

**Dyddiad:** 5 Gorffennaf 2000  
**Amser:** 9.00am - 12.30pm  
**Lleoliad:** Ystafell Bwyllgora, Adeilad y Cynulliad Cenedlaethol

Nid yw'r cyfieithiad Cymraeg ar gael ar hyn o bryd.

## **SUPPORT FOR YOUNG ENTRANTS TO FARMING**

### **Purpose**

1. To seek the Committee's views on whether money under the Objective 1 SPD and the Rural Development Plan should be spent on grant-aiding new entrants to farming.

### **Background**

2. It is undoubtedly hard for young people to enter farming if they are not inheriting a farm. The CAP has made the entry barriers worse, by raising land values, and introducing quotas which also need to be bought or leased.

3. The Rural Development Regulation allows this to be combated by a grant of up to 25,000 Euros, payable to people aged under 40 establishing themselves in a viable farm holding. Appendix 3 of the attached ADAS report explains the parameters of the scheme. The Commission is also willing to consider proposals for complementary measures to help young entrants to the industry.

4. The report that ADAS have now submitted is at Annex 1. The Committee endorsed the terms of reference at its meeting on 26 January 2000.

### **Main Findings**

5. The statistics on the age-structure are misleading in that they show the age of the senior manager of the holding: they ignore the presence of a son working on the family farm if the senior generation is still officially in charge. What the statistics show is that:

- the proportion of managers of all holdings in Wales aged under 40 fell from 15% in 1990 to 13% in 1997; once minor holdings are excluded, the fall was from 16% to 15% (Table 4 of the ADAS report),
- in contrast the proportion of those under 40 managing large holdings remained constant at 16% between 1990 and 1997, and doubled in number from 106 to 212.

6. The following conclusions can be drawn from the report:

- i. the average asset value of a farm business in Wales was £424,000 in 1998/99. A grant of 25,000 Euros (£16,500 approx) will therefore not help young people to purchase a farm.
- ii. although the grant would be of greater value to a young person entering a farm tenancy, the number of young people likely to secure tenancies of a sufficient amount of land to farm a viable business are very small (estimated at perhaps 250 over a 6 year period). The grant would not encourage land owners to offer more land for rent, and existing farmers are likely to out-bid young entrants for land which does become available.
- iii. the grant is therefore likely to have only a marginal impact in enabling young people, who are not inheriting family farms, to enter farming;
- iv. if the grant was introduced, the main potential take-up would be in facilitating the transfer of the management of a family farm to the next generation (potential take-up perhaps 800-900 over a 6 year period).

## **Discussion**

7. The possible advantages of a grant scheme are as follows:

- by encouraging the transfer of the management of some family farms to a younger generation, it might increase innovation in the industry;
- it might, by the same token, make a contribution to social sustainability in rural Wales.

8. On the other hand:

- the extent to which transferring the management of family farms to a younger generation will actually increase innovation is hard to judge. The ADAS report suggests that many young people in farming families have very traditional attitudes to farming. Equally, innovation is not confined to those aged under 40. If promoting innovation is the real objective, it might be better to support it more selectively, through the provision in the Objective 1 SPD and the Rural Development Plan for Farm Diversification and Improvement Grants.
- As regards helping young people to set up in farm tenancies, there is a danger of raising expectations which cannot be fulfilled, due to the problems in obtaining tenancies of a viable size.
- Although young entrant schemes are operated in all EU member states other than the UK and the Netherlands, section 8.6 of the ADAS report indicates that it is hard to draw positive conclusions about their effectiveness,
- the opportunity costs need to be considered.

## **Financial Implications**

9. Although it is hard to estimate take-up accurately, the figures in the ADAS report suggest that a grant scheme might operate with about 200 entrants per year. The cost of this would be some £3.3m per annum in programme costs, and up to £100,000 per annum in administration.

10. A young entrants scheme would have to be funded out of Objective 1 in West Wales, and EAGGF guarantee funds under the Rural Development Plan outside the Objective 1 area. If a scheme was to be introduced, programme provision would have to be created by reordering provisions within the agriculture measures of Objective 1; specific provision already exists within the RDP, although this is subject to the outcome of the spending review. If the Treasury refuses to provide matching funding for modulation receipts, it will be necessary to find this provision from within existing agriculture baselines. There would be a need for formal amendment to the Objective 1 SPD and the RDP, which would need to be cleared with the European Commission.

11. It is not possible to administer this scheme from within existing administration costs budgets. Its administration will depend upon the success of a bid in the 2000 Budget Planning Round

## **Compliance**

12. The Assembly's powers to make domestic regulations in relation to a Young Entrants Scheme derive from its designation (pursuant to SI 1999 No. 2788) to implement in Wales, Community obligations for the purposes of the Common Agricultural Policy under section 2(2) of the European Communities Act 1972.

To allow the Assembly to introduce the scheme there would be a need for formal amendments to the Objective 1 SPD and the RDP. It is unlikely that we would be able to submit the amendments and have approval in time for the scheme to be introduced much before mid 2001.

There are no issues of propriety or regularity. The Assembly Compliance Office has been consulted about these proposals and is content.

## **Conclusion**

13. The analysis suggests that it is hard to be confident about the impact that a Young Entrants' Scheme would have in promoting innovation in the farming industry. The Agriculture and Rural Development Secretary will consider the way forward in the light of the Committee's comments.

To view the ADAS report click [here](#).