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PRE-CONGRESS SYMPOSIUM

**THE ROLE OF THE AGRICULTURAL CREDIT IN THE RDPS
 CONDUCTING: A COMPARISON BETWEEN FRANCE AND EMILIA-
 ROMAGNA**

Investment under French RDPs: trends and changing context

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Investment under French RDPs: trends and changing context

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Sources:

- Final assessment report of the French Hexagonal RDP (consortium Epices-ADE, coordinated by L. Barbut) and complementary studies
- French observatory of Rural Development (ODR: C. Gendre, C. Raymond, N. Ledoux, E. Tene (ODR)
- French ministry of Agriculture

Summary

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I. Investment and credit in the French Agriculture (recent trends)

Remembering the Global context, according to the OECD-FAO Agricultural outlook 2009

The OECD in its Interim Economic Report for March 2009 concluded that the world economy is in the midst of its deepest and most synchronised recession since the post war period. The result is lower output, reduced trade and capital flows and higher unemployment world wide as well as a steep decline in consumer and business confidence.

This global downturn in economic activity is accompanied by a precipitous decline in international trade. The collapse in international trade may explain why the crisis has spread so rapidly to so many economies.

Both the credit crisis and the drop in demand, amplified by the prevalence of global supply chains, are seen as major causes of the collapse in international trade flows.

I. Investment and credit in the French Agriculture

•During the 2000s the farmers' debts was increasing along with investment rate (FBCF/VA) for the agricultural branch.

In 2010, the debt ratio (report of all debts to total assets) rises to 41%, representing an increase of 6 points over 15 years.

•While the FBCF in real value was stable (and net investment close to zero), the financial burden was also stable or decreasing when interest rates were reducing.

•From 2010, there are large annual variations, linked with price instability.

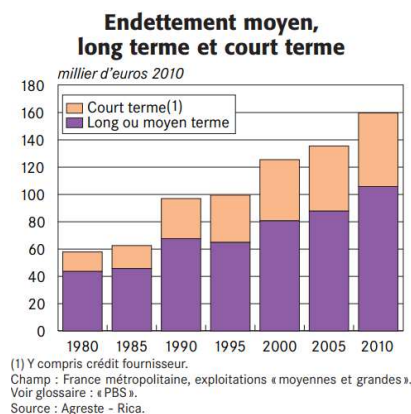
In 2015, the level of FBCF in real value was the same as 2005.

During the 2007-2013 period the tendency to increase of the investment rate resumed (and the financial burden for investors).

•The government took special measures to maintain stable and sustainable the interests paid by farmers. In 2010 and recently with the support plan for breeding of July 2015. It included restructuring bank debt (medium and long term) of farmers in difficulty, in particular the recent investors.

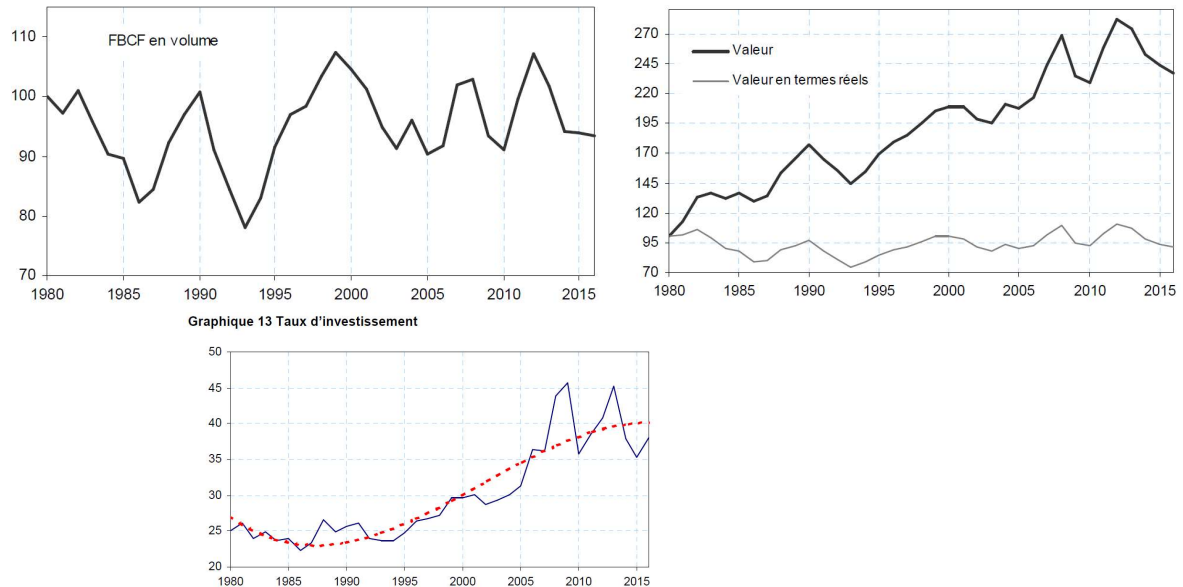
I. Investment and credit in the French Agriculture

Keuros 2010	Long ou moyen terme	Court terme
1980	43,6	14,3
1985	45,8	16,8
1990	67,6	29,4
1995	64,9	34,6
2000	80,7	44,8
2005	87,8	47,7
2010	105,8	53,9



I. Investment and credit in the French Agriculture

Gross fixed capital formation of agriculture



II- Investment aids in 2007-2013 RDP (HRDP –Hexagonal Rural Development Programme)

II- HRDP –Hexagonal Rural Development Programme

- The HRDP is composed of :
 - **a common national base of six measures** (*setting up of young farmers*, compensatory allowances for natural handicaps, "Plan Chablis" [windfall plan], forest access roads/paths, investments in forests, grassland premium and rotational agrienvironmental measures)
 - **and 21 regional sets of measures**, including some or all of the other measures planned in France (31 of the 40 measures proposed in Regulation (EC) No 1698/2005).
- Final programme expenditure amounted to **€12.2 billion** - including stocks but not all additional national funding. Three axes mobilized 94% of the programme expenditures:
 - **Axis 1 "Improving the competitiveness of the agricultural and forestry sectors": 28%;**
 - Axis 2 "Improvement of the environment and rural areas": 57%;
 - Axis 3 "Quality of life in rural areas and diversification of the rural economy": 9%;
- HRDP impacted on about **200,000 agricultural beneficiaries**, about 10,000 in the forestry sector, 1,600 in the agro-food industry and more than 11,000 in the field of rural development.
- *In addition to HRDP subsidies it was possible to resort to fiscal aids (e.g. organics farming, depreciation,...) and investment priorities supported by public agencies as ADEME (e.g. energy production or saving), water basin agency, 'investissements d'avenir' programme.*

