



The characteristics of small farms and their development opportunities in Hungary

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Outline

- Introduction, research goals
- Data and methods
- Main results
- Challenges, proposals for the development policy

Conceptual framework – *what is a small farm?*

Based on physical parameters

- Under 5 hectares
- Under 1 AWU

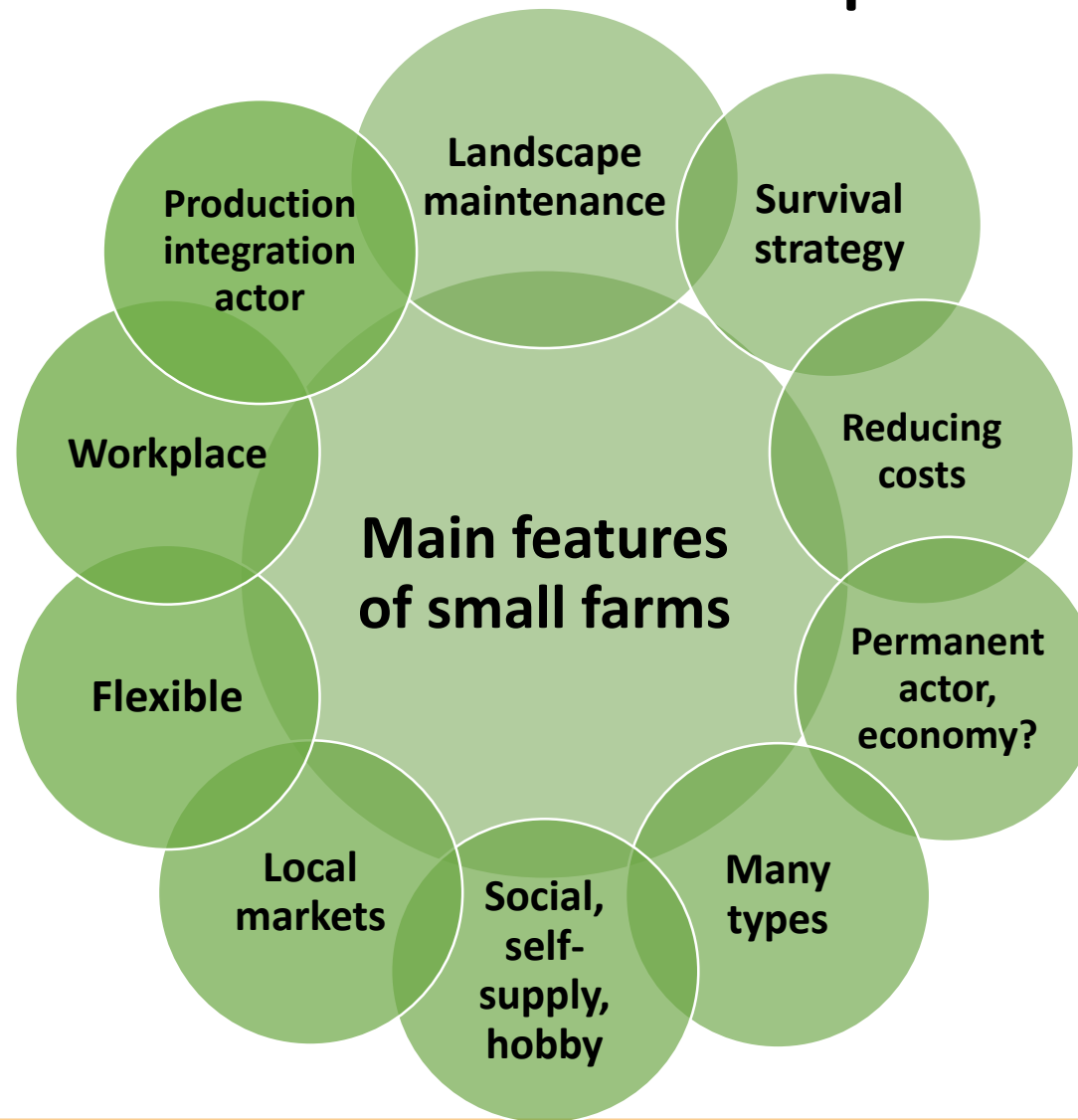
Based on economic size

- Under 4000 euro standard output (SO)

