ANALYSIS OF MARKET AND ECONOMICAL ADAPTATION OF SMALL AGRICULTURAL ENTREPRENEURS

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Purpose, precedents and methods of the research

Political, professional and civilian public opinions formed very different statements about the present situation, adaptation and management problems of Hungarian agriculture.

Our main purpose was a scientific, consequent promotion of the knowledge of the real situation. In order to achieve this purpose, survey and analysis of the adaptability, market and economic political responses and economic efforts of agricultural small-scale entrepreneurs were undertaken. The method of the survey and that of the analysis was developed in such a way, that they should give - based on actual data, information and unmanipulated, objective viewpoints of the farmers /entrepreneurs/ - a real picture for the professional public opinion, organizations of safeguarding of interests concerned and economic political /agricultural political/ institutions. Accordingly, our main endeavours were as follows:

- To survey in a real way how are material and personal capabilities of small farms, as well as entrepreneurial motivations and efforts of the farmers judged by the present practice. To emphasize the main economic, agricultural political and entrepreneurial conclusions on the basis of processing and analyses of informations, resulting from the survey.
- To survey and evaluate as exactly as exactly as possible characteristic problems of interestedness, economy and operation and their market controlling and agricultural political backgrounds as well as the limits and possibilities of the solution of these problems.
- Objective /unmanipulated/ image should be obtained about the manner, in which present relational and institutional systems are judged from points of view of chance equality and competitivity by the farmers and their family members.
- Entrepreneurial, personal and family efforts of small-scale farmers should be really surveyed and qualified, taken as a function of the adaptation to socio-economic conditions.
- On the basis of surveys, analyses and conclusions, it is reasonable to summarize -without striving after completeness - the most important consequences and proposals related to enterprisal economy, agricultural policy, safeguarding of interest and institutional systems.

More than 1000 small farms /30-50 farmers pro county/ were drawn into the survey. After correcting errors, 700 farms were processed. In selecting individual and family farms, respectively / small- and medium-scale entrepreneurs/ to participate in the survey, there were neither financial, nor subjective possibilities to assert the rules of statistical sampling. Therefore, similarly to the previous investigations, the principle of randomized selection was followed. Thus, the only purpose was satisfactory representation of size-differences and that of the variability of the structure of production.

Without the solution of acceptable, generalizable sectioning order of enterprisal /farm/ size-differences, finally, we resorted to the solution, that in examining the foundation of agricultural small enterprises, traditional, multiaspectual selection of "smallholders" of full-time-job and part-time-job should be realized. On the basis of the surveys and analyses, however, we came to the conclusion, that after the years of transition /after the lapse of 4-5 years/it will be reasonable to categorise the whole agricultural enterprisal system in such a way, that it should equally suffice for the purposes of economic policy and enterprisal economy.

Based on our investigation, it is by all means advisable to categorise even the sphere of agricultural small-scale entrepreneurs. This can be done on the basis of their economic

behaviours, socio-economic role, land conditions and other conditions /factors/ of production. Evaluating by means of elaborated scores the factors, determining the differences, both small farms and medium-scale enterprises could be ranked, categories could be built in into a system, remaining valid for a longer term, and then they could be introduced into the meso- and macroinformation systems.

According to our investigations, agricultural small enterprises may be categorised as follows:

1. Microfarms. Small-scale farms of part-time-job /household-dwarf-farms/ based mainly on self-subsistence and excess-sales, further on utilisation of occasional market possibilities for income acquisition, There are rural or suburban households, possessing land area, livestock and foil houses. Of their family- and enterprisal factors, size of land area and/or that of the livestock could be stated as the upper limit. /Naturally for the land area an average value can be determined according to the land use./ In our opinion, the category of this group could be extended to a land area limit of about 2 ha and to a livestock unit, stated accordingly /it is not sure, whether this unit will be the standard animal unit or not/.
2. Dwarf farms of part-time-job. As under the previous item, although with greater striving after market and income acquisition, just because of the greater number of family factors. Their unit of land area may be determined between 2-5 ha /but this would necessitate further calculations and considerations/.
3. Dwarf farms of full-time-job. According to the meaning, here is the farmer an entrepreneur of full-time-job /small-scale farmer/, but the farm-size is similar to that of the previous group.
4. Small-scale farmers. A sphere between the previous category and medium-scale enterprises, eventually with size-distribution. It comprises in the strict sense of the word entrepreneurs. A great part of them consists of specialised, reasonably equipped farmers and families, working according to plan.