II- Investment aids in 2007-2013 RDP MEASURE 121 MODERNISATION OF FARMS

- **121A: modernisation scheme for livestock buildings ('PMBE')** (premium for YF)
- **121B: plan for the environment ('PVE')** Plan whose objective is to support specific investments allowing farmers to better respond to essential environmental requirements (water quality, reduction of the risks associated with pesticides, protection of waters against pollution by nitrates, biodiversity)
- **121C: includes national Energy Performance Plan ('PPE')** and **specific regional schemes** :
 - **121C1**, launched in 2009, EPP meets the objectives of the Health check (climate change and renewable energy) and of the renewed national environmental strategy ("Grenelle"); EEP ('PPE') helps finance energy diagnostics of farms, investments in energy savings and in renewable energy production;
 - **121C2, Collective investments (CUMA)** (including equipment specific to the culture of tobacco);
 - **121C3**, Investments by YF (including 'J'INNOVATIONS', national 100% top up);
 - **121C4, Transformation of farm products;**
 - **121C5**, Investment corresponding with quality scheme compliance; complementary to M132 (which covers certification charges);
 - **121C6**, Cultures specialized (including equipment specific to the culture of tobacco);
 - **121C7**, Diversification of production.

II- Investment aids in 2007-2013 RDP MEASURE 121 MODERNISATION OF FARMS (Axis I)

From ODR, 1/1/2017, including transition period and top up

Scheme		Benef	amount committed (€)	% total M121	Amount /benef
121A	Modernisation livestock buildings ('PMBE')	38266	793 020 616	71,6%	20724
121B	PVE	18593	101 639 388	9,2%	5467
121C1	Energy saving (regional aid)	29	347 117	0,0%	11970
121C1PPE	Energy Performance Plan ('PPE')	10350	95 460 298	8,6%	9223
121C2	Collective investments (CUMA) (regional aid)	3064	52 305 412	4,7%	17071
121C3	Investments by YF	20	131 997	0,0%	6600
121C31	Innovative investments by YF (national aid 100% top up)	55	698 861	0,1%	12707
121C4	Transformation on farm (regional aid)	2749	40 517 503	3,7%	14739
121C5	Quality compliance (regional aid)	1139	7 091 980	0,6%	6226
121C6	Specialized crops (regional aid)	738	11 897 803	1,1%	16122
121C7	Diversification (regional aid)	570	4 662 589	0,4%	8180

In total 63 102 applications have been approved under the measure 121 modernization of farms, mobilizing a total volume of eligible investment of 3.76 billion€, including public expenditure close to 1.05 billion€ (RAE 2015).

Total in table: 1.11 billion€ (ODR, 2017)

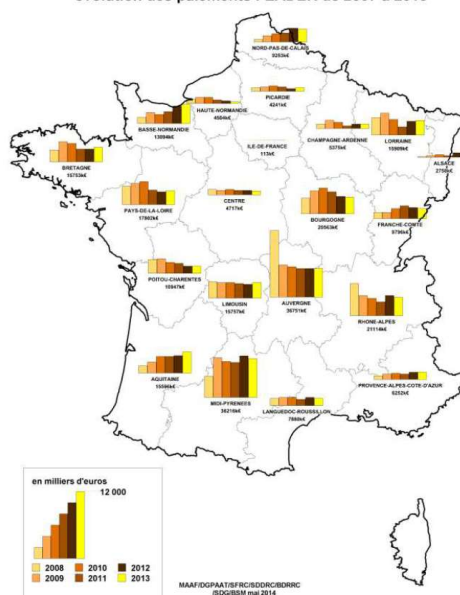
RAE2015- M121

Demands	FEADER	Total DP	Invest eligible
63 102	485 473 955	1 048 228 862	3 759 483 125

II- Investment aids in 2007-2013 RDP MEASURE 121 A (PMBE)

The average amount of **eligible investments under the PMBE is about € 80,000**, and it varies depending on the orientation of the farms and regions. The total amount invested is on average in the order of **€ 240,000 for dairy farms**, and **€ 196 500 for farms with cattle meat**; but the size of the projects vary widely.

mesure 121- A PMBE
plan de modernisation des bâtiments d'élevage (PMBE)
évolution des paiements FEADER de 2007 à 2013



According to the evaluation report, **the first effect of the PMBE is improving working conditions.**

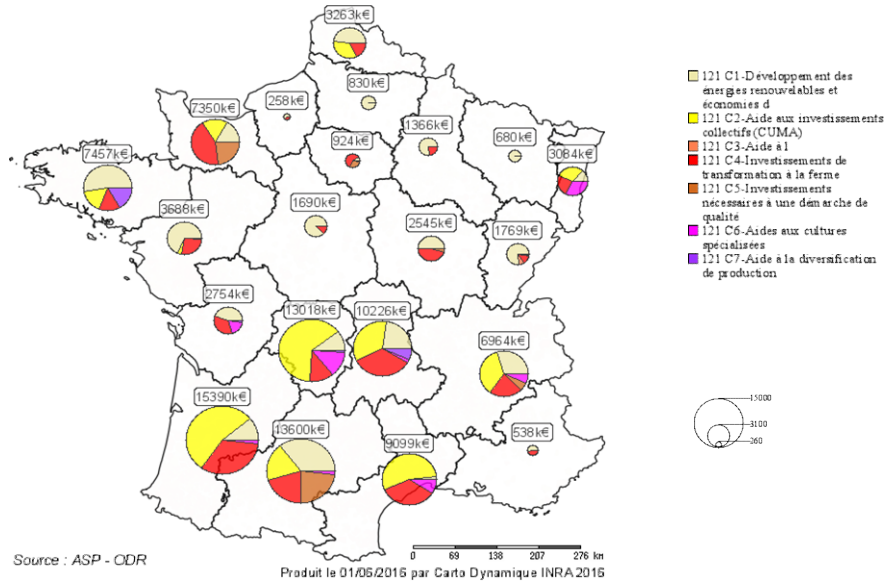
92% of respondents to the electronic survey of beneficiaries (July 2016, n = 104) reported significant to very significant effects on the improvement of working conditions.

