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DAIRY FARMERS' PLANS IN CENTRAL EUROPE UNDER NEW EU POLICIES

Abele Kuipers

*Expertisecentre for Farm Management and Knowledge Transfer,
Wageningen University and Research Centre, The Netherlands.*

E-mail: Abele.Kuipers@wur.nl

Marija Klopčič

*Expertisecentre for Farm Management and Knowledge Transfer,
Wageningen University and Research Centre, The Netherlands.*

E-mail: Abele.Kuipers@wur.nl

Abstract

After accession to EU, farmers in the new-member states need to adjust to the EU agricultural policies. A review is presented of county reports from the Central and Eastern European countries. As case study of small scale farming an analysis is made of plans and extension aspects of farm development in Slovenia. As tool a questionnaire was distributed to dairy farmers: 1114 have been returned anonymously, representing 10 % of the dairy farmers' population. Strategies and their interest in technical knowledge are analysed in relation to base parameters, like age of farmer, size of farm, less favoured area or not, etc. Results show a significant demand for info about EU premium programs, a considerable activity in farm planning of which 64% of farmers opt for specialisation and 54 % also for forms of diversification. Opportunities for special regional products will be discussed. A comparison of results can be made with some data in The Netherlands.

Key words: dairy farming, planning, choices, specialisation, diversification

Introduction

In this contribution first some developments in the Common Agricultural Policies concerning the dairy sector will be outlined. This includes schemes of assigned quota amounts as well as trends in the livestock populations in Central and Eastern European countries. Then a summary of observations about the developments in and challenges for the dairy sector in Central and Eastern European countries will be presented. Some strategies at farm level will be shortly discussed as well as a case study of small scale dairy farming.

EU Agricultural Policy for Dairy Sector

Objectives of the EU agricultural policies are summarized in the next box. These policies were formulated in 2002-2003 by EU commissioner Fishler.

EU Agricultural Policies

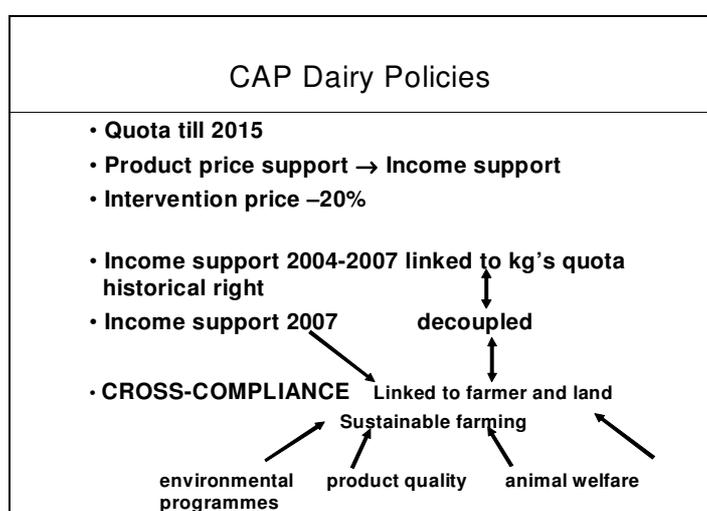
Objectives

- To improve competitiveness of EU agriculture
- To promote a more market oriented and sustainable agriculture
- To give more emphasis to rural development

The Common Agricultural policy for the dairy sector is depicted in Figure 1. Lower prices are accompanied by income premiums. The income premiums are meant to compensate for the lower milk prices which tend to come closer to the world market level. The cross-compliance conditions are introduced to stimulate good farming practices.

The conditions of cross-compliance have to be met to receive the income premiums (the first years paid in the form of a premium per kg milk). The cross-compliance conditions are linked to environmental wishes, product quality and animal welfare issues. In general the CAP policies are these days more directed to support a society oriented sustainable development of the rural countryside. A small part of the available agricultural income subsidies can be devoted directly to the needs of the rural areas. Under the circumstances of the pressure of lower milk prices in Western-Europe and direct subsidies the development plans of farmers in some countries was studied.

Figure 1: CAP Dairy Policy



Observations about Challenges for Dairy Sector in Central and Eastern European Countries

Three workshops were held in 2003 and 2004 to discuss the future of the dairy sector in the Central and Eastern European countries. All eight candidate countries and also Romania, Bulgaria, Albania and Turkey prepared a country report about the dairy sector. The most common challenges mentioned in the country reports are summarized in the box below (see EAAP Technical Series no 8, A. Kuipers, M. Klopčic and A. Svitojus, 2006: Farm management and extension needs in Central and Eastern European countries under the EU milk quota).

Challenges in CEE countries

Opinions in CEE country reports:

- Utilize low cost structure of CEE country
- Reshape downward trend in cattle population
- Support restructuring of sector
- Attract investments in sector (under-financed)
- Shift attention in breeding more to protein and health and longevity characteristics
- Improve milk quality to EU standards
- Improve fodder crop base

