

Types of private holdings and their role in subsistence of rural population in Hungary

Typy súkromného vlastníctva a ich rola v existencii vidieckej populácie Maďarska

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Abstract: The research analyses the fundamental resources, farm structures, and composition by aim of farming, labour force and family income sources of the agricultural private holdings from the aspects of subsistence and income generation as well as of rural development. By processing the various databases, the research provides a clear picture on the situation of private holdings and groups of farms (self-supplying, marketing the surplus, commercial holdings). On the basis of the analyses, it is possible to estimate the number of competitive farms, that is, of professional farms, and the number of the producers who are not engaged in commercial production. This points out the need to extend the sphere of rural activities are connected to the other sectors of the national economy.

Key words: private holding, farm structure, family labour, farm structure survey

Abstrakt: Výskum analyzuje základné zdroje, štruktúru fariem a zloženie podľa zamerania hospodárenia, pracovných síl a zdrojov rodinného príjmu súkromných poľnohospodárskych fariem z hľadiska zdroja obživy a tvorby príjmu, ako aj vidieckeho rozvoja. Spracovaním rozličných databáz výskum poskytuje zreteľné zobrazenie situácie súkromných fariem a združení fariem (samozásobiteľské, polosamozásobiteľské, komerčné farmy). Na základe analýzy je možné určiť počet konkurencieschopných fariem, t.j. profesionálne farmy a počet výrobcov, ktorí nie sú zapojení do trhovej produkcie. Toto poukazuje na potrebu rozšíriť rozsah vidieckych aktivít v spojení s ostatnými odvetvami národného hospodárstva.

Kľúčové slová: súkromná farma, štruktúra fariem, práca rodinných príslušníkov, štruktúrálny cenzus fariem

In Hungary, similar to the other Member States of the EU, the role of agriculture in the national economy (its share in gross value added, employment and export) has been decreasing. Although its relative weight in the total production of the national economy is continuously decreasing, its role in the economy in the international context cannot be neglected. The share of agriculture in the gross value added is 1.5 times and in employment 1.3 times more than the average of the EU-15.

In the last 15 years, there were radical changes in the property structure and in farm structure, which has significantly modified the performance and the labour absorption of agriculture as well as its role in rural employment, rural subsistence and population retention (Laki 2004). The area and the employment of the former agricultural enterprises (large-scale farms) decreased to a fraction of its earlier share (Hamza et al.

2002). In 2005, the number of “full-time” agricultural employees was 194 thousand, which is only 28% of the number of 1990. On the opposite side of agricultural production, we can find mainly small-scale private holdings – their number has also decreased (Oros 2002). According to the Farm Structure Survey of 2003, there are 765 thousand small-scale farms by coupling more than 1.3 million family labours.

FARM STRUCTURE OF PRIVATE HOLDINGS

Private holdings use 39% of the area of Hungary (3 768.5 thousand hectares). The land use of private holdings by size categories is significantly scattered and unbalanced. It is characteristic that there are numerous small farms which cannot provide subsistence; these can mainly be found in regions with no other

economic activity and which are in critical employment situation (Tóth 1998). A determinant share of the farms (73%) have less than 1 hectare of land! Only 45 thousand farms with over 10 hectares of land utilise 70% of the area of private holdings, which shows the unproportioned and extreme character of subsistence farming; the remaining 30% of the area is “distributed” among the 720 thousand farms (Figure 1).

The farm sizes of most private holdings do not reach the size required for subsistence, but during the last years, a slow concentration of land use started. During the last years, the changes in farms structures show that the number and area of farms with less than 5 hectares is decreasing more and more significantly (Takács 2005). The number, area and family labour

of farms up to the size category of 50–300 hectares is increasing indicating the expansion of competitive farming (Figure 2). In 2000, the average area of private holdings was 2.7 hectares, in 2003 3.3 hectares and in 2005 3.4 hectares (Hamza, Tóth 2006).

