Ensuring Long-Term Investment

Generational Renewal in European Agriculture

Edited by:
Dr. Antonios Nestoras

European Liberal Forum

FRIEDRICH NAUMANN FOUNDATION For Freedom.
Europe

The views expressed herein are those of the author(s) alone. These views do not necessarily reflect those of the European Parliament or the European Liberal Forum. The European Liberal Forum (ELF) is the official political foundation of the European Liberal Party, the ALDE Party. Together with 56 member organisations, we work all over Europe to bring new ideas into the political debate, to provide a platform for discussion, and to empower citizens to make their voices heard. Our work is guided by liberal ideals and a belief in the principle of freedom. We stand for a future-oriented Europe that offers opportunities for every citizen. ELF is engaged on all political levels, from the local to the European. We bring together a diverse network of national foundations, think tanks, and other experts. In this role, our forum serves as a space for an open and informed exchange of views between a wide range of different EU stakeholders.

Co-funded by
the European Union

Published by the European Liberal Forum. Co-funded by the European Parliament.

European Liberal Forum EUPF
Rue d'Idalie 11-13 boite 6
1050 Ixelles, Brussels (BE)

Design: Altais
Images: Adobe Stock

ISBN: 978-2-39067-084-1

About EPIC

The European Policy Innovation Council (EPIC) is a Brussels-based think tank dedicated to revitalising European policymaking through bold ideas and strategic communication. As a knowledge partner to the European Liberal Forum (ELF) under a framework agreement, EPIC contributed targeted research capacity and analytical expertise to support the Innovation Policy Labs. EPIC collaborated closely with ELF and FNF Europe to develop high-impact content and contribute to the broader policy debate at the European level.

European Policy
Innovation Council

Table of Contents

Introduction

The long-term sustainability of European agriculture depends not only on policy support through the Common Agricultural Policy (CAP) but also on private and public investment, generational renewal, and innovative business models. While CAP has been a lifeline for farmers, there remains a critical gap in long-term investment, particularly for new entrants and young farmers facing high upfront costs, low profit margins, and financial instability.

The issue of farm succession is also a growing challenge. The average age of farmers in the EU is rising, and many older farmers lack adequate pensions, preventing them from passing their farms on to the next generation. In contrast, Austria, which has a specific pension scheme for farmers, has the lowest average age among farmers in the EU. Without financial incentives for generational renewal, Europe risks further farm consolidation and a decline in independent, family-run farms.

Investment in agriculture is inherently long-term, requiring financial models that balance risk and reward. Farming is a capital-intensive sector with long investment horizons, making it less attractive to private investors and banks. At the same time, diversification strategies – such as agri-tourism, value-added processing, and environmental markets such as carbon credits – offer new revenue streams that could increase the financial resilience of farmers.

To secure the future of European agriculture, a comprehensive strategy is needed to

- leverage private investment through trade agreements, cooperatives, and financial incentives for sustainable farming;
- improve farm succession mechanisms to facilitate the smooth transition of ownership from older to younger generations; and
- strengthen financial tools – such as loans, tax incentives, and pension schemes – to ensure investment sustainability and reduce financial risks for new entrants.

This paper examines the key challenges in agricultural investment and farm succession, proposes policy reforms, and outlines solutions to attract long-term capital to the farming sector.

> A balanced approach Without decisive action, Europe risks further farm consolidation, a decline in independent agriculture, and reduced economic diversity in rural areas.

Chapter 1

Key challenges in agricultural investment and farm succession

Barriers to investment in agriculture

Agriculture presents unique investment challenges that differentiate it from other industries. In contrast to sectors with shorter investment cycles and quicker returns, farming requires long-term capital commitments with high upfront costs and low, often unpredictable profit margins. While CAP provides financial support, it is largely focused on subsidies rather than strategic, long-term investment in areas such as infrastructure, innovation, and sustainability. As a result, many farms struggle to access adequate capital, particularly those transitioning to new technologies and environmentally sustainable practices.

