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CONDITIONS MOTIVATING A DECISION TO START AND DEVELOP A NON-AGRICULTURAL BUSINESS ON A FARM IN THE PROVINCE OF WARMIA AND MAZURY

Key words: farms, non-agricultural activities, natural and non-natural conditions, determinants of development

ABSTRACT. The main objective of the research is an attempt to diagnose and evaluate the conditions for the development of non-agricultural activities in selected districts of the Warmia and Mazury Province. The survey was completed in 2018-2019 in 4 selected districts, having the potential to develop non-agricultural activities and characterized by development problems (a high unemployment rate, a relatively low share of income from non-agricultural activities and a high share of development land within the State Treasury's resources). The number of farms covered by the survey from 4 districts was 86. Based on an analysis, it can be concluded that there is some potential, both on farms and in their surroundings, to develop non-agricultural business activity, but now exploited on a relatively low level. Farmers are engaged in a diverse array of non-agricultural businesses. Many are considering to further develop the non-agricultural businesses they conduct. This is particularly true about selling raw farm produce for processing, developing own food processing capacity, or providing agritourism services. The dominant stimulating factor was the higher amount of EU funds allocated to this purpose, in addition to simplified administrative procedures when setting up and conducting a business.

INTRODUCTION

An essential condition to further the development of rural areas is their greater diversity, first and foremost achieved through the enrichment of the structure of social and economic functions. However, it needs to be added that out of a variety of economic functions only few can successfully thrive in the countryside [Bański 2004, p. 9].

One of the most important factors that permits a more dynamic multifunctional development of rural areas is a higher level of entrepreneurship. Entrepreneurship seen from a functional perspective refers to the role it plays in changing existing patterns of behaviour and approaches, surpassing the accessible boundaries of what seems possible, and stimulating the social and economic development of companies, local communities, the entire economy and societies orientated towards creativity, innovativeness as well as rapid and often radical change [Sikorska-Wolak, Krzyżanowska 2010, p. 40-42].

In rural areas, non-agricultural activity appears in the same forms as elsewhere in the national economy [Roman, Niedziółka 2017, p. 50-51]. Such business activity can concern both farmers and agricultural production. As noted by Marek Kłodziński [2014, p. 123], entrepreneurship in rural areas is dominated by microcompanies, which are rarely innovative. Also, Piotr Bórawski [2009, p. 21] pointed to the small scale of economic activities carried out by farmers. He underlined that the large diversity of forms of enterprises implicates their adjustment to different needs and conditions on the market.

The entrepreneurial behaviour of farmers is affected, for example, by the degree of integration between farming and the economy in rural areas. Such integration can be stimulated by these aspects of the rural economy that can add value and/or act in synergy with the farm and other assets owned by a farmer. Hence, the economic activity of farmers is directly linked to the overall development of the countryside [Morgan et al. 2010, p. 125].

As seen from the study conducted by Pratap Birthala and co-authors [2014], there is a large group of push and pull factors associated with the non-agricultural sector. For example, small farm acreage, lower revenues and excess workforce on farms tend to push such farms out of agriculture. The level of education and access to bank loans, on the other hand, make it easier to relocate to the non-agricultural sector.

The low profitability of agricultural production forces the population living in rural areas to look for alternative sources of income. Non-agricultural economic activity is, therefore, perceived by farmers mainly as an option to improving their living standard [Tłuczak 2009, p. 109].

Research completed by Artur Ostromęcki et al. [2015, p. 58], suggests that the role of benefits earned by farmers from their non-agricultural businesses is greater in the case of younger farmers with smaller farms, where the dominant type of production is plant cultivation, with a lower rate of commodity production, and higher revenue shares from non-agricultural activity in the structure of income earned by farmers and their families. Overall, the revenue share from the non-agricultural economic activity of farmers in the structure of the income source used to maintain families, by being a statistically significant determinant, is an important factor which decides about the role of sources of earnings.

Diversification of income sources is a popular strategy to limit poverty, for example. However, improved wealth is not always achieved by attaining the planned diversification of income sources; instead, it is associated with an increased share of households participating in sectors ensuring a high rate of return. On the other hand, certain barriers to enter such sectors sometimes mean that they are inaccessible to poorer households. Thus, the diversification of revenue sources can be highly distorted, leading to greater income inequality [Barrett et al. 2001, p. 329, Gautam, Andersen 2016, p. 239, Reardon et al. 2000].

As highlighted by Meike Weltin et al. [2017, p. 172], various forms of income diversification are a manifestation of important strategies implemented by farmers. The purpose is to respond intelligently to changeable economic circumstances. A decision to diversify one's economic activity on a farm or outside it, to a large extent, will depend on the agricultural activity and other characteristics of a farmer's household.