This effect determines to pursue a farming activity or not, as well as the decision of young people to engage in breeding.

II- Investment aids in 2007-2013 RDP

MEASURE 121 MODERNISATION OF FARMS (Axis I)

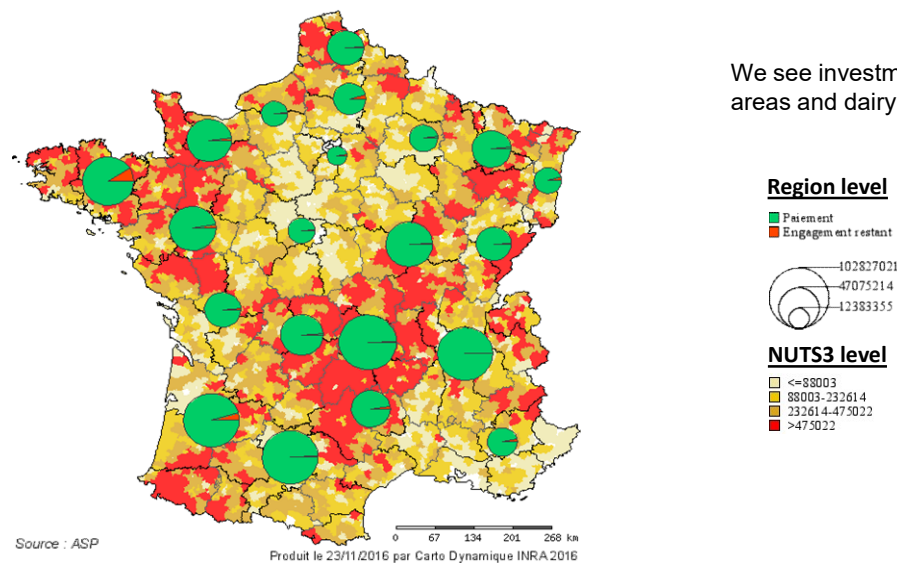
121C - Complementary regional mechanisms of aid for the modernisation - Payments FEADER cumulated



II- Investment aids in 2007-2013 RDP

MEASURE 121 MODERNISATION OF FARMS (Axis I)

Payments FEADER cumulated by canton (NUTS3) (2007-2015 (€))



We see investments in mountainous areas and dairy basins

II- Investment aids in 2007-2013 RDP

Axis III

Measure 311 aims at the creation of new activities and the strengthening of activities by agricultural households out of agricultural production and transformation.

In 2013, direct sale projects represent 32% of EAFRD payments, and those related to tourism 42%. **The average amount of the EAFRD for an action is €7 683.**

• There were obstacles to set up projects (administrative complexity). **However, commitments increased significantly in 2013.**

• **Measure 312** (enterprise creation in services or craft in rural areas) was open in 10 regions.

• **Measure 313:** Support of tourism activities (open in 18 regions). Projects can be presented by individuals as by public structures.

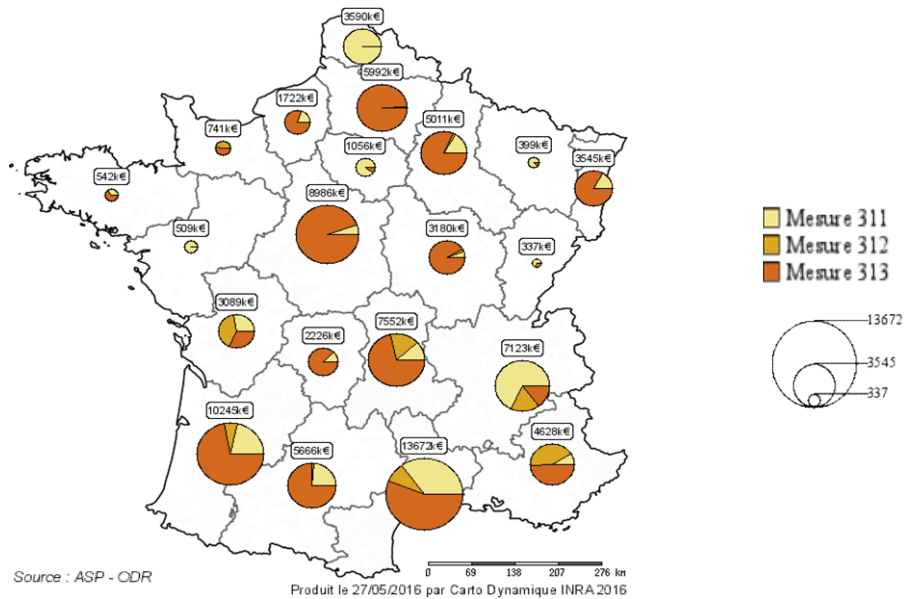
II- Investment aids in 2007-2013 RDP

Axis I & III, amount committed according to type of investment

Type invest	Scheme	amount	
Modernisation	PMBE+PVE+PPE	990 467 419	86,9%
Diversification strategies	M121C quality & diversification	52 970 933	4,6%
	M 311 non agri diversification	33 770 172	3,0%
	M313 Tourism	62 621 620	5,5%
Total		1 139 830 144	100,0%

From ODR, commitments all sources

II- Investment aids in 2007-2013 RDP

Measures 311-312-313 *Payments FEADER cumulated*

II- Investment aids in 2007-2013 RDP

Characteristics of subsidised holdings according to 2010 census (ODR, matched data: census X payment data)

%	Diversification	PGI/AOP	Label	Organic	Energy Prod	Agri-tourism
121A	14	16	45	4	-	-
121C1	16	-	-	-	7	-
121C4	49	17	31	26	1	8
311	52	11	22	16	3	24

Beneficiaries 311: 49% individual farmers (VS 30% other measures)

Organic, vineyards and Agritourism over represented in diversification (and transformation) measures.

PBS (%)	<= 25 000	25 000 – 100 000	> 100 000
121A (PMBE)	3	30	67
121C1 (PPE)	1	10	89
121C4 (transformation)	9	33	58
311 (diversification)	12	37	51

Big farms, overrepresented in modernization measures, small farms in diversification (and transformation) measures.

