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Roles of Small and Semi-subsistence Farms in the EU

Le rôle des exploitations de petite taille et de semi-subsistance dans l'Union européenne

Rollen von Kleinbetrieben und semi-subsistenzwirtschaftlichen Betriebe in der EU

Sophia Davidova and Alastair Bailey

In recent years, small and semi-subsistence farms (SSFs) in the EU have attracted increasing interest from policymakers and rural stakeholders, reflected in several conferences at EU and national level, debating the roles and development of small and SSFs, and several European collaborative research projects. This can be explained by reference to the multiple roles often attributed to these farms. This article explores these claims under a number of broad categories of roles, each of which can (and should) be explored in more detail than is possible here. The contributions of small and SSFs as suppliers of traditional local products and participants in alternative food chains are discussed by Gorton *et al.* in this issue of *EuroChoices*.

Household welfare and rural poverty

Small and SSFs, particularly in the New Member States (NMSs) and in the poorer regions in the Southern EU-15, are important in supporting economic and social welfare. Where unemployment and underemployment are high, state pensions are inadequate, and public sector salaries are being cut, small-scale farming can contribute to household budgets and in particular ensure improved diets. Petrovici and Gorton (2005) argue that analyses based only on monetary incomes overstate the incidence of poverty for households involved in SSFs. The importance of the contribution of SFFs to household

welfare may decrease in the long-run with the development of economies in the poorer EU Member States and the strengthening of their national state welfare systems. However, under present conditions, small and semi-subsistence farming acts as a household 'coping strategy' and reduces the risk and the extent of rural poverty.

The EU-funded SCARLED project *Structural Change in Agriculture and Rural Livelihoods* valued the unsold

output (subsistence production) which was consumed by farmers' households on 660 surveyed agricultural holdings in Bulgaria, Hungary, Poland, Romania and Slovenia. After measuring the contribution of this unsold output, valued at market prices, to total household incomes, it appears that subsistence production has the potential to lift people out of the risk of poverty. The way the calculations have been done is presented in Box 1.

Box 1: How was the contribution of subsistence production to household incomes measured?

Unsold output (subsistence production), product by product, was valued at market prices as a proxy for opportunity costs. If a household sold a portion of their output in the market, the same price was imputed for unsold quantity as it was assumed that the price the household received was the best indication of the quality of the output. In cases where the household did not sell to the market, products were valued using a weighted average price for the village. In cases where in a particular village there were only a few observations of output sold and there were large differences in reported prices, either regional averages or country averages were taken from national statistics.

The next step looked at the contribution of subsistence production to total household incomes expressed as a ratio. The ratio has been calculated as the equivalised value of unsold output per capita divided by equivalised income per capita including the value of unsold quantities. Equivalised income takes into account the size and composition of the household, and was calculated using the modified OECD equivalence scale which attributes a weight to all members of the household: 1.0 to the first adult; 0.5 to the second and each subsequent person aged 14 years and over; 0.3 to each child aged under 14 years.

For identification of poor households, the Eurostat 'at-risk-of-poverty' definition is used. This refers to individuals living in households where the equivalised income is below the threshold of 60 per cent of the national equivalised median income.

Table 1: Share of subsistence production in total farm household income (%)

	Bulgaria	Hungary	Poland	Romania	Slovenia
All households	28.3	6.0	23.5	32.7	12.5
Poor households	39.5	19.1	40.4	50.8	23.3
Poor households lifted out of the risk of poverty through subsistence production*	12.1	4.8	7.5	2.3	8.6

Note: *See definition in Box 1.

Source: Davidova *et al.* (2011).

As can be seen from Table 1, subsistence production contributes significantly to household incomes, particularly in Bulgaria, Poland and Romania, and, as expected, the contribution of subsistence production is higher for poor households. Semi-subsistence farming in Romania plays a critical role for poor households for whom the value of food that is non-marketed accounts for more than 50 per cent of income. However, it is in Bulgaria where subsistence production does most to lift households out of the risk of poverty.

Some commentators, e.g. Redman (2010), expand the poverty-mitigating role of SSFs from rural areas to urban households through informal social and family networks that involve the distribution of self-produced food to the wider family. Hubbard *et al.* confirm this role for Romania in this issue of *EuroChoices*.

Environmental public goods

Agriculture is widely recognised to be 'multifunctional' in the sense that it jointly produces a range of food and fibre products alongside other environmental products and services. These environmental outputs are rarely produced as a deliberate decision of the farmer and are likely to be non-rival, non-excludable in consumption or both, and as such can be considered as either 'externalities' or 'public goods'. Examples of public goods provided by farming could include biodiversity and landscape, while an example of a negative externality is that of fertiliser run-off which

adds cost to downstream water treatment.