Non-agricultural activity is an important element in the operation of small farms, both in Poland and the whole EU. It has been demonstrated that various types of businesses undertaken by farms across the EU and in Poland are considerably different. For instance,

the processing of farm produce is the most popular choice among farmers in other EU countries, while in Poland most farmers engage in offering services using machinery they have on farms [Krakowiak-Bal 2009, p. 209].

The low share of non-agricultural economic activity in the structure of employment in rural areas is a factor that stimulates support provided to make it easier for countryside residents to find employment outside farming, but without having to change their place of residence. Such initiatives entail giving support to entrepreneurship and the creation of new jobs in rural areas [A. Mickiewicz, B. Mickiewicz 2016, p. 184]. Jean Lanjouw and Peter Lanjouw [2001, p. 17] observe that despite an interest in the non-agricultural sector as a component of the development of rural areas and the diversification of income sources, as seen in most countries, projects to support small rural companies are an element of overall policy, which can suffer from a certain bias.

The policy of supporting the growth of entrepreneurship should challenge the minimalistic strategies of many rural companies. The countryside, particularly regions with less advantageous conditions, calls for programmes which will take the specific character of rural areas into account [Kłodziński 2014, p. 123].

The main objective of the research undertaken in the work is an attempt to diagnose and evaluate the conditions for the development of non-agricultural activities in selected districts of the Warmia and Mazury Province. The implementation of the main objective was based on specific objectives: determining the types of non-agricultural activity and the motives for its undertaking, assessing agricultural and non-agricultural assets for conducting non-agricultural activity and the degree of their use, diagnosing development plans for non-agricultural activity and the determinants of this development.

RESEARCH METHODS

The research consisted of a diagnostic survey based on a questionnaire, designed by the authors and composed of a set of questions, which concerned such issues as the current state and possible future development of non-agricultural business activity on farms. The questionnaire was first submitted to an evaluation by a panel of experts, and then a pilot study was carried out.

The analysis of some of the questions consisted of an evaluation of the indicator of importance, which was derived from the following formula [Karaszewski, Sudoł 1997]:

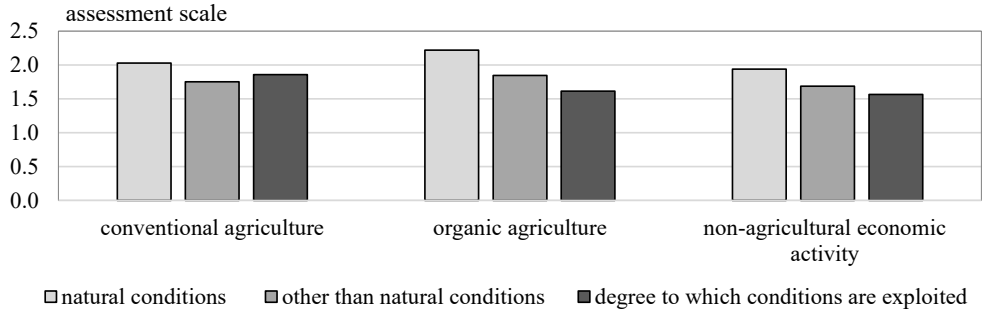
$$W = \frac{\sum_{i=1}^{k} n_i w_i}{k \cdot N}$$

where: W – indicator of importance; i – index of the evaluation; n_i – number of indications of a given factor on the i-th place; k – maximum assessment on a 1 to k-scale (indicating the order of factors meant assigning the values assessed to these factors in a reverse order); N – number of respondents who answered this question; w_i – assessment corresponding to the place of factor i.

The survey was completed in 2018-2019. A group of farmers conducting some non-agricultural business activity was diagnosed according to the information gathered during previous studies, as well as existing databases of farms, including data presented in IJHRAS reports. The population of farmers engaged in non-agricultural economic activity was identified according to the data included in available publications issued by the Polish Main Statistical Office GUS. Research was carried out in selected districts of the Warmia and Mazury Province with the potential to develop non-agricultural activities and characterized by development problems. Therefore, the research was carried out simultaneously in 4 districts meeting the following criteria: they had a high unemployment rate, a relatively low share of income from non-agricultural activities and a high share of development land within the State Treasury's resources. The research covered the following districts: Braniewski, Bartoszycki, Kętrzyński and Lidzbarski. According to the data of the Central Statistical Office [GUS 2017], the number of farms generating income from non-agricultural activities in the Warmia and Mazury Province in 2016 was 8,066. The number of farms achieving such income from the selected 4 poviats was 1,114 [US 2012]. The survey covered 86 farms from 4 districts.