OTEX (%)	Breeding (cattle breeding and dairy)	Crops	viticulture	fruit	vegetable gardening
121A	78	3		2	
121C1	76	6		2	
121C4	44	9	23	4	1
311	42	17	19	4	2

II- Investment aids in 2007-2013 RDP

Elements of review

- With regard to the general **expected impact on the competitiveness of the agricultural sector**, the evaluators stressed:
 - (1) the difficulty of assessing the contribution of the HRDP, in particular if one selects a broader approach to the question than that the European framework focusing solely on value added,
 - (2) a noticeable effect on the maintenance of the competitiveness of the dairy sector despite the weak anticipation of the end of the milk quota
- **Investment aid, about 20% of the total public expenditure of the programme, which mobilized €2.7 billion of public spending, generated €7.8 billion of eligible investment (leverage 2.9).**
- Although induced effects have not been assessed they are important locally (effect of axis 3 on rural employment in assisted areas) or in some sectors. The role of the HRDP during this period is significant in the field of construction and equipment of livestock buildings, since the volume of eligible investment to PMBE (€ 400 million / year) represents 17% of the gross formation of fixed capital in buildings (€ 2.4 billion / year in building on EUROSAT database).

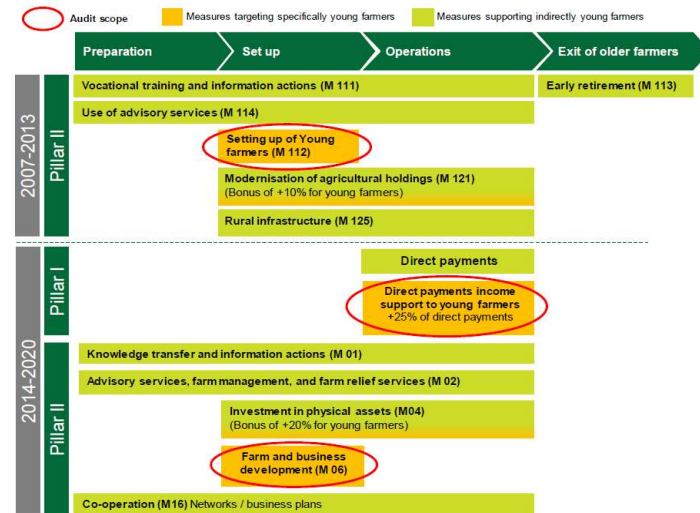
II- Investment aids in 2007-2013 RDP

Elements of review – reflexions on competitiveness issue

- Competitiveness as defined by the OECD refers to an area of competition and to a type of strategic actor whose the economic activity is in relation to this space. It can be a business into its market space, an industry or a region in the national or global space, a nation in the European area, or the EU in the worldwide competition.
In reference to what space of competition should be addressed the issue on improving competitiveness of farms?
- The HRDP evaluators have distinguished '**costs**' (or '**prices**') **competitiveness**, i.e. the efficiency of the use of factors of production and '**non-cost competitiveness**', i.e. assets that allow better valorisation production or securing opportunities. This last strategy rests on complementary diversification activities in production (processing, sale), labels and signs of quality and more widely intangible assets which are particular to the dynamics of the territory or sector.
- This **distinction between factors of competitiveness covers two strategic trajectories or business models**, one based on economies of scale and technical efficiency and the other on the search for an overall efficiency of the factors and economies of scope.

III- Support to young farmers in RDPs

Figure 4 - Overview of EU measures supporting young farmers in 2007-2020 period

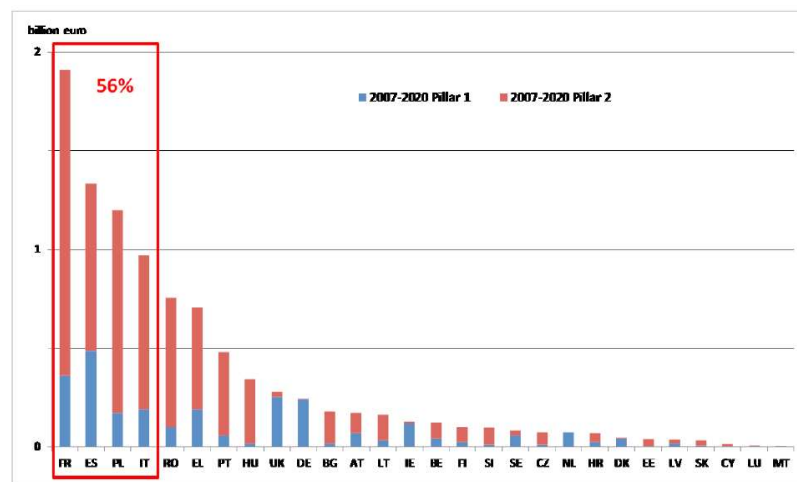


Source: ECA.

The common general objective of the support to young farmers under Pillars 1 (since RDR3) and 2 at EU level is to facilitate the initial establishment of young farmers and the structural adjustment of their holdings after the initial setting up, with the ultimate aim of increasing farm viability and favouring generational renewal.

III- Support to young farmers in RDPs EU 2007-2020

Figure 5 - EU support for young farmers under Pillar 1 (EAGF) and Pillar 2 (EAFRD) in the 2007-2020 period (the rectangle represents the audited Member States)



Source: ECA based on Commission's data (2007-2013 expenditure and 2014-2020 allocations).

