EVALUATION OF THE YOUNG FARMER SUPPORT IN SOUTH TRANSDANUBIA

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Abstract

Maintaining the retention capacity of the rural areas is one of the comprehensive aims of rural development, as the 2nd pillar of the Common Agricultural Policy. Fair income opportunities, available services, sustainable environment are key factors to make rural areas at least as attractive as the more urbanized parts of a regions. Younger generations are the most important target group of population retention throughout Europe. According to Eurostat data only 11% of all farmers are under 40 in the EU member states. Therefore, supporting young farmers and promoting generational change have been measures of keeping the rural population in the countryside. In our paper, we present the development of young farmers' support in Hungary. Based on empirical data the study analyses the results and successfulness of the program between 2014 and 2020. The data of the examined timeframe is compared with the results of the previous programming period. The upshot of these calculations shows the progressive effects of the changes in the EU programming and policy making. For the empirical analysis secondary data are provided by the Hungarian Ministry of Innovation and Technology which maintains the web-based database of project calls and results regarding the development programmes in Hungary.

Keywords: *young farmers, rural development, CAP, Hungary, South Transdanubia*
JEL: *J21, Q14, Q18*

FIATAL GAZDA TÁMOGATÁS ÉRTÉKELÉSE A DÉL-DUNÁNTÚLON

Összefoglalás

A Közös Agrárpolitika 2. pillérének – a vidékfejlesztésnek – az egyik átfogó célja a vidéki területek népességének megtartása. A méltányos jövedelemszerzési lehetőségek, a rendelkezésre álló szolgáltatások és a fenntartható környezet kulcsszerepet játszanak abban, hogy a vidéki területeket legalább olyan vonzóvá tegyék, mint amilyenek a városias területek. Egész Európában fiatalabb generációk jelentik a népességmegtartás legfontosabb célcsoportját. Az Eurostat adatai szerint az EU tagállamaiban a gazdálkodók mindössze 11%-a 40 év alatti. Ezért a vidéki lakosság helyben tartására irányuló intézkedések közé sorolható a fiatal gazdálkodók támogatása és a generációváltás elősegítése is. Jelen tanulmányban a fiatal gazdálkodók magyarországi támogatásának alakulását mutatjuk be. Empirikus adatok alapján elemeztük a program 2014 és 2020 közötti eredményeit és sikerességét. A vizsgált időszak adatait összehasonlítottuk az előző programozási időszak eredményeivel. Számításaink alátámasztják a Közös Agrárpolitikában bekövetkezett változások progresszív hatását. Az empirikus elemzéshez szükséges szekunder adatokat az Innovációs és Technológiai Minisztérium, fejlesztési programokra vonatkozó, pályázati felhívásokat és eredményeket tartalmazó on-line adatbázisából nyertük.

Kulcsszavak: *fiatal gazda, vidékfejlesztés, KAP, Magyarország, Dél-Dunántúl*
JEL: *J21, Q14, Q18*

Introduction

If we want to sum up the overall comprehensive aim of the EU's rural development in one sentence, then it is to achieve that the rural population can find prosperity locally and does not want to move to urban areas. In other words, rural development should improve the population retention capacity of the rural areas. In contrast in many EU member states rural areas face a complex problem: aging society, decreasing population, the lack of employment opportunities and insufficient services within available distance. In most of the cases it could not even be decided which factors were the reasons and which ones the results. In the problem of supply and demand it is difficult to find out what was the first: a lower employment demand is only an answer for the decreasing number of active age employee or vica versa the active population has to leave the rural areas because of the insufficient number and type of free employment opportunities. It is also not clear that services have left the small villages for example in Hungary (small grocery shops, post office or kindergarten etc.) because of the low level of demand or the level of demand is low because of the low level of service supply.

It can be obvious that agriculture was and can be one of the dominant activities in rural areas. On the other hand, agriculture can be a good solution if we focus on the triple function of agriculture. We must not forget that with the MacSharry proposal in 1992 new important function of agriculture were identified besides the pure food production: responsibility for preserving the rural landscape and the cultural values as well. Nowadays we know this as the traditional family farm based European agricultural model (Guth et al., 2003; Vasa, 2003; Horváth, 2011).

According to all of the above-mentioned factors supporting the younger generation to start businesses in the agriculture and stay in place can be one of the solutions for problems of the rural areas. Generation renewal is one of the 10 key objectives of the new Common Agricultural Policy (CAP) 2023-2027 so it is even more important to analyse the results of the past programmes in order to prepare for and later successfully reach objectives.

In our study we introduce the literature background of the young farmers' situation in the EU and in Hungary. As a next step the milestones of the history and development of the young farmers support initiative will be highlighted from the MacSharry reform to the new CAP 2023-2027. The main focus is on Hungary and South Transdanubia NUTS 2 region. Based on secondary data of this region quartile classification introduces the quantitative result of programme between 2014-2020. At the end of the study, we compare our own findings and suggestion with the pervious period's results and the new period's program and try to formulate some recommendation to improve the examined measure.

In this part of the study on the one hand we introduce the demographic situation in rural areas, on the other hand we give an overview of the young farmers measure's development in the 2014-2020 multiannual financial framework.

