturally.

8.3 Possible Scheme Uptake in Successor situations

- From the total number of 14,543 holdings of over 8 ESU, it is estimated that a maximum of 8,000 holdings could have offspring that may be eligible for setting-up aid. This assumes that those aged less than 40 and older than 60 would be unlikely to have eligible offspring in the period of operation of the scheme.
- The survey data and earlier work (Farmers' Voice 1999, Antur Teifi and SPARC) suggest that approximately 3,000 holdings are unlikely to have a successor. Therefore, assuming an average of 2 children per holding, potential eligible successor offspring = (8,000 - 3,000) x 2 = 10,000.

Further assumptions:

- 50% are females who will move off the holding i.e. successors reduced to 5,000.
- 50% of remainder are males who have to leave home (displaced sons, see 8.5) because of insufficient income/lack of viability etc i.e. successors now reduced to approximately 2,500.
- 30% are already partners and not eligible for new entrant aid.

Therefore estimated take-up of successor new entrants = 2,500 x 70% = 1,750

But, assume only 50% will actually apply because of a failure to meet the eligibility criteria, inability to produce a viable plan, no wish to be restricted on policy, fear of bureaucracy and even a lack of awareness.

POTENTIAL TAKE-UP - 875 (over the 6 year period)

8.4 Encouraging non-successors to establish viable holdings

- While succession will continue, overwhelmingly, to be the main means of entry, there is a growing acceptance that more farms will need to be tenanted in future. The 1997 UK Farm Structure survey reveals that less than 20% of the total of about 3,000 rented holding in Wales are tenanted by farmers of under 40 years of age. Bearing in mind the high capital demand of setting-up, it would appear that the proportion of rented holdings will need to increase in the future, particularly those farmed by young people.
- The scheme could potentially have a valuable impact in helping young people who are farmers' offspring, but who cannot succeed because of older brothers or sisters. If their needs could be matched by a supply of tenanted land, a scheme encouraging new entrants to rent could eventually fulfil their aspirations of farming viable units. Unfortunately, the demand for tenanted land is unlikely to be matched by the supply, despite an expectation that more tenanted land is going to become available in the future. The following data (Welsh Agricultural Statistics 1999) summarises tenanted holding numbers in size groups :

Table 14: Analysis of Tenanted Holdings by Size

ESUs	Number of Holdings
0-8	1,057
8-40	1,160 (Average - 55 ha)
40-100	501
Over 100	102
TOTAL	2,820

Of the total of 2,820 holdings, only 603 are over 40 ESUs with a further 1,160 in the 8-40 ESU group. Since the average size in the latter group is 55 hectares, it is estimated that only 50%, at the top end of the scale, are likely to be in excess of 60 hectares, now considered to be about the minimum for viability in Wales. Consequently, the potential supply of tenanted viable holdings is just under 1,200 (580 + 603), against a potential demand estimated at 2,500 (para 8.3).

- There is insufficient land becoming available for rent and when this does happen there are usually too many applicants, with unrealistically high rents being tendered. A new entrant scheme as proposed, will make little change to this, since there will be no new incentive for landowners to offer land for rent.
- Offering new entrant aid to tenants could be seen as a factor resulting in even higher rents being tendered. However the business planning element should prevent this occurring and reduce the risk of failed businesses. Unrealistic rents are unlikely to result in viable plans.
- While start-up farms in the past have been mainly part-time and unviable, the study responses strongly demand the retention of the part-time option. Although it could be argued that providing assistance to perpetuate an unviable industry is not sensible, the alternative view is that the only means of retaining young people in agriculture is to encourage part-time farming. Conditions for aid should include a reasonable farm business size (for example based on a minimum output), and the ability to demonstrate viability through supplementation of farm income by diversification or off-farm earnings.
- It may also be possible to enhance the viability of part-time holdings by taking advantage of capital grants under other aid measures.