III- Support to young farmers in RDPs

European Court of Auditors: “EU support to young farmers should be better targeted to foster effective generational renewal » ECA's special report (2017)

- Overall conclusion:
- EU support for young farmers is based on a **poorly-defined intervention logic**, with no expected result and impact specified. **It should be better targeted to foster effective generational renewal.**
- **Selection criteria (pillar 2) were introduced late** in the 2007-2013 period;
- Little evidence about the impacts, mainly **because of the low quality of indicators set by the common monitoring system.**

III- Support to young farmers in 2007-2013 RDP

European Court of Auditors: “EU support to young farmers should be better targeted to foster effective generational renewal » ECA's special report (2017)

- **Barriers hindering young people to become farmers can be classified as relating to:**
 - (a) **access to land:** the problem lies in the high price of land and the reluctance of older farmers to retire;
 - (b) **access to capital:** in France, Italy and Spain the problem is due to the complexity and length of the public support procedures rather than to the insufficiency of the subsidies;
 - (c) **access to knowledge;**
 - (d) **access to a sufficient and stable income (viability):** (NB: there are no statistically representative data on the income of young farmers);
 - (e) **access to basic infrastructure and services in rural areas**, such as broadband, nurseries, schools, transport and postal services, healthcare services.
 - *In most audited Member States/regions it is not known if the extent of such barriers is common to all young farmers setting up in a given region or only to some of them, eg those in specific geographical areas, agricultural sectors or financial situations.*

III- Support to young farmers in 2007-2013 RDP Implementation in France – setting up aid

- The setting up grant (DJA) scheme (M112A) is completed by favourable modulation of modernisation aids (M121).
During the 2007-2013 period, in France **33 629 demands were approved** to 'DJA', which represents about **4 800 establishments per year**.
These aids mobilized nearly **557 M€ in terms of total public expenditure**.
The **total volume of eligible investment is 10 946 M€** (€325000 by demand).
- They are investments in scale (productive capacity), but analysis from the FADN shows no effect of DJA on farm productivity.**

III- Support to young farmers in 2007-2013 RDP Implementation in France – setting up aid – Family agriculture

Year	Non-salaried farm managers	New entry	New entry <=40y	DJA	DJA / New YF
2001	-	14660	9140	5848	64,0%
2002	521480	14619	9095	5735	63,1%
2003	511729	13963	8591	5596	65,1%
2004	511916	14544	8760	5518	63,0%
2005	500714	15290	8809	5319	60,4%
2006	488548	15003	8868	5639	63,6%
2007	476228	14403	8708	5114	58,7%
2008	465375	14360	9134	6258	68,5%
2009	455939	11626	7711	5362	69,5%
2010	447931	10626	7145	4726	66,1%
2011	440703	10463	7152	4684	65,5%
2012	435104	10299	7022	4457	63,5%
2013	430121	11238	7634	4822	63,2%

Total RDR2 & transition period

	Scheme	Nb Benef	committed amount	FEADER
112	Start up grant (DJA)	35 552	577 303 578	281 064 462
112PB	PB	49 277	491 053 378	174 009 695
121C3	Regional investment aid YF	20	131 997	120 917
121C31	Aide to innovative YF	55	698 861	0
Total			1 069 187 814	455 195 074 42,6%

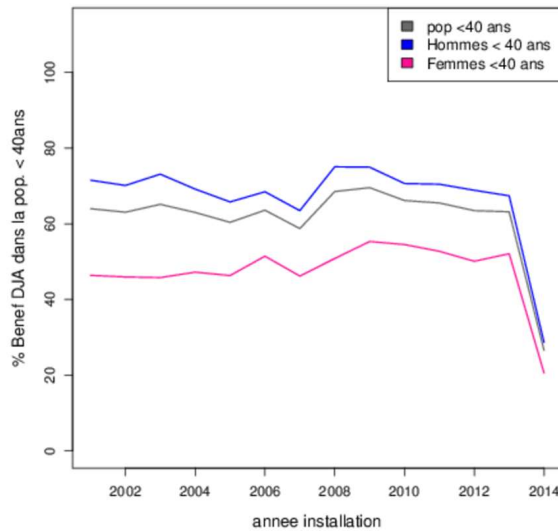
Source: MSA/ASP - ODR

Stability of DJA rate, greater for mens (about 70%) than for womens (about 50%)

III- Support to young farmers in 2007-2013 RDP

Implementation in France – start up aid – Family agriculture

Beneficiaires DJA par rapport aux installations MSA
des moins de 40 ans

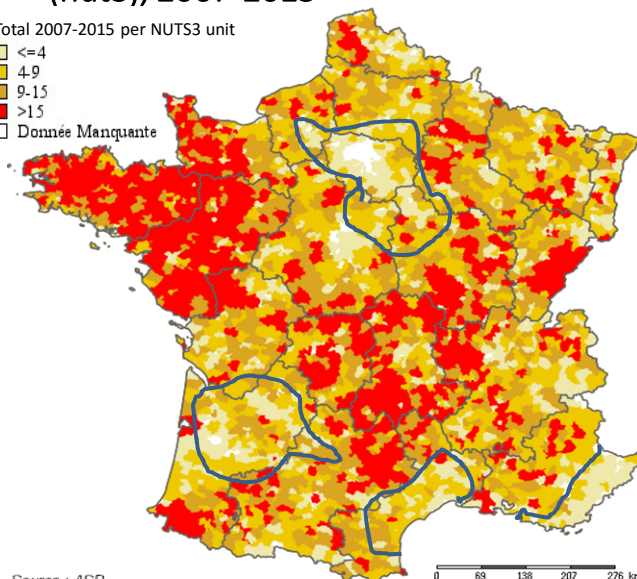
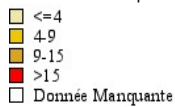


Source: MSA/ASP - ODR

III- Support to young farmers in 2007-2013 RDP

Implementation in France – setting up aid – beneficiaries by canton (nut3), 2007-2015

Total 2007-2015 per NUTS3 unit



Source : ASP

Produit le 05/08/2017 par Carto Dynamique INRA 2017



Areas with non family
farms: vineyards, fruits
and horticulture

Setting up supported and not supported correspond to two subsets of the family farm population.

Young people who set up without aid are either excluded by the eligibility criteria, the level of training or the predictable income (too much or not enough), or simply refuse the constraints of the procedure and generally follow strategies away from the dominant professional model.

It is **either large farms** (mainly: corn in the Landes, vineyards, horticulture, fruits in the Garonne valley), **or small farms** conducted by young people who are not children of farmers and who follow alternative pathways (Agroecology, short chains, service activities).

III- Support to young farmers in 2007-2013 RDP

Implementation in France – subsidized loans (M112B)

- Subsidized loans (PB) is a complementary measure to the setting-up scheme.
- 84 423 files (almost **49000 beneficiaries**) have been approved, involving **386 M€ in terms of equivalent grant** after completion (average by file €4568).
- Overall, the most important orientations for the beneficiaries of subsidized loans are the same as for the DJA: grazing animals and dairy cattle in half of the cases.

