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# **Family Farming in the Enlarged EU: Concepts, challenges and prospects**

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## **Abstract**

This paper discusses the definitions, challenges and future prospects of family farming in the EU. Some challenges, such as market volatility and climate change, are general for all EU farm structures, but some are specific to family farmers: their small size, lack of power within the food chain and inter-generational farm transfer. Despite trends towards larger family and non-family farms, family farming – often by pluriactivity and part-time farming – is likely to continue to dominate EU farm structure in the foreseeable future. The CAP was set up to support European agriculture. However, since its inception, it has been based on supporting agricultural production (directly or indirectly). This inevitably distributes support in proportion to output and land area, and offers greater benefits to the larger farmers (family and often non-family).

**Keywords:** Family farming, family labour, EU

**JEL codes:** Q15, P32

## **Introduction**

This paper is inspired by the intensive debate in Europe and the rest of the world in relation to the 2014 UN International Year of Family Farming (IYFF)<sup>1</sup>. Recent IYFF events and conferences have attempted to reach general conclusions on the roles and development paths of the highly heterogeneous family farm sector. In doing so, they have examined the major challenges concerning family farmers (FFs), particularly in respect to their smallness and vulnerability in an increasingly competitive EU and global market economy. Old theories about the survivability or disappearance of “peasant” agriculture (e.g. Chayanov versus Marxians) have been revitalised. On occasions, ideologically and emotionally charged discourse has tended to contrast family farms with “capitalist” types of agricultural organisation, and to treat a family farm as a small (“peasant”) one.

This paper contributes to this debate in the context of the EU, taking into consideration the specificities of farm structures which have emerged as a result of post-communist land reforms and farm restructuring in the EU New Member States (NMS).

### **Who are the family farmers?**

The question “Who are family farmers?” relates to an important policy issue: are the key economic and technical challenges for family farmers so different from the rest of the farming organisations in the EU as to justify specific policy measures, EU-wide, national or regional?

Since the inception of the Common Agricultural Policy (CAP), family farmers have been the main target group for policy support (Fennell, 1997). However, despite general recognition that

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<sup>1</sup> This paper draws on Davidova and Thomson (2014) *Family Farming in Europe: Challenges and Prospects*: In-depth analysis for the AGRI Committee, European Parliament, Directorate-General for Internal Policies, Policy Department B, Structural and Cohesion Policies. The authors would like to thank COMAGRI for its funding and other assistance for the study, including permission to use it for the present paper. The paper reflects only the views of the authors.

family farming is the core of EU agriculture, the European Commission has never defined the concept precisely (Hill, 1993). Internationally, and in relation to the IYFF, FAO has proposed for statistical purposes that a family farm is an agricultural holding which is managed and operated by a household and where farm labour is largely supplied by that household.

There are two important points in the above definition. First, it considers the operation of the farm, in terms of the use of family labour, as a proportion of total farm labour (rather than say, available family labour). Second, it confines the family farm to a household, which normally lives under the same roof, whilst members of an (extended) family can live in different places, rural and/or urban; and some members may go back to the farm during seasonal agricultural campaigns. Household is preferred since it is an internationally accepted unit for data collection.

Europeans generally consider a family farm as a farm business. This leads to a very important aspect of the concept of family farming in the EU – a family farm is an organisation of agriculture where the family bears the business risk.

Another approach to defining the family farm is to focus on ownership, control and inheritance of business assets, thus stressing the continuity of the farm through inter-generational succession. In family farming, farm ownership is combined with managerial control by the so-called principals related by kinship or marriage (Gasson and Errington, 1993).

The legal form of the farm can also be used to define family farming. In the Farm Structure Survey (FSS), Eurostat differentiates three types of holdings – sole holder, group holding (partnership) and legal entity. Normally, the family farmer is a sole holder, often (but not always) registered for statistical and policy purposes as a farmer but not constituting a legal business entity. This clearly differentiates family farms from other types of farm organisations, e.g. partnerships, farming companies (sometimes run by academic, religious, environmental bodies or charitable trusts) in the EU-15, production cooperatives and various types of farm corporations widely spread in the EU NMSs. However, the legal definition of a family farmer as a sole holder ignores the FAO requirement that farm labour should be largely supplied by the household and would include e.g. family-owned holdings operated by others under contract.

The choice of, and agreement on, a definition in the EU context has a substantial impact on the assessment of the perceived importance of FFs in the Union, their specific challenges, future prospects and needs for policy support. However, any definition(s) should respect the diversity of the family farm sector in Europe. The diversity is depicted in Figure 1, which shows that family farms can be categorised into sixteen groups depending on their objectives, scale, dependence on farming alone, and engagement in other activities. The figure arranges farm structures by size from small to large, and by organisation from family to non-family; + or 0 indicate whether they have another gainful activity or not.