8.5 Potential Uptake by those who cannot inherit a family farm

- Displaced sons, who cannot become successors were estimated at 8.3 to number approximately 2,500.
- Because of no additional incentives to land owners to offer land for rent and the continuing likelihood of existing farmers outbidding young entrants, most 'displaced' youngsters will fail to acquire a suitably sized parcel of tenanted land during the 6 year life of the aid scheme.
- It is estimated that only 10% of the potential total of 2,500 'actual' new entrants will take-up an aid scheme.

POTENTIAL TAKE-UP OF NON-SUCCESSORS - 250 (over a 6 year period)

8.6 Experience of other countries

Between 1994 and 1997, all member states offered young farmer setting up aid, except the UK and Netherlands. At the end of 1997 87,281 young people had benefited from the aid. France had the largest number receiving aid (37% of total), followed by Spain (18.4%) and Germany (12.7%). In receiving the aid applicants showed a preference for direct grants rather than interest subsidies on loans. One of the reasons given is that direct grants do not involve the complicated and time consuming administrative procedures and controls that interest subsidies involve. The auditors report also highlighted the difficulties surrounding the provision of an audit trail for interest subsidies.

The EU Court of Auditors report C100/18 concluded that " the court is unable to establish the existence of an overall strategy or plan in respect of the financial contribution made by the ESF and EAGGF Guidance for the benefit of young farmers. Any impact since 1994 is still undiscovered".

It is difficult to draw conclusions on the basis of statistics on the success of young farmer schemes. A crude measure of success would be if young farmer numbers were rising in countries that have an aid package for young farmers. However, since overall farmer numbers (including young farmers) are falling, it is inappropriate to judge on that basis alone. France, for example, has the most structured and comprehensive approach to young farmer setting up aid of all member states and yet the number of farmers and young farmers in France continues to fall.

9. OVERALL CONCLUSIONS

- A new entrant scheme offering aid worth €25,000 Euro will not result in real industry change in Wales during the proposed 6 year life of the project. Offspring likely to succeed are already on family farms in some capacity and these are likely to be the largest category of young people eligible for setting up aid.
- The amount of aid proposed is insignificant in relation to the average capital requirement of owned farms. It will purchase very little in the form of additional land, quotas or other assets and could possibly increase competition and prices as a result. Additionally, without restrictions on eligibility and some form of means testing, the larger businesses would be equally benefited.
- The scheme could potentially have a valuable impact in helping young people who are not successors to establish viable units on tenanted holdings. However, without some incentive for landowners to offer land for rent, the supply of tenanted land will continue to fall short of the demand.
- For the group who are not successors, of which there are relatively few (estimate 2,500), who may wish to enter farming, over the next 6 years, becoming tenants is the only realistic option. While considerable capital is required for stock and quota purchase as well as rent and working capital, it is substantially less than having to buy a farm as well. To be viable, the unit will need to be a minimum of about 60 ha for mainstream dairy or beef/sheep production.
- Smaller units that can produce a niche market product or service will be equally, if not better placed for longer term viability. This would need to be substantiated by the detailed business plan which is a crucial criterion in deciding eligibility for a new entrant scheme.
- While it may be argued that the provision of 25,000 Euro will not make a sufficient difference to entice many into taking the risk in entering farming by this route, for the few and for those who may already be on tenanted holdings and can succeed (see paragraph 8.2), the 25,000 Euro will ease the financial pressures, at a time early in the business life of the holding when cashflow is critical. Cashflow is often exacerbated by delays in the administrative system, for receiving timely subsidy payments, which contribute very significantly to the farm income at present.
- If more tenancies could be facilitated then there could be a growth in entry to farming by this means. Current practise for farmers over 65 who remain in the industry is to let their farms but usually on a short term or grass let basis.
- Setting up aid could benefit young entrants embarking on joint venture (contract/share farming) agreements with landowners. This development is expected to grow nationally, although the current number of agreements in Wales are negligible, according to an ADAS report for MAFF Economics (Farm Business) Division in January 1999. Also, while contract farming could clearly help young farmers with limited capital to establish themselves, current eligibility criteria for aid would almost certainly rule out joint ventures.

