Investing on the future of EU agriculture:

Challenges and opportunities for the new generation of farmers

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COGECA Presidency Business Forum

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Outline

1. *The access to the sector today: some key figures and barriers*
2. *Let's think ahead… and anticipate the future*
3. *Let's help: instruments to accompany the new generation of farmers*

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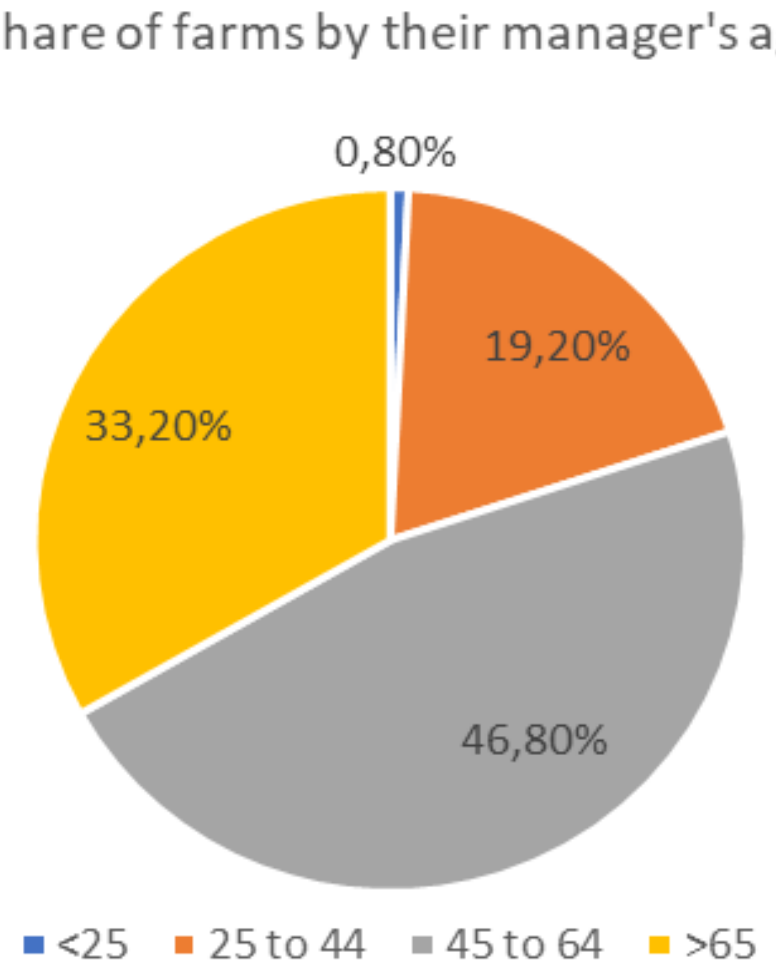
1. The access to the sector today: some figures and challenges

Demographics in EU agriculture, today



Source: Eurostat, Census 2020

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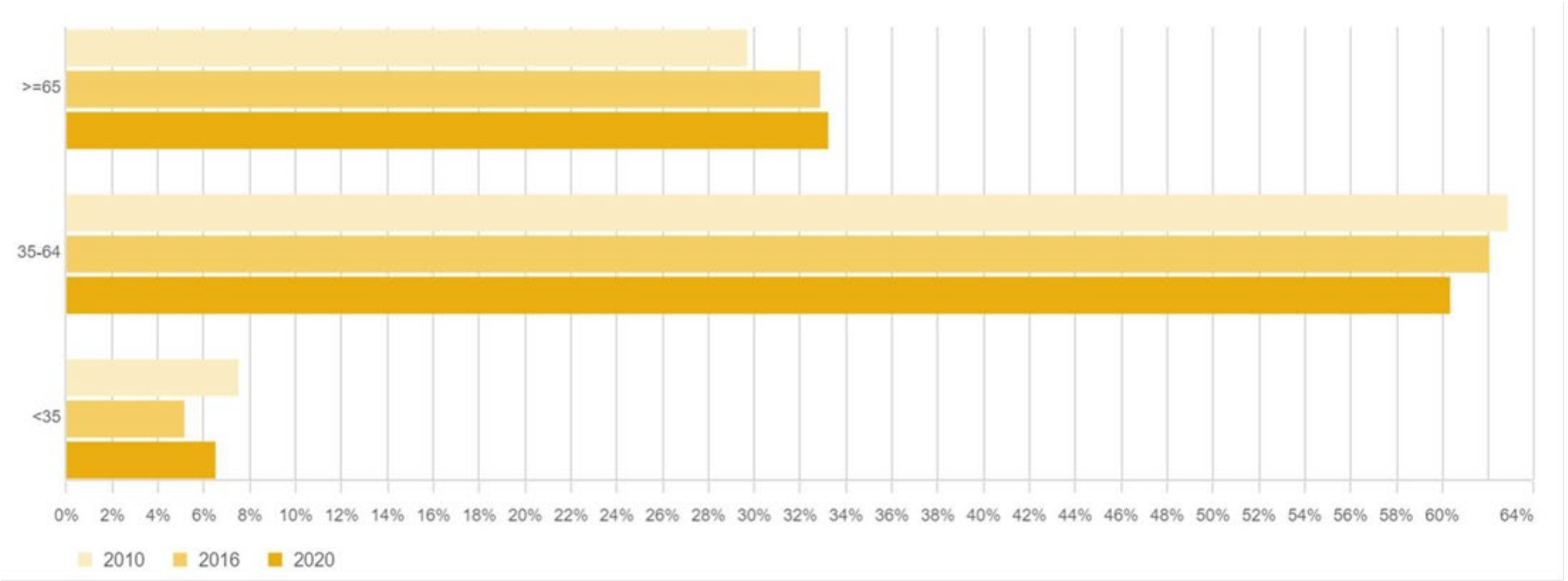
Farmers on average becoming older:



Source: Eurostat

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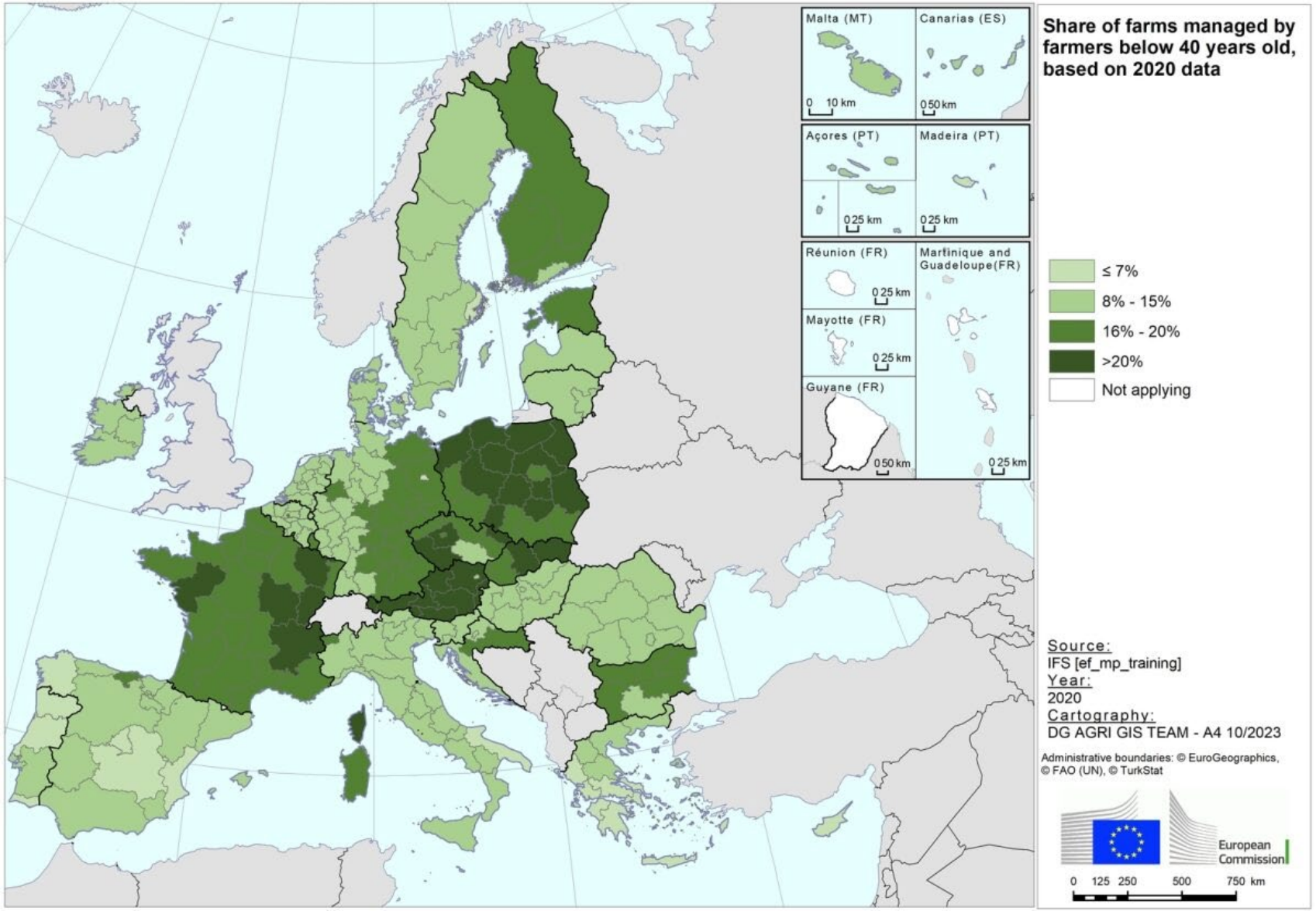
Diverse demographic structure across territories



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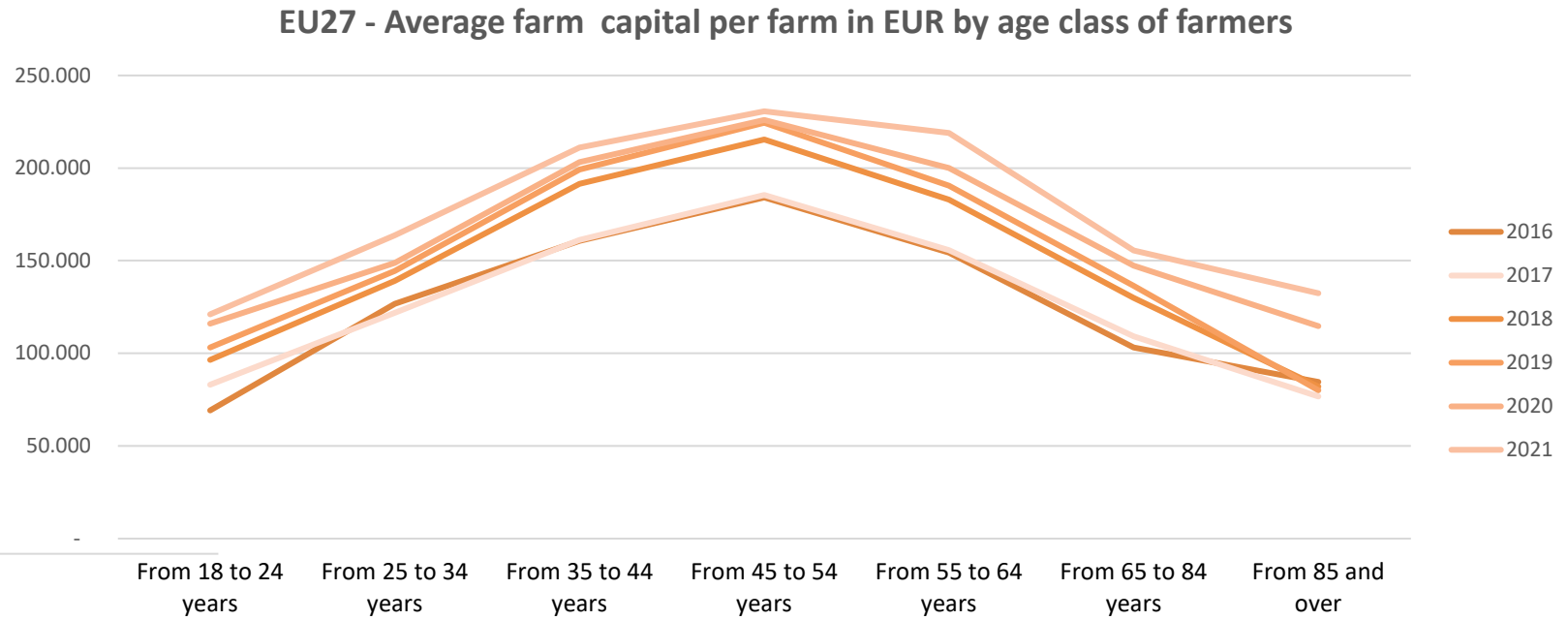
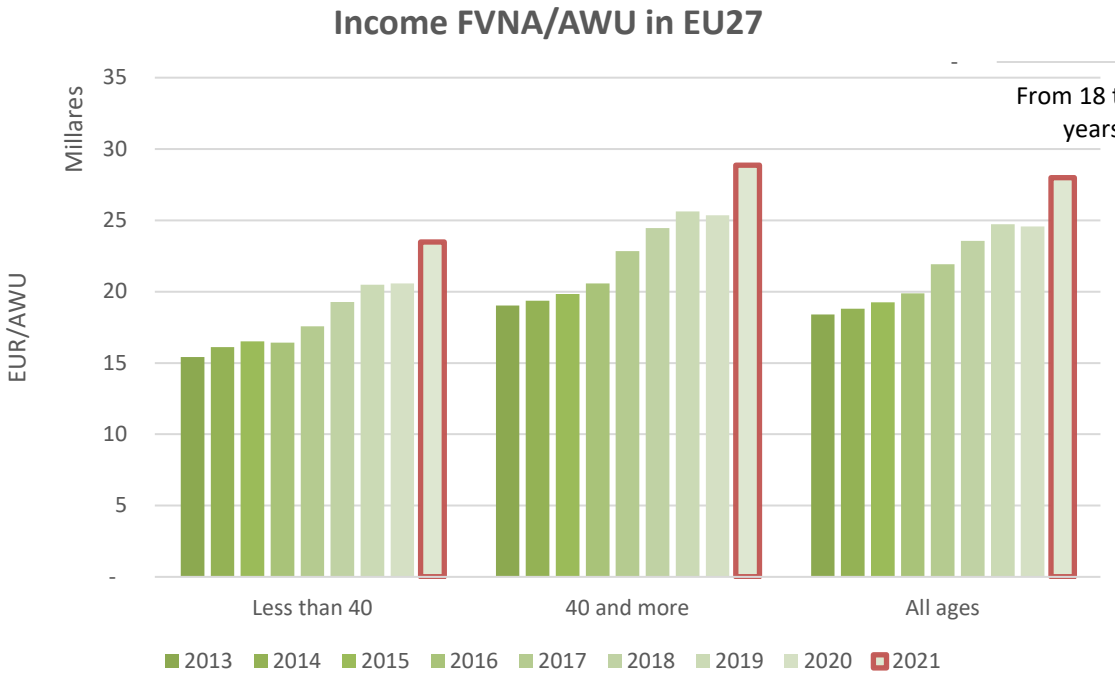
Income and capital per farm show clear pattern linked to age…





