Research and Library Services

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EARLY RETIREMENT SCHEMES FOR FARMERS

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This paper deals with the schemes in place in the Republic of Ireland and elsewhere in the EU. It also contains details of the purposes of the schemes and the financial inducements and rewards to the farmers.

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REPUBLIC OF IRELAND[1]

The Republic of Ireland is currently on its third wave of retirement schemes for farmers.

The first Early Retirement Scheme (ERS1) applies to farmers who retired between 1994 and 1999 (ERS1) and the maximum payment under this scheme is being increased from €12,075 to €14,075.

The second scheme (ERS2) was launched in 2000 and is due to close on 31st December 2006. The maximum payment under this scheme is being increased from €13,515 to €15,000.

The Early Retirement Scheme 2 (2000) (ERS2) is co-funded at a rate of 50% by the EU from EAGGF[2]. All administrative costs involved in the implementation and processing of the scheme are borne by the Department of Agriculture and Food.

Article 11 of the Regulation provides that a person benefiting from an early retirement shall:

- Stop all commercial farming activity definitively; he may, however, continue non-commercial farming and retain the use of the buildings.
- Be not less than 55 years old but not yet of normal retirement age at the time of transfer.
- Have practiced farming for the 10 years preceding the transfer.

The maximum co-funded rates of pension are outlined to the Regulation as €15,000 per transferor per year and €150,000 total amount per transferor.

Article 12 stipulates that the duration of the pension should not exceed 15 years and it should not go beyond the 75th birthday of the transferor.

The Article also requires that the pension should be paid as a supplementary pension taking into account the amount of the national retirement pension.

The payment to a retiring pensioner is on the basis of a flat rate of €5,403 plus €338 per hectare transferred up to a maximum of 10 years but, up to 31st December 2000, it was not paid beyond the age of 70.

The current Early Retirement Scheme 3 (2007)[3] has commenced with the following objectives:

- To support farmers who decide to stop their agricultural production.
- To support all farm workers who decide to stop all farm work definitively upon the transfer of the holding.
- To complement the Young Farmer's Installation Scheme.

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1 http://www.agriculture.gov.ie/forms/Early_Retirement_Scheme/Expenditure_Review_of_EarlyRetirementScheme.pdf

2 http://ec.europa.eu/agriculture/fin/index_en.htm

3 http://www.agriculture.gov.ie/forms/Early_Retirement_Scheme/ERS3-ExplanatoryBooklet_final.pdf

Eligibility: To become a transferee, the minimum agricultural area required by a transferee shall be 15Ha in less-favoured areas and 20 Ha in non-less-favoured areas.

Transferee: Be approved for payment under the Young Farmers' Installation Scheme (YFIS) (2007-2013).

ERS3 application will not be approved until the YFIS application is approved for payment.

Purpose of Scheme[4]:

- To provide an income for older farmers (between the ages of 55 and 66) who decide to stop farming.
- To encourage the replacement of such older farmers by farmers able to improve, where necessary, the economic viability of the remaining agricultural holding;
- To re-assign agricultural land to non-agricultural uses where it cannot be farmed under satisfactory conditions of economic viability.

Payments of Transferor

An approved transferor will be paid a flat rate of €9,300 per annum for the first 5Ha or 5 production units plus €300 per hectare of agricultural land or production unit transferred/leased up to a maximum of €15,000 p.a.

The pension will be paid for not more than 10 years from the date on which a fully completed application is received but in any event will not be paid beyond the applicant's 66th birthday.

Where a Scheme participant dies within the pension period, entitlement to the pension for the balance of the period may be transferable to a spouse, partner and/or dependent family member. , other than subject transferee to the following: the conditions regarding transferee and pension lands continue to be met; the total annual income of the spouse, partner and/or dependent family member does not exceed €50,000.

Since the introduction of EU policy on 'Early Retirement' in 1992, a total of ten member states have implemented the scheme at various stages. Three member states, Republic of Ireland, France and latterly Greece, account 88% of total during the first round of the scheme ('92-'99).

FRANCE

The third and current ERS scheme commenced in 1998 and runs until 2008. It has only got social aims and objectives. It aims to enable low income farmers and those with poor health to leave the industry. The pension is fixed at €5,500 per annum. The main condition for eligibility is financial difficulty, the exact definition of which varies by region. It is broadly understood, however, to mean difficulties in repaying debts and making compulsory insurance contributions.

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[4] http://www.client.teagasc.ie/louth/teagascnotes/early_retirement_scheme__details.htm

No evaluation has been carried out to date on this third scheme, but the low pension on offer together with other qualifying conditions are anticipated to limit uptake and budgetary costs. As the latest version of the scheme has only social objectives, a separate programme has been introduced to enable young farmers to set up on land released as a result of early retirement.

GREECE

The Early Retirement Scheme 2000-2006, has both social and structural objectives. The target is to attract 49,000 participants (10% of eligible population), thereby releasing 300,000 hectares of land to enlarge the size of young farmers' holdings. Participating farmers receive a flat rate payment of €3,603 per annum, rising to €4,249 in zones of particular disadvantage or when the transferee is less than 30 years of age. Farmers can enter the scheme between the ages of 55 and 64, and can receive a pension for a maximum of 15 years, but in any case not beyond the age of 75. When participants reach the state retirement age, they must decide whether they wish to continue to receive ERS pension or switch to a normal state pension. The expenditure forecast is €880 million, of which 75% is funded by the EU.

DENMARK

The EU Early Retirement Scheme ran in Denmark between '94 and '98. The scheme was closed sooner than planned because of a much lower than expected uptake.

At the outset, some 4,500 participants had been anticipated, but only 525 applications were approved, of which 168 were still in receipt of pension payments as of May 2002. The small number of participants was a result of farmers preferring to use more generous national early retirement package available across all sectors of the economy.