- Joint venture agreements are most common in arable farming. They are practised much less commonly on livestock and dairy farms where issues of livestock ownership and quota provision add significant complications. The ADAS report also concludes that the 'rents' charges within joint ventures are generally well above those of traditional tenanted land. Over recent years rents in excess, and in some circumstances, well in excess of £100 per acre have been tendered for combinable land. The consequence has been enhanced profitability for landowners compared to conventional letting and often profit levels well above those they were previously producing from farming the land.
- Despite not making any major impact in terms of enabling young people to come into the industry, a new entrant aid scheme providing approximately £15,000 will help an industry in crisis by encouraging the older generation to hand over management control to a younger generation within the family. Provided diversification and off-farm earnings can contribute towards viability targets, an aid scheme would encourage the more innovative and capable young people in a positive direction.
- The market pressures on farming mean that continued structural change and creation of larger farm units is an inevitable consequence for many existing businesses as they seek to maintain their competitiveness. A noticeable part of the land released by those leaving the industry will therefore be absorbed in this process.

10. OTHER MEASURES

COMPLIMENTARY STRUCTURAL FUND MEASURES

Measures that would compliment a Young Farmer Scheme, if adopted, in key areas, such as diversification, mentoring and training are contained in the West Wales and the Valleys Objective 1 SPD and the Rural Development Plan for Wales as follows:

OBJECTIVE 1

PRIORITY 5:

RURAL DEVELOPMENT AND THE SUSTAINABLE USE OF NATURAL RESOURCES

MEASURE 2: TRAINING: SERVICES TO HELP FARMING ADAPT AND DIVERSIFY (EAGGF)

For most farming families in Wales within the Objective 1 area there is a need to improve business efficiency and competitiveness. This includes providing services to address business planning and analysis of production costs. If farming families are to adapt successfully and become more market orientated help is needed to:

- Develop skills to manage and develop their businesses, and to diversify;
- Adopt best practice, including environmentally friendly farming techniques; and
- Take informed decisions about their future and the career options facing family members both on and off farm.

Training: Technology Transfer

Training: Skills Development (especially in business and IT skills)

Training: Advisory Services

One of the key barriers to farmers improving their businesses or diversifying is access to advisory services covering the range of options which is available to them.

Training: Business Development

Links to Rural Development Regulation

Activities in this area are covered by Article 9 of Council Regulation 1257/1999.

MEASURE 5: INVESTMENT IN AGRICULTURAL HOLDINGS (EAGGF)

For farming in Wales to adapt successfully, farmers need to make changes to their current activities. As part of this process they need to explore the options available for diversifying their activities.

Support will be targeted on:

- Investment in diversification which will contribute to the improvement of agricultural incomes and of living, working and production conditions. It will be delivered through a new farm diversification and improvement grant scheme, which will facilitate a range of activities by pump priming capital investment to include:
 - agri-tourism
 - small scale service sector or manufacturing activities utilising redundant resources and
 - craft activities.

The scheme will be available primarily to help those who are unable to access other sources of finance and who have prepared a business plan which clearly demonstrates a viable case for assistance.

- the development of miscanthus (elephant grass) and other biomass crops, which offer the possibility of meeting power requirements from renewable sources while allowing farmers to employ sustainable, environmentally friendly farming systems.

Links to Rural Development Regulation

Activities under this measure are covered by Article 4 of Council Regulation 1257/1999.

RURAL DEVELOPMENT PLAN FOR WALES

Investment in Agricultural Holdings (para 9.1)

Activities covered by Articles 4 to 7 of Council Regulation 1257/1999 (providing necessary funding is in place)

Support for investment granted to agricultural holdings for which economic viability can be demonstrated, which comply with minimum standards on the environment, hygiene and animal welfare and where the farmer possesses adequate occupational skill and competence.

Support shall not be made available for investment which has as its objective an increase in production for which no normal market outlets can be found. The total amount of support expressed as a percentage of the volume of eligible investment is limited to a maximum of 40% generally and to 50% in LFAs. This may increase for young farmers to a maximum of 45% and 55% respectively.