Family farming covers a wide range of farm types and sizes, with both full- and part-time farmers, and farmers with and without other gainful activities. The objectives of some family farms are focused on commercial farm business operations, while others produce mainly to satisfy household food needs: the so-called semi-subsistence farms (SSFs) (Davidova *et al.*, 2013). In the EU, there are also many “lifestyle” (sometimes called “hobby”) holdings, belonging to families with substantial non-agricultural income. Commercial farmers have different sizes expressed in area or in Standard Output (SO); they can be large, medium or small. The majority of SSFs and lifestyle farms are very small in land area and often output. Often, but not always, they are run by pensioners.

European farming structures		Size	Part-time or Full-time	Other gainful activity
Family farms	Lifestyle	Small	Part-time	+
	Semi-subsistence	Small	Part-time	+
			Full-time	+
	Commercial	Small	Part-time	0
			Full-time	+
			Part-time	0
			Full-time	+
	Large	Medium	Part-time	0
			Full-time	+
		Large	Part-time	0
			Full-time	+
Non-family farms	Partnerships			
	Family-run companies			
	Non-family companies			
	Production cooperatives			
	Trusts and charities			

**Figure 1: Structures in European farming**

Source: Authors' representation.

Many family farmers and members of their households work part-time on-farm, or have other gainful activities. In such cases, family farm labour may play a minor role, at least in terms of income returns to the household.

Family farming co-exists with non-family types of organisation of agricultural production and boundaries between family and non-family are often fuzzy. Some partnerships (particularly between relatives) and family-run companies may closely resemble sole-holder family farmers. For example, some family farms, particularly in the EU-15, are registered as family-run business corporations in order to utilise tax advantages and to limit liability to risk. Although they are incorporated (and so separated in official statistics), they do not differ from family farms in terms of labour and management input. Concerning family values and inter-generational succession,

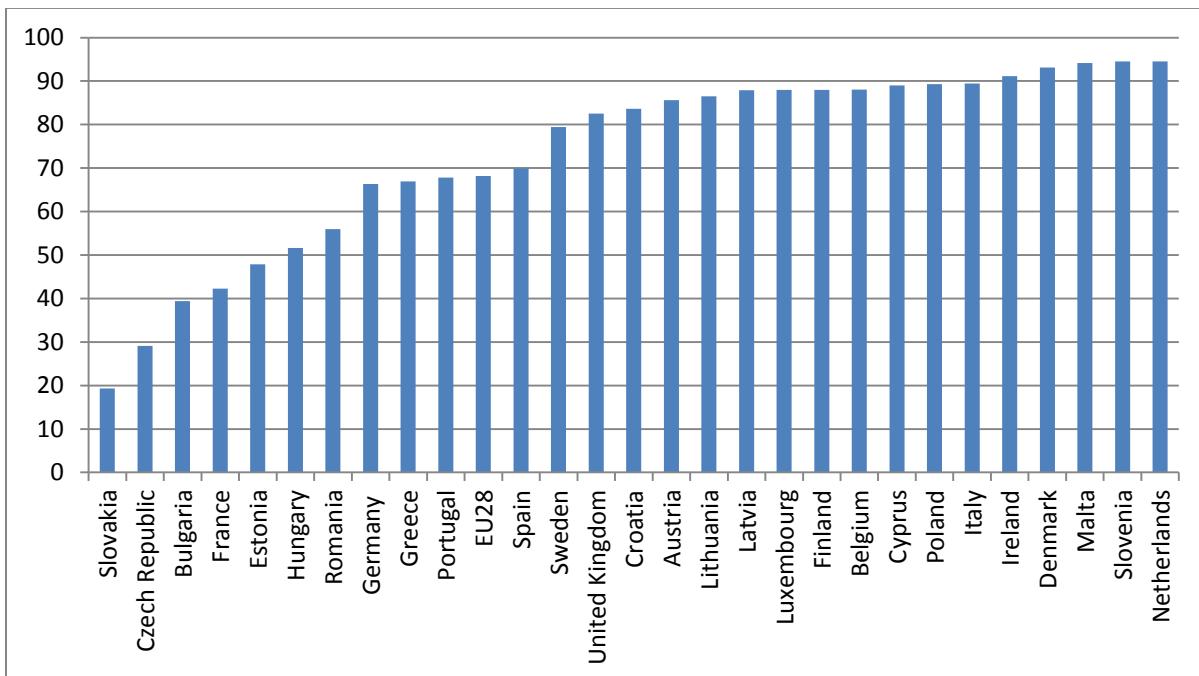
family farms using predominantly hired labour have the same concerns as farmers operating mainly with family labour (Davidova and Thomson, 2014). However, fewer similarities exist between the family farming sector and the various types of non-family held farm companies, trusts, and production cooperatives and corporate farms widespread in some NMSs.

### **Statistical evidence of the scale of family farming in Europe: sensitivity to alternative definitions**

Two alternative definitions are explored below: the one based on the legal form, i.e. a family farmer is a sole holder, and one based on the FAO definition that a family farm is the one operated mainly by family labour.