Source: DG AGRI, based on FADN data

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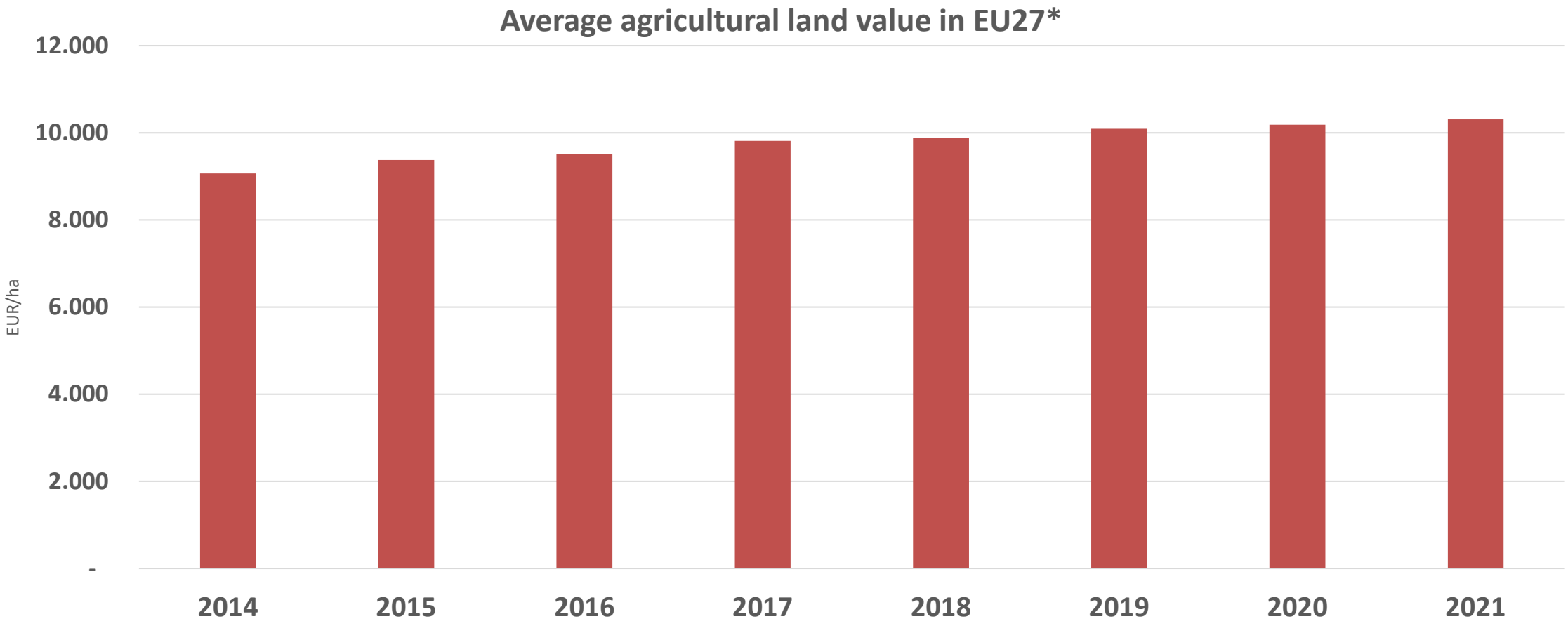
Access to land:
An area which requires higher attention



*EU27 except for 2021 (no data for MT)
Including land improvements

Source: DG AGRI, based on FADN data

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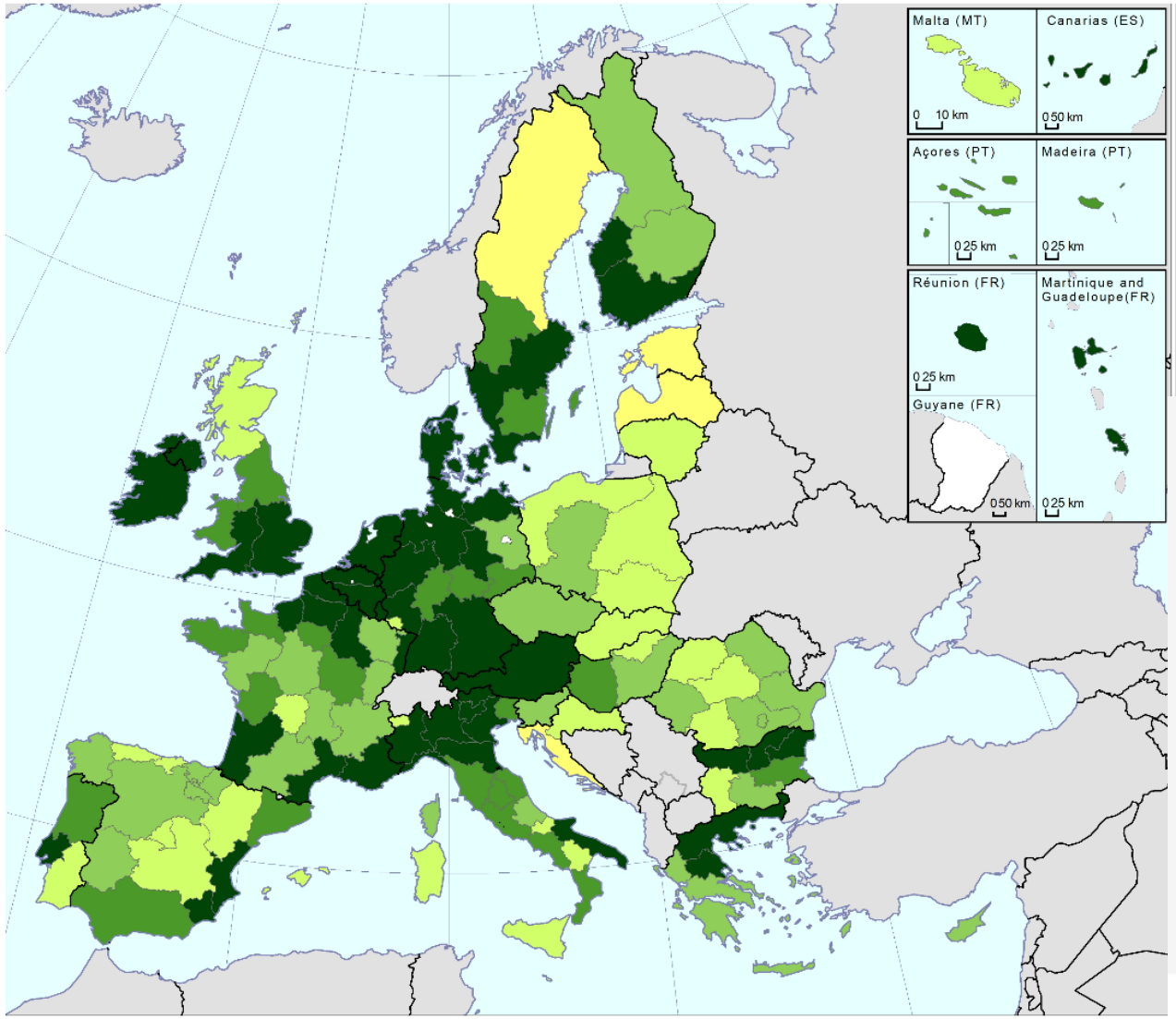
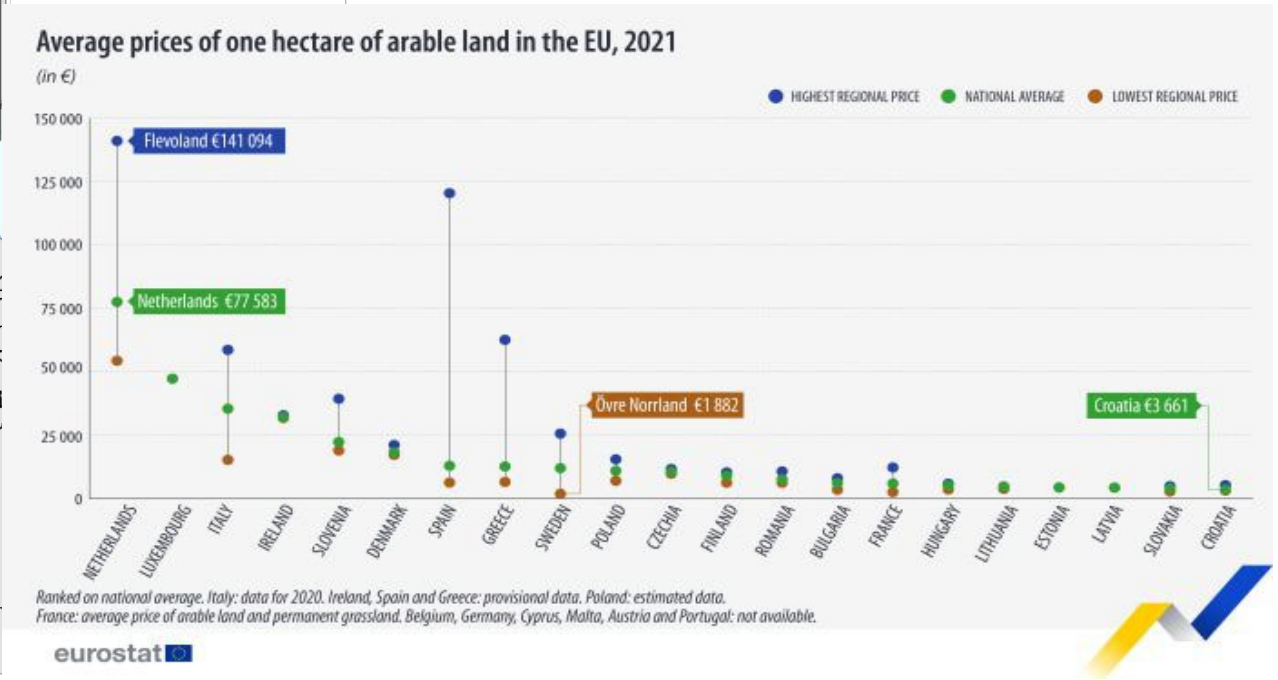
Access to land:

High diversity across territories…with heterogenous regulatory frameworks for land markets





Access to credit…

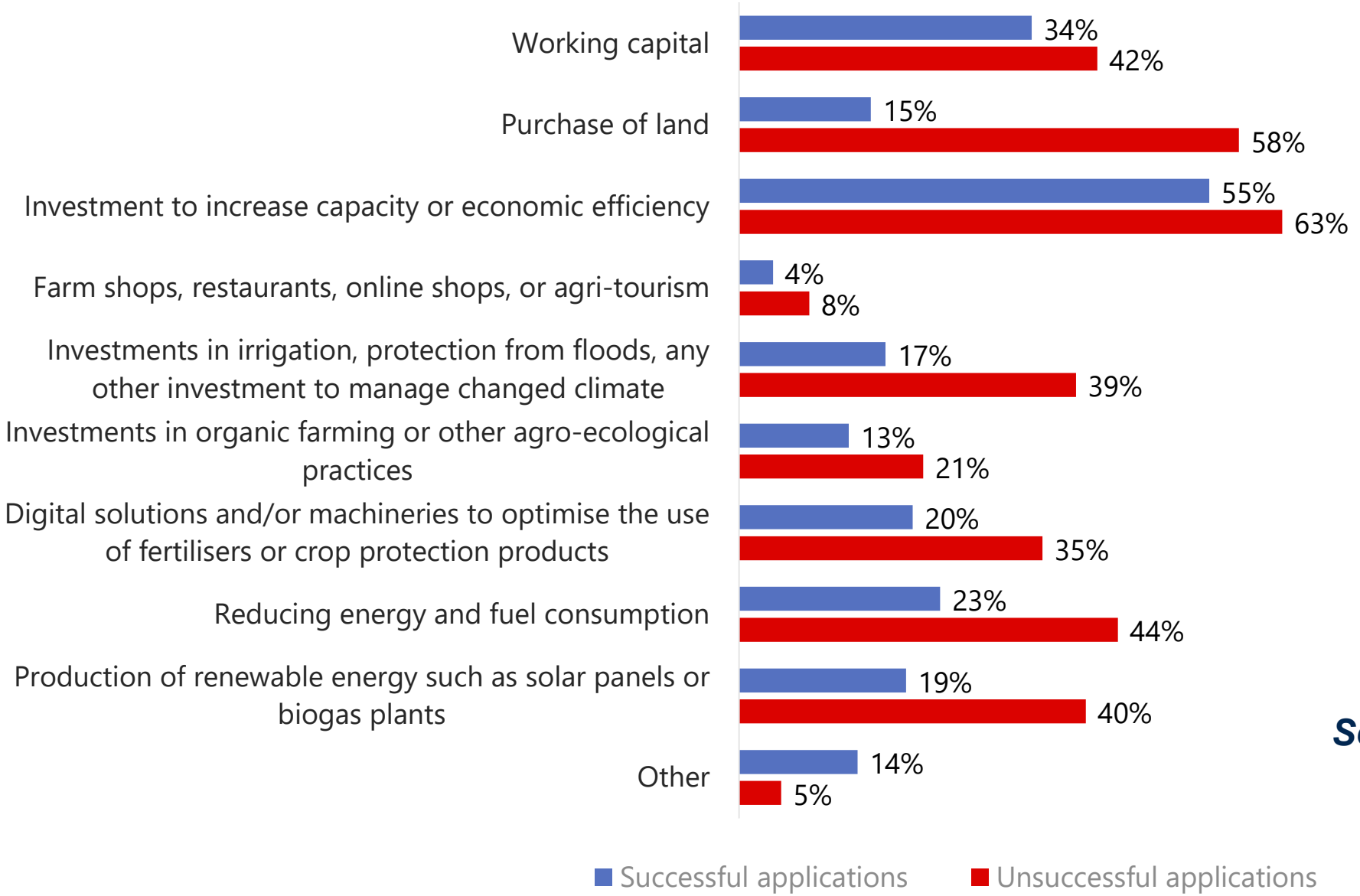
Some general conclusions from the 2023 Fi-Compass survey (EIB)