- Reducing Production Costs
facilitated through training and dissemination of best practise techniques.
- Improving and re-deploying production
- Increasing Quality

It is proposed to introduce a farm diversification and improvement grant scheme which will facilitate a range of activities that fall into the following categories:

- Preserving and improving the natural environment
- Pollution control
- animal welfare, stock and crop management
- Farm Diversification
- Farmer Co-operatives

TRAINING - FARMING ADAPTATION (para 9.3)

Covered by article 9 of Regulation 1257/1999

Training in particular designed:

to prepare farmers for qualitative reorientation of production and the application of production practises and the acquisition of skills needed to manage an economically viable farm.

e.g.

- new enterprises
such as horticulture, aquaculture, alternative crops, livestock and new technologies.
- Organic farming
- Diversification
- Food production
- Marketing

to prepare forestry holders for the application of forestry management practises.

PROCESSING AND MARKETING AGRICULTURAL PRODUCTS (para 9.7)

covered by articles 25 to 28 of Council regulation 1257/1999

PROMOTING THE ADAPTATION AND DEVELOPMENT OF RURAL AREAS (para 9.9)

covered by article 33 of Council regulation 1257/1999

Support for selected article 33 measures will complement assistance for wider rural development in the selected areas under other European and domestic programmes. Funding is limited.

Key areas diversification of agricultural activities and encouragement for tourist and craft activities.

OTHER MEASURES

DTI - LOAN GUARANTEE SCHEME

The scheme is a joint venture between the DTI and lending bodies

It is intended to be in addition to normal commercial finance. It is not available if a conventional loan can be obtained

Once a lender has decided that an applicant has a viable business proposal and is acceptable for a loan under the scheme, they apply to the DTI for a guarantee.

DTI issues the lender with a guarantee for 70% of the total loan.

Eligibility sole traders or partners trading or about to trade.

Eligible for trading start up, project development, expanding existing business, improving efficiency

Further details available from DTI

The availability of this scheme could be brought to new entrants attention when applying for a young entrant scheme if adopted.

It is a potential source of borrowing for new entrants, which might appeal to entrepreneurs with an innovative idea and a strong business case.

However the loan is unlikely to be at a substantially lower interest rate than conventional loans, and there are restrictions on the activities in the agricultural/horticultural sectors.

MEASURES WHERE PRECEDENCE COULD BE CONSIDERED FOR NEW ENTRANTS

Subsidy Payments

A fairly simple administrative procedure such as bar coding could fastrack subsidy payments for new entrants to assist with their cashflow in the first 3 years of business start up.

Quota allocation

At present new entrants have to apply to the National Reserve for quota allocations, but there are significant restrictions e.g. the applicant must not have been in partnership prior to the application.

There is no national reserve for milk quota and for 2000 there is no available suckler cow quota. The likelihood is that suckler cow quota price will increase substantially as more dairy producers give up and move to beef and sheep production and producers allocations are be reduced by 4%, without compensation, to replenish the National Reserve.

Business Connect

Requires links to existing or proposed networks within Wales for greater uptake so that new entrants can gain awareness of the avenues of support available

TECs

The TECs are usually able to fully fund business reviews (Diagnostic Consultancies) and provide up to 50% funding for business planning.

Greater awareness will assist new entrants to seek all available help and guidance. The benefits of offering a package will be to give new entrants every available assistance, which is likely to be accepted in the industry in the current climate

APPENDIX 1

SPECIFICATION: A STUDY INTO HELPING NEW ENTRANTS INTO FARMING

1. Background

Chapter II, Article 8 of the Rural Development Regulation allows member states to help and to offer young people setting up in farming:

- A single premium up to a maximum amount of 25,000 Euros (circa £15,000) or;
- An interest subsidy on loans taken out to cover the capital costs of setting up; the capitalised value of the interest subsidy may not exceed the value of the premium.

1.1 The eligibility criteria are that the farmer is:

- under 40 years of age;
- possesses adequate occupational skills and competence;
- is setting up an agricultural holding for the first time.

1.2 As regards the holding:

- economic viability must be demonstrated;
- minimum standards regarding the environment, hygiene and animal welfare are complied with;
- the farmer is established as head of the holding.