High debt burdens for new entrants

- Accessing land, machinery, and livestock requires substantial capital, making it difficult for new farmers to enter the sector without taking on significant debt.
- The high cost of farmland in many EU countries represents a major financial barrier, particularly for young farmers without inherited assets.
- Unlike industries where venture capital or bank loans can finance growth, farming relies on long-term returns, often making banks reluctant to issue loans.
- Market volatility and climate risks – such as droughts, floods, and price fluctuations – further increase the financial uncertainty of farming, discouraging banks from lending.

As a result, many young farmers struggle to secure financing, leaving them unable to modernise their operations or compete effectively in an evolving market. New funding mechanisms and financial incentives are required to ensure a sustainable transition for the next generation of farmers.

Limited availability of long-term investment capital

- Traditional banks and financial institutions classify farming as high risk, limiting access to long-term loans.
- Private equity and venture capital investors often overlook agriculture due to slow return cycles and unpredictable revenue streams.
- Many public investment programmes are fragmented, making it difficult for farmers to navigate funding opportunities and secure the capital needed for large-scale modernisation projects.

Because agriculture is capital-intensive, investment is required not only for land and equipment but also for technological innovation such as precision farming, automated irrigation, and climate-resilient crops. However, the lack of structured investment pathways prevents farmers from fully adopting these advancements, leading to lower efficiency and competitiveness.

Insufficient financial incentives for sustainability and innovation

- Innovative agricultural practices, including precision farming, regenerative agriculture, and digital monitoring tools, have the potential to significantly increase efficiency and sustainability. However, they require substantial upfront investment.
- Many farmers lack access to capital to implement soil health initiatives, biodiversity restoration, and carbon sequestration

programmes, even though these yield long-term financial and environmental benefits.

- Current financial models do not sufficiently reward sustainability, making it difficult for farmers to justify investing in climate-smart practices that do not produce immediate financial returns.

Agriculture is transitioning towards sustainable and technology-driven production models, but without proper investment channels, many farmers are left unable to afford the transition. Public–private investment partnerships and financial incentives for sustainable farming must be strengthened to encourage modernisation and long-term agricultural resilience.

Generational renewal and farm succession barriers

The ageing farming population and lack of structured farm succession mechanisms pose significant risks to the future of European agriculture. With many farmers over the age of 57, the sector is at risk of losing expertise, innovation, and independent family-run farms unless the next generation is supported in taking over farm operations. The challenges of retirement, land transfer, and financial accessibility must be addressed to ensure a smooth transition between generations and prevent land consolidation into corporate agribusinesses.

Lack of pensions for older farmers

- Many EU farmers lack dedicated pension schemes, forcing them to continue working into old age or to hold onto their land as their only source of financial security.
- Without pension income, older farmers may delay farm transfers, making it difficult for younger generations to take over operations.

- Austria's farmer-specific pension system provides a strong model for ensuring financial stability for retiring farmers, leading to better generational renewal in its agricultural sector.
- In contrast, France lacks a dedicated pension scheme for farmers, which creates financial stress and succession delays.

Without a structured pension system, farm succession remains uncertain, as farmers cannot afford to step away from their land, delaying opportunities for young farmers to take ownership and innovate.

Legal and financial barriers to land transfer

- High land costs and legal complexities make it difficult for young farmers to acquire land, particularly if they do not inherit it from family members.
- Most farms are passed down within families, limiting opportunities for new entrants who do not have inherited land.
- Some countries, such as Ireland, have introduced structured land mobility services, offering long-term leases and facilitating farm transfers between unrelated parties.
- A coordinated EU-wide farm transition programme could improve land access for young farmers by offering financial and legal assistance for succession planning.

Land transfer processes must be streamlined and financially supported to ensure farms remain active, competitive, and in the hands of innovative new generations.

Risk of land consolidation and corporate ownership

- Without proper succession planning, smaller farms risk being acquired by large agribusinesses, reducing rural economic diversity and increasing corporate control over agriculture.

- Large-scale farm consolidation leads to industrialised farming, making it harder for small and medium-sized farms to compete.
- The EU must ensure that farm succession policies protect smallholders while still enabling scalable and efficient agricultural operations.

A balanced approach is required to prevent excessive land concentration in corporate hands while still allowing for investment, efficiency, and modernised agricultural models.

A balanced approach is required to prevent excessive land concentration in corporate hands while still allowing for investment, efficiency, and modernised agricultural models.