The Demographic Situation in Agriculture in the EU

In public discourses in Hungary people tend to consider the country as agricultural country. But what does it mean from a demographic point of view? In the 21st century digitalization and smart farming are the future in agriculture and parallel with these things less but skilled labour force is needed in the sector. According to the data of the Eurostat in 2016 4.2% of total employment in the EU worked for the agriculture. It is about 9.7 million persons (European Commission, 2016). In realty more people are working in the agriculture as part time workers or unpaid family members.

So the EU's regular agricultural labour force is much higher, 20.5 million as only 17% of the workers work in fulltime (European Commission, 2016).

A significant characteristic of the agricultural population is the aging. One third (32%) of farm managers in the EU were 65 years of age or more in 2016. Only about one in every ten (10.6 %) farm managers was a young farmer under the age of 40 years, which is the threshold number for young farmers support as well. It is a general problem in the entire EU as there are only ten countries where the share of young farmers are higher than the EU average (European Commission, 2018).

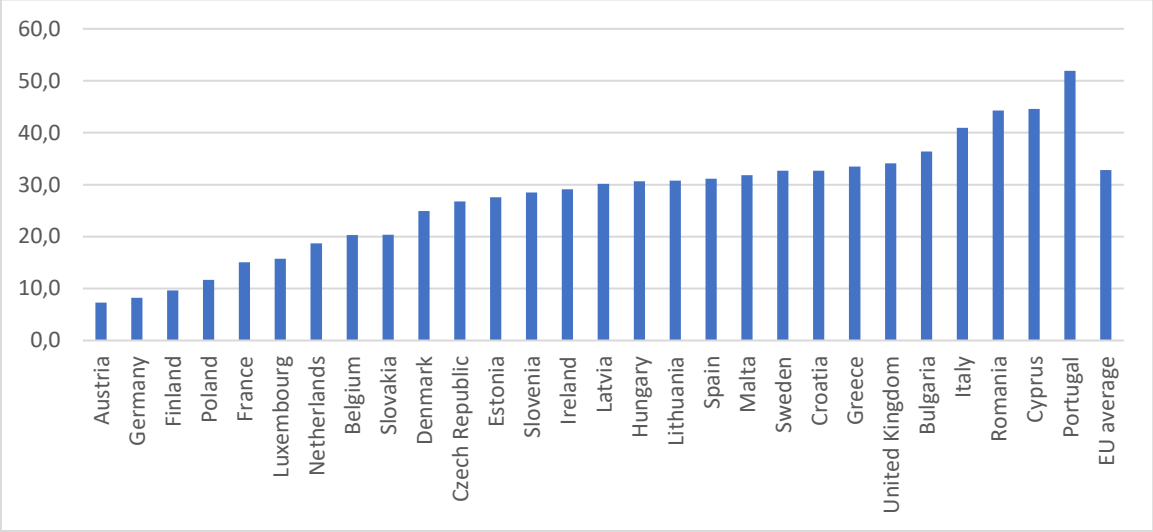

Figure 1. The share of farm managers above 65 in the EU member states (%)
Source: *based on (European Commission, 2018) own calculation*

In Figure 1 we can see that the worst is the situation in Greece, Bulgaria, Italy, Romania, Cyprus, Portugal and in the former EU member state United Kingdom. Hungary is close to the EU average with its 30.6% (European Commission, 2018).

It is very important to understand the mid- and long term effects and consequences of this demographic trend. A population pyramid is perfect to depict the phenomenon.

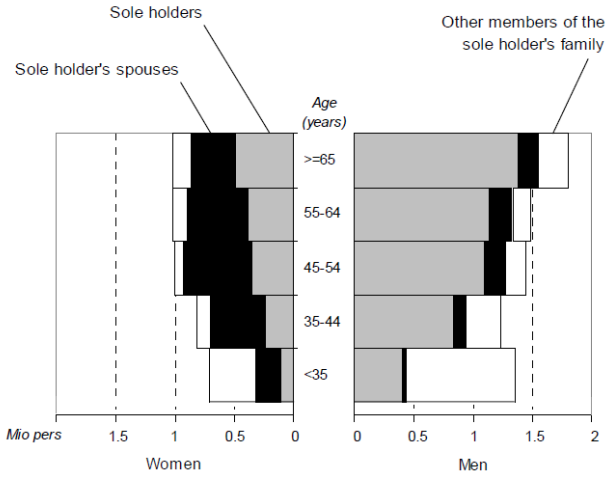

Figure 2. Population pyramid of family labour input 1999-2000 in the EU (in millions people)
Source: *(Charlier, 2003)*

According to Figure 2 it is clear that aging population is typical in agriculture both among men and women. The shorter bars which belong to the population under 45 predict that in longer term the number of rural population will decrease. The EU has analysed the age structure of the farm managers and has found the same patterns. The results can be seen in Figure 3.