III- Support to young farmers in 2007-2013 RDP

Elements of review

The positive results of support to YF compared to its goal of transmission should not prevent a broader critical perspective.

- The setting up scheme (DJA and PB, 112A&B) is based on a **professional model corresponding to “non-salaried farm manager”** or self-employed status. The other statuses of family employment are not considered. Certainly the family jobs out of manager status strongly regress for 2 decades (except for informal work). But the share of women setting up as manager does not progress for a decade. The support of the setting up as part-time activities is still limited.
- **The supported professional model in-fact best fits some productive models than others.** Since its inception, the DJA is mobilized more by dairy farming than by Southeast agriculture (as a result of the thresholds of income or the nature of the investments).
- The DJA influences the sustainability of the project. Only 18% of beneficiaries reported that they would not have set up without the DJA, but 1/3 with regard to dairy farms. From this point of view we can say **the DJA contributed to the maintenance of the family character of milk production.**

III- Support to young farmers in 2007-2013 RDP Elements of review

The CMEF impact indicator on the renewal of the farming population, relates **to the implicit aim of maintaining the "family farms" in the agriculture sector**. Only the setting up of farms by non-salaried managers (individually or in a family co-managed farm) is concerned, **while employment structures in the regions of family agriculture** (as in south of Europe and Poland) **are changing**:

- I. the part of hired workers increases in total employment;
- II. the number of farms without non-salaried manager (directed by employees) increases;
- III. the collaborative and cooperative agriculture develops (for investment and sharing knowledge).

IV- Results from impact assessment studies (at farm level)

- The HRDP represents nearly 2 billion € a year injected into the rural economy, 85% directly concerns the agricultural sector. Reported to the added value of the agricultural sector at the national level (on average 28 billion € per year over the period), these public expenditures represent about 6%. **However the overall induced economic effects are hard to quantify.**

- **Quantitative analyses** carried out during the evaluation exercise focused on outcomes (expected results and impacts) **on the beneficiary farms**.

Two types of tests were conducted from the FADN data and beneficiaries data as **counterfactual analysis**. A **difference in difference exercise** covers the PMBE (M121 main device) in the case of dairy cattle or meat and **econometric analysis** models the effects for some OTEX and productions:

- Evaluation report: PMBE and DJA (support for young farmers) assessment.
- Analysis of yield and income performances with CAP investment aids (*Hervé DAKPO, Yann DESJEUX, Pierre DUPRAZ, Giffona Loysell, Justinia HANITRAVELO, INRA, UMR 1302, Rennes*)

- Qualitative observations were collected on farmers' strategies and opinion (surveys, interviews, working groups)

IV- Results from impact assessment studies
PMBE (Evaluation Report)

•The PMBE improving the labour productivity contributed to the restructuration of the dairy sector. The comparative analysis of the beneficiaries of the DJA confirms this role of the HRDP.

In short, in terms of cost competitiveness developments are positive, but with differences between specialized dairy farms and farm cattle meat.

- The results converge in terms of gross value added and gross operating surplus whose development is significantly better for beneficiaries than for their non-beneficiary twins.
- Beneficiary farms have also experienced faster growth between 2007 and 2013, in terms of surface area (SAU) and livestock (in LU).
- Only dairy farms have increased the workforce (UTA) over the period, more importantly for the beneficiaries.

IV- Results from impact assessment studies

Analysis of yield and income performances with CAP investment aids (INRA, Rennes)

- Using individual farm accountancy data from the French farm accountancy data network (FADN), the econometric method aims to isolate the additional effect of CAP payments **on commodity yields and supplies, farm incomes and labor demand**.
- Including all types of CAP payments simultaneously is a strength of this approach because interactions between them are taken into account. The drawback of this approach is that the model is not specific to the action mechanism of each policy instrument.
- *The approach is too limited for a proper assessment of the long run efficiency of investment aids because sampled farms are not observed a long enough period to estimate properly all the consequences of investments and investment aids.*

Result:

- Investment aids benefit to a quarter of **cereal and great crops farms**. They do not improve significantly their profitability in the short run, but **clearly decrease their hired labour demand**.
- About two thirds of **dairy and cattle farms** received very high investment aids **with positive effect on their profitability in the short run**, since the aid itself is included into their operating surplus. For animal farms the estimated decrease in labour demand is much lower.
- The estimated impact of investment aids on yields and supplies of the main agricultural commodities is negligible if significant.
- **Certainly aids are of necessity to maintain positive net investment in agriculture**

IV Qualitative observations on the issues raised and farmers' strategies

In short,

- Impact of investment aids (including support to YF) on improvement of labour conditions, but reducing for beneficiaries farms the hired labour demand
- But the salaried employment is not an issue of the RDP...
- Two types of strategies of investment: mass market production (capitalistic intensification); alternative agricultural systems and market (difficulty to assess the programme support to these systems)
- Importance of knowledge issues (in both systems, while different)
- Importance of financing issue (increase of investments, social change)
- Importance of collective initiatives (not only short chains!) and of low technologies (e.g. agro-ecology) (difficulty to assess)

V- Investment and related aids in 2014-2020 national and regional RDPs

• RDR3 (2014-2020) is **implemented in France by 27 RDPs**, one by region and DOM –before the reduction of the number of the French regions- and two national, one devoted to risk management issue and the other to rural network activities.

• **Measures involved in investment and YF support:**

- M01 - Knowledge transfer and information actions (art 14)
- M02 - Advisory services, farm management and farm relief services (article 15)
- M03 - Quality schemes for agricultural products and foodstuffs (art 16)
- M04 - Investments in physical assets (art 17)
- M06 - Farm and business development (art 19)

• Measures 4 and 6 cover the structural investment for farms, cooperatives and processing enterprises (eligibility criteria are different across regions).

V- Investment and related aids in 2014-2020 national and regional RDPs France - National Framework Programme

• According to the national framework (Approved 30/06/2015) a group of measures is mandatory in all regional RDPs: **support for the establishment of young farmers**, environmental and climatic measures, Natura 2000, organic farming promotion and the support for LFAs (less-favoured areas).