RESEARCH RESULTS

Diagnosis of the potential development of non-agricultural economic activity set against a background of conventional and organic farming was initiated by making a preliminary evaluation of natural and other than natural conditions for conducting the indicated activities, including the degree to which these conditions are taken advantage of (Figure 1). The natural conditions for running an organic farm were evaluated relatively highly. Natural conditions were evaluated as being only slightly less suitable for conducting conventional farming or non-agricultural businesses. However, in all three analysed groups of farms, other than natural conditions for conducting specified types of activity were evaluated worse than natural ones. On an adopted scale, from 0 to 3, the



Scale of assessment: 0 – lack of conditions, 3 – very suitable conditions

Figure 1. Evaluation of natural and other than natural conditions for conducting business activity, and the degree to which they are exploited

Source: own survey

respondents mostly assessed conditions as poor or moderate. In the research into potential opportunities of development of examined districts, it was important to notice that the existing conditions for the development of conventional farming, organic farming, as well as non-agricultural businesses were taken advantage of only to a small extent. This means that measures could be taken to exploit the available potential, arising from natural conditions and other circumstances, more fully.

With respect to natural and other conditions underlying non-agricultural economic activity, it was essential to identify what types of businesses farmers were engaged in. From the given set of possible types of enterprises (15), the inquired farmers most often pursued agritourism (29.21%). Nearly 17% of respondents sold processed food products from their farms. Some farms (15.73%) also sold other products or engaged in other businesses, mainly transport services (17.98%) (Figure 2). Analyses focusing on issues connected with the underlying conditions for the development of non-agricultural businesses and the diversification of income by farmers often raise the question of motivation felt by farmers to engage in such activities. Diagnosis of their motives is important for purely cognitive reasons, but this knowledge should also be taken into consideration when planning measures to stimulate non-agricultural activity in the countryside.

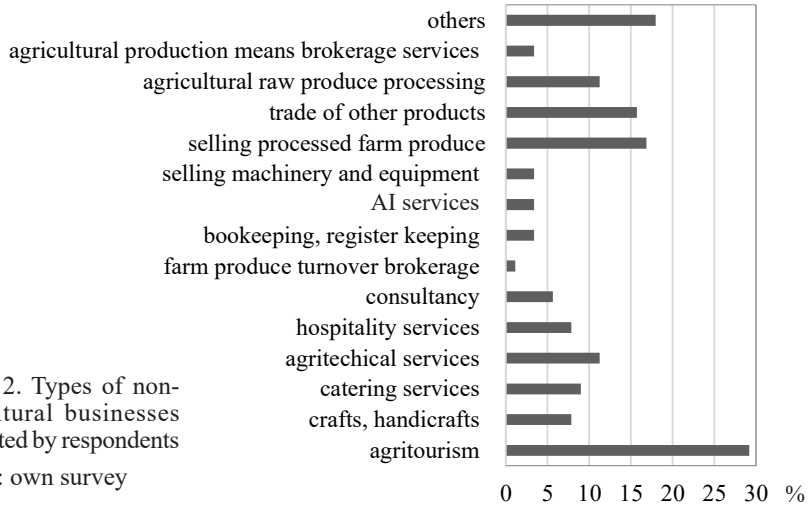


Figure 2. Types of non-agricultural businesses conducted by respondents

Source: own survey

It can be concluded from this study that farmers who started non-agricultural business activity were mostly motivated by the opportunity to earn additional income (the value of the importance indicator in this case was 0.85 on a 0 to 1 scale, where 0 – not important, and 1 – highly important) (Figure 3). Among the most significant types of motivation of undertaking non-agricultural economic activity were: gaining greater financial safety by having more diversified sources of income, the wish to raise the standard of living, the chance to acquire subsidies from EU funds and the intention to start an economic activity other than farming. Thus, financial types of reasons dominate among the most important sources of motivation for starting non-agricultural business activity. However, it should be added that the motives which encouraged farmers to participate in businesses other