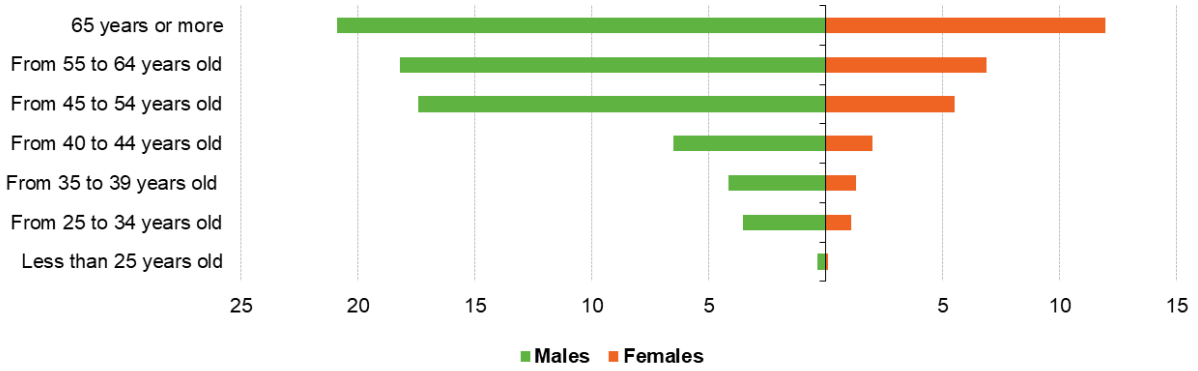

Figure 3. Age classes of farm managers, by gender, EU-28, 2016 (%)
Source: *based on (European Commission, 2018) own edition*

We can see that not only the official young farmers' share is low but also there are very few farm managers in the next category (40-45 years) as well. Taking into account the retirement age and the lifelong gained profession experiences it is not difficult to predict that the generational changes of the upcoming years in agriculture will cause problems because of both the missing people and the missing knowledge.

The EU has data about the characteristics of the farm managers in the different age categories. According to the data of the Eurostat elderly farm managers work usually on the smallest farms in economic term. The share of young farm managers is increasing with the increase of the farm size. This can be partly explained by the need for professional knowledge and higher level of agricultural and management education in the case of a larger farm (European Commission, 2018).

To sum the demographic trends up we can see that rural areas need well educated young professionals. It is the main reasons why young farmers' support has high importance in the EU especially now when one of the ten objectives of the new CAP is the support of demographic change in the agriculture.

The Demographic Situation in Agriculture in Hungary

The agricultural census by the Hungarian Statistical office in 2020 introduces the following situation about the farm managers in Hungary. The average age of farm managers is 57.9 in the country and the number of farm managers over 65 increased since the last census in 2010. So, in Hungary the agricultural population is aging. There are farm managers over 75 as well. There aren't too much young farmers among the farm managers: similar to the EU level trends only 10% of the managers are under 40. The proportion of farm managers with tertiary education is the highest between the ages of 25 and 44. If the managers are older it is more possible is that they have only experiential knowledge, while the majority of the younger ones have some degree in agriculture, but the number of farm managers with agricultural degree increased in the last ten years (KSH, 2020).

How CAP Measures Support Population Retention?

In the last 50 years one of the focus of the rural development policy of the European Union has been to prevent the ageing of the rural population. This specific policy is based on a series of legislation actions such as decisions and regulations, in an effort to thoroughly face the problem. Following previous policies, the CAP approached this goal in two different but complementary ways: a) early retirement for farmers and b) setting up young farmers (Chatzitheodoridis – Kontogeorgos, 2020).

The European Community (EC) first took an initiative on farmer retirement in 1972 under Directive 72/160/EEC. This obliged Member States to implement measures to encourage farmers aged 55-65 to retire and receiving a pension. After retirement their land had to be available for sale or rent (at least 12 years) to other farmers, who would operate according to a development plan (Gillmor, 1999).

Three accompanying measures were linked to the changes in the market organization rules included in the 1992 MacSharry reform of the CAP: agri-environmental, afforestation and farmer retirement payments. Member states were entitled to introduce schemes for early retirement from farming which would be part-financed by the Guarantee Section of the European Agricultural Guidance and Guarantee Fund (EAGGF) (EEC, 1992). The objectives of the early retirement aid were specified by the EU as contributing to:

(a) providing an income for elderly farmers who decide to give up farming;
(b) encouraging the replacement of these elderly farmers by farmers able to improve the economic viability of the remaining agricultural enterprises;
(c) assigning agricultural land to non-agricultural uses where it cannot be farmed under satisfactory conditions of viability (Gillmor, 1999).

After Hungary's accession to the European Union during the programming period between 2004 and 2006 the measure of early retirement was planned by the National Rural Development Plan but was not activated during the 3 years due to the lack of legislation on tax and social security. The budget was re-allocated to other measures of the program (e.g. agri-environment) (NVT, 2009). It was the programming period 2007-2013 when farmers had the opportunity to participate in early retirement programmes within the rural development programme. However, a new law enabling the transfer of farms launched in 2021 makes it possible to support generation renewal within the rural development framework in the upcoming programming period.

Assistance for setting up young farmers has been available in the EU since the 1980s. The young farmers measures were fully developed in the 1990s after becoming an integral element of rural development programmes (Bika, 2007). The regulation following Agenda 2000 was improved to support young farmers: changes made in the regulations included the significant increase in the support for the first establishment of farms (from 8 000 EUR to 25 000 EUR) (Chatzitheodoridis & Kontogeorgos, 2020).

In Hungary, the regulation 1257 of 1999, implemented under the AVOP (Agricultural and Rural Development Operational Program) 2004-2006 resulted in a total of 285 young farmers beneficiaries to the measure 1.3. Young farmer start-up payment. The total allocated budget of 7,317 million EUR was spent during this programming period (AVOP, 2010). In the period between 2007 and 2013 a total number of 8 411 young farmers received payment to help starting agricultural activity. The originally planned budget of the measure (69 million EUR) had to be increased to 292.8 million EUR by re-allocating financial resources during the implementation (Koponicsné Györke et al., 2021).