#### *All sole holders*

Sole holders are central to the agricultural industry in the EU. In 2010, in the EU-28 (including Croatia) there were 12 million farms, 97 per cent of which were sole holders (FSS, 2010), called family farmers here. They managed 120 million ha Utilised Agricultural Area (UAA) or 68 per cent of the total UAA in the Union. In 23 of the EU-28 Member States (MSs), sole holders managed over half of UAA, including over 80 per cent of UAA in 16 MSs (Figure 2).



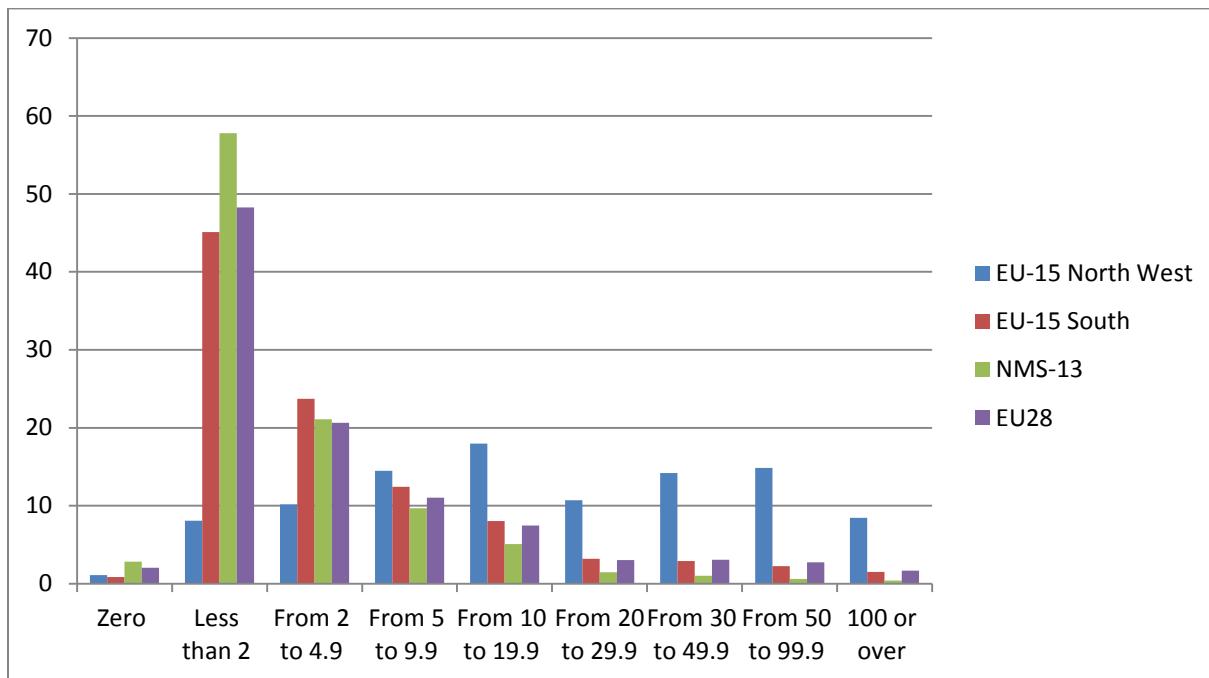
**Figure 2: Shares of UAA under sole holder farms in EU MSs, 2010 (%)**

Source: Authors' calculations using Eurostat FSS 2010 database.

Family farmers produce the predominant share (71 per cent) of EU agriculture Standard Output (SO). However, the share of output supplied by the family farm sector varies widely between MSs. Family farmers produce only one-fifth of the SO in the Czech Republic and Slovakia, and around one-third in Estonia and in France.

Family farmers vary widely by size, whether measured in land area or economic size (SO). Figure 3 presents the distribution of family farms (sole holders) by size groups measured in land

area in three MS sub-groups in the EU-28 in 2010 (EU-15 North West comprises all the EU-15 countries except Greece, Italy, Spain and Portugal while EU-15 South comprises Greece, Italy, Spain and Portugal).



**Figure 3: Proportions of family farms according to farm size in ha in the total number of farms in the EU-28 and MS sub-groups, 2010 ( per cent)**