2. Objective of the Study

To research the trends in the age profile, identify the current barriers to entry for potential entrants, evaluate whether the goals of future sustainability of agriculture in Wales requires interventions targeted on new entrants and appraise the options for intervention. The tenderer may wish to consult the farming unions in Wales and others with an interest in the subject area.

3. Specification

- 3.1 Taking account of the longer-run trends in the economic position of farming.
 - a. assess the likely future demand for new entrants, and
 - b. the likely quality of their economic prospects;
- 3.2 Establish the actual age structure of all farmers in Wales and what are the trends in the age profile;
- 3.3 Assess the impact
 - a. of the current crisis in farming on the number of younger entrants into farming, and
 - b. on the farming community of current trends in 10 years time;
- 3.4 Consider why
 - a. young people are not entering farming, and
 - b. identify the main structural/economic barriers to young people entering farming and building up viable holdings;
- 3.5 Establish whether the Rural Development Scheme would address the barriers.
- 3.6 Provide an assessment of the impact of the Rural Development Scheme on the number of young people in farming and their profile with the industry.
- 3.7 Provide an estimate of the expected cost of offering help to young people setting up in farming.
- 3.8 Suggest alternative forms of intervention to the Rural Development Scheme which might better address the objective of attracting new farmers and helping build new viable farming businesses.
- 3.9 If a specific scheme to attract new farmers is not deemed desirable, advise on other options for action to help young farmers to build a viable future for themselves in the industry.
- 3.10 If a scheme to encourage young farmers was adopted, assess the wider benefits, if any, for the industry as a whole.

4. Delivery Elements

To complete field work and prepare and submit a report by 12 May 2000.

5. Format of Tender

- 5.1 Three copies of the tender should be provided. The Tender should clearly specify:
- a. A description of the way the Contractor would approach the study and how the requirements of paragraphs 3.1 to 3.10 above will be satisfied;
 - b. Details of the Contractor's experience, including specific references to other studies of this type and the quality assurance controls;
 - c. the names, brief details of the experience (particularly experience of working on similar studies) and qualifications of all staff making a significant contribution to the survey, including the nomination of a Project Manager;
 - d. details of any part of the work to be sub-contracted to other organisations, and details of sub-contractors experience, including specific references to other studies of this type;
 - e. details of all costs. Tenderers will complete the part of the attached Price Schedule (document 3) giving the names of all staff making a significant contribution to the study together with the amount of time expected to be spent and daily cost. Tenderers will complete the part of the Price Schedule giving the main stages of the study together with an estimate of the percentage of time for each stage (that is, staff days for each stage as a percentage of total staff days for the project). Tenderers will complete the part of the enclosed Price Schedule giving the percentage of time expected to be spent by each member of the study team on each stage of the study. Tenderers will complete the part of the attached Price Schedule giving the breakdown of travel and subsistence expenses;
 - f. Project management and quality assurance procedures.

6. Evaluation

- 6.1 Bids will be evaluated against the following criteria:
- a. demonstrated experience of undertaking studies of this nature successfully - mandatory;
 - b. quality of data which the Contractor undertakes to deliver - mandatory;
 - c. predicted response rate which the Contractor undertakes to deliver - mandatory;
 - d. cost - mandatory;
 - e. familiarity with agricultural issues and terms - desirable;

7. Changes to the Specification

- 7.1 This specification sets out the National assembly for Wales' current requirements. It is possible that during the life of the contract changes in the nature and volume of work will arise. If so requested by the by the Assembly in writing the consultant shall undertake any additional duties as may be necessary in connection with his/her responsibilities under the contract.

8. Monitoring

- 8.1 The consultant's performance under the terms of this specification will be reviewed by Mr A Starkey representing the National Assembly for Wales during the course of the contract. The named representative of the Assembly may elect to meet with a named representative of the consultant as and when necessary to discuss any issues which have arisen during the performance of the contract.

9. Conditions of the Contract

- 9.1 The National Assembly of Wales' standard Conditions of Contract for Consultancy Services shall apply in relation to this contract. The consultant must have regard to these conditions.

10. Payment

- 10.1 The client should be billed on satisfactory completion of the study. Travel and subsistence claims should be submitted at the end of the study together with an explanation for the reasons for travel incurred.