Agricultural subsidies had a significant impact on the profitability of farms in Hungary (Sipiczki et al. 2018, 2019). First time in the history of the CAP – from 2013 to 2020 – young farmers were subsidised from the budget of the Pillar 1st too. Member states were forced to allocate resources for a maximum of 2% of the national envelope to young farmers payments. This support for young farmers was introduced as an additional payment of 25% for young farmers on top of direct payments (ECA, 2017).

Measure VP2-6.1.1-16 Setting up Young Farmers in Hungary (2014-2020)

Based on the Council Regulation (EC) No 1305/2013 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) member states had the opportunity to include in their rural development program thematic sub-programmes to address specific needs in areas of particular importance (EU, 2013). Beside the sub-programme for Short Supply Chain Hungary opted to launch a Young Farmers Sub-Programme too. Therefore, first time since Hungary joined the European Union a comprehensive sub-programme was applied to favour young farmers and support the population retention. The sub-programme included setting up new farmers and as new elements funds were allocated to young farmers in some measures (e.g., M04 Investments, M01 Knowledge transfer and information activities), a higher support intensity was provided for young farmers (e.g., development of livestock sector) or extra point were granted to young farmers at the evaluation (e.g., ecological farming or animal welfare). In the Rural Development Programme 195 million EUR was allocated to the sub-programme.

In this paper we focus on the measure Setting up new farmers as the main element of the Young Farmers Sub-Programme.

In the Rural Development Program (RDP) Hungary opted to grant a maximum 40 000 EUR non-refundable income support for young farmers between the ages of 18 and 40 for establishing a new own farm. Unlike previous programming periods, farmers with a farm size between 6 000 and 25 000 standard production value and not only self-employed farmers but also managers of farms were eligible for the support.

Within the measure VP2-6.1.1-16 Setting up young farmers 1277 support request was issued to the paying authority until the end of 2019. Young farmers requested 51 080 00 EUR, and with the determination payments from the previous period a total of 60 920 275 EUR was paid to young farmers from the budget of the European Agricultural Fund for Rural Development. As the target number of farmers were 5 700 only the 60% of the ex- ante expectations was fulfilled (Saád, 2021). The proportion of rejected or unauthorized, withdrawn or cancelled applications were 59% within the measure. The process of assessing applications was very long, due to the protracted decision-making process and the changes in the macro-economy, applicants often had to modify their business plan, which slowed down the process even more.

In our results, we focus on only the results of the application submission period 2018-2020 as the previous submission periods were determination payments of the New Hungary Rural Development Programme 2007-2014.

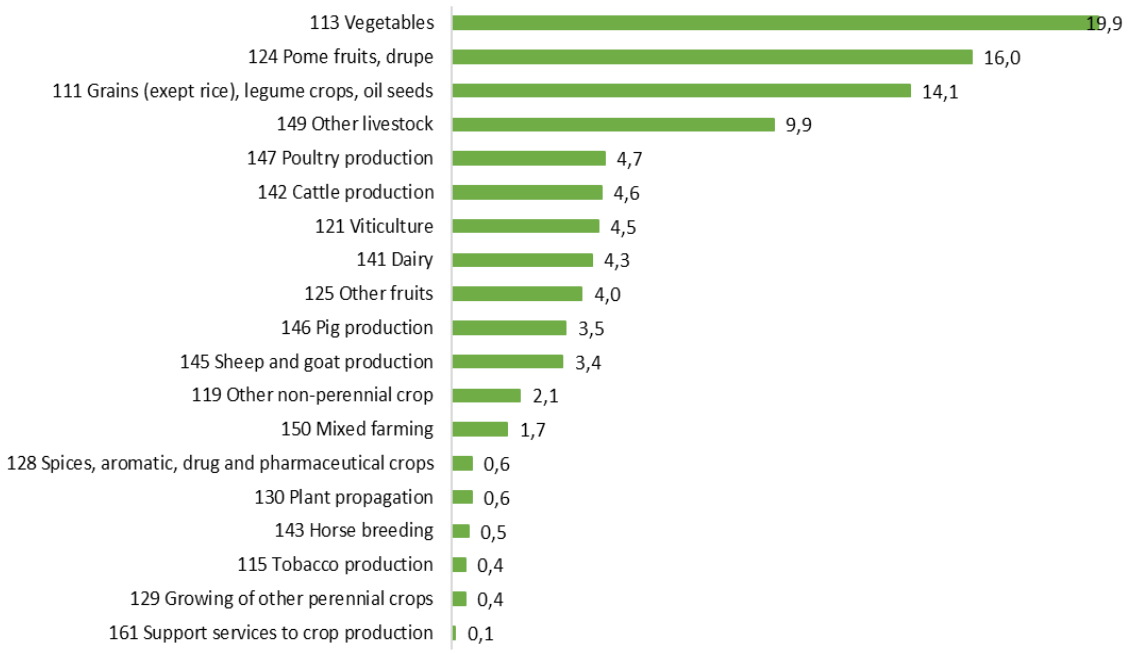

Figure 4. Distribution of beneficiaries in the measure Setting up young farmers between 2014-2019 by main activity, %

Source: *based on (Saád, 2021) own edition*

The measure intended to "give priority to the support of young farmers who work in high-added-value, labour-intensive agricultural sectors (e.g., livestock and horticulture)." According to the ex-post evaluation of the sub-programme 45% of the supported farmers are active in horticulture and 31% of them works in animal husbandry (Figure 4).