- Despite a more favourable financial environment the **financing gap has increased** in the last 5 years.
- **Increased share of farmers relying on bank finance, and for larger amounts, offers more opportunities to use financial instruments** to provide support for strategic investment areas.
- **Divergence in access to finance conditions across Member States is significant.**
- **Small farms are still disadvantaged** in accessing bank credit.
- Challenging for farmers to get financing for **purchase of land.**
- **Young farmers** show increased propensity to apply for bank finance and to invest.
- Climate change has already a widespread impact, with farmers in some territories more exposed than others.
- **Farmers show increasing interest in green investments**, in particular for **renewable energy and energy efficiency**.
- Obstacles to green investments such as high cost and long payback periods, lack of knowledge and data to assess innovative investments, make public support necessary.

See: www.fi-compass.eu

Purpose of the loans

Purpose of the loan – comparing approved vs rejected loan applications



Loan applications related to these types of investment seem to be less successful:

- Purchase of land
- Climate adaptation
- Environment and energy related investments

Source: fi-compass 2023

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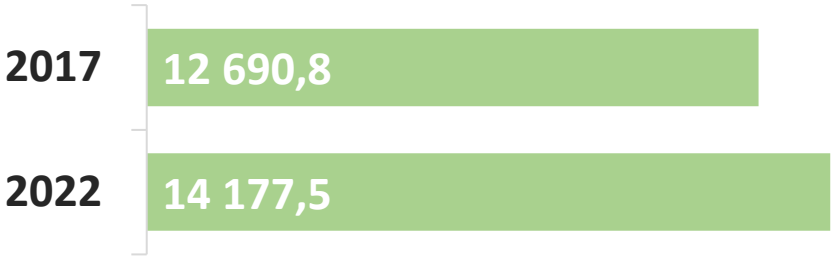
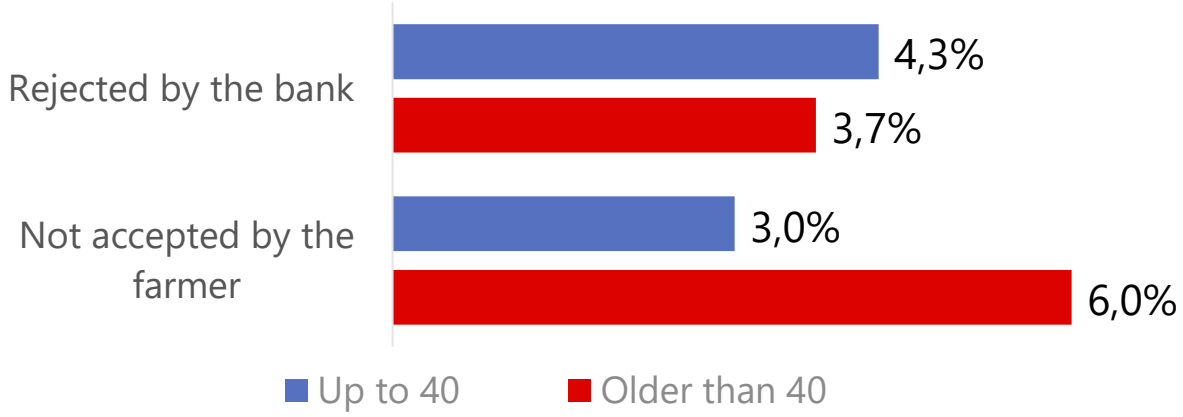
Specific results for Young farmers

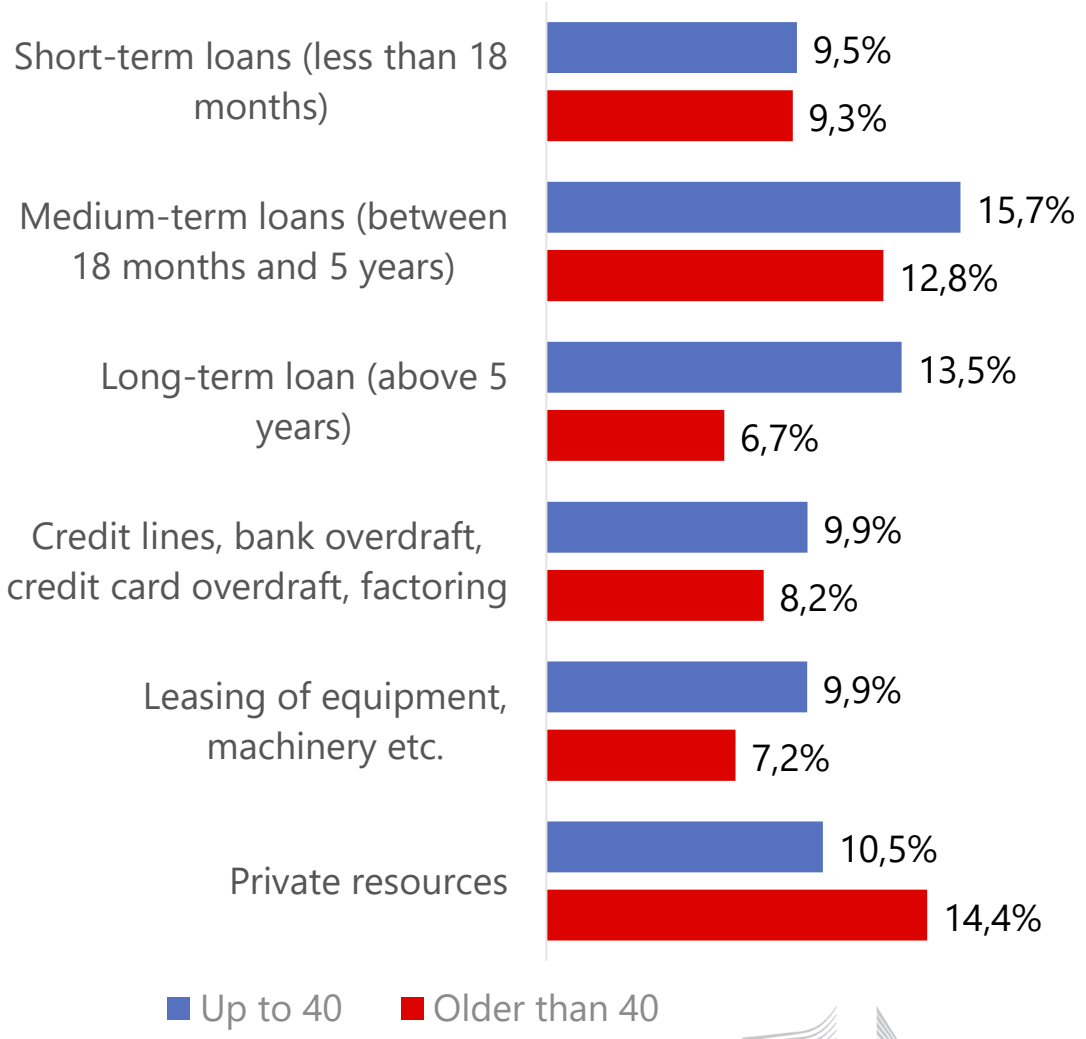
Financing gap for young farmers (EUR million)



Success rate in loan applications by age group



Application rate by financial product and age group



Non-application for fear of rejection is less common among young farmers (11% against 14% for farmers older than 40)

Source: fi-compass 2023

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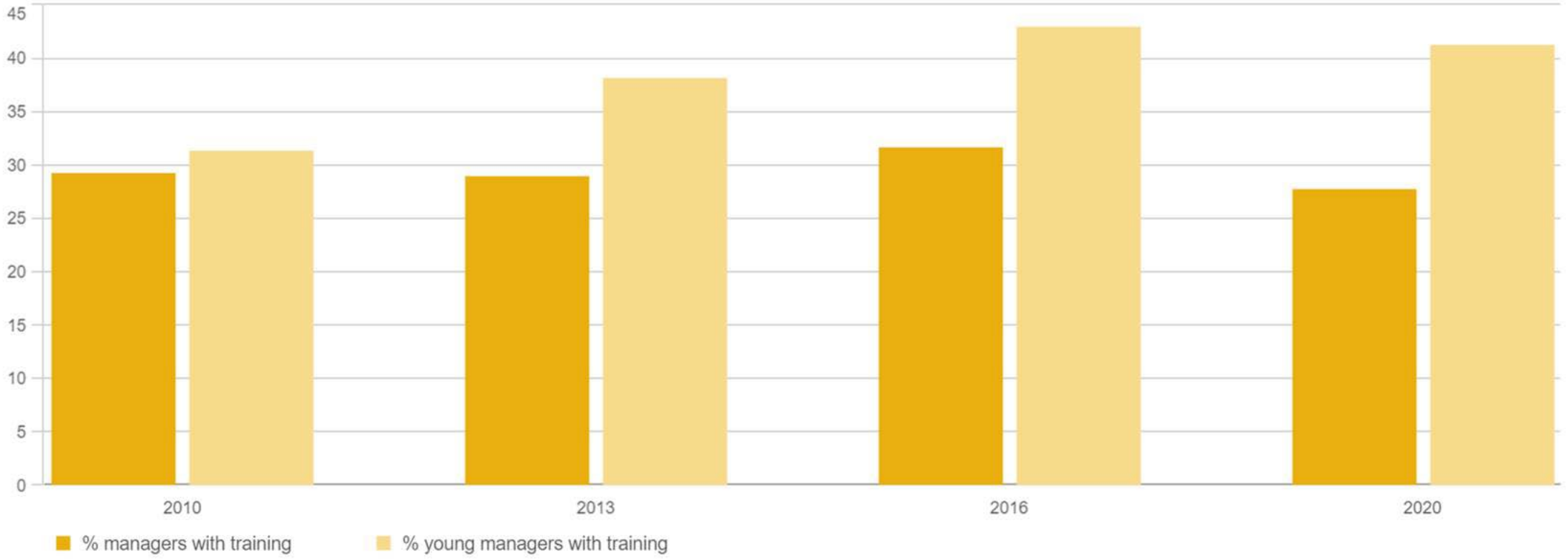
Farm manager with a minimum level of training (basic or full agricultural training)



Source: Eurostat

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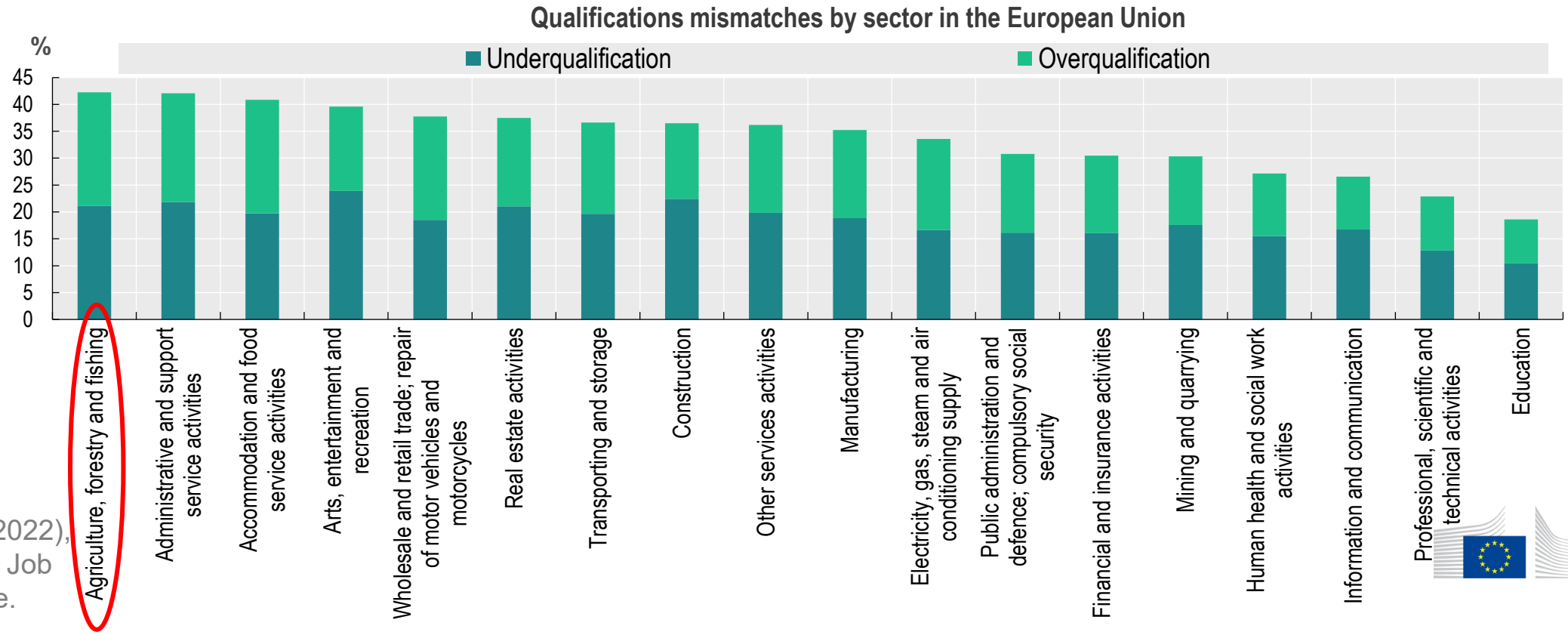
Skills: *Need to face the qualification mismatch*

According to OECD, in the EU, the agricultural sector shows the greatest qualification mismatch* in the whole economy (in 2019)

*when workers have an educational attainment that is higher or lower than what is required by their job.