“ Les exploitations de petite taille et de semi-subsistance jouent dans l'Union européenne un certain nombre de rôles socio-économiques. ”

The conventional wisdom suggests that the impact of agriculture on the environment (positive or negative) and its intensity differs depending on the different types/sizes of farms. While large farms enter more frequently into agro-environmental contracts and undertake conservation practices (OECD, 2005), small farms provide *scenic attributes*. Also usually, SSFs produce a range of crops and animal outputs in order to meet their households' varied dietary needs, thus often delivering more 'farmed' biodiversity than larger

specialised commercial farms. Mixed farming, something often practiced by small and SSFs, is a preferable option from an environmental perspective because it is, at least partially, a closed system. The waste products of one enterprise (crop residues), which would otherwise be loaded on to the natural resource base, are used by the other enterprise (de Haan *et al.*, 1997).

Small-scale farming could be considered a positive externality *per se* if people value a landscape populated by such farms (Davidova, 2011). In many areas, a landscape managed by very small farms which are employing traditional technologies, e.g. haystacks, is felt to have better quality. Smaller farm fields with greater length of field boundaries – hedges, banks, stone walls etc. – increase the value of habitat, biodiversity and cultural landscape (Box 2).

Contribution to rural communities

Farmers and their households running small farms inhabit rural areas, and maintain land, cultural life and village services. Their disappearance – either in search of higher incomes or as machines replace manual labour – would not only result in agricultural and perhaps environmental loss in terms of land abandonment in some marginal areas but may also mean depopulation in more geographically remote areas. As argued in Scotland for 'crofts' i.e.

Box 2: Semi-subsistence farming and high nature value farmlands

In their final report on the 'High Nature Value farmlands: Recognising the importance of South East European landscapes', the European Forum on Nature Conservation and Pastoralism (EFNCP) and the World Wildlife Fund Danube-Carpathian Programme (WWF-DCP) argue: *'It is not scientifically or statistically justified to say that the size of the farms determines the nature values of the farmland. However, many of the practical observations on the farming practice intensity, the related size and management of the farms and associated biodiversity, support the broad statement that the areas managed by subsistence and semi-subsistence farms are also the areas with the highest farming-related nature values'* (WWF-DCP/EFNCP, 2008).



Small farms are attracting increased policy interest

small-scale pluriactive farms, loss or amalgamation of such farms might result in the 'emptying' of fragile remote areas.

The need and desirability of encouraging labour to leave farming are much debated. From an economic point of view, higher labour productivity, and thus incomes for those staying in agriculture, are positive developments in farming, which tends to lag behind other sectors in these respects. However, if

the scale of exit from farming is large, depopulation can undermine the vitality and economy of rural communities. In the US, the disappearance of smaller family farms has resulted in the decline or even death of some rural towns and communities (Rosset, 1999).

Moreover, there are likely to be other important interdependencies between small-farm households and their local rural economy. Off-farm employment is important throughout

the EU, even for larger farms, as farm holders and other household members work full-time, part-time or seasonally in agricultural supply and marketing businesses, public services (e.g. schools), and local shops, restaurants and tourist centres in villages and rural towns. Some family members may be fully engaged in such off-farm activity, while others may do so only at times when their labour is not required on the farm. In areas with a significant population of small farms, labour supply from farms can improve efficiency and thus welfare in other sectors of the rural economy. Moreover, beyond the direct wage benefits to small farm households, their work in rural non-farm sectors may improve their skills and experience.

“ Kleinbetriebe und semi-subsistenzwirtschaftliche Betriebe spielen in der EU mehrere sozioökonomische Rollen. ”



Small-scale farming can contribute to household budgets and improved diets

At a higher level, there is a strong link between general macroeconomic conditions and the rural economy, farm and non-farm. National (and international) employment levels, interest rates and exchange rates affect the opportunities for farm labour to find work and income in non-agricultural sectors, both locally and further afield. During periods of economic growth and low unemployment, labour is 'pulled' out of agriculture, and people can find employment in the rural non-farm businesses. During economic recessions, as currently observed in some NMSs and in Southern EU-15 Member States, labour is 'pushed' back to agriculture, and farming serves as a buffer against non-agricultural unemployment.

A complex reality

Of course, the various roles of small and SSFs outlined above vary in significance both between EU Member States and between regions in individual Member States. This fact, and the complex reality in the rural areas in Europe, explain some of the difficulties of designing EU policy for small and SSFs. Moreover, in relative terms, there are considerable transaction costs in engaging in Common Agricultural Policy (CAP) measures, for both public agents and small farmers (see articles by Thomson and Dwyer in this issue of *EuroChoices*). Both



Small farms provide scenic landscape attributes

“ Small and semi-subsistence farms in the EU play a number of socio-economic roles. ”

efficiency arguments (correcting market failures) and equity ones (addressing poverty) can be used to justify various types of publicly funded support. However, the ability of the CAP budget and mechanisms to provide support and

compensate effectively and efficiently those who provide environmental goods and other services is a matter of debate, due to the sheer number and diversity of small and SSFs, and the complexity of their various roles.