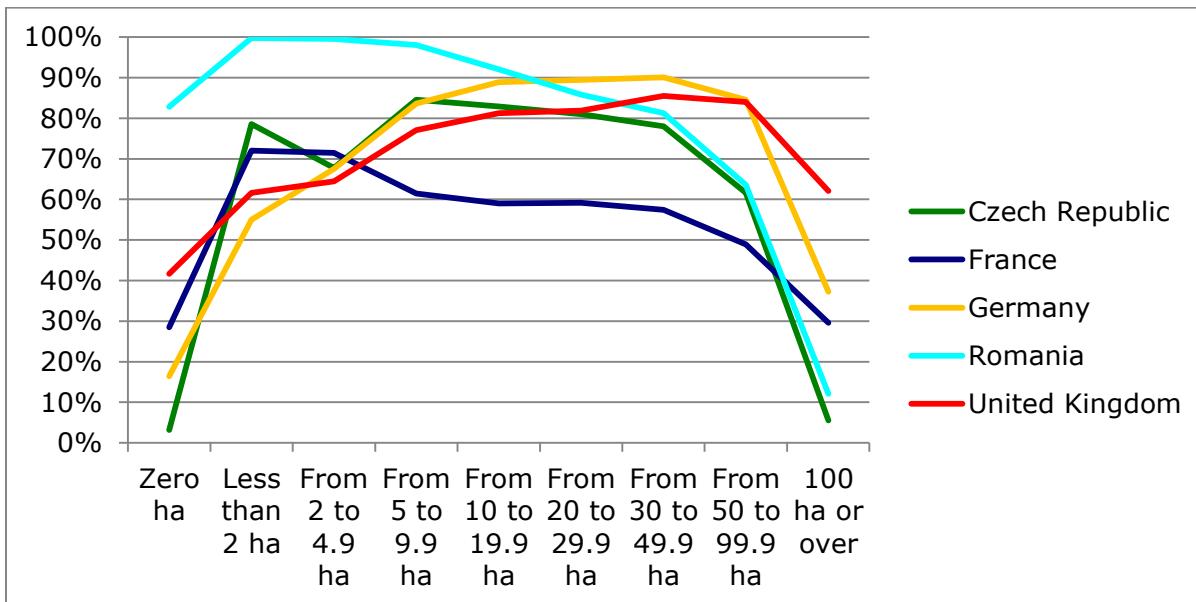
Source: Authors' calculations using Eurostat FSS 2010 database.

Figure 3 shows that family farms are spread along a continuum from tiny holdings of less than 2 ha - in 2010, in the EU-28 there were 5.7 million such farms – mainly semi-subsistence or lifestyle (Davidova and Thomson 2013) to large family farms (nearly 199 thousand sole holders had more than 100 ha UAA), with various numbers of farms in size groups between these two extremes. This farm size distribution should remove one of the beliefs surrounding the IYFF – that family farming is always a small-scale agriculture, often meaning “peasant” farming. This certainly does not hold for the EU, although in some of the NMSs the prevalent share of FFs are small and/or SSF (Davidova *et al.*, 2013).

Family labour is usually a very important factor in farm production, but its share in total labour not surprisingly depends on the size of the farming operation, on the crop/livestock choice, and on whether the farm is organic or conventional - the former being more labour-intensive. Darpeix *et al.* (2014) argue that with the evolution of farms towards larger and more specialised operations, the demand for wage labour increases. This is also due to the increase of opportunity costs of on-farm work in parallel with improved education of members of farm households.

Figure 4 shows for selected EU MSs the shares of family labour in total labour input according to size of farm measured in land area. The countries represent different mixes of small and large farms, and of family and non-family farming. The figure shows a steep increase in the share of family labour in small-area farms in comparison to zero-ha farms, which are usually intensive livestock operations, e.g. poultry, and then a steep decrease in the share of family labour on the

largest farms. In Germany and the UK, this occurs in farms managing more than 50 ha UAA, while in the Czech Republic, France and Romania, the decline starts in the 30-50 ha size group.



**Figure 4: Proportion of family labour in total regular farm labour in full-time equivalents (AWUs) according to size of the farm in ha in selected EU MSs, 2010 (%)**

Source: Authors' calculations using Eurostat FSS 2010 database.

Family farmers are very often part-time farmers. In 2010, half of the sole holders in the EU-28 worked on the farm for less than a quarter of their full working time. However, 84 per cent of these operated a farm with less than 5 ha, a size group where semi-subsistence farmers predominate. Part-time farming is often a survival strategy for the family farmer, who increases household income by engaging in activities with higher returns than farming while maintaining previous activity. For some, it can be a stepping-stone out of agriculture, while for other individuals and families with a non-farm background it is a way to enter agriculture, perhaps as a lifestyle activity.

Family farmers and their households are widely diversified and/or pluriactive. Over a third (36.4%) of FFs in the EU-27 (without Croatia) are pluriactive (EC, 2008). Diversification and pluriactivity are related differently to farm size. Whilst the share of pluriactive farm managers decreases with increase in farm size (from 41.4 per cent of the managers of farms between 0 and 2 ha, to 15.3% of managers of farms of 100 ha and above), the share of managers of diversified farms increases with farm size, from 10.2 to 22.8 per cent respectively.

#### *Sole holders operating with predominantly family labour*

Several attempts have been made to use quantitative labour thresholds to delineate the family farm sector. Matthews (2013) considers as the widest definition of family farmers the one including farms with up to 2 AWUs, since this represents the full-time employment of a farmer with spouse, or with daughter/or son, or with one hired worker. Based on this, Matthews estimates that family farmers account for 75 per cent of the total number of holdings in the EU but operate less than 40 per cent of its UAA. He assumes that the IYFF campaign “*to save family farming*” refers to these farms.

