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The Family Farm Model in Swedish Agricultural Policy

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Abstract: Family farming has been in focus in Sweden as well as in all traditional european agricultural policy. However the concept appears in meny different contexts, it can denote both a statistically defined size or institutional form of agricultural production, or an economically defined firm with certain advantages visavi other institutions, or it can be a norm for recipients of agricultural support or a norm in structural policy. Re-examining the evidence of the family farm model in Sweden illustrates what happens when the state tries to influence the structural development. The Swedish “rationalization policy” was implemented for several decades and the family farm model had a great role to play when deciding upon criteria concerning farm size for support to individual farms. The policy included both upper and lower limits to farm size. In the end economists have concluded that the family farm organizational form needs no political incitaments to grow or shrink for efficiency reasons. The lesson to learn from policy implementation is that the role of the local market for work or entrepreneurial opportunities beside traditional agriculture must be taken in consideration for the farmers.

1 INTRODUCTION

The goals and implementation of agricultural policy during the last century are widely understood to have focused on family farming in most countries in western Europe. In Sweden the policy to affect the structure of agriculture is known to have been more ambitious than in other countries for several decades after the second world war. What role did the family farm concept play in the political decisions on agricultural policy and how well did policy measures target on the family farm. This paper aims at investigating what concepts of family farming has guided agricultural policy in different parts and different times. The hypothesis is that there were differences in definition and targeting in different laws and regulations, and the concept used by different acting governmental bodies does not always correspond to the theoretical concepts in the academic discourses. There is also an obvious difference between agricultural economists view and the sociological tradition from Chayanov, and the question remains what concept of family farming is actually causing expectations in the public debate. The question for the future is if we can have a common understanding between economists, statisticians and politicians on which criteria are the most important to study and follow regularly to grasp the most important structural changes, and to analyse the alleged need to influence the structural development in agriculture. These questions are perhaps nowadays more on the agenda in southern and eastern Europe, but the Swedish historical experience can shed some light on them.

2 POLITICAL BACKGROUND

2.1 The concept of family farming appears in the 1930s

The number of small farms actually increased in the first part of the 20th century in Sweden as well as in many countries. But the situation changed. After the introduction of the agricultural support to overcome the depression in the 1930s Sweden began to experience a surplus production. The recommendation of the government committee in 1938 was that policy should no longer try to expand the frames of agriculture. This also meant that the number of farms should no more increase. Earlier attempts of the state to support the of new small holdings was said to have contributed to the current situation of too many incomplete farms, where farmers income was not high enough to sustain the family. In the future the concentration should be to increase the size of the so called incomplete farms.

The concept of family farming was introduced in the prose of government research reports, and the definition of a family farm was a farm where one family could support themselves solely on farming, full income and full time work. (Lindahl 1990). This was a major change in the policy since earlier on the small incpmplete farms had been seen as a good solution to give housing facilities and a small income to a rural work force for bigger farms and estates. Also the regular income from the smallholdings had been viewed as a social security for the farmer in times of unemployment elsewhere. But now the view changed.

2.2 The rationalization era.

The new concepts after the war was base farms and norm farms. With the post-war agricultural policy Sweden introduced som some new measures in addition to continuing some price-support policies used already during the depression of the 1930ies. To avoid unwanted effects of the price support a so called rationalization policy was introduced. Guaranteed prices could not be so high that formerly incomplete small farms could give the farmer a full income. And the price support to farmers should not be so advantageous to farmers as to result in efficiency losses, slack in adopting rational techniques.

The income goal should be equality between farmers and workers in industry, and the comparison was a full time worker in industry and a so called “base farm” of the size 10-20 hectares, which at the time was believed to be suitable for full time work for a farmer with the normal branches of agricultural production. Later it was expected that one would compare to farms of the size 20-30 hectares, so called “norm farms”. The transition from base to norm farms was supposed to take place because of technical development - mechanization and new labour saving techniques – and with the incitements from the state through rationalization policy.

The county agricultural boards tried to speed up the structural development in agriculture through loan guarantees, state subsidies to “rational” investments and by using the rationalization criterion in the Land Acquisition Law . When land, an agricultural estate, was at sale (kinship acquisitions excepted) the authorities could say no if the holding was needed for “rationalization”, that is if some neighboring farmers could benefit from acquiring the land and thereby expand to become a “rational” size farm. The county boards obviously had to have a rule when a small holding was too small to be a rational unit in itself, and also to what size the other farms were allowed to grow. With the combination of loans and subsidies the acquisition law could help farmers to acquire a rational farm without much own capital. Because of the income goal and the equality policy with industrial workers as the norm, it would not have been appropriate to help individuals acquire and invest in a big farm with a total income way above industrial workers. Therefore the need to have both an upper and a lower limit to the farm size supported by tax-payers money. But what if a farmer could expand by investments with own capital or normal bank-loans? In that case the additional acquisition of land could be stopped with the land acquisition law, and some other, “smaller” farmer would be offered to buy the land for “rationalization”. The policy to rationalize was actually sometimes consider to hinder rather than facilitate the structural development, and the question arose if it would not be a good idea to let the farmers expand to the size of a two-man-farm, for instance a father and a son working together, or sometimes with hired labor for later replacement with a son. But a member of parliament explained in the late fifties that this would be an inharmonious mix between a family farm and a bigger commercial farm. Obviously the one-man farm with full income and full employment was still the norm.