APPENDIX 2

DEFINITION OF ECONOMIC SIZE UNIT (ESU)

Source: Farm Incomes in the United Kingdom 1998/99

1. Since 1992/93, farms in the United Kingdom have been grouped by type of farming and size of business using the E.U's system of farm classification. This is based on Standard Gross Margins (SGM) per hectare for crops and per head for livestock estimated for the period 1987 to 1989, commonly known as '1988' SGM. An article describing the development of the current system used in the U.K - the U.K farm classification system (Revised 1992) - was published in Appendix 3 of Farm Incomes in the United Kingdom: 1991/92 Edition.
2. The SGM is a financial measure based on the concept of the gross margin for farming enterprises. Because information on gross margins is not available for each farm, standards or norms have been calculated for all of the major crop and livestock enterprises for the three European Community (EC) regions of England (North, East and West) and for Wales, Scotland and Northern Ireland. The total SGM for each farm is calculated by multiplying its crop areas and livestock numbers by the appropriate SGM coefficients and then summing the result for all the enterprises on the farm. SGM coefficients used to classify the June census are given in the article in The Digest of Agricultural Census Statistics; United Kingdom 1993. Farms in the Farm Business Survey are classified using the same SGM coefficients as are used to classify the June census with the exception of SGM coefficients for sheep and mushrooms, which are adjusted to reflect the different way in which numbers and area data for these enterprises are collected in the Farm Business Survey.
3. Farm size is measured in European Size Units (ESU), where one ESU is defined as 1200 European Currency Units (average value 1987 - 89) of SGM. It is a measure of the economic size of holdings in terms of the value they add to variable inputs and this differs from physical measures, such as area, which take no account of the intensity of production. Three size groups are defined:
 - the small size group contains farms in the range 8 to under 40 ESUs
 - the medium size group contains farms in the range 40 to under 100 ESUs
 - the large size group relates to farms of 100 ESUs and above

Holdings of less than 8 ESU are considered too small to provide full time work for one person.

APPENDIX 3

SETTING UP AID ELIGIBILITY CRITERIA

1. Core Eligibility

Potential applicants would have to meet the following basic criteria :

1.1 The farmer is:

- under 40 years of age
- possesses adequate occupational skills and competence
- is setting up an agricultural holding for the first time

1.2 As regards the holding:

- economic viability must be demonstrated
- minimum standards regarding the environment, hygiene and animal welfare are complied with
- the farmer is established as head of the holding.

2. Other criteria

The following suggested eligibility criteria are in addition to the mandatory requirements of the regulation and are also intended to reflect circumstances particular to Wales:

- a 3 year Business Plan to demonstrate viability
- preference given to businesses diversifying into niche market enterprises
- preference where entrepreneurship and innovation are demonstrated.

3. Time and Income Test

Eligibility criteria in relation to importance of farming to the individual in terms of his/her total income is an important criterion if the aid is to be aimed at those actively involved. The capital grant schemes of the past used the following criteria which would be applicable in this situation:

- Spend at least 1,100 hours per year working on the farm business
- Receive at least 50% of annual income form the farm business
- Receive at least 25% of annual income from the agricultural part of the business alone.

Capital grant schemes required a calculation of income per labour unit where the farm's total labour unit requirement was calculated from standard data (hours) assigned to livestock and cropping enterprises.

The earned income derived from trading accounts information, divided by the labour unit requirement of the farm, produced an income per labour unit.

The figure had to be less than the reference income for the same year to qualify. While a similar calculation could be used for business planning purposes and targeting in this exercise, a maximum threshold for income, either actual or planned, would stifle development.

New entrant aid should be available to all new entrants if the Business Plan is realistic and show sustainable viability on completion.

APPENDIX 4

RESPONSES FROM ORGANISATIONS CONSULTED

SPARC

Dear David,

Joan has asked me to briefly respond to the study objectives and background sent in your e-mail to SPARC (30/05/00).

There is no question that by having more young farmers in the industry, it will facilitate change as young farmers are typically more likely to embrace modern business methods and diversify their sources of income.