Based on market participation

- Production for **own consumption** exclusively/**Selling surplus**/More than half of the product is **sold**

Earlier researcher experiences



Data

- **Secondary data:**
 - EUROSTAT database
 - General Agricultural Census
 - FADN database (small-scale sample)
 - Support data
 - Development policy documents
- **Primary data:**
 - In-depth interviews with small-scale farmers (based on FADN)
 - Structured thematic interviews (with decision makers, developers)

Methods

- International comparison analysis
- Descriptive statistical analysis
- Cost-income analysis
- Factor- and cluster-analysis
- Content analysis of in-depth interviews
- Content analysis of development policy documents

Results - Tendencies in the European Union

- **Dual farm structure;**
- From 12 million agricultural units, 7,3 million farm (60%) do not reach EUR 4000;
- Mediterranean + post-socialist countries: small farms constitute the largest group of farms (**Comparative analysis limitation: a different survey threshold!**);
- Small farms produce EUR 1700 SO an average, they use 8-15% of the total agricultural area, they hold 0,3-5% of livestock (with the exception of Bulgaria, Hungary and Romania);
- They provide either **income supplement** to the farmers.

Results – General economic and sociological features of domestic small farms

- **Their number is decreasing, but:**
 - 80% - headcount
 - 6,8% - area
 - 13,6% - livestock
 - 11,9% - output
 - 53,7% - AWU
- **Sociodemographic specifics**
 - Elderly
 - Unemployed
 - Low-skilled
 - Female farm manager

Results – cost-income situation in local small farms

- Compared to the larger farms they produce **higher production value** with much more labour use per hectare.
- Employment and economic activity status of the farm manager determine the features of farming:
 - **Full-time entrepreneurs** produce substantial income on a profit-oriented way, with high asset deposition and expenses, and relatively effective work;
 - **Agricultural and non-agricultural workers, pensioners and people living from social benefits** produce increasingly low production value and income with decreasing expenses and asset deposition under less efficient labour use.
- Significant, EUR 1290-1390 (circa 400-500 thousand HUF) **consumer base** per farm are derived from the agricultural activity.

Source: based on FADN data

Results – experiences from in-depth interviews



Set-backs on
farm-level

- Difficulties by generation change;
- Lack of knowledge;
- Lack of investment resources;
- Technological lag;
- Weak integration;
- One-sided production structure.

Development
tools

- Limited access to CAP subsidies;
- Limited access to Rural Development Resources;
- Access difficulties to development loans;
- Support policy tools focusing on investments with moderate impact.

Results – Small farms as potential market-oriented actors

Cluster-analysis - FADN

- Small farms currently producing goods to market (41,1%)
- Small farms occasionally producing goods (in a complementary manner) (12,5%)
- Self-sufficient households, farms' (46,4%)

Socio-demographic aspects - General Agricultural census

- **10 750** younger farm leader (under age 44), highly educated (has at least primary or even secondary education) and has useful knowledge in human capital;

Economic aspects - FADN

- **4400** full-time agricultural actors in entrepreneurial status

Summarizing the results – „*small farms*”

- They do **not** constitute a **single, homogeneous** group.
- Income generated in these farms is higher in post-socialist countries but **can not provide an independent existence**.
- The main function of small farms is to **supplement the income** from elsewhere.
- Small-scale farming is determined by the nature of full-time activity.
- Only a little proportion of small farms is able to develop by market-oriented entities.
- **Complex development policy tools** are necessary to reach significant results.

Challenges and proposals for the development policy

- Small farms are and will be **permanent actors** in agricultural structures in whole Europe.
- The majority of small farmers are **not suitable for full-time production** in Hungary.
- The rest (skilled, younger farmers) who are capable for full-time production need more access to **Rural Development Subsidies**.
- From rural development and socio-political points of view it is important to support small-scale farms who can not be developed by market-oriented actors with complex programs in the future.

Thank you for your attention!