CAP Strategic Plan 2023-2027

Generation renewal is of the key policy objectives of the Common Agricultural Policy for the programming period between 2021 and 2027 therefore it is not surprising that young farmer payments are mentioned at several point in the EU regulation on the CAP Strategic Plan. According to the regulation 2021/2115 on establishing rules on support for strategic plans to be drawn up by Member States under the common agricultural policy (CAP Strategic Plans) and financed by the European Agricultural Guarantee Fund (EAGF) and by the European Agricultural Fund for Rural Development (EAFRD) young farmer payments will remain one of the focus of both the Pillar 1st and the Pillar 2nd measures (EU, 2021). The top-up payment for young farmers will remain and the rural development measures will continue. In the measure setting up new farmers the maximum of the payment has been increased to 100 000 EUR which is in line with the goal to help young farmers during the starting years of their agricultural business.

Material and methods

Our analysis is based on secondary data provided by the Hungarian Ministry of Innovation and Technology which maintains the web-based database of project calls and results for the rural development programme of Hungary (Goverment Decree, 2014). As first step young farmers' support in Hungary was examined with simple descriptive methods, we indicated the level and changes of the real EUR and HUF value of the grant. The spatial patterns of the number and amount of approved applications was analysed across the region by dividing the districts into quartiles (Q1—Q4).

Results

Comparison Between the Period 2007-2013 and 2014-2020 Based on Secondary Data

A frequently mentioned criticism among the farmers who received young farmers' support that the amount of the support (40 000 EUR) is pretty low. (Koponicsné Györke et al., 2021) analysed the purchasing power of the maximum amount of support for the period 2007-2013. They found that the purchasing power of the support lost almost 32% of its value during the examined 7 years, but if the amount is calculated in HUF the real value decrease is only 9.6%. So the devaluation of the HUF counterbalanced the decrease of the purchasing power.

We repeated the calculations for the period 2014-2020. This was made with the Hungarian Statistical Office database's agricultural expenditures' price indexes between 2014-2020 and for the HUF calculations we used the-HUF-EUR exchange rate determined by the ECB on 1 January of the year of disbursement. In EUR the purchasing power of the support decreased by 7% but in HUF the purchasing power even increased by 3%. Figure 3 and Figure 4 shows the data.