The upper limit for the size of farms was the topic of intense political debates in the sixties and seventies. The majority in parliament wanted the state to contribute to the building of rational farms without being restricted to some special organizational form, an expression that was supposed to open up possibilities for bigger farms and business firms to expand in agriculture. For the previous sixty years no juridical persons but only physical persons, individual farmers, had been allowed to buy land in Sweden. But the parliament also noted that “family farming will for the foreseeable future dominate in Swedish agriculture” (Parliamentary decision on agricultural policy 1967). New formulations entered the policy with new governments in the seventies which marked the end of the long era of social democratic government. From now on the state rationalization policy was to aim at and maintain strong and sound family farms. The governments position was that the countries natural resources for agriculture should be utilized and that “family farming shall be the dominant organizational form” (Parliamentary decision on agricultural policy 1977).

In the practical work of the agricultural county boards the concept family farming was not explicitly used in the structural criteria to decide whether or not land acquisitions and investments were not only economically sound in the short run but also suitable for future development of the farm. For investment support and subsidies the requirement was nevertheless that the farmer should get his main income from and do his main work at he farm.

2.3 Reforms and new goals in the european common policy

The agricultural boards experienced the threshold effects in comparison to new support policies for rural development where full time work and full income from the projects were not required. The structural criteria when assessing the development possibilities of a farm had overemphasized the physical resources of the farm, and not taken into consideration the opportunities at the local labour market or the opportunities for other additional activities besides traditional agriculture. With the old agricultural policy in Sweden sometimes huge investments in animal production was the only way for a farmer to build up the farm to a size to give full income and full work. The new policies in Sweden as well as in the EU, where Sweden is a member country since 1995, are much more flexible regarding the size of the projects. Along with the production controls in agricultural policy and the decrease of traditional agricultural support we also see less and less emphasis on the traditional family farm concept.

3 OFFICIAL STATISTICS ON FARM STRUCTURE

The traditional notion of “structure” in agricultural statistics seems to be the land ownership visavi tenancy or first and foremost the amount of acreage associated with a certain farm or manager. The publications from Statistics Sweden give a long history of details about Swedish agriculture.

In the 1930s still the major part of the farms were fully owned by the farmer, only 25% of the acreage in the country was land under lease (Statistics Sweden 1937). As we have seen above the definition of family farming did not at all deal with ownership, that was not a political question on the agenda, and it goes without saying that most family farms were owned by the family farmer. The great increase in the amount of land under lease in later centuries is probably partly a countereffect to the rules of the land acquisition laws, making it impossible in certain cases to buy the land, the farmer had to settle for leasing instead. The definition of a farm in the farm register, started in 1968, is also that a farm is land under one management, regardless of ownership. And the recent figures show that nowadays only 25% of the land is cultivated by farms that own all the land under its management. (Statistics Sweden 2004). This is a huge structural change that has vastly improved the flexibility in ownership and management of farms, old farmers do not have to sell the buildings or move away from the estate while some other farmer can take over the management of the land. The possibilities for county agricultural boards to influence the process are limited to say the least. The structural development is underestimated by the farm register as no change is noted when an existing farm gets a new owner. The possibilities for the authorities to follow and study structural development regarding ownership was thus limited in the farm register.

The decrease in the number of farms is the most obvious sign of the structural development. The number of small farms classified by the management of 2-5 hectares decreased rapidly from the 1930s, the net result is that we now have only about 10 000 farms in that category which is about 100 000 less than in the 1930s. Only slightly smaller is the decrease in the 5-10 hectares group, where the change started a little later. In the 10-20 hectare group the number of farms has changed from 60 000 to 14 000 between 1932 and 2002, but the decrease started only in the 1960s. The 17000 farms in the class of 20-30 hectares in 1932 remained at the same net level until the 1970s, but now only half of them remain. In the group 30-50 hectares we have 10 00 farms just as in 1932, but in between there was an increase in this group during the seventies and eighties. The farms in the class 50-100 hectares also increased from the seventies and are now 10 000 farms, twice the number of

1932. In 1932 only 200 farms where of a size over 100 hectares, and that number has increased only in the very recent decades to about 6000. (Statistics Sweden. Several years)