Chapter 2

Proposed solutions for agricultural investment and farm succession

Leveraging private investment through trade and market expansion

Opening new markets and improving trade conditions can drive investment into European agriculture. Key strategies include:

- Negotiating environmentally friendly trade agreements. Environmentally friendly trade agreements should be negotiated to ensure that market expansion aligns with Europe's sustainability goals and reinforces the global competitiveness of high-quality EU agricultural products.
- Trade deals should promote high-quality, sustainable European agricultural products rather than encouraging low-cost, low-standard imports.
- The Mercosur agreement presents challenges for European beef farmers, as imported meat may not meet EU environmental and animal welfare standards. The challenges posed by the Mercosur agreement should be addressed by enforcing strict import standards and ensuring that all traded products meet EU environmental and animal welfare criteria.
- Mirror measures could ensure trade fairness by applying equal production standards to imported goods.

- New revenue streams should be developed for farmers.
- Carbon credits, nature credits, and ecosystem service payments can provide farmers with alternative income sources for rewilding and conservation efforts.
- Increased on-farm product diversification – such as agri-tourism, direct-to-consumer sales, and specialty food production – can improve financial stability.

Strengthening cooperatives and employee-owned business models

Expanding cooperative models can provide financial stability and succession planning for European farms. Policy reforms should:

- encourage new cooperative models;
- support cooperatives and employee stock ownership models to allow younger farmers to buy into established farms;
- prevent over-centralisation of cooperatives, ensuring small farms maintain autonomy within larger networks;
- support legal frameworks for farm succession;
- expand programmes such as Germany's farm succession app, which matches young farmers with retiring landowners; and
- create EU-wide farm transition programmes, offering legal and financial assistance for ownership transfer.

Expanding agricultural banking and loan programmes

To bridge the investment gap, financial institutions must be encouraged to provide accessible, low-risk loans for farmers. Policy actions should:

- develop risk-sharing mechanisms for agricultural lending;
- expand public–private investment programmes, where governments partially guarantee loans to reduce risk for banks;
- offer low-interest loans and tax incentives for precision farming, regenerative agriculture, and diversification projects;
- create a flexible repayment model; and
- link loans to farm revenue and crop yield rather than fixed income structures, reducing risk during market downturns.

Establishing a pension system for farmers

A dedicated EU-wide pension system for farmers would facilitate generational renewal while preventing land hoarding. Policy measures should:

- develop pension schemes similar to Austria's model, where farmers receive a state-supported pension upon selling their land; and
- expand tax incentives for retirement planning, encouraging older farmers to pass on ownership instead of holding onto land as a source of financial security.

Conclusion

A long-term strategy for sustainable agricultural investment

To ensure the future viability of European agriculture, investment strategies must move beyond short-term subsidies and focus on long-term financial stability, generational renewal, and private-sector engagement. By improving market access, facilitating farm transfers, expanding financing options, and establishing pension systems, the EU can create a resilient, competitive, and forward-looking agricultural sector.

Without decisive action, Europe risks further farm consolidation, a decline in independent agriculture, and reduced economic diversity in rural areas. A comprehensive investment and succession strategy will empower new generations of farmers, foster economic sustainability, and ensure that European agriculture remains a global leader in quality and innovation.

A comprehensive investment and succession strategy will empower new generations of farmers, foster economic sustainability, and ensure that European agriculture remains a global leader in quality and innovation.

What this publication is about

This book is about policy innovation, influencing change in a way that guarantees our fundamental liberal values while also delivering tangible results for people. It is about convincing the public that the EU is not only relevant in their everyday lives, but also capable of implementing policies that will significantly improve their quality of life. By presenting forward-thinking solutions and actionable strategies, this guide aims to demonstrate how liberal policies can address the pressing issues Europe faces today. Through effective governance, we can showcase the EU's potential to drive positive change, ensuring that our vision for a progressive and inclusive Europe becomes a reality. In answering the question of what kind of Europe we want, the answer is clear: we want a renewed Europe – a Europe with institutional reforms that make it fit for the current geopolitical circumstances, capable of responding swiftly and effectively to external pressures. We envision a renewed Europe that leads in technological progress and sustainability, setting global standards and driving innovation in a way that benefits all its citizens. Furthermore, we seek a Europe that can guarantee the safety of its citizens and uphold the European way of life, ensuring security and stability in an increasingly uncertain world. This vision of a renewed Europe is one that not only meets the challenges of today but is also prepared to seize the opportunities of tomorrow.