- Extension worker should act as business consultant

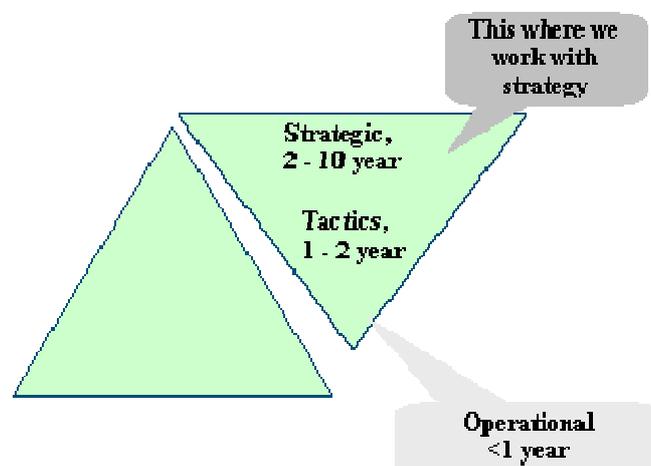
When thinking about the future the farmer and his adviser can choose from a set of different strategies. The most common general strategies can be described as follows:

Development strategies

1. Specialisation – more cows, higher production
Emphasis on bulk production
2. Diversification 1 – other animal branches
3. Diversification 2 – special activities
Emphasis on surroundings and environment
4. Stop farming or part-time farming

To think about a strategy is not simple work. Different levels of management decisions can be identified (see Figure 2). The farmer operates usually in the short run. That means that he is occupied with daily or also said operational work and decision making: when to cut the grass, to-day or to-morrow; what time to fertilize the land, what to do with the sick cow, etc. But very important for developing of the farm business is also to give a bit of attention to tactical and strategic decision-making, that means to think about the future in the medium run (tactical approach) and long run (strategic approach). Especially at small scale farms a session of future oriented thinking may be worthwhile to define the future options. It's already indicated that specialization, diversification and to stop farming are the main streams to go. But, off course, many intermediate steps are possible. For small scale farms diversification represents a likely route to consider. But it's in reality completely dependent on the circumstances.

Figure 2. Decision making in time



Source: Agricultural Economic Research Institute LEI, The Netherlands

Case Study Small Scale Farming

To study the developments of small scale farming communities, a case study is being performed in Slovenia. The farmers were asked in winter 2005-2006 about their future plans under the new EU circumstances. For this purpose questionnaires with 27 main questions were distributed to 5,000 dairy farmers out of a total of 10,000 dairy farmers in Slovenia. 1,114 questionnaires were returned anonymously in a closed envelope resulting in a response of 22 %. This group of farmers represent 11 % of the total dairy farm population. Nevertheless, we have to realise that the returned questionnaires are not

fully a representative sample of the complete Slovenian dairy farm population. That is one of the reasons that we included in the complete results a detailed description of the farm and farmers' characteristics of the sample. The sample appeared to represent the relatively larger farms and the more future oriented farmers.

Three types of variables (answers) are present in this study: continuous, categorical and binomial. Most of the associations between variables appeared to be significant because of the large number of respondents.

Some results referring to choices for specialization and diversification are listed in Table 1. More than half of the farmers chose specialization and nearly half of them chose diversification. However diversification meant in most cases that the choice is made to enlarge the farm with another animal species or maize and grain. The interest in niche products and agro-tourism, etc. was limited. This is probably also due to the complexity and consequences of such a choice.

Table 1: Case study development small farm structure

Slovenia – average farm size: 14 cows	
Ambition to develop farm further	49%
of those choose for:	
• specialisation	64%
• diversification	54% of which choose for
↗ fattening bulls	88%
↗ grassland	49%
↗ grain/maize	48%
↗ forestry	21%
↗ special local products, ago-tourism, etc.	16%
↗ horses	6%

The interest in EU-premiums differ between the farmers who want to develop their business further and the farmers who have no real plans at the moment to increase or diversify their farm. This is illustrated in Table 2. The level of interest in becoming information about CAP and the milk premium is remarkable. Also other relationships can be seen.

Table 2: Association between development plans and interest in EU-premiums

Future development	No. of farms	Milk prem. %	Suckl. cow prem. %	Beef prem. %	Agr. env. meas. %	Exten-sificat. prem. %	Early retir. prem. %	Comp. paym. region. %	CAP %
Farm as now	459	71,5	19,0	30,5	27,5	30,5	31,6	35,7	56,6
Develop farm further	541	77,4	21,6	38,6	29,6	34,0	33,5	45,3	73,0

Also the interests of the farmers in the different farm skills were inventoried by the questionnaire in Slovenia. The answers of the sample of farmers were compared to two samples of farmers in The Netherlands where the same questions were asked (Table 3). The outcome gives an impression of farmers' interests in different dairy farming structures, these being small scale and average scale farms. The differences in interest for: economics, mineral management, breeding work, labor organization and working with machines, are remarkably. In general the farmers in Slovenia express much higher interest

scores for nearly all activities compared to their Dutch colleagues. But it can also be said that they tend to choose less priorities in their work.

Table 3. How much interest do you have for the various technical fields at the farm

Text	Environmental demo farms, The Netherlands	EU pilot farms, The Netherlands	Slovenia
	Score 1 till 10 1 = very important; 10=very unimportant	Yes, big interest %	Yes, big interest %
Feeding of cattle	3.1	68	75
Farming in economical way	3.5	38	61
Grassland management	3.8	67	63
Care for animal health and fertility	3.9	79	77
Milking	5.1	72	79
Mineral management	6.0	22	51
Calves rearing	6.3	52	40
Labour organisation	6.8	37	63
Animal breeding work	7.1	31	60
Working with machine park	9.2	13	61
Protecting nature elements			26
Number of farms	180	153	1.114

Conclusion

This study shows enormous interest in information and knowledge in the new countries of EU and illustrates many questions about the development possibilities of sector and farm. Each region and country has its own characteristics while future plans and interest depend on education level, landscape, culture and the situation one starts from.