OECD (2022), Skills for Job database.

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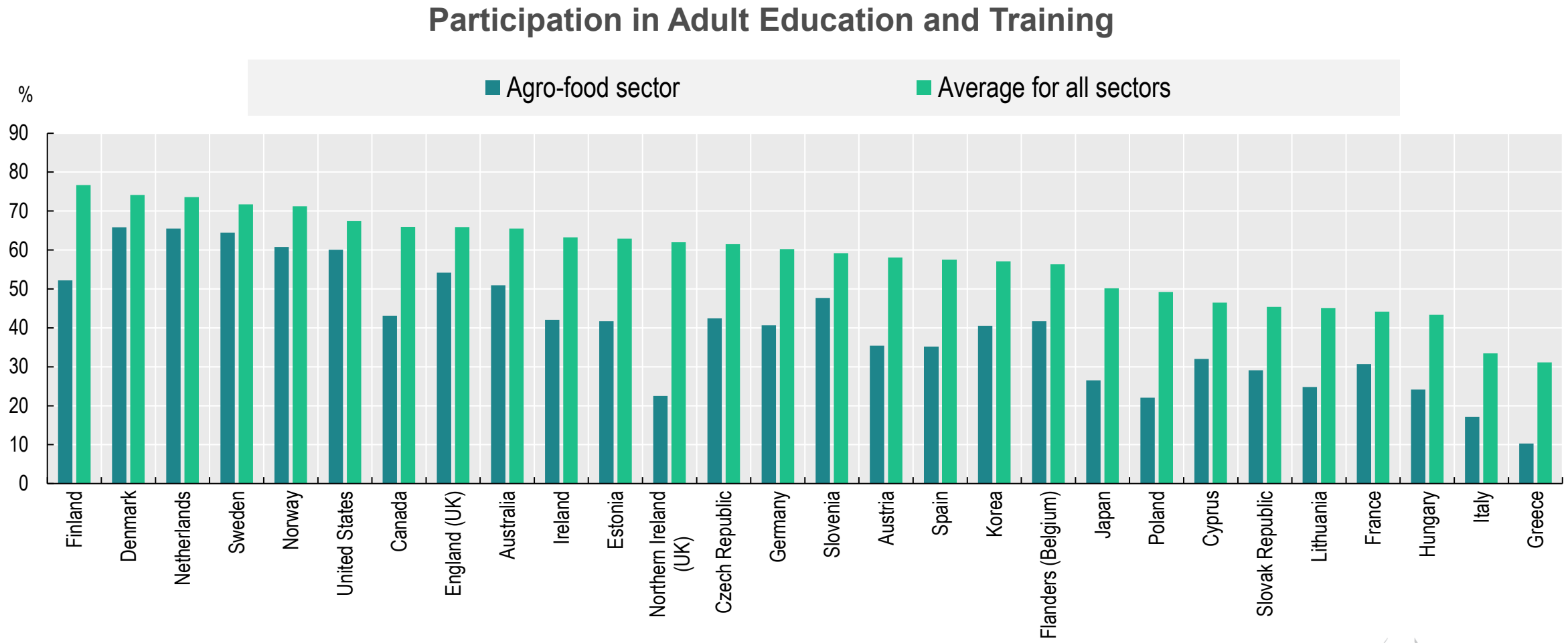
Participation of agro-food workers in vocational education and training is still lower than in other sectors



Notes: Agro-Food industry includes agriculture, forestry and fishing, manufacturing of food and manufacturing of beverages.
Adult education and training (AET) refers to participation in formal or non-formal AET in 12 months preceding survey.
Source: PIAAC survey

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Barriers to learning (OECD analysis)

Cost	Providing on-the-job training may be costly. Accessing training courses can also be costly and inaccessible.
Lack of time to complete/deliver staff training	Training can be provided in ways that are not accessible to busy farm workflows.
Geographic accessibility	Many farmers are isolated and cannot travel long distances to access training.
Gender inequality	Demonstrations in Europe tended to attract younger men.
Poor rural infrastructure	Lack of access to technology because of the 'digital divide' can inhibit access to certain types of learning, e.g. online, videos etc.
Fragmented learning infrastructure	Lack of co-ordination between e.g. higher-, further-education, adult learning, can fail to deliver lifelong learning and a complementary package of skills training.
Inclusion of seasonal workers	Training providers within countries can ignore and exclude seasonal immigrant workers.
Reluctance to share knowledge	Learning in discussion groups can be impacted if farmers are unwilling to share knowledge (e.g. due to competition or bad facilitation).

Source: Rose (2021), "What skills are needed in farming and how can they be learned". Background report prepared for the OECD Secretariat, Unpublished

2. Let's think ahead… and anticipate the future

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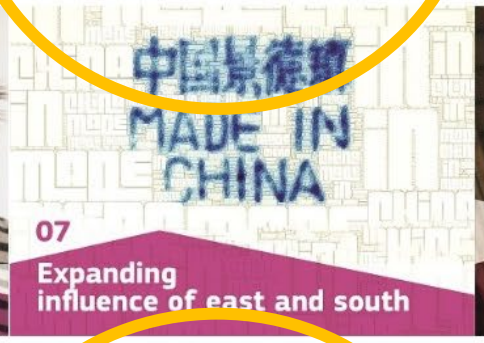
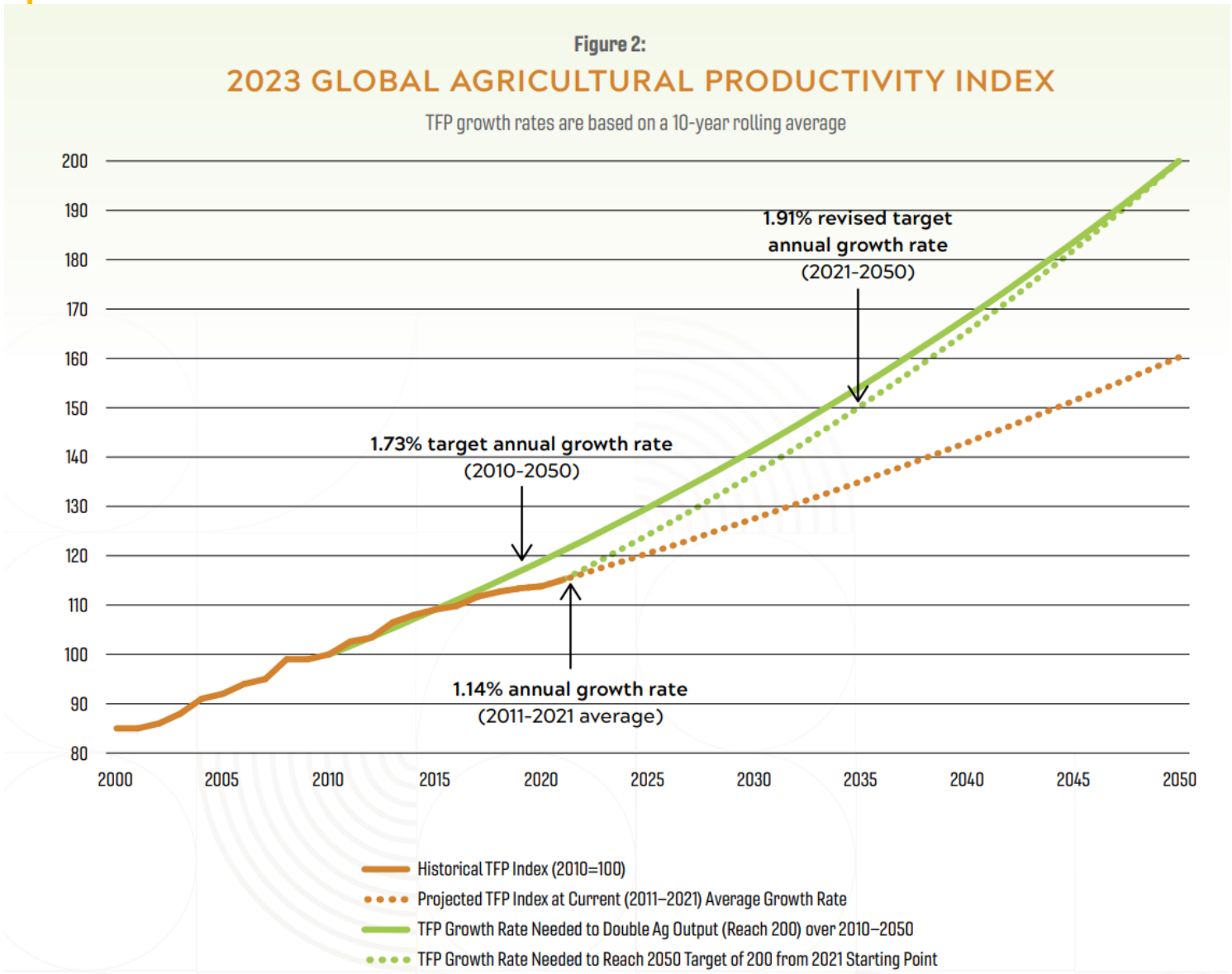
14 Global Megatrends

Long-term global driving forces that are observable in the present and are likely to continue to have a significant influence for a few decades



Food security (availability)



- World population in 2050: 9.7 billion
- Need to increase agricultural production sustainably, how?

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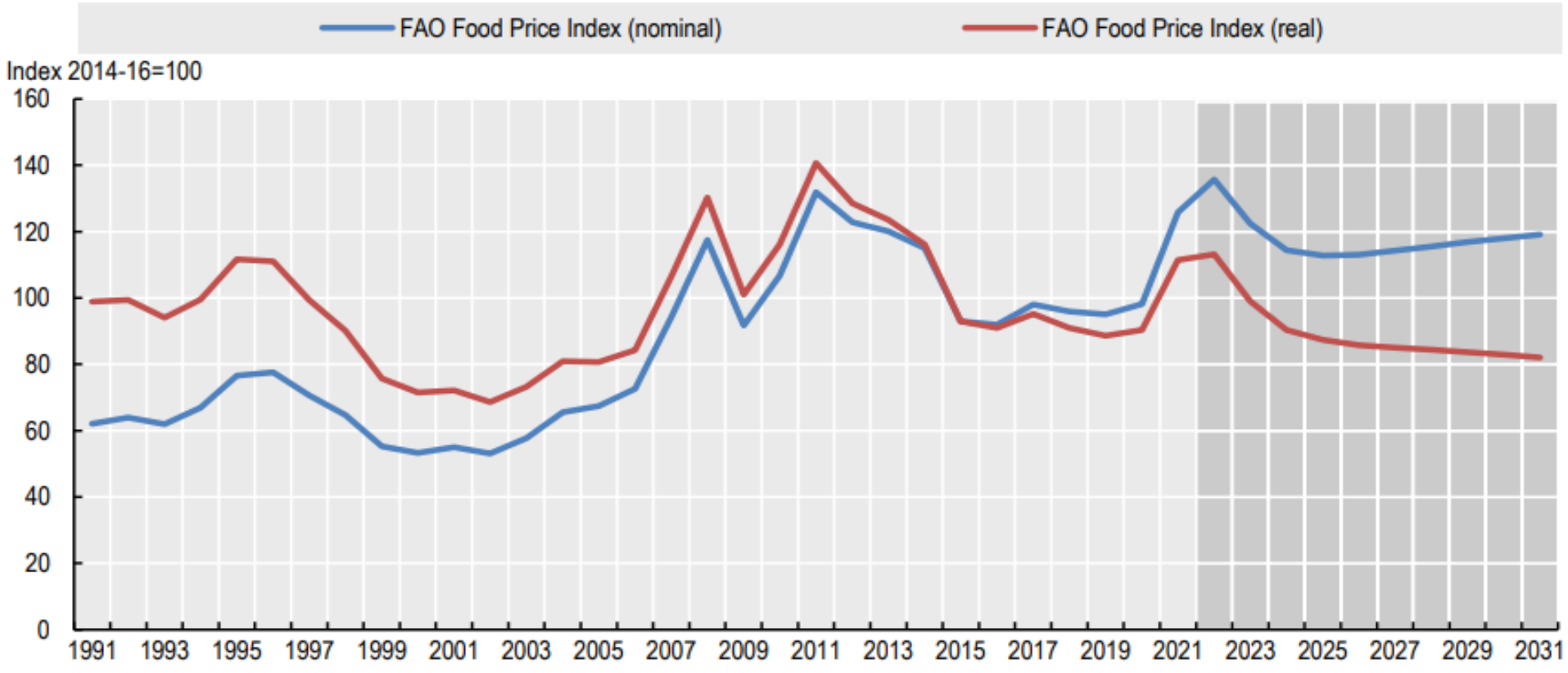
Food security (affordability)