Hill (1993) defines three groups of farms: 1/ family farms where the share of family labour in full-time equivalent (AWUs) is at least 95 per cent of all full-time labour; 2/ intermediate farms with between 50 and 95 per cent of family labour, and 3/ non-family farms where the holder and family members contribute less than 50 per cent of the labour. On this definition, he calculated the proportion of family farms in total farm numbers, farm output, farm income (excluding all non-farming income) and labour (total and family) in the EU-12 in 1989. Thomson and Davidova (2014) replicated these calculations for the EU-15 for 1995 and 2008. The calculations show a clear tendency towards decreasing shares of family farms. While Hill estimated that in 1989 FFs accounted for 70 per cent of FADN farms, this percentage was 57 in 2008. FFs' share in output produced and in total labour measured in Annual Work Units (AWU) halved – from 54 per cent to 27% and from 64 per cent to 32 per cent respectively. It must be borne in mind that these are very rough calculations, since during the period 1989-2008 various methodological changes for FADN sample stratification and weighting were introduced.

However, we argue that 95 per cent of family labour input is too restrictive for modern agriculture in Europe, where even farmers managing small farms do not always rely only on family labour. Using the FAO definition with the interpretation that “largely” means over half, Table 1 shows fairly recent data and estimates for the EU-25 (FADN data was not available for Cyprus, Malta and Croatia) by labour quartile, separately for the EU-15 and NMSs. Farms with over half their labour supplied by the family accounted for 82 per cent of all FADN farms, for about 40 per cent of both output and all farm labour, and for 43 per cent of UAA. Similar calculations were produced by USDA ERS (2014) and generated comparable results. On the definition (closest to the FAO one) that the principal operator and her or his spouse provide most of the labour used on the farm, including labour provided by contractors, ERS reports 86 per cent of US farms as FFs accounting for 47 per cent of US agricultural production.

Table 1 also presents farm sizes by various measures – area, economic size (ESU and SO) and total labour (AWU). They follow the expected pattern, with farms with over 75 per cent of family labour being ten or more times smaller than those with under 25 per cent of family labour. Comparing farms in the NMSs with those in the EU-15, data provides several important insights. In the EU-15, family farmers are the most important in utilising the agricultural land, while in the NMSs over three-quarters of the land is operated by non-family organisations. The labour situation is similar. Family farmers in the NMSs are far smaller in economic size than their EU-15 counterparts, whilst non-family farms in the NMSs are more than twice as large in land area than those in the EU-15 but are slightly smaller in economic size.

These large structural differences between EU-15 and NMSs suggest that **great care should be exercised before adopting a uniform policy approach to family farmers across the whole EU.**

In summary, concerning the definition of family farming in Europe, there are several options that might be considered if there is evidence that family farmers (all of them, or some sub-groups):

- a/ have a particular economic, social and environmental contribution which may be lost if market forces drive towards larger family farms and non-family organisation of agriculture;
- b/ face specific challenges which are not common to the challenges of EU agriculture in general.

The alternative approaches for an operational definition of family farming might incorporate:

- a threshold of 75 per cent of family labour in the total labour input;

- a 50 per cent family labour threshold (to be consistent with the FAO definition that a family farm is operated “laaarrrgely” by household labour);
- or a definition encompassing all sole holders.

**Table 1: Shares of family labour in total farm labour in full-time equivalents (AWU) on commercial farms covered by FADN in EU-25, 2008 (%)**

Indicator	75-100% family labour	50-75% family labour	25-50% family labour	0-25% family labour	All farms in FADN sample
<b>Percentage of each sub-group in:</b>					
<b>Number of farms</b>					
EU25	69.9	11.8	9.2	9.0	100.0
EU15	70.9	12.9	10.0	6.2	100.0
NMS10*	67.6	9.4	7.4	15.6	100.0
<b>Total UAA</b>					
EU25	34.6	8.8	9.5	47.1	100.0
EU15	49.6	12.5	12.3	25.6	100.0
NMS10*	16.5	4.3	6.2	73.0	100.0
<b>Output</b>					
EU25	29.2	9.9	13.0	47.9	100.0
EU15	36.3	12.6	16.7	34.5	100.0
NMS10*	13.0	3.9	4.8	78.3	100.0
<b>Total labour (AWU)</b>					
EU25	31.9	8.4	9.5	50.2	100.0
EU15	42.0	12.3	14.0	31.8	100.0
NMS10*	21.3	4.4	4.8	69.5	100.0
<b>Family labour (FWU)</b>					
EU25	74.7	12.8	8.7	3.8	100.0
EU15	72.7	13.8	9.4	4.1	100.0
NMS10*	79.4	10.5	7.0	3.1	100.0
<b>Average size of a farm in each sub-group according to:</b>					
<b>UAA (ha)</b>					
EU25	50	75	104	524	101
EU15	55	76	96	323	79
NMS10*	37	71	127	714	153
<b>ESU</b>					
EU25	44	82	131	431	91
EU15	55	98	157	468	96
NMS10*	17	30	50	396	80
<b>SO (Euro)</b>					
EU25	52,709	98,273	157,524	517,446	109,779
EU15	65,748	117,617	188,112	562,127	115,671
NMS10*	20,544	35,703	59,665	475,427	95,909
<b>Total labour (AWU)</b>					
EU25	1.5	2.4	3.4	18.5	3.3
EU15	1.4	2.3	3.4	12.4	2.4
NMS10*	1.7	2.5	3.6	24.2	5.4

\* Croatia, Cyprus and Malta are not included.

