



The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search

<http://ageconsearch.umn.edu>

aesearch@umn.edu

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

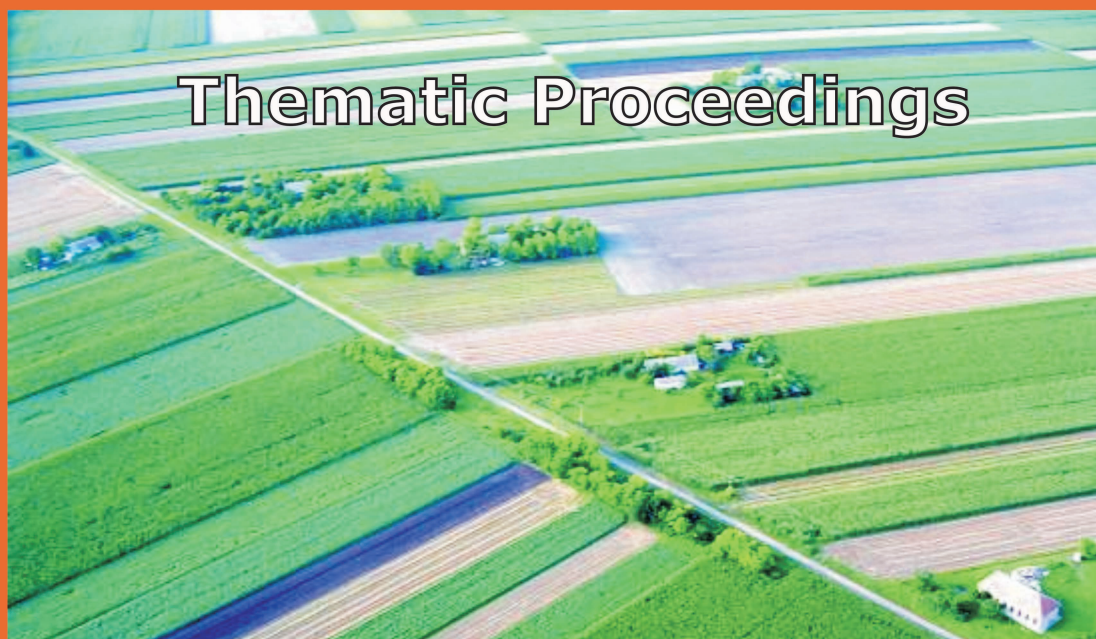
No endorsement of AgEcon Search or its fundraising activities by the author(s) of the following work or their employer(s) is intended or implied.



European Association
of Agricultural Economists

100th Seminar of the EAAE

DEVELOPMENT OF AGRICULTURE AND RURAL AREAS IN CENTRAL AND EASTERN EUROPE



Edited by
Danilo Tomić
Miladin M. Ševarlić



21st – 23rd June 2007
Novi Sad, Serbia



Serbian Association
of Agricultural Economists

ECONOMIC DEVELOPMENT AND RURAL ENTREPRENEURSHIP IN EAST CROATIA

Jadranka Deže, Ljubica Ranogajec¹

INTRODUCTION

The development of rural tourism is useful to both economic and social stability of rural areas along with employment, prevention of depopulation and migration to urban regions, preservation of values and tradition of rural life's, the source of recreation and the way of healthy life. In order to develop it, it is necessary to determine the resources of the interested farms and to develop organizing skills of family farm members along with the creation of macro-environs that would provide support of business strategy towards development of rural tourism. Business farm adjustment is a process that depends on both internal and external environs that may direct diversification towards various types. For the last few years the importance of intensification and specialization of production has been emphasized by stimulating measures provided by the administration. Tendencies of the economic development require quite a different approach to rural areas in which not only the importance of primary agricultural production, but also economic and social prosperity of rural areas is stressed.

MATERIAL AND METHODS

Investigation of the basic assumptions in connection with the application of sustainable family farm business was done in 8 municipalities, respectively in totally 32 villages, so that the whole Baranya region was included in the investigation. The investigation was done in 271 family farms, and the data were collected by highly skilled interviewers, for which reason the gained information may be defined as relevant. Afterwards, the collected data were processed in terms of statistics.

RESULTS AND DISCUSSION

This process is extremely complex in terms of numerous internal and external factors that influence the process of diversification of traditional business

¹ Jadranka Deže, Ljubica Ranogajec, University of J.J. Strossmayer, Faculty of Agriculture in Osijek, Agroecconomics Department HR – 31 000 Osijek, Croatia, jdeze@pfos.hr

operation. In order to perform it, some help from complementary institutions that record and improve the development of rural tourism is required. Internal factors that influence diversification represent the result of huge changes of the whole economic system in the transitional period from the state economy concept to the market oriented system. It implies thorough changes that are neither simple nor fast. Farm producers were rarely satisfied with the administration's price policy, but it is not only Croatian characteristic. In the near future one cannot expect any major changes both in price and tax policy that would satisfy both the administration and the farmers. In such conditions farm managers should adjust their business in order to "survive" financially, otherwise they would find themselves in a hopeless situation.