Further Reading


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Summary


Roles of Small and Semi-subsistence Farms in the EU

 Small and semi-subsistence farms (SSFs) in the EU play a number of socio-economic roles. They maintain rural welfare, keep rural areas populated, contribute to the rural non-farm economy, and provide environmental public goods such as attractive landscapes. Particularly in the New Member States and in the poorer regions of the Southern EU-15, one of the most important roles of small and SSFs is supporting social and economic welfare, by acting as a 'safety net' for poor families. The disappearance of small and SSFs would often mean increased poverty, losses to the rural non-farm economy, and depopulation, especially in remote areas, and might result in environmental loss. Variation in the importance of small and SSFs across the rural areas in Europe and the complex reality in which small and SSFs are not the only suppliers of 'joint products', explain some of the difficulties of designing EU policy for small and SSFs. What appears to be clear is that small farms and SSFs do produce a range of public goods for which, arguably, compensation is justified, and the case for support on welfare grounds is strong. However, the ability of the Common Agricultural Policy budget and its mechanisms to provide effective compensation for the provision of public goods is a matter of some debate.

Le rôle des exploitations de petite taille et de semi-subsistance dans l'Union européenne

 Dans l'Union européenne à 27, les exploitations de petite taille et de semi-subsistance (ESS) jouent un certain nombre de rôles socio-économiques. Elles conservent le bien-être rural, maintiennent la population dans les zones rurales et fournissent des biens d'intérêt public comme des paysages attractifs. Dans les nouveaux États membres et dans les régions les plus pauvres du sud de l'Europe en particulier, l'un des rôles le plus important des exploitations de petite taille et de semi-subsistance est de soutenir le bien-être économique et social, en agissant comme 'filet de sécurité' pour les familles les plus pauvres. La disparition de ces exploitations entraînerait souvent une augmentation de la pauvreté, des pertes pour l'économie rurale non agricole, et une dépopulation, surtout dans les zones les plus isolées, et pourrait conduire à une détérioration de l'environnement. Certaines des difficultés d'élaboration de politiques pour les exploitations de petite taille et de semi-subsistance s'expliquent par les variations de leur importance en Europe et par la complexité de la situation dans laquelle elles ne sont pas les seules à fournir des 'produits joints'. Ce qui apparaît clairement, c'est que ces exploitations produisent une variété de biens d'intérêt public qui peuvent justifier une compensation et apportent un argument sérieux au soutien sur le plan du bien-être. Cependant, la capacité du budget de la Politique Agricole Commune et des mécanismes par lesquels elle fournit une compensation réelle à la fourniture de biens d'intérêt public fait l'objet de débats.

Rollen von Kleinbetrieben und semi-subsistenzwirtschaftlichen Betrieben in der EU

 Kleinbetriebe und semi-subsistenzwirtschaftliche Betriebe spielen in der EU mehrere sozioökonomische Rollen. Sie erhalten die Wohlfahrt in ländlichen Regionen, wirken der Entvölkerung dort entgegen, leisten einen Beitrag zur außerlandwirtschaftlichen Ökonomie im ländlichen Raum und stellen öffentliche Güter wie z.B. attraktive Landschaften bereit. Insbesondere in den Neuen Mitgliedsstaaten und in den einkommensschwächeren Regionen der südlichen EU-15-Länder liegt eine der wichtigsten Rollen von Kleinbetrieben und semi-subsistenzwirtschaftlichen Betrieben darin, die soziale und wirtschaftliche Wohlfahrt zu unterstützen, indem sie als Sicherheitsnetz für einkommensschwache Familien fungieren. Die Aufgabe von Kleinbetrieben und semi-subsistenzwirtschaftlichen Betrieben würde häufig mehr Armut, Verluste für die außerlandwirtschaftliche Ökonomie im ländlichen Raum sowie Entvölkerung, insbesondere in entlegenen Regionen, bedeuten, und könnte Umweltschäden nach sich ziehen. Die unterschiedliche Bedeutung der Kleinbetriebe und semi-subsistenzwirtschaftlichen Betriebe in den ländlichen Regionen Europas und die vielschichtigen Strukturen, innerhalb derer diese Betriebe nicht die einzigen Anbieter für Kuppelprodukte sind, erklären einige der Schwierigkeiten bei der Ausgestaltung der EU-Politik für Kleinbetriebe und semi-subsistenzwirtschaftliche Betriebe. Es erscheint jedoch unumstritten, dass Kleinbetriebe und semi-subsistenzwirtschaftliche Betriebe eine Reihe von öffentlichen Gütern bereitstellen, wofür eine Entschädigung wohl gerechtfertigt ist, und mit Blick auf die Wohlfahrt sprechen gute Gründe für eine Unterstützung. Ob der Haushalt der Gemeinsamen Agrarpolitik und ihre Instrumente jedoch dazu in der Lage sind, eine wirksame Entschädigung für die Bereitstellung von öffentlichen Gütern zu leisten, muss diskutiert werden.

summary