

ASPECTS OF FARM HOUSEHOLD DIVERSIFICATION

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Abstract: A characteristic of agricultural households participating in non-agricultural activities, whether on farm or off farm, is their heterogeneity. Thus, any analysis of factors that intensifies / limits diversification must take into account both the farmer who has chosen alternative ways of using the available resources, the household in which the next generation chooses to pursue a career outside agriculture (either due to lack of opportunity in the family farm as a transitional option as part of a strategy for intergenerational transfer or for other social or economic reasons) and the businessman or the wealthy who bought a farm for financial, environmental or social reasons. While the main political interest is found in those families already in agriculture that use diversification in response to long-term trends in agriculture and economic shocks, especially those resulting from policy reform, the presence of other forms of diversified households should not be forgotten. Literature on agriculture adjustment suggests that at farm level, the main factors affecting change and adaptation, of which diversification is part, are: the characteristics of human capital, the nature of the farm and the agricultural business, the external environment. These three general headings are used to discuss evidence on the factors that explain the patterns of diversification of agricultural households. It should be noted that not all of the factors listed in the three headings have been found in this discussion, nor did all reviews necessarily distinguish or prioritize the most important factors.

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A characteristic of agricultural holdings participating in non-agricultural activities, either on farms or outside the holding, is their heterogeneity. Thus, any analysis of the factors favoring / limiting diversification must be able to cover both the farmer who has chosen alternative ways of using the available resources, the household in which the next generation chooses to pursue a career outside agriculture (either due to lack of opportunity in the family farm business as a transitional option as part of a strategy for intergenerational transfer or for other social or economic reasons) and the businessman or the wealthy who bought a farm for financial, environmental or social reasons. Families already involved in agriculture who use diversification in response to long-term trends in agriculture and economic shocks, especially those resulting from policy reform, have been taken into account, the presence of other forms of diversified households should not be forgotten.

MATERIAL AND METHOD

Specialist literature on agricultural adjustment suggests that at farm level, the main factors affecting change and adaptation, of which diversification is part, are as follows: the nature of the agricultural holding and agricultural holding, including the capital base and access to the loan, the size of the holding, its profitability, the type of land and the associated enterprise model, etc., characteristics of human capital, including age, experience, education, training and personal qualities, such as attitude to risk, intelligence and motivation.

The external environment of the farm, which includes proximity to the potential diversified potential demand and ease of access to these markets, off-farm hiring opportunities, formal and informal local networks, good transport infrastructure (especially if which consumers are required to visit the farm site) and IT facilities.

These three general factors are used to discuss the evidence presented in the thirteen country reviews on factors that explain the patterns of diversification of agricultural holdings.

It should be noted that not all of the factors listed have been found in revisions, nor did all reviews necessarily distinguish or prioritize the most important factors. As a result, the results may not apply to all countries. A mixture of these factors is present in any individual farm situation. Generally, some encourage any form of diversification, others discourage any activity. Some factors encourage specific diversification activities, while being a deterrent to other forms.

RESULTS AND DISCUSSIONS

One of the common features of human capital observed in many studies has been the importance of business skills, such as those associated with human resource management, networking and market development, including research, marketing and customer relations. These skills are often lacking in the case of farmers who have worked for many years and / or have obtained prices for the primary agricultural products they have grown. Another common explanation for the diversification of households was that such activities are driven by a financial incentive, either to increase the income of the farmhouse, to maintain own capital, to provide for retirement and / or to ensure family succession. Income outside the farm is generally considered as a mean of smoothing household income flow in the United States, which is often considered inadequate and / or unstable. In Austria it was found that part-time farming dominates in less-favored and mountainous areas (over 70% of the total land area), where the average farm yield is 20% lower than in low-productivity areas due to low productivity and other factors.