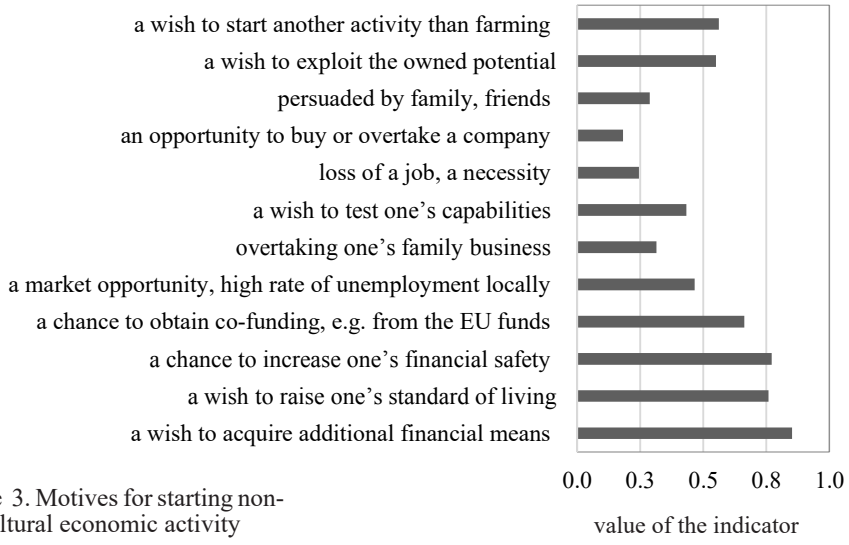


Figure 3. Motives for starting non-agricultural economic activity

Source: own survey

than farming were numerous and diverse. This creates a situation where there are various possibilities of how to stimulate the growth of entrepreneurship among farmers.

For the stimulation of further growth in non-agricultural entrepreneurship in the countryside, it is essential to make a diagnosis of plans connected with this type of economic activity (an assessment made on a scale from 0 to 1, where 0 – no plans for development, and 1 – definite plans for development). The data presented in this article prove that farmers have different plans for developing their economic activity. While many have no intention of developing any specific types of non-agricultural activity, a relatively numerous group

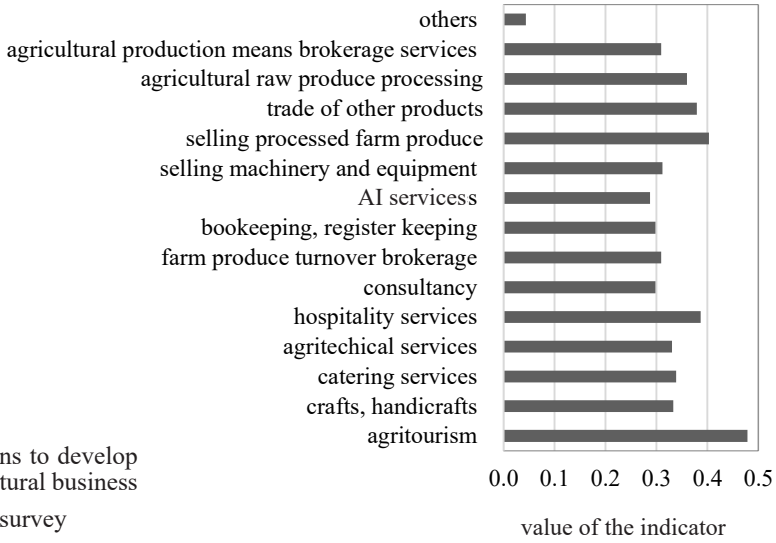


Figure 4. Plans to develop a non-agricultural business

Source: own survey

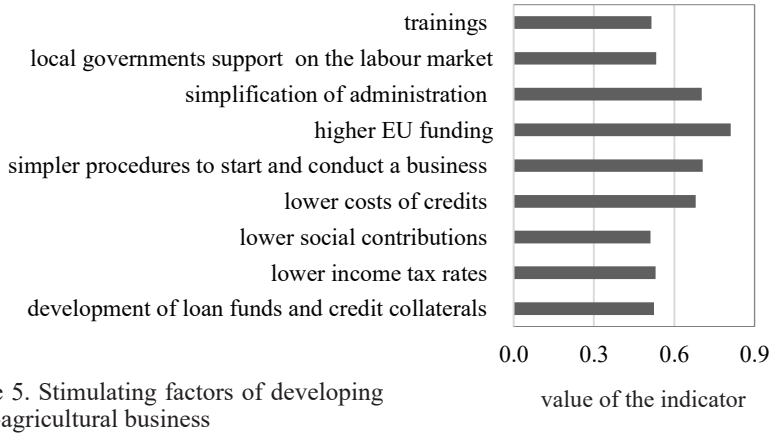


Figure 5. Stimulating factors of developing a non-agricultural business

Source: own survey

is pondering the possibility of setting up such a business, and there were some respondents who claimed they had almost decided to start some economic activity outside farming. Examples included: the sale of processed agricultural produce, the trade of other products or agritourism and accommodation services (Figure 4).