The farm register of 1968 improved the statistics, the former censuses of agriculture came about every five years, now it was possible to count the farms every year, both the land use and the number of animals. Later the standard-man day- typology enabled classification according to branches of production: mixed farming could be distinguished from spacialisation in husbandry or crop production, and if the farm production needed less than 400 working hours per year the farm was classified as a small holding. The farm register was also used for special surveys about investment activities etc. The farm register gave information about all farms in the country and was an interesting basis for further analysis of the structural development, but was heavily concentrated on physical resources of the farms, especially land and husbandry. The other fixed inventories or buildings were not equally in focus, thus analysts lacked crucial information for judging on the probable future of the firm. Information on the actual entrepreneur/manager was not in focus. As we have seen above the county agricultural boards collected more economic data for deciding upon the special cases where the farmer applied for investment support or land acquisition. But the overall picture is that the state did not have sufficient information to classify different farms as suitable for development or decide whether a farm could give the manager full work and full income. The family farm concept was not operationalized for statistical purposes. It can also be said to be a disadvantage of the farm register focusing on traditional agricultural production, it had no connection to the new branches of "production" of environmental goods or rural development. Since the Swedish accession to the EU statistics Sweden relies more on the Swedish Board of Agriculture and its exhaustive data on farming in Sweden by means of registering the applications for agricultural support.

4 THE SCHOLARLY VIEWS ON FAMILY FRAMING

In the Chayanovian tradition sociologists have studied agriculture and family farming focusing on the family and family income. Interesting attempts to find the "notional family farm" has been made by Djurfeldt and Waldenström (1996) who conducted interviews concerning household incomes and work of all family members. Focusing on family farms being "independent" of hired labor and income from outside the farm, they found that only a minority of the Swedish farms meets these criteria. The well known phenomenon of part-time farming is common and is distinguished from family farming. The dependency on hired labor is especially highlighted for other farms. Djurfeldt refers to earlier investigations where it seems like the labor hiring firms has increased in importance since the 1960s. "This finding leads to important questions about the effects of agrarian policies, the professed aim of which was to promote family farming. This in turn indicates that the method proposed here could also be a valuable tool for evaluating agrarian policies with such aims" (Djurfeldt 1996:349). It seems to me that the opinion expressed by Djurfeldt that a family farm should not rely on hired labor and that the vast part of the family income should come from the farm is totally in accordance with the concepts used in the agricultural policy decisions. On the other hand there are a lot of details in the investigations by Djurfeldt and Waldenström that do not fit in with neither agricultural policy nor an economic view of the firm/farm. It would of course not be possible to scrutinize the family income of any single farm for agricultural support purposes, that would only be the case if we did not talk about agricultural support but of social security. The normative view on "dependency" on hired labour is as I said in accordance with the agricultural policy with its roots in an aim to equalize standards of living for farmers and industrial workers, but it is a strange view to economists. Even stranger to an

economist is the attempts to interpret interest rates and dependency on foreign capital as deviations from the family farm ideal type.

The agricultural economists in Sweden have done a lot of research on rational farming and also for calculation exercises, for extension purposes and education constructed several examples of role model farms called rational family farms, where different mixes of production branches add up to a “size” of the farm suitable for management by one farmer and giving a reasonable income for full time work. This kind of ideal family farm is not meant to be a norm for policy, in real life you can't deny any entrepreneur the opportunity to try some other production or financing or investment schemes. There is a fundamental difference between doing research with a sample of farmers or deciding upon their future as state authorities might. The understanding of the family farming organizational form as an efficient one has developed over the years as described by Bolin and Klöble 1999, and their conclusion is that “there is no indicator that the family farm organization needs political support to survive or that the family farm for reasons of efficiency need to be politically influenced to grow, or to shrink, in size. The global phenomenon of reduction according to labour input per farm is highlighted and the author notes that the main share of today's global food production is produced by part-time farmers.

5 CONCLUSIONS

The original formulation in the Swedish agricultural policy, that a family farm should give full income and full time work to the farmer, survived for a long time in the actual policy, especially in the criteria for state support to structural development. Nowadays the concept of family farming as out-of-date according to the new policies for environmental goods and rural development. The original normative approach however still seems to create expectations to some on the policy to safeguard a size of farm that is neither too big nor too small. Economists view is that there is no indicator that family farms need political incitements to grow or shrink for efficiency reasons. The need for a decent total family income can often be better met by using opportunities for other local work, as a part time farmer, or go into business with additional activities in the rural area besides traditional agriculture. When discussing what institutions in primary agriculture are the most suitable for the future economists, statisticians and politicians and agriculture itself may benefit from clarifying the criteria for describing the structure and institutions. The notion of family farming may either be left for discussing only traditional agriculture, or expanded to a looser definition for small family business firms more loosely connected to traditional farming. If we use the term family farming to all pluriactivity and multifunctionality nowadays common in the debate we should nevertheless remember that the original political aim for family farming was something else. There was always both an upper and a lower limit to the alleged suitable farm size. If agriculture was deregulated and no structural policy or special income policy for agriculture was implemented the basis for the normative aspects of the concept would disappear.

NOTES

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Barbro Lindahl, Agronomist and MSc, has been a PhD student and done research on Swedish agricultural policy at the Department of Economics, Swedish University of Agricultural Sciences.

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