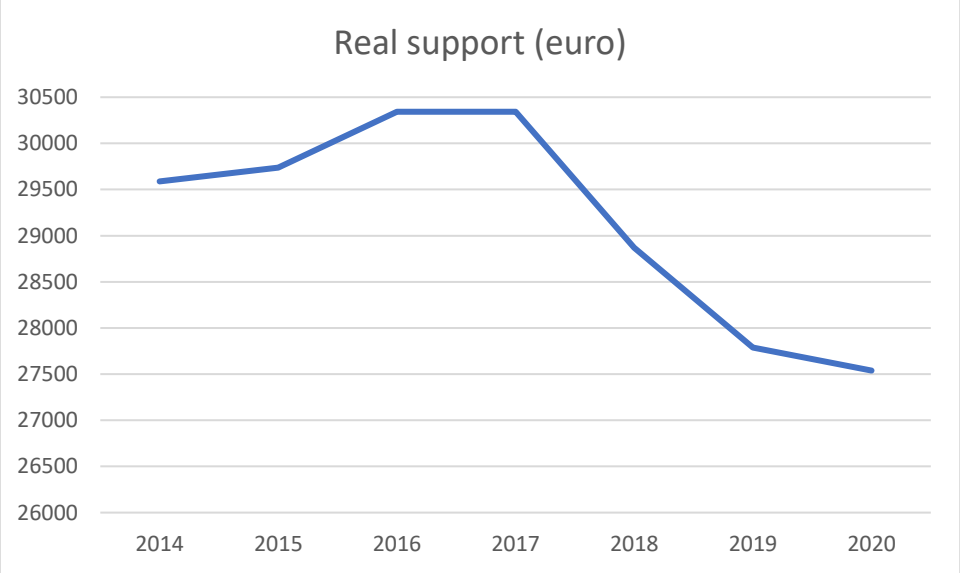

Figure 3. The real support in EUR

Source:*-own calculation based on (ECB, 2021) and (KSH, 2021)*

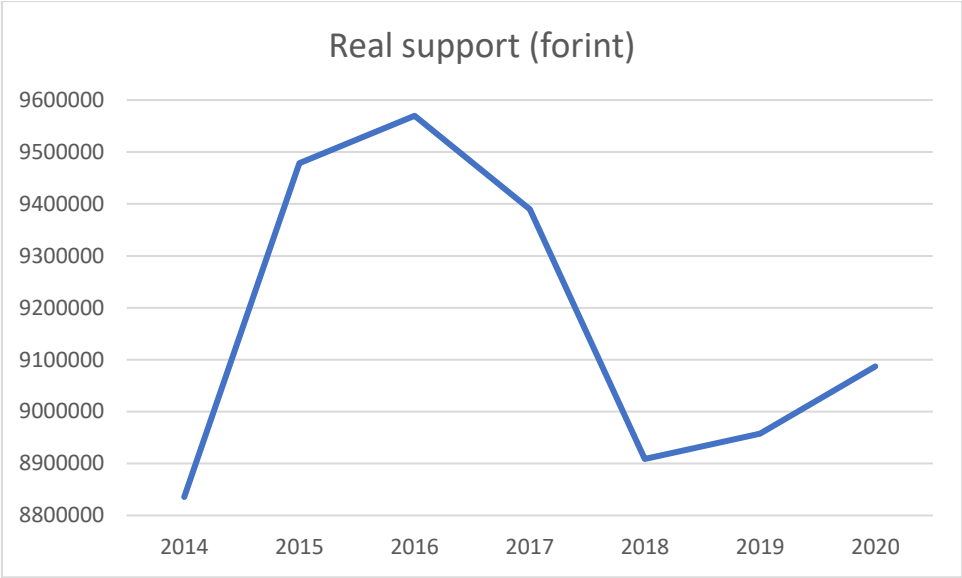

Figure 4. The real support in HUF

Source: *own calculation based on (ECB, 2021) and (KSH, 2021)*

During the analysis of the 2007-2013 period Koponicsné Györke et al.(2021) found that the young farmers' support was an under planned measure and there was a need for permanent re-allocation from other budget aims. At the beginning of the period national authorities planned with 3300 supported farmers but finally 8411 applicants were financed in Hungary by the program. Compared with that number the 2014-2020 period took a dramatic decrease in the number of applicants. The agricultural government planned with 5700 supported applicants, which is an increase compared with the previous period's plans but stays below the supported farmers. Therefore, for the first sight we could say that this number is not sufficient. But finally only 1350 farmers were supported in the 2014-2020 period on the country level (Saád, 2021). This is almost an 84% decrease. At the NUTS2 level there were 596 supported applicants in the period 2007-2013 (TeIR, 2020) and now this number is only 105. So, the decrease in South Transdanubia fits the country wide trend, it is 82%. The one reason for this trend is that most of the eligible young farmers has already participated in the measures previously. Another reason can be that compared to the high level of bureaucracy the amount of the support was considered low. The ratio of the accepted applications within the submitted ones does not differs significantly in the two periods.

In the period 2007-2013 a lot of obstacles were analysed which were problem for young farmers to start a business. The most frequently mentioned ones were the difficulties to access to land and credit or support, the bureaucracy, the lack of professional training and the crop price fluctuation, i.e. in more general terms the market uncertainties (KSH, 2013). Koponicsné Györke et al. (2021) found that that time the individual entrepreneurship as the only form of the business belongs to the category of bureaucracy as well as this form of enterprise means higher tax burden and other costs and contributions for the farmers. This finding was more or less denied by the ex post analysis of the 2014-2020 period as there was another opportunity for the farmers. They could submit the application not only as an individual entrepreneur but also as a manager of an enterprise. Nevertheless there were only 9 applicants who was not individual entrepreneur (Saád, 2021).

The Distribution of the Support Among the Regions in Hungary

It is always an interesting questions how big the share of the different regions is in the measure. Based on the data of (ITM, 2022) the share of the supported young farmers' numbers are not consistent among the NUTS 2 regions. Results can be seen in Table 1.

Table 1. The number and share of the approved young farmers support applications in the NUTS 2 regions in Hungary between 2014-2020

NUTS 2 region	Number of supported farmers	Share of the supported farmers (%)
West Transdanubia	79	5,85%
South Transdanubia	105	7,78%
South Great Plain	272	20,15%
North Hungary	150	11,11%
Middle Hungary	116	8,59%
Middle Transdanubia	76	5,63%
North Great Plain	552	40,89%
Total	1350	100%

Source: *own calculation based (ITM, 2022)*

We can see that the two regions of the Great Plain are the most important target area of this support. In the previous period the situation was similar, the leading position of the northern and southern Great Plain counties in the number of approved support applications is indisputable (ÚMVP, 2016). It is a little surprising that the share of the examined South Transdanubia is only 7.78%.

Spatial Patterns of the Supports in South Transdanubia

The spatial distribution of the young farmers supports in the South Transdanubia was analysed at district level. The districts boundary map (shapefile) was downloaded from Open Street Map (OpenStreetMap, 2022). The database of young farmers grants was merged to the shape file and visualised in quartile maps.

The average amounts and variations across districts of grants are shown in Table 2.

Table 2. Average values and variation of support across districts of South Transdanubia, years 2018-2019

	number of approved submissions (pieces)	*amount of approved grant (HUF)*	*total project budget (HUF)*
average value	4.39	54 706 226.09	64 284 032.83
coefficient of variation	65.8%	65.7%	68.9%

The coefficient of variation suggests large intra regional disparities in the available grants, both in terms of number (65.8%) and amount (65.7%) of approved submissions.

The Figures 5 to 7 show the spatial distribution of a) number of submissions (pieces); b) amount approved (million HUF); c) total project budget (HUF) within the period 2018-2020.