Source: Authors' calculations

The decision where to fix a family labour threshold will determine the number of farms which then become the centre of policy focus. The higher the share of family labour input chosen as the threshold, the more the policy focus will be on smaller farms, measured either in land area or as economic size. Bearing in mind that EU agriculture is experiencing continuous structural change in order to stay competitive, whatever definition is accepted should be reviewed at regular intervals. Any such threshold chosen should be backed by clear evidence and argument to avoid accusations of policy discrimination.

## **Strengths, weaknesses and challenges to family farming**

### *Resilience*

One of the fundamental strengths of the family farms is their resilience. All farms operate under conditions of risk and uncertainty which characterise the agricultural industry. They face biological risks from pests and diseases, as well as extreme climate (drought, floods) and market (price) shocks, but family farmers in particular are noted for “*preserving their structure, functions and identity*” (Darnhofer, 2010).

It is argued that family farms are often more resilient than large corporate farms (Council of the EU, 26 July 2013). The flexibility of family labour to changing technological, economic, social and political circumstances, on and off the farm, contributes to their survival. Cultural attachment to farming and land, particularly on long-owned family holdings, also plays a major role. A prime example of resilience is the survival of small Polish family farms through periods of invasion, central planning and its collapse.

From an economic point of view, the resilience of family farmers is related to lower transaction costs (Pollak, 1985; Schmitt, 1988; Allen and Lueck, 1998). When a farm uses family as opposed to hired labour, the farmer and the family members are directly interested in the final results of the farming operation as they are residual claimants. With this incentive, family farm workers usually require less monitoring for effort and initiative. This may reduce costs that otherwise have to be borne by the farmer to monitor hired wage workers who are scattered across farm fields in crop production, or operate in some isolation in livestock production.

Christiaensen and Swinnen (1994) add to these explanations the effects of historical, institutional and political factors. Looking at the history of agriculture in Western Europe, the authors claim that government policies were directed to improve the competitiveness of small family farms since family farmers were “*the main group of the rural constituency*”. In order to maintain support to this constituency, governments created an infrastructure (in particular research and extension, and support to farmer cooperatives) which allowed “*the small-scale farmers to capture organisational scale effects, without losing the specific features of small-scale family farm*”. Therefore, **both the intrinsic characteristics of family farmers and policy support explain today’s resilience of family farming in Europe.**

### *Challenges*

Family farming faces a number of challenges, both long-term and new. Davidova and Thomson (2014) have classified such challenges into those of “access”, “succession” and “quality of life”.

Access to markets is often difficult, particularly for smaller FFs. Sometimes smaller family farms are excluded from the standard contracting and food value chain by the high transaction costs incurred by downstream enterprises in entering into contracts and enforcing them amongst many small family farmers. Although the situation is gradually improving under some policy and social pressure, corporate farms are still a preferred contract partner since they can supply larger quantities and can usually maintain a more stable quality (Davidova and Thomson, 2013).

There is also asymmetric information, with smaller FFs often getting less available technical, business and policy advice than the non-family farms. Dwyer in Davidova *et al.* (2013) points out that, although in principle the farm advisory system could be a valuable mechanism for offering targeted advice and information to small FFs, a review in 2009 found that in many MSs, but particularly in NMSs, the system had been set up largely to inform farmers about their obligations under cross-compliance, and that its targeting was mainly to those farms receiving the largest Pillar 1 payments on the basis that these were more likely to be subject to compliance checks (ADE, 2009).

One of the biggest challenges to FFs is access to farm resources such as land and finance: with small amounts of farmland coming on to the market, and higher prices and buying charges often charged to smaller businesses for land purchase and credit, family farms are often more disadvantaged than others. Land may of course be transferred between farms by means other than sale, e.g. by renting it. However, rental markets are subject to some of the same constraints as land sales markets. Large non-family farms are able to influence land rental prices and rental contract conditions, which distorts the markets for land, particularly of good quality, and may undermine the competitiveness of some FFs. Swinnen and Vranken (2008) found that FFs in the Czech Republic were paying €5 or 15 per cent higher rents per ha than corporate farms. The situation in Slovakia was similar: FFs were paying €7 or 45 per cent more per ha than corporate farms in that country.