Also noteworthy are non-economic motivations in studies. In developed countries, the trends of the general society over double incomes, labor recruitment and individualization - even of the household of the nuclear family - are factors that explain an increase in diversification and pluriactivity in farms. Social motivations appear to be relatively more important in terms of agricultural tourism, where contact between farm households and others is probably the closest. Polish authors have noted that farmers are a traditional group with strong fears of change in the future. The growing diversity of farms has given rise to multiplier effects. More recent studies have shown that the effort for many farmers and men to work outside the farm and / or develop alternative businesses may be stronger than ever, despite the relatively high levels of agricultural income in recent years due to personal fulfillment and the entrepreneurial spirit of farm families to make full use of agricultural and household resources and the workforce.

Another common feature across the country is the role of women in agricultural households in developing alternative income generating activities, whether they are farms or off-farm businesses. In Germany, direct marketing and agritourism activities are important activities of agricultural women, while a growing number of women take up activities outside the holding to contribute to household income. Unlike the basic operation of agriculture, women have had a great deal of involvement in alternative enterprises in other countries, in many cases as major operators or as operators in common with their male partners. It was obvious that women who operated had a high degree of motivation and considerable satisfaction in their work. In Canada, there is a relatively higher level of participation in value-added activities on farms where the person responsible for farm exploitation was a woman. A study on employment in rural areas in EU countries reports that it is often the woman who initiates and engages in alternative farm activities. The impact of education is a human feature mentioned in several studies. In developing countries, there is a strong positive relationship between education and employment and non-agricultural independence. The schooling of household members is negatively correlated with the participation of rural households in agriculture but positively correlated with non-agricultural activities. Similarly, Polish studies show that non-agricultural income was mainly

demanding by members of the agricultural household who have secondary, post-secondary and basic vocational training. In Canada, some authors have found that participation in out-of-farm work is positively influenced by higher education levels, but other studies have a negative impact on off-farm employment, although for farmers working outside the farm, education increases the number of hours worked out of the farm. However, education has had a positive influence on the likelihood of hiring farmers in value-added activities. The most frequent factor related to the nature of the holding presented in the studies was the influence of the size of the farm on the participation of agricultural households in the diversification activities. In Austria, for example, small farms are more often involved in alternative full-scale exploitation activities and on farm holdings. Instead, part-time activities that take place regularly or seasonally are more attractive to large farms. Canadian studies reported that value-added activities tend to be particularly important for small farm operators, with larger farms having a lower probability of participating in out-of-farm employment. Australian studies have found that 14-25% of the total incomes of smaller wineries were from gates to the cellar and incomes from goods, restaurants and accommodation, compared with 2.2-4.5% on average for the more vintage big. However, studies in the United Kingdom have shown that diversification is not limited to the smallest farms; an element of pluriactivity is found in the size of the farm, and at the top end it is often found that agriculture is just one of the business interests portfolio that spans several economic sectors and these are not necessarily closely related to agriculture, forestry and food sector.

The type of agricultural holding also has an effect on the possibilities of diversification. Canadian studies have noted that dairy production (used as a proxy for labor intensive activities) had a negative effect on the likelihood of farmers' participation in off-farm work. This was supported by Australian studies, which explains that out-of-farm occupation (both for farmers and spouses) tends to be lower for those involved in industries with higher farm labor requirements, such as the dairy sector. German studies have suggested that traditional farm holidays may be less successful and not really an option in rural areas characterized by intensive agricultural production and large farms. Alternatively, Canadian studies have found that farmers are more likely to participate in value-added activities linked to the production of perishable products such as fruit and vegetables.

Several studies at country level have addressed the potential effects of structure and ownership on diversification. In Canada it was found that farms that employ non-family labor force, requiring the operator to be present to supervise agricultural work, limit the farmer's ability to participate in work outside the farm. UK studies have commented on the specific problems faced by tenant farmers, such as difficulties in accessing capital because they do not have the guarantee available to landowners and problems with their rental contracts as they may have restrictions on land use. It has also been noted that changing employment (in a family through inheritance or by selling) can lead to agriculture becoming multiactive, for example when new entrants have established careers in other sectors and have accumulated resources that allow them to buy agricultural real estate and to continue his previous career. Speaking of the external environment, a common factor was the location of the farm. Studies in the US have stated that the most important determinant of the capacity of US farmers to diversify their operations and find jobs outside the farm is the degree of ruralness, measured by the distance between the location in the urban areas and the population density. However, the impact of localizing diversification is not a direct issue, involving two aspects: distance and geography. Country studies have also demonstrated that location-based approaches can be further reduced by improving accessibility both in terms of transport and communication links. Faster and cheaper transport has played an important role in eliminating the distance between rural and urban areas, while the Internet has been successfully used to market both agricultural and non-agricultural products.