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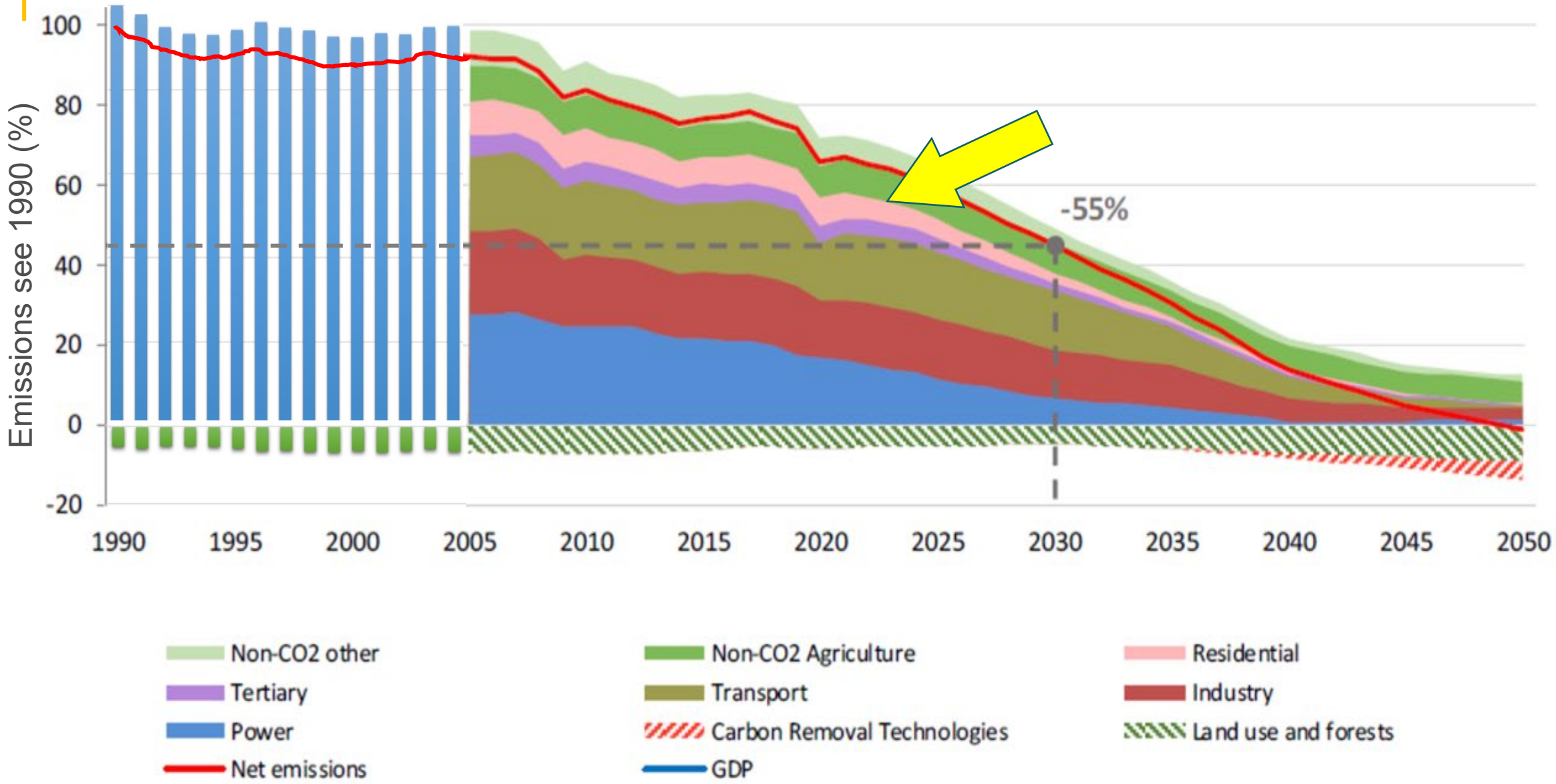
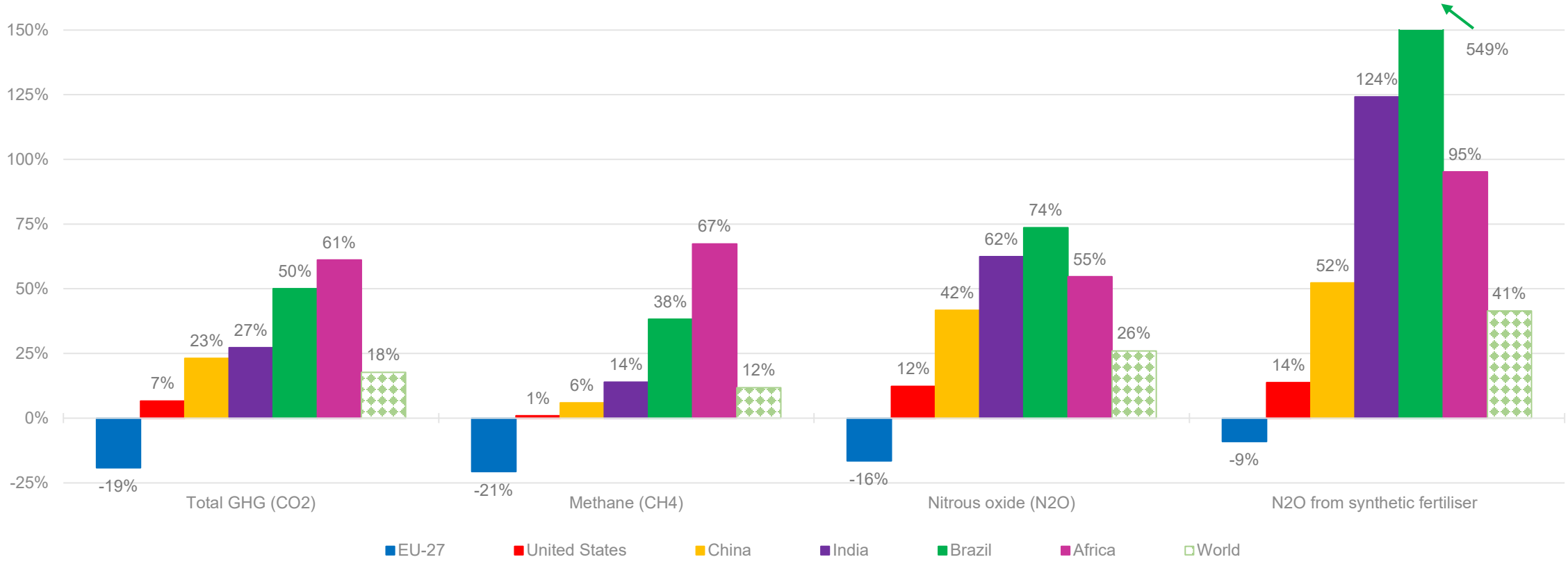
EU to reach climate neutrality in 2050: key role for agriculture and forestry



Variations of climate-harming emissions from agriculture by continent (1990 – 2017)



Source: DG AGRI based on FAOSTAT.

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Water resilience

*"**Large-scale action is needed to strengthen EU's water resilience**, by addressing **pollution** and the increasing demands by agriculture, energy production, industry, or households. **Measures to improve the governance of water** (including appropriate pricing and allocation mechanisms), **its efficient use**, the development of **sustainable alternative sources**, the elimination of water pollution, and **ensuring equal access** are key"*

EC 2023 strategic foresight report Sustainability and wellbeing at the heart of Europe's Open Strategic Autonomy'

Water: A key resource for the future

1. **Water availability will become a global problem sooner than expected**, by the mid-2030s the demand for freshwater could outstrip supply by about 40%

2. In recent years **floods**, **droughts** and **water scarcity** have affected a growing part of the EU creating considerable damage to EU agricultural production, posing a risk to **food security**.

3. **Agriculture** plays a significant role in **freshwater consumption**, accounting for an average of **40% of total water use (**at EU level), with high regional variations, reaching 80 % in some regions, particularly in southern Europe.

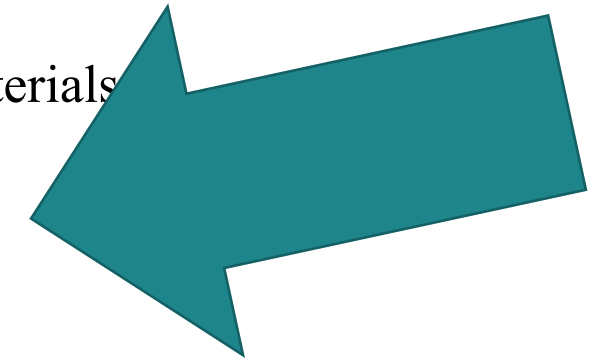
4. 22% of Europe's surface water bodies and 28% of groundwater are significantly affected by diffuse **pollution from agriculture**, both by **nutrients and** by **pesticides** (EEA, 2021).

Agriculture/food as key areas under the EU's Open Strategic Autonomy strategy

Granada Declaration, European Council (5/10/2023)

EU to reduce external dependencies in **areas where the EU needs to build a sufficient level of capacity to guarantee its economic and social welfare:**

- digital and net-zero technologies
- critical medicines and raw materials
- sustainable agriculture.



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Energy, Digital, Food and Health: key areas of attention under RESILIENT EU 2030

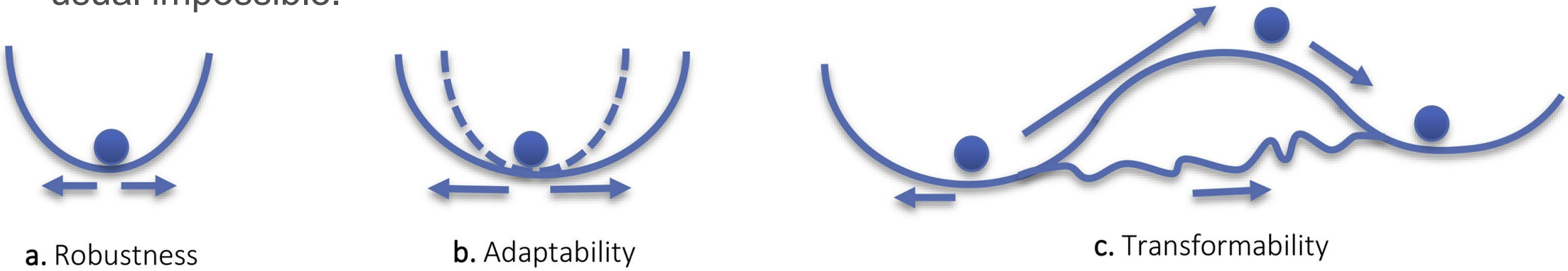
RESILIENT EU2030

A future-oriented approach to reinforce the EU's Open Strategic Autonomy and Global Leadership

	Nine lines of actions are identified:
Bolstering and securing internal production capacities	1. Fostering domestic production of key goods, services and raw materials 2. Monitoring and limiting foreign ownership or control over strategic sectors and infrastructures 3. Setting contingency plans to respond to future shortages
Enhancing circularity and smart consumption	4. Enhancing resource efficiency 5. Fostering circularity in economy and society 6. Replacing raw materials and components by more accessible alternatives
Reinvigorating global trade and the multilateral system	7. Launching a new trade expansion 8. Rebalancing economic relations with China 9. Leading the renovation of the multilateral architecture

Resilience capacities of farming systems

- **Robustness:** capacity to withstand stress and (un)anticipated shocks
- **Adaptability:** capacity to change the composition of inputs, production, marketing and risk management
- **Transformability:** capacity to significantly change the internal structure and feedback mechanisms in response to severe shocks or enduring stress that make business and usual impossible.



a. Robustness **b.** Adaptability **c.** Transformability

Source: A framework to assess the reslience of farming systems, M. Meeuwissen, et al, 2019. (SURE-Farm project)

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How will be the farmers of the future?