Inter-generational succession of management is the ultimate test for the family farm, since it can trigger the adoption of new technology, the consolidation/or fragmentation of agricultural land, and the restructuring of farm enterprises. If the farmer decides to retire too early, the farm may be left to an inexperienced successor who cannot combat competitive pressures from more efficient family or non-family farms (Kimhi and Lopez, 1999). If it comes too late, the farmer may be left without a successor since all the children may have left the farm, and often the rural area, for non-agricultural employment which they are unwilling to give up. However, in several EU MSs, in particular in some of the poorer NMSs, poverty and household food security considerations may divert the farmer's attention away from the optimal time for retirement (Salasan and Fritzsch, 2009).

A key challenge to family farm succession is often national legislation over inheritance, which can have a key impact on the consolidation, or conversely on the fragmentation, of land and farm assets. For example, the *Code Napoleon* inheritance system, which requires assets to be passed to all children in equal shares, has led in many MSs to a prevalence of small and fragmented farms (Davidova *et al.*, 2013).

Quality of life is attracting young people to the cities. Despite this, it may be easier for FFs than for non-family farms to retain young successors due to the promise of asset transfer. This is especially so if land values continue to increase.

As a result of their large numbers and heterogeneity, FFs are difficult to organise while non-family farms are almost certainly better represented in bodies such as farmer unions, chambers of agriculture or commercial associations, and have stronger policy lobbying power.

### **Some factors that may shape the future of FFs in the EU**

#### *Factors leading towards larger family and non-family farms*

The factors that induce adjustments within family farming and between the family farm sector and non-family types of organisations can be classified as economic, technological and social. Their impact may differ for the different family farm sub-groups and for farms operating in rural areas with different levels of development and different biophysical characteristics.

Amongst the most powerful economic factors shaping the future of FFs are relative input-output prices and the consequent level of farm incomes. The key driver of the future changes will be the differentials between farm incomes and incomes in the rest of the economy. If these disparities increase, then the pace of disengagement from FF, particularly from full-time commercial family farms which cannot provide enough income to sustain the family, will accelerate. This suggests the centrality of relative incomes as a factor determining the future prospects of family farming, particularly for smaller farms struggling to keep pace with technical progress.

A second driver of change in the development of family *versus* non-family farming is technological progress and the resulting structural change. Technological progress will offset certain disadvantages of some but not all family farmers in respect to economic efficiency, as it will allow some farms to grow, capture economies of scale in production, and maintain/increase their competitiveness in European and world markets. Such growth in farm size (in area or economic size) will inevitably decrease the number of family farms in the EU.

The process towards larger FFs and the disappearance of some smaller farms is likely to be uneven across the territory of the Union, since it will depend on local economic and biophysical conditions. It may be more pronounced in lowland areas that are productive and can maintain economically viable farms.

Technological change may also push towards more non-family types of organisations – either sole holders using predominantly hired labour, partnerships, or various types of family and non-family farm companies. Adoption of new technology usually requires capital investment. Allen and Lueck (1998) point out that, on the one hand, it is easier to make substantial investments when the resources of several owners are pooled together, and, on the other, that capital may be used more efficiently/intensively in larger farms. For this reason, family farmers have high capital costs, and may generally stay smaller and have less equipment, compared to non-family type farms.

The consequences of these prospective developments (which are in fact a continuation of past and current trends) are likely to be judged differently, depending on whether economic or social aspects are concerned. From an economic point of view, these developments are welcome since they have the potential to increase the incomes of FFs. From the social perspective, however, they may weaken the link between farming and the family, undermining the “symbolic capital” of the family farm. This can be interpreted as friction between the goal of economic sustainability and the values of family farming.

From the social point of view, one of the most important factors that will affect the future prospects of family farmers is the existence of a willing successor to take over the farm. The lack

of a successor means that the farm could be abandoned in some situations, or more likely could be sold to enlarging family farmers or to a non-family corporation. In situations when there is no successor after several generations of family farming, a trust may look after the long-run viability of the land and its farming heritage.

In summary, economic and technological factors, and the lack of willing successors, will mean continued structural change towards larger family farms and some non-family organisation of agriculture. Figure 5 suggests some possible prospects based on the above mentioned factors. The expectations are: a/ for farm consolidation and a decrease in the role of small SSFs and smaller commercial farms, and b/ with the exception of large commercial family farms, a continuation of the trend to part-time farming in combination with other gainful activity. This is exemplified in Figure 5 by the anticipated fall in the numbers of part-time medium-sized farms without other gainful activity, and in those of full-time medium-sized farms. Production cooperatives, currently widespread in some NMSs, are also expected to fall (both in numbers and size) since demand for land for family farming is increasing. After the expiry of current land-lease contracts with cooperatives, some landowners are expected to take their lands out of the cooperatives, and rent it out to expanding family farms in the vicinity.