Further consideration could be given to the possibility of linking the early retirement scheme to situations where entry to the industry by young farmers is aided by the young entrants scheme.

There is considerable scope for farms to become more efficient. SPARC's Whole Farm Review & Development Scheme is a good example of assisting farmers to develop their business skills to farm efficiently and to diversify successfully. The Scheme has recently been evaluated by the Countryside and Community Research Unit (Cheltenham & Gloucester College of HE) positively highlighting how assistance to farmers can improve the economic and environmental sustainability of their holdings. The Whole Farm Review & Development Scheme also seeks to ensure better co-ordination of the existing advisory and support mechanisms to the benefit of the farm business.

Farmers who have taken advantage of advice, guidance and support on a range of issues and have adopted best practice in the technical aspects of farming are therefore better placed to take informed decisions about their future and the options facing family members.

I hope these views are of use, please contact me if you have any queries.

Yours sincerely

Steven Bradley

Agricultural Officer

CWYSI'S EXPERIENCE

As part of the project which ran from February 1996 to March 1999 it was attempted to develop a method of pinpointing farmers or landowners who would be willing to offer their land at favourable rates or with favourable terms e.g.

- low rent
- machinery included in deal
- livestock included in deal

In effect it was hoped to attract as many farmers / landowners as possible to offer these terms, especially those who had no following generation which would take on the farm. This in itself proved to be very hard with very little interest being shown. A maximum of 3 farms were found but as discussion's progressed it became apparent that these were not suitable for the project.

Obviously there was also a need for new entrants to put their names forward as possible tenants. By using our network of local co-ordinators we approached those that they thought would be interested, to enquire if they wished to take on a farm. The response was very poor with approximately 12 showing an interest. To hamper the plan further we were faced with the aftermath of the BSE crisis, which has made possible new entrants much more reluctant to take the plunge. Although the target for the pairing of farms and new entrants was only a handful it proved impossible to fire their imaginations to bring it about. The main point noted at the time was the need for a central fund to allow for the initial investment required. Something similar to a low interest loan from the banks, or of course a young entrants scheme.

The Need

Having briefly worked on an agricultural college campus I have seen a number of young individuals with no farm to inherit which are very keen to have the opportunity to farm in their own right. But despite their keenness they have no opportunity to turn this ambition into reality. The main problem for each and every one of them is ensuring the capital to start-up. Therefore it seems logical that they are offered some financial aid, to enable them to do so.

With the changing face of agriculture the following should also be taken into account:

- If a young / new entrants scheme is offered it should also include a retirement scheme for the older generation to move on. Average age for farmers in Wales is currently 55yrs – we should look at lowering this figure.
- It should be realised that stipulating they must be full time farmers may not be the answer. To enable them to start up and develop their businesses quickly it may be wise to consider looking at part time farmers where they would be in a position to build up their stock, whilst drawing another wage to ensure a living for their family. It would only be natural that they would at the end of a specific period be expected to be full time farmers – but the flexibility of being part time initially would alleviate some of the initial struggles that they would otherwise face.

The example at Coleg Menai where a group of young farmers / new entrants may be taking the college farm on has highlighted the main problem that this generation have in trying to get started in farming. The greatest problem they have is a lack of capital to get started. Many of them work on farms and have

a relatively small wage coming in. Their ability to save enough for the capital outlay is limited, in addition they have to compete with exceptionally high rents which established farmers can afford due to the production subsidies which they already receive.

Above all their needs to be radical re-structuring of the industry to ensure that there is an opportunity for young people to enter the industry and also for the older generation to give up their farms. After this it will be easier to provide farms and land that would be much more viable enterprises. Perhaps enabling a structure to work through from small starter farms to larger units as they progress upwards.

NFU Cymru-Wales

Dear David

Further to our telephone conversation regarding A.D.A.S' study into helping new entrants into farming. This is to confirm the substance of our telephone conversation.