Main characteristics of the survey and analyses and conclusions

Informations and conclusions obtained from the investigation, may be appropriately categorised into 5 groups.

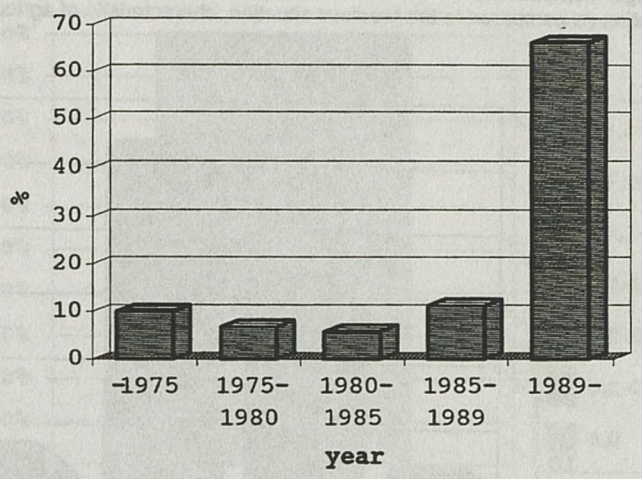
- Personal and family capabilities of small-scale farms, individual and family backgrounds of small enterprises, their enterprisal motivations.
- State of land-supply of small enterprises, characteristics of their material and technological equippedness.
- Practical judgement of the relational and institutional systems in small farms. Competition and chance-equality.
- Differences in performances and their judgement .
- Practical problems of the market and market influencing.
- Practical consequences and contradictions of the research into economic political and agricultural political environments.

Characteristics of the personal background

Responses of the farmers to market, agricultural political and other social researches, furthermore their individual and entrepreneurial behaviours are markedly influenced by the point of time of the organization of the farm.

Farm, established a few years ago, after the change of regime, constitute the majority of the present small farms /66%/ (figure 1.). A great part of them fails to possess the experiences, necessary to farming, mainly as regards the tricks of planning, organization, reagency and adaptation.

figure 1.

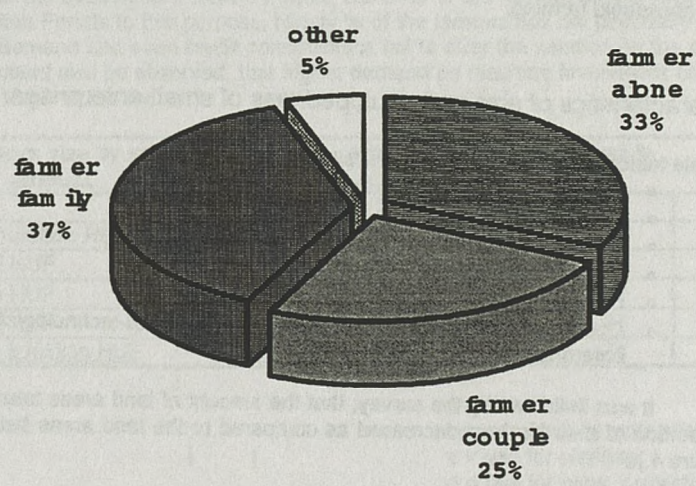


Composition of the entrepreneur farmers under study indicates, that in contradiction with the general public opinion, the striving after independent, entrepreneurial peasant farms strengthened already in the eighties - consequently before the effective change of regime - in Hungarian agriculture.