• **Its overall objectives are an obvious continuation of previous programmes:**

- Develop new production methods that improve the competitiveness of farms while preserving natural resources;
- Promote the generational renewal by promoting the creation, transfer and adaptation of farms
- Protect the natural environment by implementing measures to preserve, restore and manage natural resources

Programming period 2014-2020 EAFRD	11 400 000 € ^{1).}
Financial state of play, June 2017	
Commitments	21,80%
Payments	15,80%

V- Investment and related aids in 2014-2020 national and regional RDPs

France - National Framework Programme – support to YF

- **Sub measure 6.1 (mandatory) with two types of operation:**

- a start up grant ('DJA'), according to national and regional criteria of modulation;
- subsidized loans

*The change from HRDP is in the selection criteria and the immaterial support scheme. **The conditions for the selection and support to investment projects tend to be the same in the case of the setting up aid and investment aid (audit, strategic management training,...)***

- **Additional payment to YF from Basic Payment Scheme (BPS)**, pillar 1, is fixed at the national level (it will depend on the number of applications but can be estimated at € 70 per hectare), paid in addition to the basic payment, within the limit of 34 hectares by agricultural holding with a young farmer.

This is a new system implemented for the first time in 2015, which will mobilize 75M€/y

- The pillar 1 payment can allow a substantial reform of the French YF support scheme in pillar 2...

V- Investment and related aids in 2014-2020 national and regional RDPs

M02- Sous-measure: • 2.1 – Aid to access consulting services

- ***In France, the farm advisory system (FAS) as a RDR tools is new. This measure is not yet very active.***
- The national advisory system in France is still depending on Chambers of agriculture, farmers unions and cooperative, public research agencies (including INRA) and private inputs providers. Thus the implementation of M02 is a way to reduce the national financing of these knowledge providers.
- In the same time, new forms of knowledge transfer are developing in a competitive context.
- The Aid to access consulting services aims to develop strategic management. Networks of public and private advisory and audit bodies selected by tender are empowered in regions by the agriculture regional public services to provide consulting service, individual or collectively.

V- Investment and related aids in 2014-2020 national and regional RDPs

M04 investment aids: Competitiveness and farm adaptation Plan ('Pcae')

- The new investment aid scheme (Pcae) results of a large consultation of regions and farmers professional organisations. But In addition to subsidies, exist various fiscal aids. What makes the system complex and difficult to restructure
- **The accompanying tools include risk assessment audit, training, and overall aims to develop a global and strategic approach.**
- Initial financing for this plan amounts to 200 M€ per year for the period 2014-2020. But the "livestock support plan" (September 2015) increased the annual **Pcae Budget up to 350 M€** (to be compared to 385 M€ in the previous period for all M121).

V- Investment and related aids in 2014-2020 national and regional RDPs

M06 – support to YF

- The **amount of the DJA aid was upgraded** about 20% between 2014 and 2015/2016.
Modulation promotes setting up outside family framework, projects in response to the principles of Agroecology and value-added and employment-generating projects.
- **Suppression of subsidized loans (PB) in 2017** (budget integrated in grant scheme with additional modulation according to the volume of investment); the overall budget funding the DJA is strengthened and raised to 200 M€.
- **Enduring tricky issue of selection of demands due to the political aspects of it** (long position of farmers' organization in favour of the aid to support farm transmission and setting up of youths).

V- Investment and related aids in 2014-2020 national and regional RDPs

Risk management in agriculture

- **A national specific programme (PNGRAT) is devoted to risk management.**
- But, other tools are implemented contributing to agricultural risk management:
 - crop protection through devices supported under the RDPs,
 - investment aid measures,
 - the ability of farmers to overcome the consequences of the hazards, for example by the establishment of a precautionary savings (which is supported by national tax provisions);
 - the instruments of the CMO Regulation, as well as futures markets;
 - information of farmers, with measures of 'knowledge transfer' and information actions implemented in the regional rural development programmes (PDRR)...

VI- First overview investment aids in 2017

M04 Competitiveness and farm adaptation Plan (PCAE): Contrasted outputs

A level of commitment (in 2015) that meets the expectations, but the number of beneficiaries per year has not increased in the same proportions comparing to the previous programme. **Thus the average amount of the aid by demand has almost doubled.**

16 (on 21) Regional Managing authorities have dedicated more than 80 % of the PCAE funds to the livestock sector.

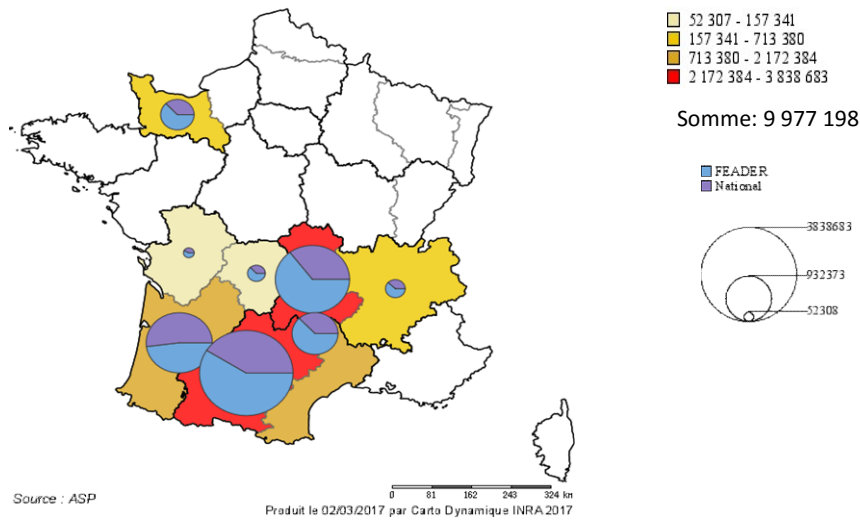
The selection rates are above 90% in most regions.