Other studies also highlight the role of organizational development in overcoming barriers associated with the location. An Italian case study referred to a national consortium (Anagritur), which monitors and coordinates the activities promoted by the three agricultural agritourism associations. They provide tax, legal and economic consulting services, but the most important activity is probably the Internet promotion activity.

A series of studies highlight the importance of consumer demand, especially in terms of agricultural tourism services. A comprehensive study of interviews with guests and potential guests in Austria found that the main reasons for going on holiday are to enjoy good home-grown food, relax in the countryside and experience farm life.

CONCLUSIONS

The findings indicate the importance of off-farm activities, rather than on farms, in terms of non-agricultural diversification activities undertaken by farmers. In most of the countries for which information is available, off-farm activities are the main source of non-agricultural income for agricultural households, but information on the type of activity is less informative (except that they are often an employed activity); which a member of the household is engaged in activities outside the holding; or on the regional location of the activity. As far as agricultural activities are concerned, they consist in switching to the value chain through further processing or direct sale of primary production, using the resources of existing agricultural households (either land, labor or capital) to turn into contracting, forestry production or services. Except for agricultural tourism, the evidence shows that there have been few diversifications in new areas. This is not a surprising result. It is easier to use existing resources and skills in a familiar effort than to develop a completely new service. However, the new diversification activities may not yet be identified in the statistics. Efforts are being made to monitor the extent to which agricultural holdings are engaged in non-agricultural activities on farms, especially in EU Member States, but the level of income generated by these activities is very limited. The income from these activities is difficult to track because they are classified differently in different data sources and in different countries. Related activities, which can not be separated, such as on-farm processing of agricultural products and agricultural tourism represent only a small part of the non-agricultural activities on the holding. The main source of non-farm income on the holding is agricultural contract work, which is included in agricultural services or agricultural income, depending on the country. According to microeconomic sources, renting of farm buildings and land is also an important source of income for agricultural households. It is not considered to belong to the agricultural sector and is therefore not included in the agricultural accounts at macro level.

It seems difficult to generalize the challenges of income diversification for agricultural holdings because they are of a strong regional character or are in the characteristics of the farm or households. As far as the agricultural household is concerned, a financial motivation seems to be the most powerful driver of diversification in general, although social motivations prove to be important for agricultural tourism. However, it seems that weak business skills limit the scale of diversification. Women play a more important role in diversifying the farm in non-agricultural activities than in primary agricultural activities.

In terms of size and type of holding, there are also differences. In general, diversification activities outside the holding are to a larger extent carried out by smaller farms, for which they are more financially important. A number of factors would explain this, including the existence of less used agricultural resources and greater financial pressure. Small farms are also better represented in the type of farms that are more susceptible to diversification, producing, for example, horticultural products and more attractive than large-scale industrial farms.

A number of policy measures have been introduced in various OECD countries to

support the diversification of agricultural holdings in non-agricultural activities. These measures involved subsidies, training and facilitation. The diversity of these measures reflects not only the differences between policy objectives and approaches at country level, but also the differences in the obstacle or barrier that policy is trying to overcome or correct.

In conclusion, diversification of agricultural holdings in other activities on and off the farm affects the rural economy by increasing the level of farm incomes and farm viability, thus affecting household consumption of local goods and services and providing facilities for agriculture. But the relationship is a two-way one, whereby these farm families depend on the existence of a healthy and diversified rural economy that offers off-farm opportunities, as well as economic, social and cultural services that attract and keep people in rural areas.

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