One quarter of the farms investigated by us, was established just in the era of the downfall of the so called "planned economy" i.e. during the period of the preliminary development of the market economy. It is also unequivocal, however, that during the years, following the change of regime, the number of individual agricultural entrepreneurs increased.

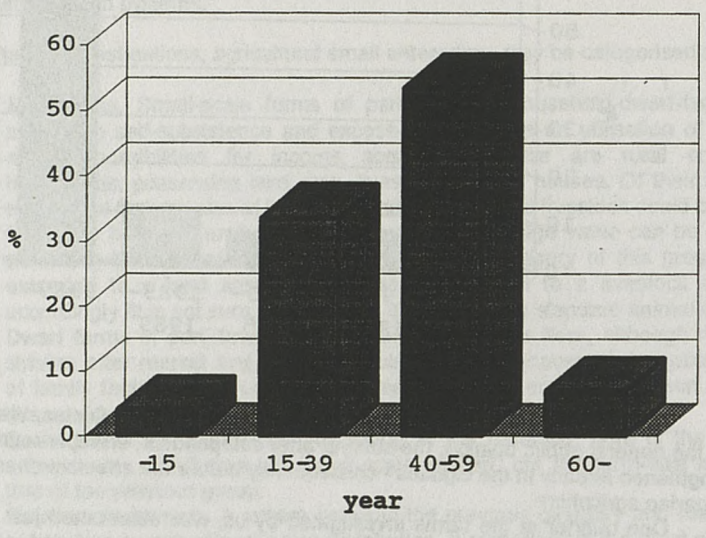
In the year of the survey, predominantly middle aged or slightly older consorts were the entrepreneurs in more than half of the farms. As compared to the earlier situation, common farming by the farmer and his parents strongly declined, since an important part of the youth moved off, as a mater of course and at the same time, the number of aged people decreased. It can be observed, however, that the uncertainty of succession and that of the seeking after working place made develop already a quite significant sphere of entrepreneurs, comprising young families. /In more than 34% of the farms under study, parents and children worked together/ (figure 2.).

figure 2.



Also age composition of the farmers (figure 3.) indicates the tendency towards a rejuvenation as compared to the previous situation, characteristic of agriculture.

figure 3.



According to our investigation, 90% of the entrepreneur farmers consists of males and this proportion is characteristic of the national average too.

Decision making and adaptive behaviours of the farmers - in addition to farm-size and other enterprisal-economic, general economic conditions - is strongly influenced by the status of the enterprise. The matter in question is here, that to what an extent are the tasks of the enterprise and farming carried out as full-time-job by the farmers. In the farms, investigated by us, 60% of the farmers dealt explicitly with the enterprise /"full-time-job"/. In the behaviour of farmers of part-time-job /40%/, the concern about the future of the enterprise is by no means unequivocal, rather income completing decisional purposes are the determinative ones. A great part of them /but also a significant number of the farmers of full-time-job/ would even now willingly undertake the participation in such a co-operative, which would offer safe employment and additionally, conditions for income complementing private and household farming.

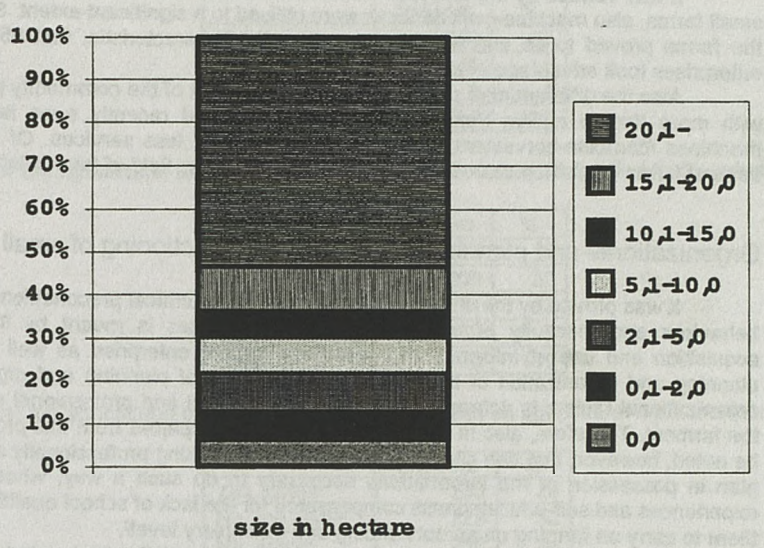
Characteristics of size and equippedness of small enterprises.