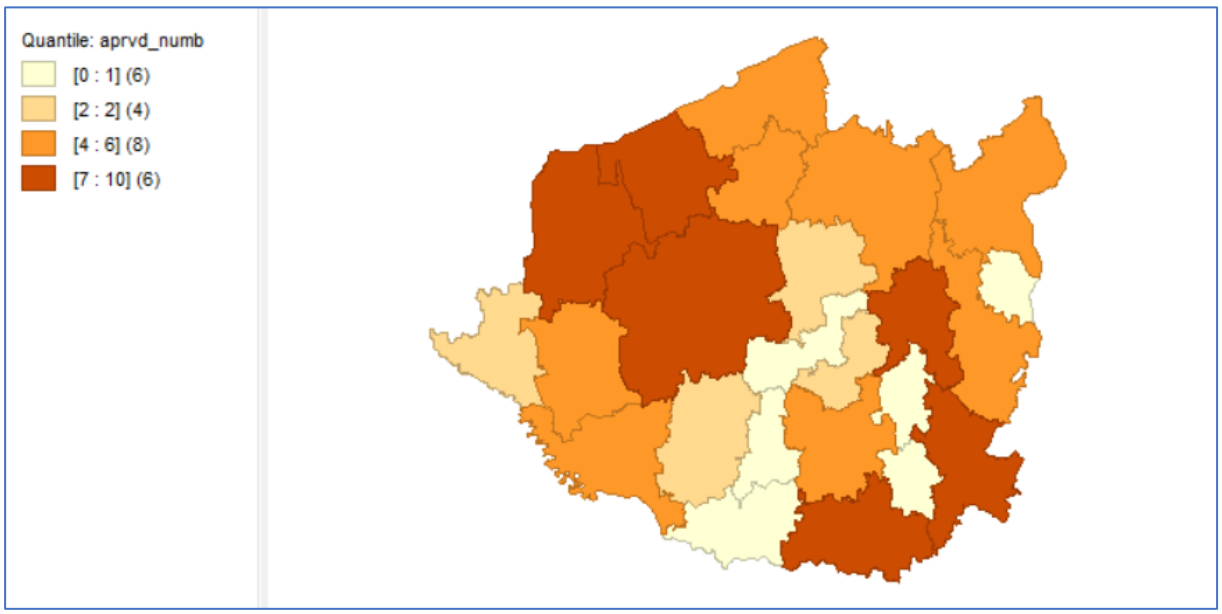

Figure 5: Spatial distribution (quartile map) of the number of submitted young farmers support in Southern Transdanubian districts

Source: *based on data downloaded from (ITM, 2022) own calculation*

The spatial distribution of the number of approved projects shows that most request were submitted in (certain) districts of Baranya county, in Kaposvár (centre of Somogy county), Marcali, Fonyódi and Tamási (Tolna county).

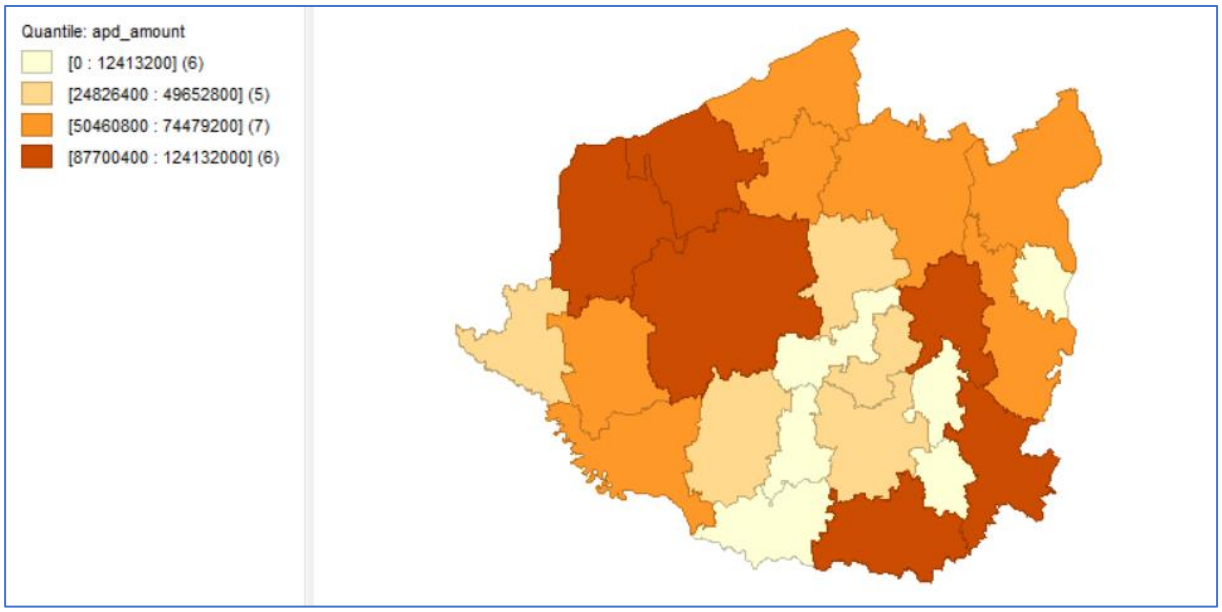

Figure 6 Spatial distribution (quartile map) of the amount of approved young farmers support in Southern Transdanubian districts

Source: *based on data downloaded from(ITM, 2022), own calculation*

Same pattern of approved amount is seen: highest amounts of grants were approved in three districts of Baranya county, Kaposvár (centre of Somogy county), Marcali, Fonyódi and Tamási (Tolna county).