European farming structures		Size	Part-time or full-time	Other gainful activity	Future prospects
Family farms	Lifestyle	Small	Part-time	+	rise
	Semi-subsistence	Small	Part-time	+	fall
			Full-time	+	
			0	0	
	Commercial	Small	Part-time	+	fall
			0	0	
			Full-time	+	
			0	0	
		Medium	Part-time	+	rise
			0	0	fall
			Full-time	+	fall
		Large	Part-time	+	rise
			0	0	fall
			Full-time	+	rise
			0	0	rise
Non-family farms	Partnerships				rise
	Family-run companies				rise
	Non-family companies				rise
	Production cooperatives				fall
	Trusts and charities				rise

**Figure 5: Potential future changes in EU farm structures<sup>1</sup>**

<sup>1</sup> The groups of farms are arranged by size from small to large, and by organisation – from family to non-family; + and 0 indicate whether they have another gainful activity or not.

Source: Authors' representation.

However, the process of farm restructuring is a complex one and there are factors that may slow down the adjustments discussed above.

#### *Potential factors to counter the move from family to non-family types of farming organisation*

The tendencies discussed in the previous section are typical not only for Europe but also for other parts of the world. What is unique for the EU are likely developments in the opposite direction. Land reforms and farm restructuring in the current NMSs in Central and Eastern Europe have brought about a bimodal farm distribution – small numbers of large corporate farms (or production cooperatives) and a large number of relatively small family farms. With generational change and the removal of all temporary restrictions on agricultural land ownership by foreign EU citizens, it may be expected that some land owners will take their land out of the corporate farms/cooperatives, and sell it, rent it to others, or start cultivating it as family farmers. The rate and the scale of this move to family farming from production cooperative and corporate structures in the EU NMSs will depend on the relationship of farm to non-farm incomes, the value of land assets (partly affected by future CAP policy support), and the capacity of land owners to finance non-land capital costs. In addition to these economic factors, the process will be influenced by the preferences of land owners for independent work and the value they put on family farming as a way of life and as insurance against possible macroeconomic or even social/security risks.

Pluriactivity and farm diversification can potentially strengthen family farming and increase its resilience. It is likely that, with increased farm diversification, different branches of the family will contribute to different parts of the business, both agricultural and non-agricultural (e.g. processing, trade). Therefore, there will be more task/activity specialisation depending on family members' interests, skills and talents. This may result in more partnerships between different branches of the family and in more diversified family-run companies, but basically it will help sustain the family values in rural Europe. The roots of such development can now be observed in large family farms in some EU-15 MSs.

Many FFs have a strong emotional attachment to land. This means that economic rationality can be overshadowed by attachment to land and thus to the family farm.

### **Some policy considerations**

As mentioned previously, family farming has – at least implicitly – been at the heart of the EU's Common Agricultural Policy (CAP) since its earliest days (Fennell, 1997). However, there has been a CAP "bias" in favour of larger farms, going back to the initial design of the policy through market intervention which provided support in relation to commercialised farm output. Bigger farmers were therefore the larger beneficiaries. The capitalisation of support into farm land prices and rents probably further disadvantaged smaller family farms. This bias towards the large family and non-family farms continued with single payments in the EU-15 and the NMSs. Therefore the CAP, particularly Pillar 1, cannot be analysed so much in terms of family *versus* non-family farming, but as large *versus* small farms which are overwhelmingly in family hands (Thomson and Davidova, 2014).

The logical question is whether the post-2014 CAP is more FF-friendly. The small farmers scheme provides some simplification for small FFs. The introduction of schemes that can address the unequal distribution of direct payments also present an opportunity for smaller FFs.

However, as Hennessy (2014) points out, the extent to which the payments will be actually redistributed depends on many optional schemes, and therefore depends on the way that individual MSs will decide on the degree of convergence.

As argued in the previous section, the survival of family farming depends on reducing discrepancies between rural and urban incomes by pluriactivity and diversification if not by farm expansion. In this respect, both CAP Pillar 2 and EU regional development policies with Structural and Cohesion Funds have important roles to play. Generally the new RDP is assessed positively as it gives more flexibility to target small FFs (Dwyer, 2014; Davidova and Thomson 2014). Fostering of innovation and technology transfer is also an important component of the new Pillar 2. However, structural change also requires facilitated inter-generational transfer. There is an enhanced package for new entries by young farmers, but very little is provided for stimulating retirement (Hennessy 2014).

## Conclusions

Arising from the above arguments, there are several important questions to discuss concerning the relationship between family farming and the CAP (and other EU policies). These include:

- Should the policy objectives for family farming be more clearly specified (e.g. growth and commercialisation; disappearance and structural change; continuation and sustainability in economic, social and environmental terms), and should specific groups of measures be developed for each?
- Are FFs currently disadvantaged by relative powerlessness in the food chain, by income volatility, by lack of access to resources, and/or by location/natural conditions compared to non-FF?
- Do FFs provide specific public goods or services which will be lost if FFs are left to be restructured under the pressure of market forces without policy support?
- Overall, what makes FFs special and different, and deserving of specific measures under CAP or structural funds?
- What kind of national/regional policy measures can complement the CAP in respect to family farming?

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