Whole topics of investigation were as follows:

- Size of the land area, land use
- Farm-yard and farming
- Buildings and machine supply
- Infrastructure and energy supply
- Livestock
- Opinion of the farms about the size and technical-technological conditions of the enterprise.

It was indicated by the survey, that the amount of land areas taken on lease and the proportion of their land use increased as compared to the land areas being in own property (figure 4.).

figure 4.



It is interesting, that the proportion of land areas taken on lease increased first of all in the large-sized, commodity producing farms, occasionally by more, than 50%. The later case occurs especially frequently, where land area is made let on leasing at a relatively low price by the transformed co-operative, agricultural share company or self-government.

In relation to the technical equippedness, it was declared by the farmers, that even if they would have money for machine purchasing, they could not find machines of adequate performance and quality in the market. In the present situation, however, they think proper the machine offer as to power- and working machines and 68% of the farms would develop /increase, complete and change/ its machine-park.

Where machine-work services are easily and at relatively low prices available, farmers are satisfied with the keeping of machines, necessary for the so called basic mechanisation only. It seems to be very interesting and perhaps even surprising, that machine costs are calculated by the majority of the farmers, although at the same time, whole, comprehensive preliminary calculations and recalculations are only rarely carried out by them.

Almost a quarter of the farms could realise optimal mechanisation b y means of an investment, not exceeding 2 million Forints, but 34% of the farmers would necessitate more than 5 million Forints to this purpose. Ninety % of the farmers has not pecuniary resources to meet this demand and even credit constructions fail to offer the solution. In the course of the survey, it could also be observed, that higher demand on machine investment costs emerged just in the larger-scale farms.

entreprenurs size by selling amount	external machine work use %				
	a	b	c	d	e
less than 1 million HUF	*11*	*43*	*37*	*45*	**69**
1-2 million HUF	19	32	40	43	**69**
2-3 million HUF	22	27	22	32	**66**
3-5 million HUF	14	32	30	37	**73**
more than 5 million HUF	31	30	25	21	**51**

a = do not use
b = use for land cultivation
c = use for planting
d = use for plant protection
e = use for harvesting

It was verified by the study, that in addition to the improvement of machine supply in small farms, also machine-work services were utilised to a significant extent. Scarcely 20% of the farms proved to be entirely self-supporting. It is characteristic, that 65% of the small enterprises took advantage of external machine-work.

Also the differentiated survey indicated, that a part of the commodity producing farms with more than 5 million Forints return from purchased recently even larger harvesting machines /combine-harvesters, and therefore purchased less services. Of the latter ones, several farms even themselves undertook wage work in the field of harvesting, delivery, etc.

Organizational and planning problems of the functioning of small enterprises

It was proved by the survey, that one of the most critical preconditions of functioning, behaviour and reactivity of agricultural small enterprises is meant by the problems of acquisition and use of informations, necessary for the enterprise as well as by those of planning and organization of the enterprise. Utilisation of planning and organizational and organizational factors is determined first of all by general and professional educatedness of the farmers. Therefore, also in surveying the topic, we departed from this problem. /It should be noted, however, that one can meet a few farmers, working professionally and according to plan in possession of the informations necessary to do such a way, whose rich practical experiences and self-educatedness compensated for the lack of school qualification, enabling them to carry on farming on an outstanding and exemplary level/.

