AECM reply to the European Commission's call for evidence on the EU strategy for generational renewal

Introduction

The European Association of Guarantee Institutions (AECM) welcomes the European Commission's initiative to develop a dedicated strategy to promote generational renewal. As the European network of guarantee institutions, whose members facilitate access to finance for SMEs - including young farmers and agricultural entrepreneurs, AECM is pleased to contribute insights on the financial and structural barriers faced by the young generation of farmers.

Drawing on our members' long-standing experience in de-risking agricultural lending through guarantees and counter-guarantees, we believe the priority aspects of the EU Strategy for generational renewal in the agricultural sector should directly address the structural barriers young and new farmers face, while aligning with broader EU goals like sustainability, innovation, and rural vitality. Based on sectoral needs and existing evidence, we would like to ask the European Commission to take the following aspects into its kind consideration:

Core priorities of the strategy

1. Access to finance and risk-sharing instruments

Access to finance represents a fundamental prerequisite for generational renewal also in agriculture. Young and new farmers often face significant barriers when seeking funding, due to a lack of collateral, limited credit history, and irregular income. These constraints make traditional bank financing particularly difficult. As highlighted in the fi-compass publication[1], young farmers are disproportionately penalised by banking policies, risk-averse lending practices, and eligibility criteria when compared to their older counterparts.

To address this challenge, we recommend that the strategy prioritise the following actions:

- Promote wider use of financial instruments in form of (counter-)guarantees (with a grant element where appropriate to complement traditional grant-based support) tailored to young farmers. This will reduce banks' perceived risks and enhance their willingness to lend to new entrants.

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[1] https://www.fi-compass.eu/library/market-analysis/survey-financial-needs-and-access-finance-eu-agricultural-enterprises

- Delegate the implementation of financial instruments to national and regional financial institutions, which are best placed to respond to the specific needs of young farmers thanks to their in-depth local knowledge and experience and which cover all farmers.
- Support blended finance models that combine Common Agricultural Policy (CAP) resources with funding from InvestEU and guarantee institutions in order to maximise leverage and expand access to finance for young farmers.
- Raise the *de minimis* aid threshold for young farmers and new entrants, especially those engaged in sustainable, diversified, or innovative agricultural practices to EUR 70 000 over three years, to ensure that support measures remain proportionate to the investment needs faced by new entrants in today's agricultural economy. Many young farmers are strongly motivated by environmental and social values, yet often lack the resources to adopt or scale up practices such as organic farming, agroecology, or carbon farming. Linking targeted financial support to the uptake of these green and climate-resilient practices will help position young farmers as drivers of the agri-food transition.

2. Access to land and farm succession

Access to land remains a critical and persistent barrier to generational renewal in the agricultural sector. Young and new farmers face significant challenges in entering the sector, primarily due to high land prices, often driven by speculation, urban expansion, and limited land turnover. In addition, concentration of land ownership restricts access for new entrants and can contribute to structural inefficiencies across the sector. A further barrier is the lack of proactive succession planning, which frequently results in land being left inactive or transferred outside the agricultural sector when older farmers retire without identifying or preparing a successor.

These challenges are particularly acute in regions where small and medium-sized farms are disappearing and land markets are increasingly unaffordable for first-generation farmers.

To improve the availability and accessibility of farmland, the strategy should:

- Promote land mobility schemes that facilitate the transfer of land from retiring to aspiring farmers. This could include:
  - ➢ Early retirement incentives for ageing farmers who voluntarily transfer land to young successors or land banks.
  - ➢ Establishing or strengthening land banks and land exchange platforms that match available land with young or landless farmers.

- Promoting leasing models and long-term rental contracts with fair terms and security for tenants.

These measures can encourage intergenerational turnover and reduce land abandonment.

- Encourage structured farm succession planning which is often delayed or avoided due to emotional, legal, or fiscal complexity. The strategy should support:
    - Advisory services to help farm families navigate legal, financial, and relational aspects of succession.
    - Fiscal incentives and tax relief for intra-family or external farm transfers (e.g., reduced inheritance or capital gains taxes when land is passed to a young farmer).
    - Intergenerational partnerships, such as shared management arrangements or progressive ownership transfer models that allow gradual transition.

Structured planning helps preserve farm continuity, prevent abrupt closures, and ensure knowledge transfer between generations.

- Promote cooperative access models.

Innovative land access models can diversify entry points for new farmers. The strategy should encourage:

- Land cooperatives, where groups of farmers jointly purchase, lease, or manage land.
- Public-private partnerships for making publicly owned agricultural land available to new entrants under favourable conditions.

