The characteristics of small farms and their development opportunities in Hungary


ERDN Conference, Budapest
October 3-5, 2016
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

Main features of small farms

- Production integration actor
- Workplace
- Flexible
- Local markets
- Social, self-supply, hobby
- Many types
- Survival strategy
- Reducing costs
- Permanent actor, economy?
- Landscape maintenance

Survival strategy

Reducing costs

Permanent actor, economy?
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:
  o **Full-time entrepreneurs** produce substantial income on a profit-oriented way, with high asset deposition and expenses, and relatively effective work;
  o **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
- 4,400 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!