Composition of the farmers' layer according to specialised educatedness is relatively favourable, as it is indicated by the proportion of farmers with higher grade of educatedness /36%/ and medium grade of educatedness /47%/, but the poor economic learnedness /often its underestimation/ brought about the low level of the recognition and use of exogenous factors of farming and that of the introduction and application of endogenous economic and organizational factors.

Education	%
BSc or MSc	36,00
High school in the profession	28,60
Other high school	18,20
Special courses	6,60
Elementary school	8,60
Did not answer	2,00
Total	100,00

In about 31-40% of the farms, only traditional, routines farming is practised.

Only about 10-15% of the commodity producing entrepreneurs of full-time-job knows the mode and essence of the compilation of a business plan, but at the same time, more than one half of those of full-time-job has long-term plan -put in writing - related to the character, size and structure of business plan.

Present system and possibilities of economic information are undervalued by the farmers' society. There are more possibilities to obtain informations, than this, but answers permit to guess, that also farmers themselves are contributing to the insufficiency of utilisation of the present possibilities, although it is also indisputable, that fault of the information channels and -flowing are also considerable.

The farmers' opinion about the information flow

	answers	%
Excellent	4	1
Good	54	8
Acceptable	265	38
Poor	329	47
Has not	34	5
Did not answer	16	2
Total	700	100

Do you have contact with other producers?

	answers	%
Yes	651	93
No	40	6
Did not answer	9	1
Total	700	100

Whether the agricultural producers are in better position on agricultural output markets after the transition?

	answers	%
Yes, better	85	12
No, the same	209	30
No, worse	374	53
Did not answer	32	5
Total	700	100

Whether the agricultural producers are in better position on agricultural input markets after the transition?

	answers	%
Yes, better	203	29
No, the same	229	33
No, worse	238	34
Did not answer	30	4
Total	700	100

Whether by the agricultural producers joint selling would be better position on the output market?

	answers	%
Yes	611	91
No, would be the same	64	7
No, would be worse	7	1
Did not answer	18	1
Total	700	100

Whether by the agricultural producers joint selling would be better position on the input market?

	answers	%
Yes	597	85
No, would be the same	69	10
No. would be worse	6	1
Did not answer	28	4
Total	700	100

Economic political and agrarian political reactions of agricultural small-scale producers

In summarising the results of the survey, it can be stated, that conflicting opinions of the spheres of interests of entrepreneurs, safeguarding of interests and economic guidance originate partly from economic political repercussions of the previous regime /the state has to solve, agrarian policy, price policy, sponsoring policy, credit policy, etc. are ab ovo inadequate./ The second reason is the undevelopedness of the roles of organizators of safeguarding of interests and economic guidance. The third reason - also in connection with the previous ones - is the weakness of the adaptability of the farmers to economic policy and agricultural policy. The fourth reason is the lack of the development of an organized information network. The fifth reason is the low level of contribution to this on behalf the partners.

The survey verified, - among others - that some well educated farmers, possessing good business - and information relations, adapted themselves adequately to the changes in agricultural policy. They criticised only a few, special strategies and "regulating methods" of the agricultural policy. The majority of the farmers, however, failed to take the measure of the new adaptation tasks, incidental to market economy, by the aid of which, they could be able to react in a planned way to the market and economic policy.

But by all means, it seems to be reasonable to turn attention to the fact, that according to the judgement of the smallscale farmers of our days, agricultural policy /as a whole/ is not only very poor, but it is even worsening. The target-system of agricultural policy, problems of "compensatory land distribution" and generally, those of land acquisition /purchasing, rent of land, allotment by the state/ as well as the lack of complex political treatment of the rural community are most often raised by the enterprising farmers. In the system of instruments, /so called regulating system/ the system of market protection, price policy, support policy and credit policy are generally criticised, but the special standing points are multisided and worthy of attention.