Such models can reduce the financial burden of land acquisition, foster social innovation, and strengthen rural resilience.

All these actions regarding access to land must be coordinated across CAP Strategic Plans, national land policies, and rural development instruments. Without meaningful progress in this area, other support measures such as access to finance, will have limited impact.

3. Improve the attractiveness of rural areas

Attracting and retaining young people in agriculture is not possible without ensuring a high quality of life in rural areas. To this end, it is essential that the strategy promotes targeted investments in rural infrastructure, including reliable broadband connectivity, accessible childcare and healthcare services, efficient public transport, and other essential amenities. In parallel, the strategy should actively support social innovation and the development of rural services by leveraging synergies between the CAP and cohesion policy instruments. Creating vibrant, well-connected rural communities is a key condition for making farming a viable and attractive livelihood for the next generation.

4. Access to skills, knowledge, and advisory services

Farming in the 21st century demands a diverse set of skills that go well beyond traditional agricultural knowledge. This is why, equipping the next generation of farmers with the right skills, knowledge, and advisory support is not only essential for their individual success, but also for achieving the EU's broader goals of competitiveness, environmental sustainability, and rural resilience. The strategy must treat capacity-building as a core pillar, ensuring that no young farmer is left behind due to lack of access to knowledge. Proposed actions include:

- Organise training programmes tailored to the needs of young farmers. This should cover areas such as business planning, risk management, sustainability, technology adoption, and climate resilience. Training opportunities should be flexible, accessible in rural areas, and aligned with both, CAP objectives and labour market needs.
- Establish or scale up mentorship programmes that connect retiring farmers with new entrants, fostering knowledge transfer and facilitating smoother generational transitions.
- Introduce business mentoring and financial education initiatives, particularly for young farmers accessing finance through guarantee schemes or blended financial instruments. This will enhance their ability to manage risk, secure investment, and build sustainable business models.

Assessment of Current CAP and EU Policy Framework

While the current CAP includes measures targeting young farmers (e.g. installation grants and income top-ups), impact remains modest due to limited funding, uneven implementation, and a lack of integration with financial instruments. In our view:

- The CAP Strategic Plans should make more ambitious use of financial instruments, including (counter-)guarantees, under both Pillar I and Pillar II.
- Synergies with InvestEU and Cohesion funds should be reinforced to scale access to finance and capacity-building initiatives.
- The administrative burden of accessing support (both direct payments and financial instruments) should be reduced to ensure that young and new farmers are not deterred by complexity.

Additional priorities for the strategy

Guarantee instruments are not only effective tools for improving access to finance, especially for young and new farmers, they also serve as strategic levers to promote the broader transformation of the agricultural sector in line with EU priorities such as the Green Deal, the Farm to Fork Strategy, and the digital transition, thus shaping the future of farming. By targeting guarantees toward sustainability, innovation, and resilience, policymakers can multiply the impact of financial support while helping young farmers lead the transition to a greener and smarter agricultural sector.

Besides, it should be considered increasing the eligibility age for 'young farmers' to 48 in order to encourage more individuals, especially those seeking a career change or returning to rural areas, to enter or re-enter the agricultural sector. This would better reflect the realities of rural demographics and support mid-career professionals who bring valuable experience, innovation potential, and a commitment to revitalising rural economies.

Conclusion

AECM and its members believe that improving access to finance through effective use of (counter-)guarantee instruments and financial ecosystems should be a core component of the EU strategy on generational renewal in agriculture. Combined with supportive measures on land, knowledge, and rural infrastructure, this can unlock the potential of a new generation of resilient, innovative, and climate-aware farmers.

We look forward to further engaging with EU institutions and stakeholders to ensure that agricultural generational renewal becomes a bankable, inclusive, and sustainable priority for the European Union.

Brussels, July 2025

About us

The 48 members of the **European Association of Guarantee Institutions (AECM)** are operating in 32 countries in Europe[2]. They are either private / mutual sector guarantee schemes or public promotional institutions or banks. Their mission is to support SMEs in getting access to finance. They provide guarantees to SMEs that have an economically sound project but do not dispose of sufficient bankable collateral. This so-called SME financing gap is recognised as market failure. By guaranteeing for these enterprises, guarantee institutions help to address this market failure and facilitate SMEs' access to finance. At the end of 2023, 4.7 million SMEs were in the portfolios of AECM members.

Currently, 20 AECM members support Agri-SMEs and 5 of them are exclusively agriculture-oriented guarantee institutions.

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[2] https://aecm.eu/members/our-members/