Outcome of the Innovation Policy Lab 2.0

This publication is the outcome of a joint undertaking between the European Liberal Forum (ELF) and the Friedrich Naumann Foundation for Freedom Europe (FNF Europe). Most of the ideas and proposals contained in this book were discussed and developed during a two-day conference of the ELF–FNF Innovation Policy Labs held in Brussels on 23 and 24 November 2024. The editor extends heartfelt thanks to Gréta Kiss from FNF and Bálint Gyévai from ELF for organising the

conference, and to the participants for their invaluable contributions. Special gratitude goes to Benno Schulz, Maximilian Luz Reinhardt, Dr Antonios Nestoras and Ailbhe Finn, who served as moderators during the conference and captured the participants' discussions and policy recommendations that form the backbone of this publication. Without the dedication and expertise of all these persons, this work would not have been possible.

Methodology

This publication is the outcome of a joint undertaking between ELF and FNF Europe. It represents a culmination of collaborative efforts, discussions, and expert insights aimed at addressing the multifaceted challenges confronting Europe. The ELF–FNF Policy Labs brought together a diverse group of policymakers, academics, practitioners, and civil society representatives from across Europe. This dynamic gathering fostered an environment conducive to in-depth analysis, debate, and creative thinking. The participants, each bringing their unique perspectives and expertise, played a crucial role in shaping the discussions and formulating the policy recommendations presented in this book. The process was highly participatory, with structured sessions designed to maximise interaction and the exchange of ideas. Through a series of workshops, panel discussions, and breakout groups, participants delved into key topics, identified pressing issues, and proposed actionable solutions. These insights were rigorously analysed and synthesised by the editorial team, ensuring that the chapters reflect the collective wisdom and innovative thinking of the Policy Labs. It is important to note that not all chapters in this publication were developed solely through this conference. While the majority of the content is derived from the Policy Labs, some chapters were influenced by additional research, expert consultations, and policy discussions. These contributions were integrated to provide a comprehensive and well-rounded set of policy proposals.

About ELF

The European Liberal Forum (ELF) is the official political foundation of the European Liberal Party, the ALDE Party. Together with 56 member organisations, we work all over Europe to bring new ideas into the political debate, to provide a platform for discussion, and to empower citizens to make their voices heard. Our work is guided by liberal ideals and a belief in the principle of freedom. We stand for a future-oriented Europe that offers opportunities for every citizen. ELF is engaged on all political levels, from the local to the European. We bring together a diverse network of national foundations, think tanks, and other experts. In this role, our forum serves as a space for an open and informed exchange of views between a wide range of different EU stakeholders.

About Friedrich Naumann Foundation for Freedom Europe (FNF Europe)

The Friedrich Naumann Foundation for Freedom Europe (FNF Europe) is one of the regional offices of the Friedrich Naumann Foundation for Freedom (FNF), a German political foundation dedicated to promoting liberal values and policies. Headquartered in Potsdam, FNF operates offices across Germany and in numerous countries worldwide. FNF Europe maintains offices in Brussels, Prague, Vilnius, and Geneva, serving as a platform for connecting EU experts, civil society actors, and policymakers. Its mission is to foster open dialogue and advance liberal policy solutions to address Europe's key challenges. In close cooperation with liberal partners, FNF Europe organises innovative formats and campaigns to promote fundamental rights, the rule of law, geopolitics, and geoeconomics. It also coordinates EU co-funded projects focusing on areas such as the internal market, digitalisation, and innovation.

A liberal future in a united Europe

liberalforum.eu

/europeanliberalforum
/europeanliberalforum
@eurliberalforum
@eurliberalforum.bsky.social
eurliberalforum

This publication received financial support from the European Parliament. Sole liability remains with the authors.

The European Parliament is not responsible for any use that may be made of the information contained therein.