- Future professional and social roles of EU farmers identified in 2040
- Changes in the “nature” of the profession to be anticipated
- Multiple different types of farmers will continue to exist in the future

JRC Report published in 2020

https://ec.europa.eu/jrc/en/publication/eur-scientific-and-technical-research-reports/farmers-future

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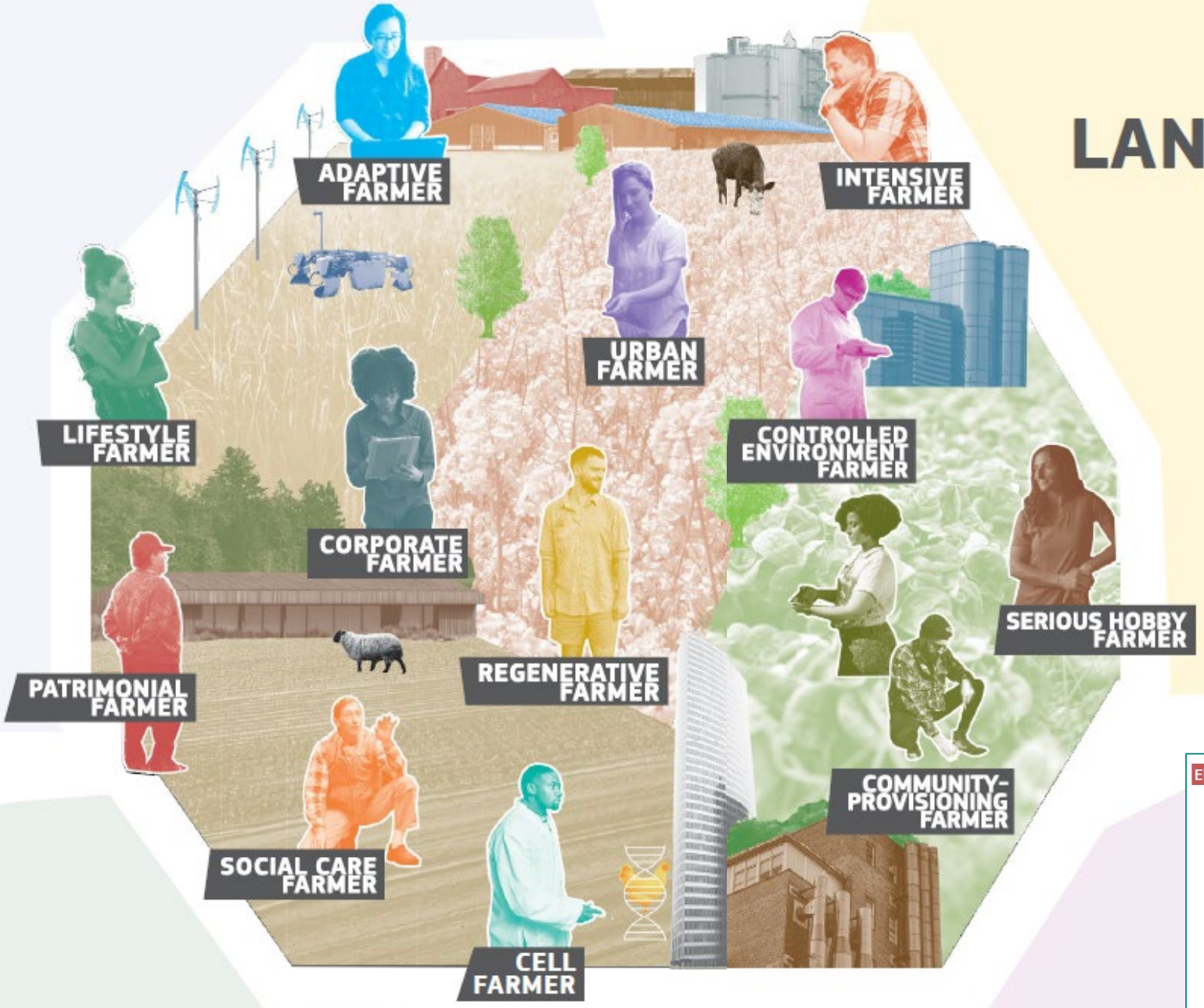
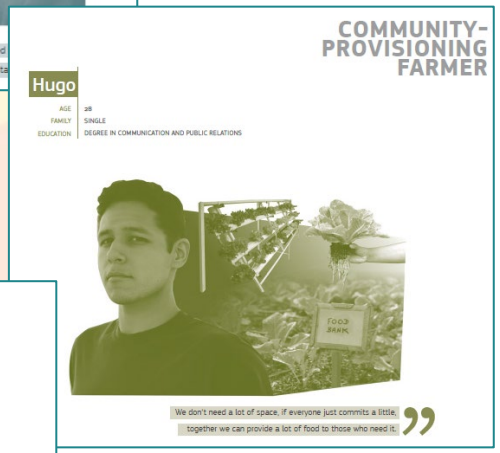
FARMER LANDSCAPE 2040





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How will be the farmers of the future? (2040)

- **Farmers are already adapting fast** to the new changing realities
- **Several types of farming will coexist in the future**
- Farmers of the future must be **entrepreneurs**, some of them may be **employees** of large companies and contracts may continue to evolve.
- Family farming is still expected to exist in the future, but **broader partnerships** between shareholders are considered likely to develop.
- In all cases, farmers must be smart resource **managers** (human, financial and natural), qualified, innovative, resilient and connected.
- **Cooperation** across farmers and other actors of the value chain will be crucial

3. Let's help: instruments to accompany the new generation of farmers…

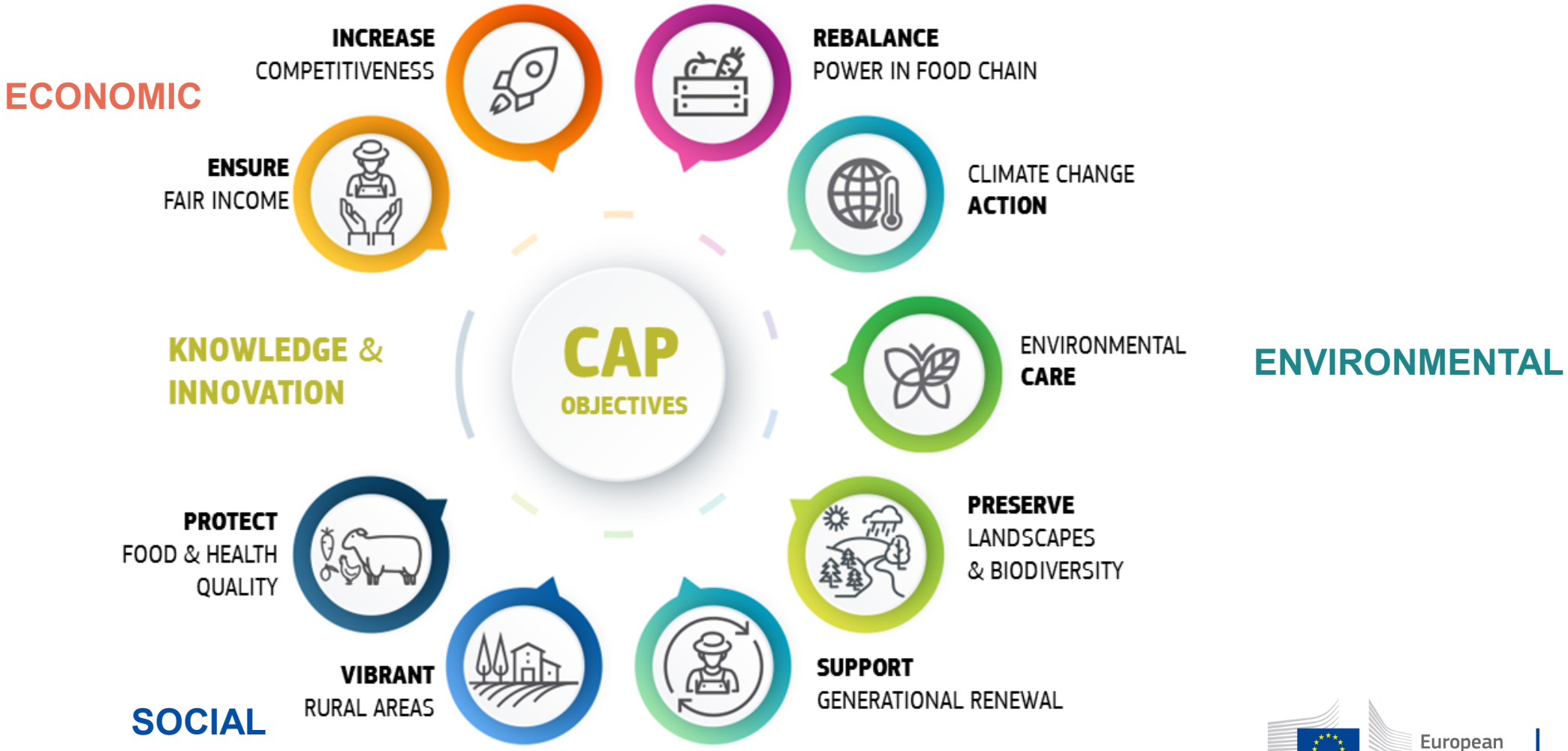
Transformative policies

- **Common Agricultural Policy**: Investment support, Cooperation support, Innovation Partnerships, Support for changing practices (eco-schemes, agri-environment-climate interventions)
- **Horizon Europe**: research and innovation
- **Digital Strategy**
- **New regulatory approaches (NGTs…)**

Cooperatives can play a key role:

- ***To support the engagement of the farmers into the transition***
- ***Fostering new business models***

The new Common Agricultural Policy (CAP)
- objectives & sustainability dimensions -



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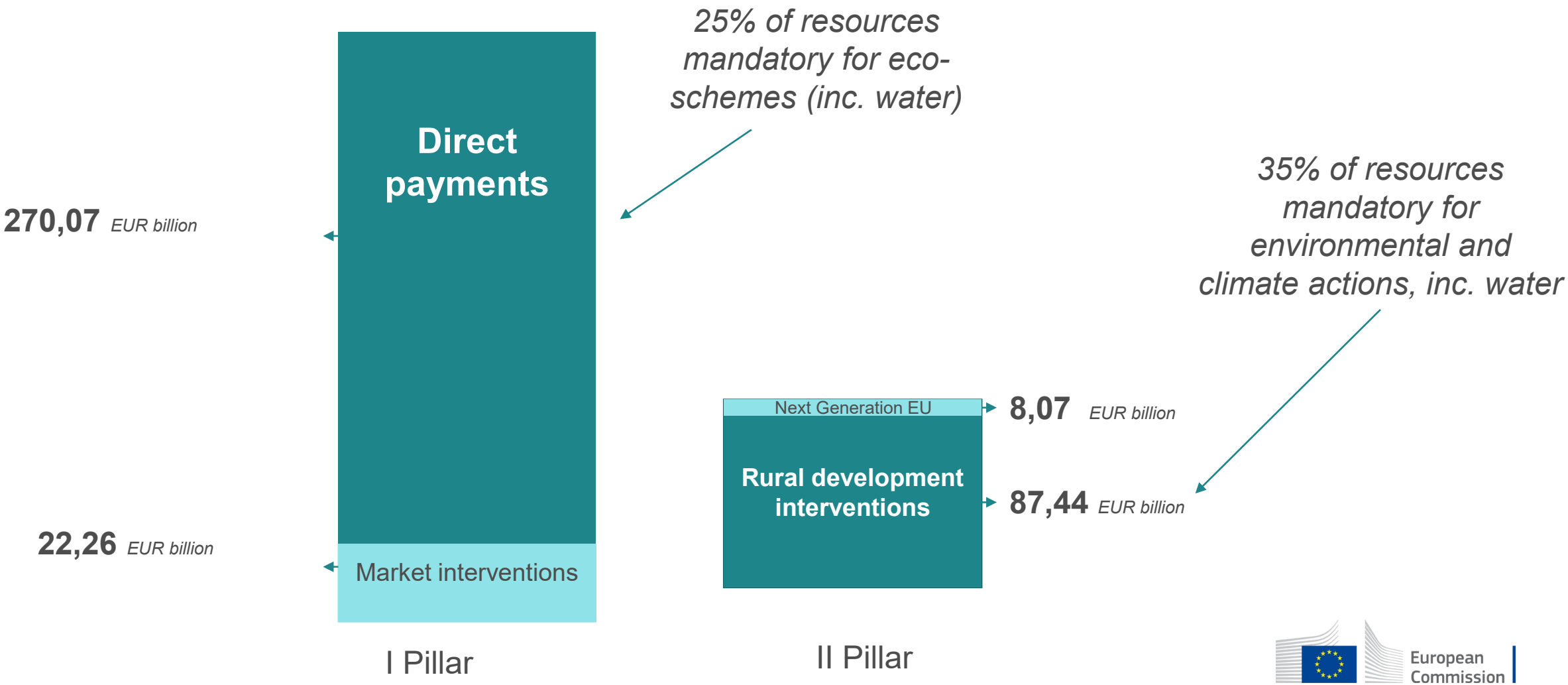
CAP total financing 2021-2027 *(current prices)*



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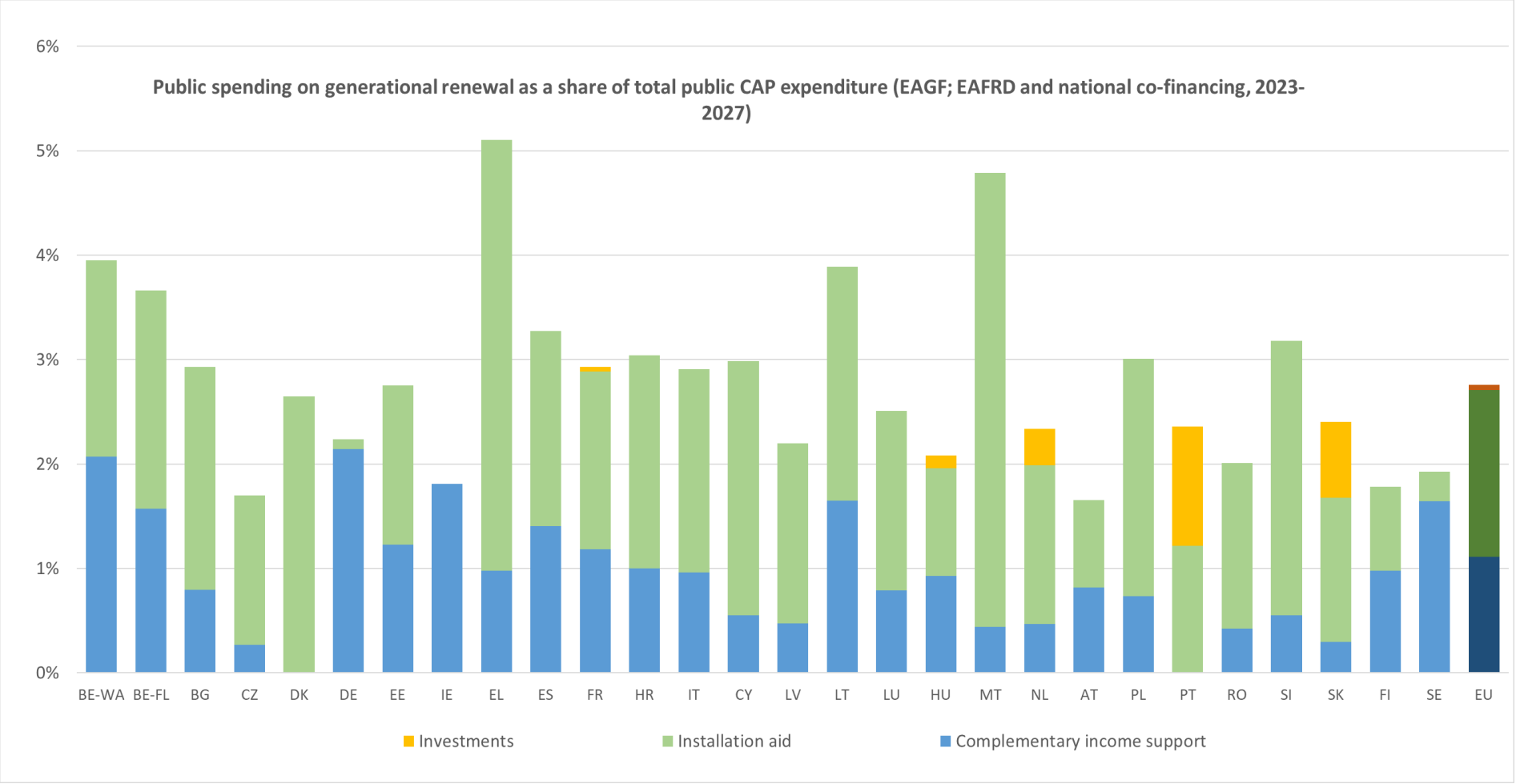
Support to generational renewal