Ways of business operation that lead towards the hopeless situation are recognized and summarized into three major groups according to Bowler:¹

I Resumption of the existing full time agricultural production on the farm; food production is the main goal of the farm business operation (it implies hopeless situations shown in 1 and 2); Resumption of the agricultural production

1. Extensive traditional production
2. Re-grouping of the existing resources in accordance with the new agricultural products

II Diversification of the income on the grounds of farm business operations accompanied by a re-orientation of farm resources to non-agricultural activities (shown in 3 and 4); Diversification of the basic income

1. Re-grouping of the income resources for the new non-agricultural products and services
2. Re-grouping of the resources for other supplementary activities outside the farm

III Marginalization of farm business with the aim of survival with a low income from either retirement allowance or state provided salary (situations 5 and 6);

Marginalization of farm production

1. Performance of traditional production on the farm with low income
2. "hobby" or a part-time work on the farm

¹ Bowler, I.R.: Sustainable agriculture as an alternative path of farm business development, Contemporary Rural Systems in Transition: Agriculture and environment, Wallingford, 1992.

Hopeless business situations lead towards systematic impoverishment of resources and capital of the farm.

In farm business various hopeless situations may arise simultaneously. Besides, there is a possibility that a change in business may seem at first as a way to the adjustment, but in fact, it is just a transition from one hopeless situation to another. (situations 1 to 6). Once a marginalization of farm business takes place, there are many difficulties in going back to the previous state - to the full time agricultural production on the farm.

It is important to emphasize the parameter of farm location, since farms differ in their history, tradition and basic resources; therefore, specific situations may be recognized as progress (examples: hopeless situations 1 and 2 that may be described as progress in terms of abandoned or uncultivated land). Hopeless situations 3 and 4 may be favoured because of the nearness of urban areas. Or to make it easier, hopeless situations 5 and 6 dominate in the marginal hilly regions, which can be defined as progress for these earlier unpopulated areas. Recognition of the above named types of business situations and characteristics of geographical locations may help in term definition of "adopter" and "non-adopter" of business diversification in management.¹

Farm business is also influenced by numerous internal factors that imply household characteristics (sex and age, motivation, education, previous good/bad results in farm business, etc.). Large influences have also the activities and support provided by various institutions in the development of business diversification, data accessibility (media, advice and other), acquired skills and financial support.²

Urbanization in general, also in rural areas, influences new market potentials constantly. Migrations from and in rural areas will become a common thing. Health, natural environment, fresh agricultural products as well as the recreation outside urban areas are of great importance to the population of the high social status. Under the influence of different associations the administration may bring political decisions that would help spreading interest for the development of rural tourism and promotion of healthy way of life.

The above said should be accompanied by the market net that would provide the access to the new/old products labelled as "traditional products" or "healthy food" or even both. The net development opens ways to the producers to find a market for their goods as well as to develop production.

¹ Deže, J., Petrač, B., Ranogajec, Lj. Importance of the human in the development of entrepreneurship of family farms. *Poljoprivreda*, Vol 4/2, 1998, pp 1-9

² Ilbery, B., Healey, M., Higginbottom, J., Noon, D.: Agricultural adjustment and Business Diversification by Farm Households. *Geography*, Vol. 81(4), 1991, pp 301-310

Promoting activities performed by different organizations are also important, since they should arouse farmers' interest for this approach to production. Farm managers are aware of the fact that structural changes may cause some problems in business operations, which may offer some resistance. It is, therefore, necessary, to strike one's attitude in relation to nature, environment protection, promotion of healthy life and food. Once these attitudes struck, new ideas will arise and new visions will help in creating and realization of future business – entrepreneurial process.

The necessity to employ members of the household may also represent a turning point – it may help introducing new activities, for which many changes at farms are not required (for example, production of different sorts of cheese, food delivery directly to customers, overnight stay with breakfast and other).¹ It is the significant beginning of rural tourism development that not only enables a better exploiting of working resources (employment of all family members), but also represents an important step (progress) in farm business (security and stability of income).

Development of diversification also depends on the farm location. Some farm managers (innovators) have been characterized by better skills than the others and have detected some unsatisfactory demands, which have given them advantage in front of the others. Such kind of activities often require more skilled manpower, which is influenced by the nearness of urban areas (farms are situated at city's outskirts), location on the main traffic roads or commonly visited tourist regions, for example Baranya. It can be illustrated by the development of various craftsman's activities, such as mechanical workshops, souvenir production (from secondary agricultural products), traditional baked goods and pastry, local wine-shops, etc.²

Of course, the successful individuals encourage other farmers to introduce innovations as well as agricultural or non-agricultural activities: it is a chain reaction that influences development of the whole region. Regarding the previously said, there are no dispute over the claim that every household engaged in agricultural activity tries to do business according to their possibilities under pressure/in support of external factors that force it to the adjustment.

Hence, the process of adjustment is the only way to survival and development of the farm business. In such adjustment process an important role is given to the entrepreneurial initiative of local communities, respectively bottom-up approach, which force depends on both economic and social factors. Economic strength is

¹ Shucksmith, D.M., Bryden, J., Rosenthal, P., Short, C., Winter, D.M.: Pluriactivity, farm structures and rural change, *Journal of Agricultural Economics* 40.1989.