	Période 2007-2013 annualisée *	Année 2015 PCAE **	% évolution
Eligible investments	486 M€	763 M€	+ 57 %
Public expenditures	140 M€	288 M€	+ 106 %
Nb accepted demands	8354	8890	+ 6 %
Average Eligible investments	58 K€	86 K€	+ 48 %
Average aid by project	17 K€	32 K€	+ 93 %
Aid rate	29 %	38 %	+ 31 %

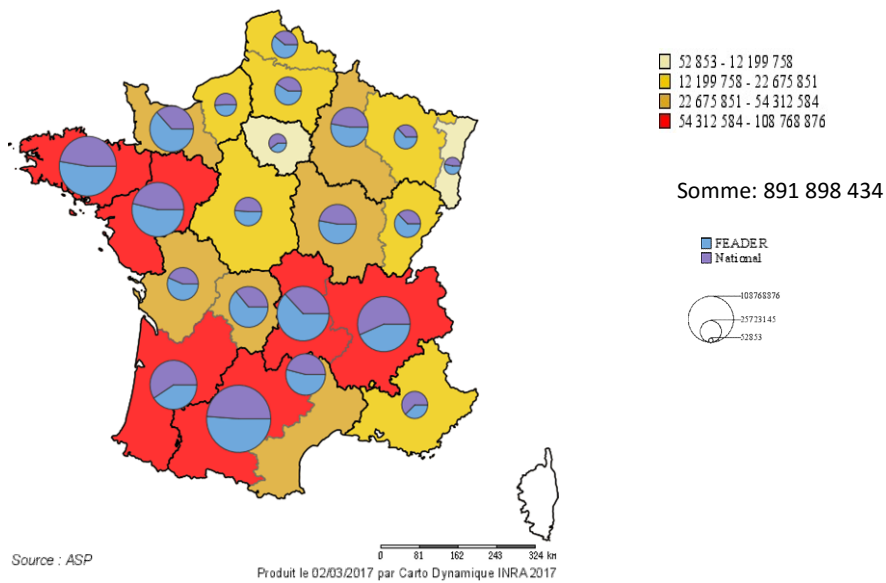
* Dispositifs : 121 A PMBE – 121 BPVE- 121 C1 PPE – 121 C2 Investissements collectifs

** Sous-mesure 4.1

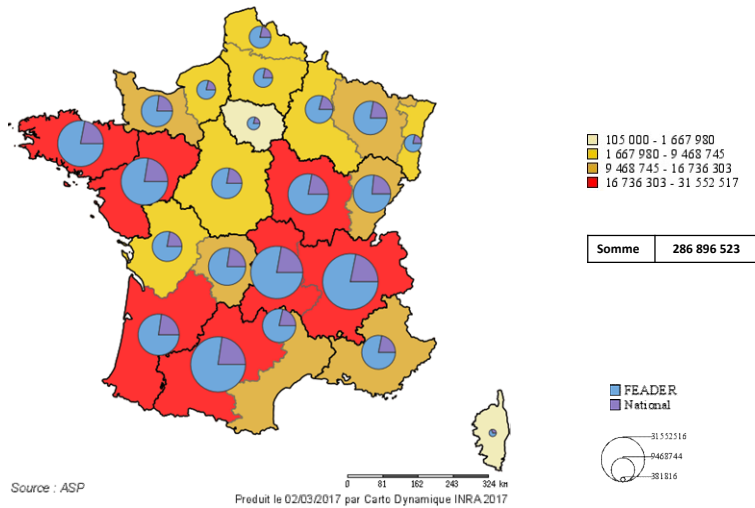
M03 Quality schemes for agricultural products and foodstuffs – ODR 1/1/2017 commitments (€)



M04 investment aid (PCAE) – ODR Commitments 1/1/2017 (€)



M06 YF Engagements (0601) - ODR commitments 1/1/2017 (€)



VII- Financial instruments (FI) supported by EAFRD – French experiment in Occitanie

- On the basis of the positive experience from the previous period and ex-ante evaluations, the Occitanie Region has decided to launch the FOSTER project (in partnership with the EIBank and the EIFund):
 - Minimum 113 M€ to create a Fund of funds,
 - targeting the needs of the small business, including in the agriculture and agrifood sector**

It took two years of preliminary work **before implementation**.

- For recipients the main interests of the FI are more favorable interest rates and a decrease in personal guarantees.**
- The EIB is an essential and greatly facilitating intermediary for establishing FI (including the accomplishment of the ex-ante evaluation). The EIB teams have played a central role in the establishment of FOSTER

VIII Changes in investment and insurance practices

- To address economic uncertainty, the role of financial instruments is developing (in large, not only loans, but also guaranty, equity, and alternative financial instruments in the field of social economy),
- raising new issues on management capacities formation, training, advisory and audit services.
- The « quality turn » (from short chains to (private/collective) labels referring to sustainability) is concerning from the 2007 crisis and growing price instability a larger scope of the farms.
While in previous time the long chains offered stable prices and alternative circuits were risky, today short chains with contractual commitment are more secure than the mass market

VIII Changes in investment and insurance practices

- In a more competitive and risky context, where the part of family agriculture and the role of family financial guaranty of loans is on the decrease, several new financial practices are developing.
- Beside the financial instruments supported by the EU, downstream partners can offer to secure loans (eg. white meat industry in the west of France)
- In relation with dwindling public services, private consulting services develop to file PCAE farm application (€1500-2000 by application) or direct payment application.
- The role of microfinance, crow funding and solidarity network support is also developing in relation with short chains, agro-ecology and organic farming.

IX Some reflexions to conclude

- To position more generally the theme of the Pre-Congress it is useful to consider together:
 - policy change (market-oriented agricultural policy, social and environmental sustainability and energetic transition imperatives);
 - the economic context (mass market price instability);
 - and the change in the social organization of agriculture.
- Farmers face today many uncertainties and risks at different scales (environment of exploitation, production basins and value-chains):
 - The volatility of prices: liberalisation of agricultural markets and the reform of the CMO destabilizes the large organisations and value-chains;
 - The requirements of quality and price of the food industry and retail, as part of a legislative and regulatory environment more and more demanding, reduce the bargaining power of farmers.
 - New technology (robots, genomics, nanotechnology, big data...) represents new risks and opportunities for farmers.

Family agriculture model (60s/70s)

- Complex resilient agricultural holdings (2 generations, informal family work, distributed technical capacities...)
- Overinvestment to avoid hiring salaried workers
- Market risk securing by public policy (public R&D, market regulation)

Market oriented model

- Market risk (price instability)
- Economical and technical risks increasing
- Increasing of the size of production tools
- Necessity to control investment projects
- Decreasing of the part of family agriculture and of the financial role of family,
- New financial practices and tools are developing.

Thank for your attention