- 8.5 billion of support (2023-2027) - **377 000 young farmers** expected to profit from it
- 26 CSPs provide for the complementary **income support** for young farmers (1.8% of DP)
- 27 CSPs will aid young farmers through support for **setting up** (5.2 % of RD)
- 5 MS schedule support for **investments** with higher rates exclusively for young farmers
- 5 MS support farms **transfers** through the cooperation intervention

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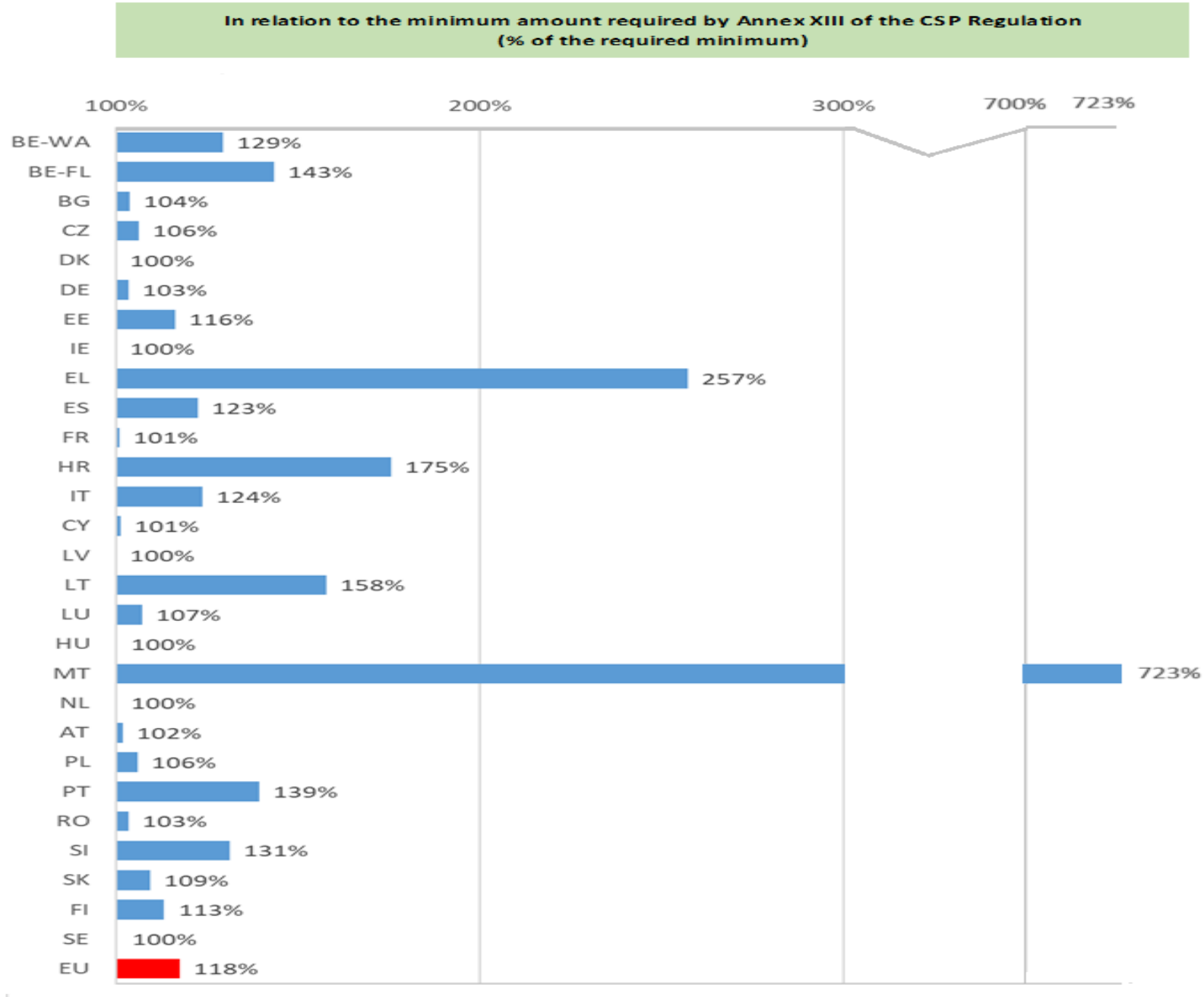
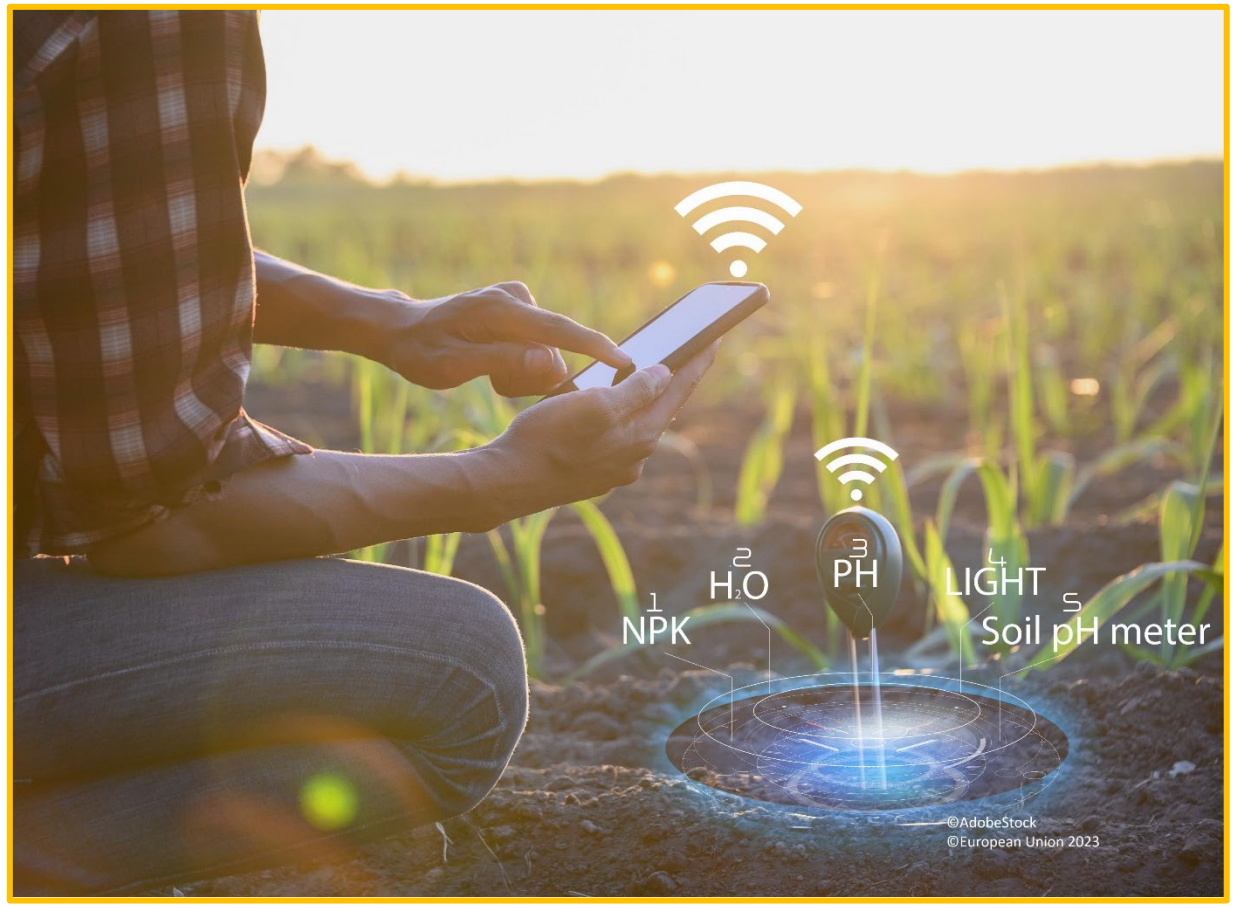
In relation to direct payments	
BE-WA	4%
BE-FL	5%
BG	3%
CZ	3%
DK	3%
DE	3%
EE	3%
IE	3%
EL	8%
ES	4%
FR	3%
HR	5%
IT	4%
CY	3%
LV	3%
LT	5%
LU	3%
HU	3%
MT	12%
NL	4%
AT	3%
PL	3%
PT	4%
RO	3%
SI	4%
SK	3%
FI	3%
SE	3%
EU	**4%**



Adapting and transforming farm business models



Focus on: reducing need for inputs + circular approaches

- ✓ Mineral fertilisers, pesticides, energy efficiency, antibiotics
- ✓ CAP 2023-2027 support for:
  - Agronomic practices
  - Investments
  - Advice, knowledge transfer

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Transforming farm business models

Focus on: Increasing renewable energy production capacity

- ✓ CAP 2023-2027 supplementing other EU and national funds
- ✓ Depends on available resources
  - Bioenergy (e.g. biogas, biomethane)
  - Geothermal
  - Wind energy
  - Solar/PV (including Agri-PV)
- ✓ Key role for cooperatives

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Transforming farm business models

Focus on: agro-forestry

✓ CAP 2023-2027

- Investment support for establishment
- Area-based support for maintenance / conservation