Whilst NFU Cymru-Wales welcomes the study as a means of identifying the problems which new entrants face, NFU Cymru-Wales would contend that unless the agricultural industry in Wales is basically a viable one, then the intervention or provision of incentives to encourage new entrants into the industry may actually be counterproductive. The prognosis has to be for a viable and sustainable industry in the medium to long-term if short-term assistance is to be meaningful.

The best provision we can make for young people to enter the industry is therefore to improve the viability of the agricultural industry in Wales for both existing and potential farmers.

This said, NFU Cymru-Wales recognises that if a forward looking dynamic and vibrant agricultural industry and wider rural economy is to evolve, then "young blood" is essential.

The options as defined in the R.D.R. for intervention are limited. Historically the U.K. has opted for a capital grants structure but the scope of the provisions has been constantly eroded, thus limiting the real benefits. As far as 'new entrants' are concerned the benefits of the capital grant system have depended on the new entrant's ability to match fund grant-aid and to some extent this has historically been a limiting factor and particularly now given the low levels of net farm income prevailing in the industry to fund investment on farm and to diversify activity. From this perspective a single premium of up to 25,000 Euros would be more helpful, but given the current strength of the pound when converted to sterling, the aid would be limited to £10,000.

An interest rate subsidy on loans would help to ease the pressure on the business at the outset when generating a return on the investment for reinvestment can be most difficult.

NFU Cymru-Wales would reiterate the need for a fundamental strategy aimed at reviving agriculture and Wales' rural areas if the indigenous rural population including young people are not to migrate in favour of more

NFU Cymru-Wales would wish to flag-up the need to provide 'new' financial resources to help young entrants. The redistribution of resources within the agricultural sector which merely knocks an impoverished established farming community to alleviate and fund short-term establishment difficulties does not necessarily provide for a sustainable future without a basic viable farming industry.

Finally, with regard to question 8 on the questionnaire, to imply that "guaranteed outlets and prices for farm production" might be achievable is misguided and raises expectations which cannot be fulfilled.

I hope the foregoing is helpful.
Yours Sincerely

Mary James

Deputy Director/Head of Policy

NFU Cymru-Wales

Response to 'New Entrants Study'

Wales YFC Derek Beavan

The current study into the needs of young people entering the farming industry, is the result of a concerted campaign by Wales YFC, to highlight the difficulties faced by new entrants. We view this study to be the beginning of an on going process to reshape agricultural policy in Wales to properly cater for those starting farming businesses. There is much concern that many start-up farms are un-viable, however there must always be an option for part-time farmers to exist, where the farmer will supplement the farm income from contracting services, or other diversification.

Current situation

- No existing new entrants policy - *only country in the EC*.
- No milk quota pool.
- Value placed on all quotas, with no limitations hence highest bidder always secures the deal.
- All subsidies linked to land area. i.e. Arable aid, forage area. This places a false purchase and rental value on land, such that the low rates of return achievable are only attractive to existing farmers spreading fixed costs.
- Tax law enables the purchase of land to be effective and legitimate technique for tax avoidance.
- Interest rates still remain high compared to Euro-land.

The above just illustrates why UK agriculture has such a shameful record at encouraging new blood into the industry. Any other industry where the average age of the senior management is 58 would not survive unless like agriculture it was protected by the safety-net of public finance. It is often said that the best new entrants policy is a booming agriculture, however, history shows that this is not the case. It is important that radical steps are taken to dismantle the man-made structural barriers illustrated above. It should be possible to support existing farming businesses without excluding all those who want to get in.

Positive options to help new entrants

- Create incentives through the tax law to enable landlords to let to a new entrant.
- Tax breaks during the early years of the farming business to offset the appreciating capital value of youngstock before actual value realised.
- Low interest loans.
- Cap the value of quotas and create a user friendly quota pool.
- Investigate share farming options structured to encourage young farmers to establish a capital base at an early stage in their career.
- Installation aids to help establish businesses.
- Look at the whole subsidy system should land on short term lets be eligible for AAPS, or forage area.

Conclusion

Clearly this is an enormous subject, and to achieve any tangible success there needs to be a major change of 'mind-set' from existing farmers. Reducing the average age of farmers must be seen as an investment for the whole of agriculture and not a threat to existing farmers.