² Deže, J., Zmaić, K., Sudarić, T.: Family farms – economy resources in development strategy of the Baranya. Scientific Conference, Faculty of Economy Osijek, 2002, pp 65-79

directly connected with capital that may have its origin in various sources, depending on agricultural or non-agricultural activities of household members.

Table 1 Types of family farms according to economic characteristics (%)

Type of farms	Municipality							
	Bilje	Čeminac	Darda	Draž	Jagodnjak	Kneževi Vinogradi	Petlovac	Popovac
Full time farms	46.97	44.44	48.00	71.43	80.77	63.64	86.36	57.58
Part time farms	53.03	55.56	52.00	28.57	19.23	36.36	13.64	42.42

Source: investigation done by the authors

Based on the farm typology according to the economic characteristics and their division to full time farms (income originates from agricultural activities) and part time farms (income originates from both - agricultural and non-agricultural activities), it was established that the rate of farms which activities were based on agricultural activities was high.



Graph 1 Family farm types according to economic characteristics

Since there are 63% of full time farms in the region, one can define it as a predominantly agricultural region that depends on agricultural activity both economically and existentially. As such, it is characterized by solid grounds for the introduction of rural tourism as a supplementary activity in business operations. Application of entrepreneurial behaviour for the purpose of introduction of tourist activities on the farm is closely connected to the age, sex and number of household members that are physically capable and willing to take part in working activities. Therefore, social strength of the farm represents an important factor that influences both development and content of agro tourist offer of the farm.

Analysis of social features is very important since the primary role of the entrepreneur on the farm is in the business adjustment process. Age of the manager his professional experience and his business connections with complementary physical and legal subjects lead to a faster and easier adjustment process.

Detailed analyses of sex structure recognize the possibility of female entrepreneurship development in processing catering and tourist activities in rural areas. in which the important rate of farms run by women dominates.

Table 2 Evaluation of social resources of family farms according to municipalities in the Baranya region

No.	Municipality	Average number of person per households	Age of the manager	Farm manager (%)	
				Male	Female
1	Bilje	2.85	49	75.38	24.62
2	Čeminac	4.04	47	70.37	29.63
3	Darda	2.96	57	98.00	2.00
4	Draž	2.71	50	85.71	14.29
5	Jagodnjak	4.23	47	88.46	11.54
6	Kneževi Vinogradi	3.12	46	90.91	9.09
7	Petlovac	4.05	45	77.27	22.73
8	Popovac	3.67	50	96.97	3.03
	Avarage	3.45	49	85.39	14.61

Source: investigation done by the authors

This type of investigation also defines the presumptions and represents them as facts that could be used as a basis for a realistic strategy determination of economic development of different areas. It is obvious that various areas are characterized by various possibilities that should be evaluated adequately their development should be stimulated professionally and scientifically and some guidelines should be given in order to avoid or at least. to slow down the tendency of the increase of the number of farms that find themselves in hopeless business situations.

CONCLUSION

Adjustment of farm business towards the introduction of rural tourism inevitably implies changes in production orientation of number of working activities. The trend is increasing number of farms in hopeless business situations - when the output quantity is concerning rather than economically satisfying imposes the necessity to apply entrepreneurship.

It is not easy to change the experience gained in the traditional way of agricultural production and to introduce innovations based on the "old ways of production". Many things praised as advantages in technical and technological modernization, investment and specialization for many years does not represent a solution for all farmers. Careful steps should be taken in order to convince the farmers that "big farms" might be "successful farms" at the same time. Solutions to the problem are not only connected to the increase of land.

It is therefore important to point out individual positive examples and enable the transfer of positive experience. In this way the long term development of rural tourism will be spread especially in the continental regions. Entrepreneurship should be given the place it deserves the tiniest ideas should be paid attention to along with a positive life attitude. This will enable every farm to recognize its own advantages in the adjustment process of farm business and the introduction of rural tourism as a supplementary activity.

REFERENCES

1. Bowler, I.R. (1992) Sustainable agriculture as an alternative path of farm business development, *Contemporary Rural Systems in Transition: Agriculture and environment*, Wallingford.
2. Deže, J., Petrač, B., Ranogajec, Lj. (1998) Importance of the human in the development of entrepreneurship of family farms. *Poljoprivreda* Vol 4/2, pp 1-9
3. Deže, J., Zmaić, K., Sudarić, T. (2002) Family farms – economy resources in development strategy of the Baranya. *Scientific Conference, Faculty of Economy Osijek*, pp 65-79
4. Ilbery, B., Healey, M., Higginbottom, J., Noon, D. (1991) Agricultural adjustment and Business Diversification by Farm Households. *Geography*, Vol. 81(4), pp 301-310
5. Shucksmith, D.M., Bryden, J., Rosenthal, P., Short, C., Winter, D.M. (1989) Pluriactivity, farm structures and rural change, *Journal of Agricultural Economics* 40.