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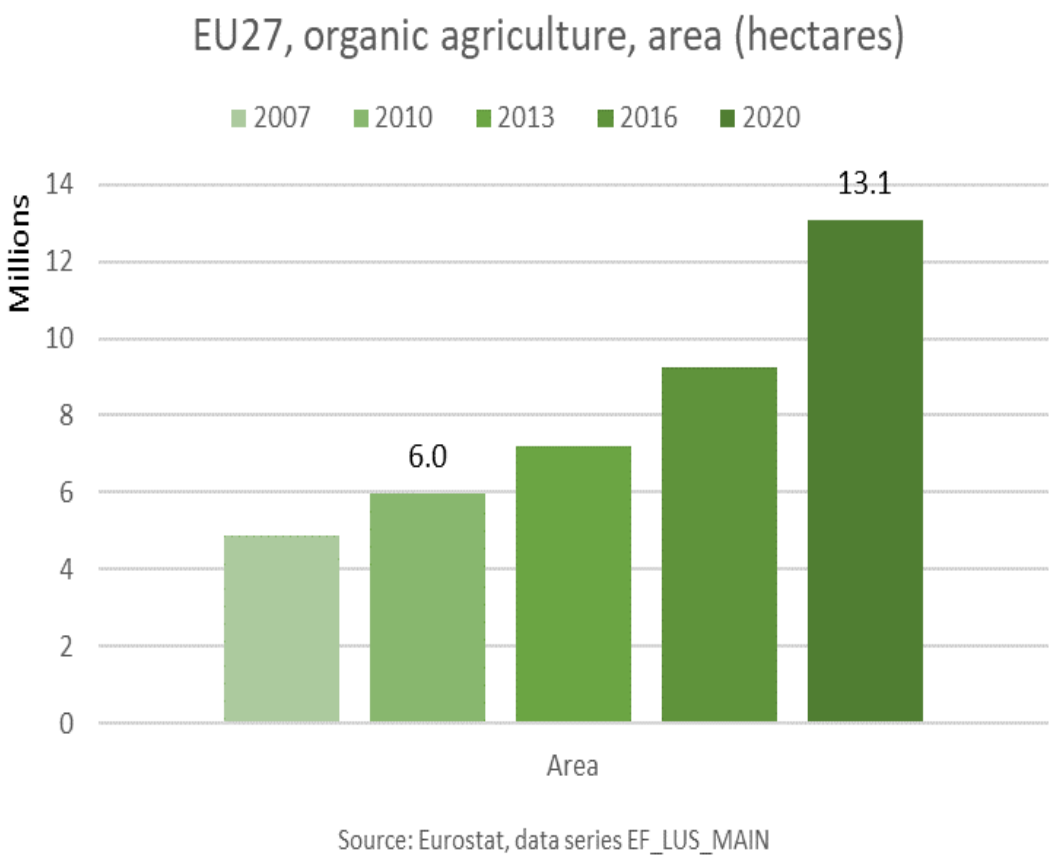
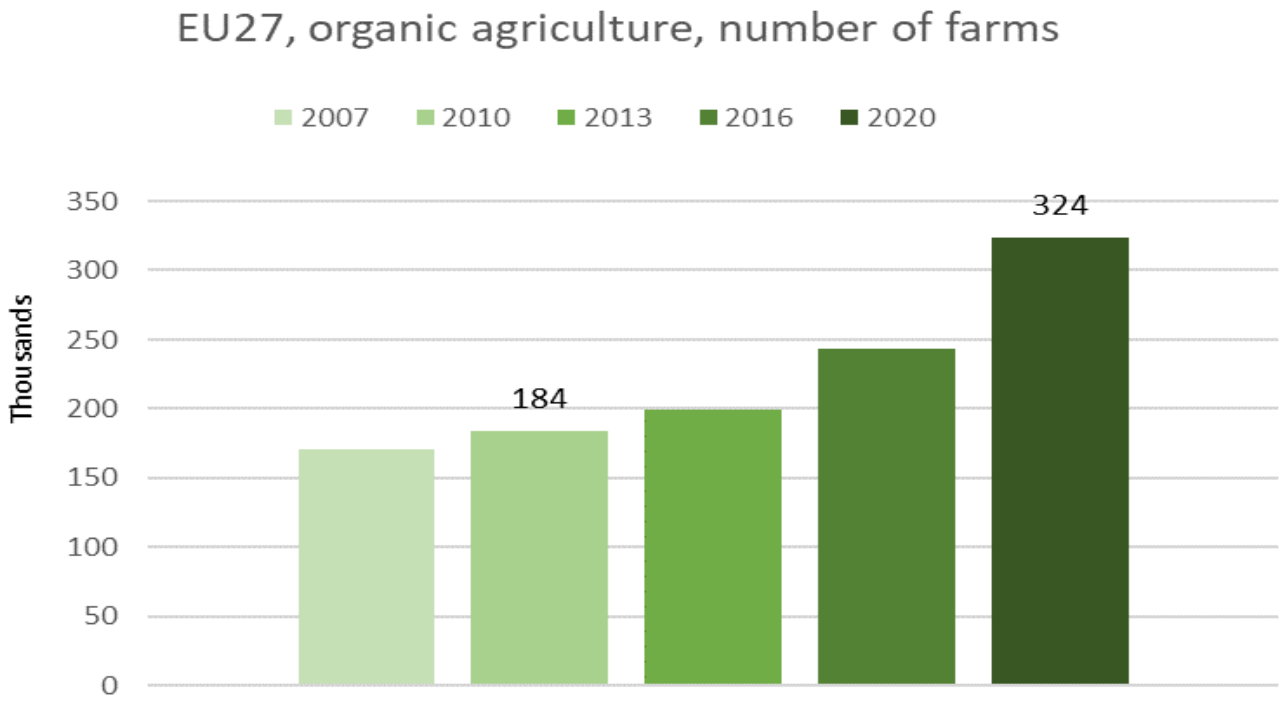
Organic farming on the rise

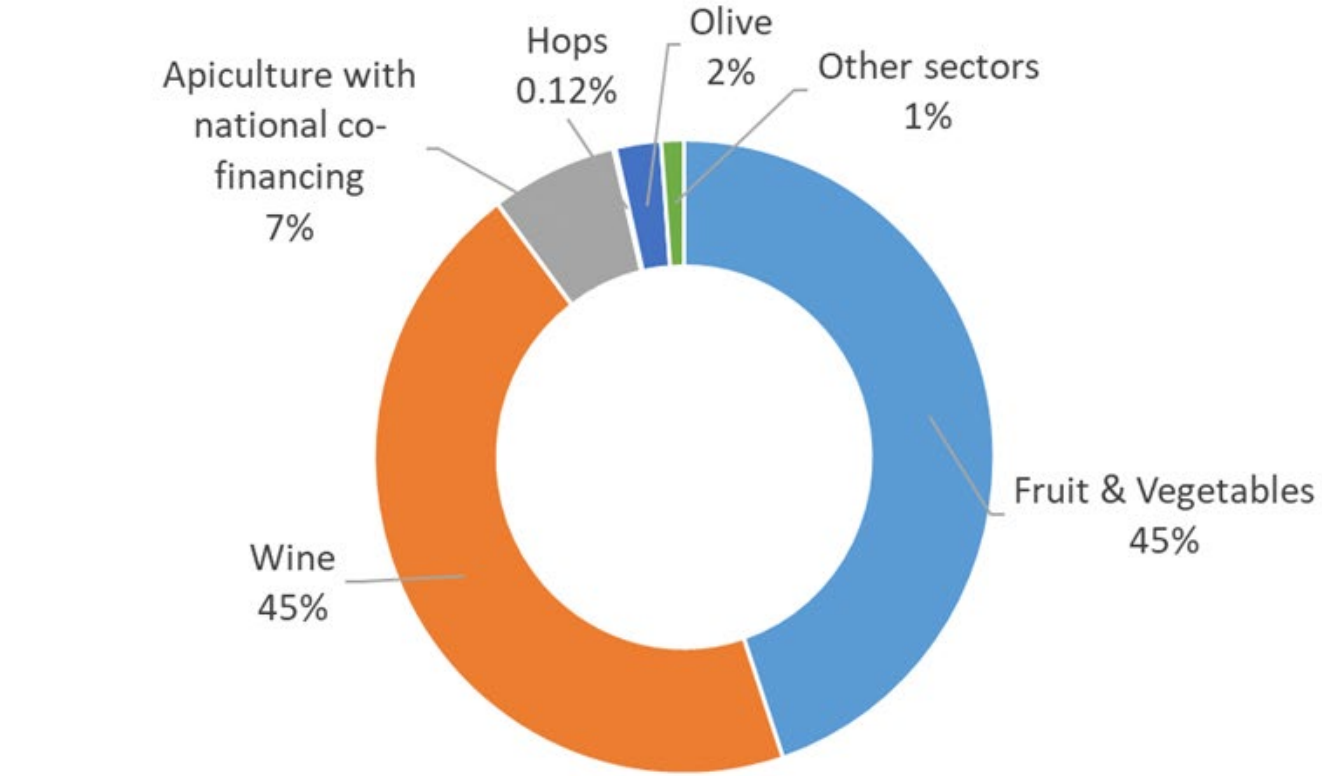


Source: Eurostat, data series EF_LUS_MAIN



Source: Eurostat, data series EF_LUS_MAIN

Sectoral support: continued support to producer organisations



- Most Member States (24) plan sectoral interventions in the fruit and vegetables sector, the apiculture sector(all) and the wine sector (16)
- Several use plan support for ‘other’ sectors (potatoes, eggs, milk and milk products....)
- A high variability among Member States regarding budgets dedicated to those interventions

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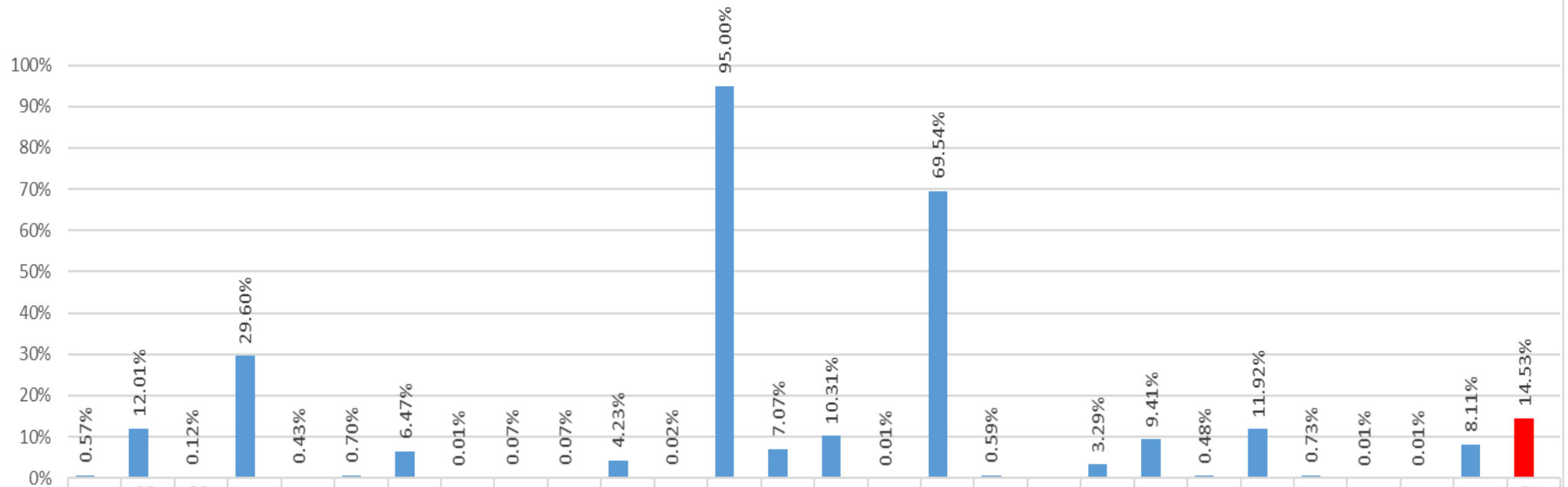
Risk management: a key tool for the future

- Collectively, support for risk management tools to reach around 15 % of EU farms.
- Support through both rural development and sectoral interventions.

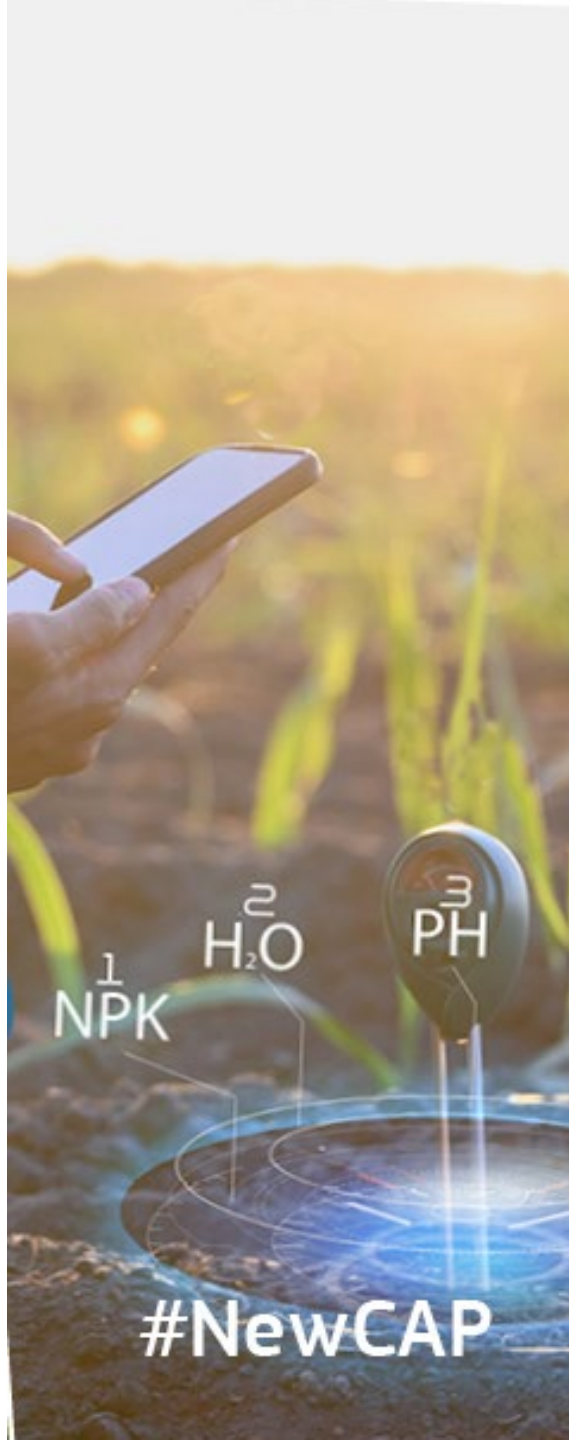


	AT	BE-FL	BE-WA	BG	CY	CZ	DE	DK	EE	EL	ES	FI	FR	HR	HU	IE	IT	LT	LU	LV	NL	PL	PT	RO	SE	SI	SK	EU-27
Share of farms supported (R.5)	0.57%	12.01	0.12%	29.60	0.43%	0.70%	6.47%	0.01%	0.07%	0.07%	4.23%	0.02%	95.00	7.07%	10.31	0.01%	69.54	0.59%		3.29%	9.41%	0.48%	11.92	0.73%	0.01%	0.01%	8.11%	14.53
Art. 76 (public) and DP (% of total public CAP)				1.6%			0.5%		0.1%				1.9%	1.9%	0.1%		9.3%	0.3%		1.5%	1.8%	0.4%	1.0%	2.5%			1.0%	1.8%

Knowledge, innovation and digitalisation

Advancing research, knowledge-sharing, and innovation is essential for a smart and sustainable agricultural sector

- Close to 2.1 EUR billion is targeted to interventions for knowledge, exchange and information.
- 6 600 innovation projects, carried out by Operational Groups under the European Innovation Partnership for Agricultural Productivity and Sustainability (EIP-AGRI)
- More than 200 000 independent advisers will be supported in their work to help transfer knowledge to and increase innovation among farmers
- Investments in digital technologies and services to optimise resource efficiency, including for precision farming



2023 State of the European Union

- President Von der Leyen announced a **« strategic dialogue on the future of agriculture in the EU »**
- ***“I am and remain convinced that agriculture and protection of the natural world can go hand in hand.”***

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Thank you very much