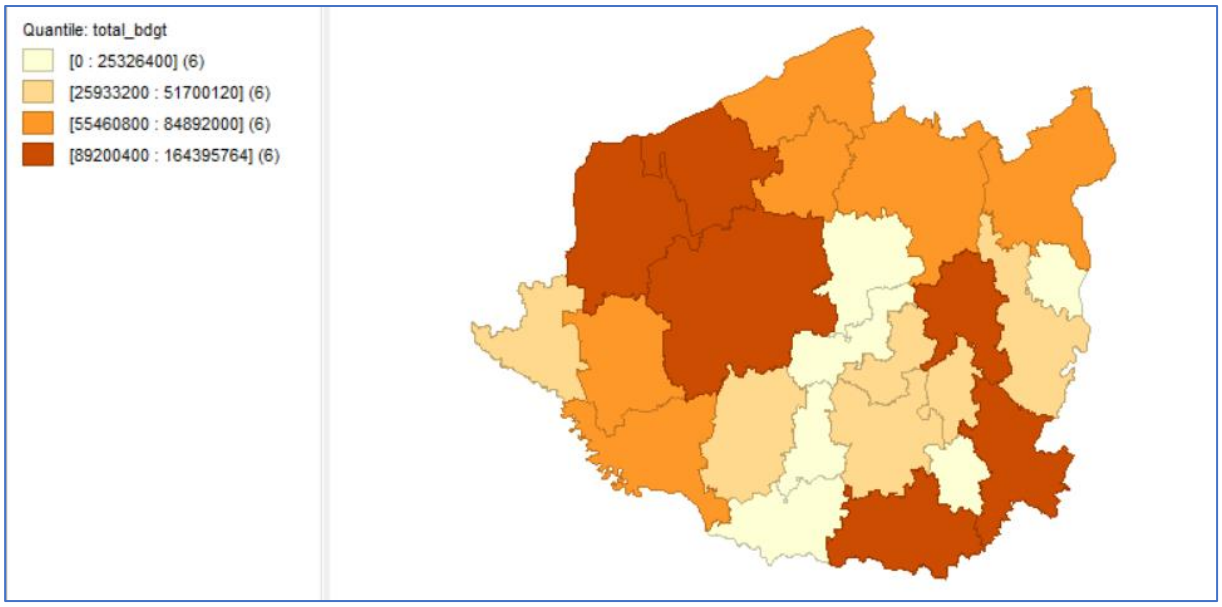

Figure 7. Spatial distribution (quartile map) of the amount of total project budget of young farmers support in Southern Transdanubian districts
Source: *based on data downloaded from (ITM, 2022), own calculation*

Only in case of Pécsváradi district the total project amount is in a different quartile compared to the previous two classifications by the number and amount of approved grants. It suggests that the intensity ratio of approved grant to total budget is lower here.

In comparison to the authors' earlier findings, there is a clear shift across districts, namely former (2007-2013) strong units in Q1 (Pécs, Tamási districts) fall into Q2, whilst Q4 districts (such as Siófoki, Tabi) emerged. There is a question to answer what sort of capabilities of these local units changed over time concerning the young farmers support.

Implications and recommendations

During the 2014-2020 programming period in the European Union spent a total of 6.42 billion EUR for young farmers payment throughout Europe from the European Agricultural Guarantee Fund and from the European Agricultural and Rural Development Fund. It was the first time young farmers received a top-up payment from the budget of Pillar 1st and also it happened first that member states had the possibility to launch a sub- programme for young farmers within the framework of the rural development plans. So, the budget for this aim almost doubled compering to the previous programming period indicating that the topic has become increasingly important to the EU.

Hungary decided to seize the opportunities provided by the EU and opted to subsidize young farmers under Pillar 1st and also add a sub-programme to its rural development plan.

Despite bureaucratic difficulties the measure setting up young farmers had been popular among farmers in the previous period, so it turned to be the key element in the new Young Farmer Sub-

Programme. Although the regulation was changed the bureaucratic difficulties remained mainly because of the delays during assessment. According to the Hungarian CAP Strategic Plan the budget of the measure will be increased by 68% (Agrárminisztérium, 2021) and young famers can expect higher subsidies in Pillar 1st payment too.

Territorial distribution of the payment is not even on country and regional level. The largest amount of subsidy flows into the regions of the Great Plain while the share of the examined region – South Transdanubia - is only 7.78%. Within the region we found the most active young farmers in the districts of Marcali, Fonyód, Kaposvár, Tamási, Mohács and Siklós. Also, in the very same districts young farmers had the highest amount of payments. We also found some changes in the spatial distribution) of the amount of total project budget comparing to the previous period: Pécs and Tamási fell out from the best performance group.

To sum the results and the performance of the young farmers measure in the last two programming period it is ambivalent to formulate any suggestions. On the one hand it is always a good thing if the EU supports an objective with financial tools as well. As improving generation change is an important element of the current CAP it is obvious that there is need for financial supports as well. On the other hand, mainly in the Central and Eastern European member states in most of the cases support as supplementary financial instruments are not sufficient for setting up a new farm. In these countries the higher support ratio is very important. Based on the feedbacks of the farmers the 40 00 EUR is not enough to start a new business. In Hungary it is typical that younger family members apply for the support which is only an extra financial resource for the farm, somehow helps the generation change but only within the family. This support construction doesn't improve the opportunities of the newly comers into the sector. Unfortunately, there is not data for the question how many farms would disappear after a generation change but this would be a good indicator whether we really need newly comers into agriculture or generation change happens typically and mainly within the family.

As far as bureaucratic obstacles are concerned, we see that applicants find any administrative regulations and their changes difficult, so increasing the success rate could only be achieved with drastic simplifications in the application process.

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