As to practical reactions to agricultural policy, price conditions and price policy and as a factor of the same rank, the policy of state support are standing first. According to almost all of the farmers, great majority of the problems can be found here, and in the deep interviews were the so called "agricultural scissors" ab ovo castigated by almost everybody /independently of the level of educatedness/, although just during the year of the survey, agricultural scissors failed to open. Thus, these criticising standing points are manifestations of the reactions of several years. It is observable, however, even in this general practical opinion /of small-scale producers/ that producers don't know the essence of price scissors, agricultural scissors and that of the prevailing price-income parities and they are not fully familiar with the cost relations of some of their activities.

How do you evaluate presents system of agricultural support and how do you react to it?

	Answers	%
Did not answer	35	5
Generally, I deem it confused and difficult to know	243	35
I can not follow the changes in supports	72	10
I know sufficiently the supports, but I deem low the amount of the support as compared to the increase in prices of purchased materials and equipment	349	50
Total	700	100

What are the elements of agricultural support system to be strengthened according to your opinion?

	Answers	%
Price support of sold products	224	22
Cheap credits	357	36
Average support of the productivity of products, important to the market according to my opinion	91	9
By all means, simple and quantitative real forms of support	314	31
Did not answer	22	2
Total	700	100

What is your opinion on the possibility to obtain state support?

	Answers	%
It is easily accessible	11	1
Administration is overwhelming	365	30
Application system is too complicated	428	34
Dead -lines are short	108	9
Informations are scarce	200	16
It is to travel to the town for the transaction of affairs	118	10
Did not answer	4	0
Total	700	100

Reactions to price policy

It is the most fundamental question, indicating the reactions of small-scale entrepreneurs to the market and main indicator of the entrepreneurial behaviour, respectively. It is warning for experts both in agricultural policy and safeguarding of interests, that one quarter of the farmers is already unable to follow the changes in the market / this is even more characteristic of commodity producing, larger farms/.

Heavy practical criticism was controlled by the aid of the following questions:

In your opinion, how should be agricultural price policy improved?

	Answers	%
Did not answer	38	5
State should promote attainment of exact price informations in due time	126	15
By means of real statement of guiding prices, protective prices, quoted prices, etc., harmonizing them with the safeguarding of interests and giving informations on them in due time	479	59
Under present and expectable market conditions ab ovo enhanced activity is needed in price policy	96	12
State intervention should be diminished, prices should be decided by the market	60	7
Others	17	2

Opinions on the credit conditions

Also small farms, established previously became interested in credit conditions developed after the change of regime /credit system, modes of giving credit, relation between support and credit systems/. This is even more valid for small farms, established since 1989 and developed - increasing their sizes - from family household farms into commodity producing small enterprises. Great majority of them and that of the farmers, intending to undertake development in order to change the structure of production, gave rise to the opinion /in pre-testing interviews/, that Hungarian financial system and within it, also the credit system fell behind the change of regime, inclusive of privatization and developmental process of market economy.

Conclusion

The entrepreneurs (small scale farming) has well educated peoples, they knows the needs of the competitive profitable agricultural production. The market on the agricultural input side is developing. The main problem is financial. The agricultural producers (farmers) has not own money for the developing own business, to be profitable and competitive continuously. The general economical situation not allow to be available low cost credits. The production level felt back and in the lack of good level machinery, land cultivation, basic level fertiliser using, quality seed using, effective plant protection and weed control the situation could not change. In the case of small scale farming the entrepreneurs are in the lack of the capital, have not effective farmers organisation. The agricultural policy and the market regime not make easier the middle term (2-4 years) planing. The main problem is have not efficient information flow between the policy makers and the practice. The agricultural production need relatively stable background for the stable food production. There is very important role of the agricultural policy. The circumstances today not allows to be easy the adaptation to the market and policy changes.