Considering the relative variation among farmers and their declared plans pertaining to the development of non-agricultural businesses, an important subsequent step in the analysis was to identify the factors that could stimulate such activity (Figure 5).

The results show that farmers pointed to a wide range of conditions stimulating the growth of non-agricultural economic activity. The dominant stimulating factors were an increased amount of EU funds allocated to this purpose, and simpler administrative procedures necessary to start and conduct a business. Among the stimulants indicated by respondents, a relatively numerous group was composed of factors referring to the financial aspect. There is, however, yet another issue that respondents paid attention to. Farmers indicated that, among measures undertaken to stimulate non-agricultural economic activity in the countryside, they would expect local governments to pass regulations on the labour market, namely forms of support to employ and create new jobs. They also expect local authorities to help and organise business trainings.

SUMMARY

Based on an analysis of results of the survey conducted among farmers in selected districts of the Province of Warmia and Mazury, it can be concluded that there is some potential, both on farms and in their surroundings, to develop non-agricultural business activity, although it is currently being exploited on a relatively low level. Farmers are engaged in a diverse array of non-agricultural businesses. Many are considering the further development of non-agricultural businesses they conduct. This is particularly true about selling raw farm produce for processing, developing own an food processing capacity, or providing agritourism services. The dominant stimulating factor was the higher amount of

EU funds allocated to this purpose, in addition to the simplified administrative procedures when setting up and conducting a business.

Regarding the types of non-agricultural businesses identified in the questionnaire, as well as the sources of motivation, diverse and varied in terms of importance, that encourage farmers to engage in non-farming businesses, respondents noted the significant role of adequate measures implemented by authorities to stimulate this sphere of activity among farmers. The range of such measures and underlying motives creates a chance to offer proper support to a specific group of farmers. From the viewpoint of creating conditions simulating for the development of non-agricultural activity, it is important to broaden knowledge on plans for further development among all analysed groups of farmers (those who have decided to undertake such activity, those who consider this option, and the ones who do not intend to develop any non-agricultural economic activity).

On the one hand, it is recommended to maintain the conditions which motivated some farmers to develop non-agricultural businesses. On the other hand, special attention should be paid to those farmers who have not made a final decision about starting business activities other than farming. Focusing on these farmers and designing measures addressed to them could encourage them to make a decision to develop non-agricultural economic activity. What is equally important is the group of farmers who do not intend to develop any specific business activity in the field of non-agricultural economy. It is crucial to learn what factors motivate their decision. Based on the diagnosis of opportunities and threats perceived by farmers with respect to non-agricultural economic activity, it seems essential to pay attention to stimulate existing chances and reduce threats, particularly ones which do not require much financial or organisational effort (e.g. promoting examples of thriving farms owing to some non-agricultural economic activity).

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UWARUNKOWANIA PODEJMOWANIA I ROZWOJU DZIAŁALNOŚCI POZAROLNICZEJ W GOSPODARSTWACH WOJEWÓDZTWA WARMIŃSKO-MAZURSKIEGO

Słowa kluczowe: gospodarstwa rolne, działalność pozarolnicza, warunki przyrodnicze i pozaprzyrodnicze, determinanty rozwoju

ABSTRAKT

Celem badań była próba zdiagnozowania i oceny warunków do rozwoju działalności pozarolniczej w wybranych powiatach województwa warmińsko-mazurskiego. Badania przeprowadzono w latach 2018-2019 w wybranych 4 powiatach województwa warmińsko-mazurskiego, posiadających potencjał rozwoju działalności pozarolniczej i charakteryzujących się problemami rozwojowymi, tj.: wysoką stopą bezrobocia, stosunkowo niskim udziałem dochodów z działalności pozarolniczej i wysokim udziałem gruntów pozostających do zagospodarowania z Zasobu Skarbu Państwa. Liczba gospodarstw objętych badaniem z 4 powiatów wyniosła 86. Na podstawie analizy można stwierdzić, że zarówno w gospodarstwach, jak i w ich otoczeniu istnieje pewien potencjał do rozwoju pozarolniczej działalności gospodarczej, ale obecnie wykorzystywany jest w niskim stopniu. Rolnicy prowadzą różnorodną działalność pozarolniczą. Wiele osób rozważa dalszy rozwój prowadzonej przez siebie działalności pozarolniczej. Dotyczy to w szczególności sprzedaży surowych produktów rolnych do przetworzenia, rozwijania własnego przetwórstwa żywności lub świadczenia usług agroturystycznych. Dominującym czynnikiem stymulującym była większa kwota funduszy UE przeznaczonych na ten cel, a także uproszczone procedury administracyjne przy zakładaniu i prowadzeniu działalności gospodarczej.

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