Categories of private holdings by type of farming

Private holdings can be categorised by the aim of farming, motives, and role in subsistence as follows:

- producing only for home consumption (subsistence farms),

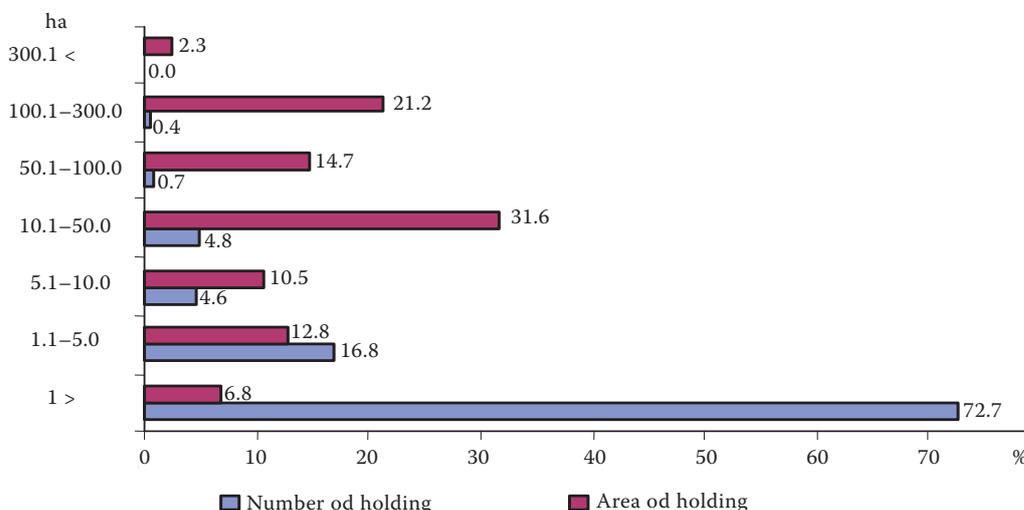


Figure 1. Farm structure of private holdings, 2003

Source: Farm Structure Survey 2003.

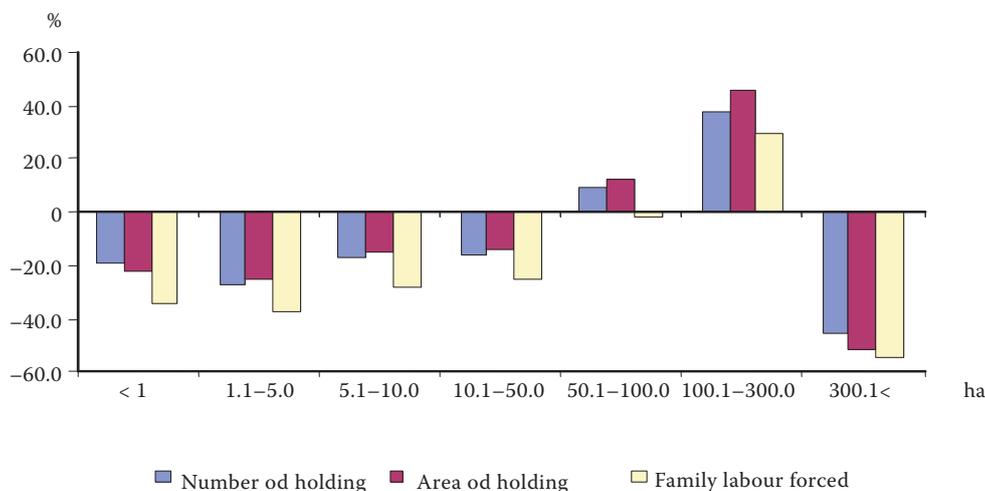


Figure 2. Main characteristics of private holdings by farm size (between 2000–2003)

Source: Farm Structure Survey 2003

Table 1. Main characteristic of private holdings by the aim of farming, 2003

Title	Total	Of which (private holdings)			
		only for home consumption	the surplus is marketed	mainly for marketing	mainly agricultural services provided
Number of holdings	765 268	454 143	221 688	88 996	441
rate, %	100.0	59.3	29.0	11.6	0.1
Land area of holdings, ha	2 426 578	266 329	980 636	1 174 398	5216
rate, %	100.0	11.0	40.4	48.4	0.2
average size, ha	3.2	0.6	4.4	13.2	11.8
Number of family labour force, person	1 351 183	753 177	419 990	177 247	769
rate, %	100.0	55.7	31.1	13.1	0.1
Extent of changing 2000–2003, index: 2000 = 100%					
Number of holdings	79.8	78.5	73.5	116.6	20.1
Land area of holdings	92.8	54.3	82.3	128.8	25.8
Number of family labour force	68.1	65.4	63.6	106.9	17.5

Source: Agricultural Census 2000; Farm Structure Survey 2003, KSH

- marketing the surplus of the production (semi-subsistence farms),
- producing mainly for marketing (commercial holdings),
- providing mainly agricultural services.

The *farms producing only for home consumption* account for 59%, that is, for the largest share of private holdings. 59.3% of the total family labour is coupled to these households (753 thousand), that is, 11% of rural population (Table 1). The area of farms producing only for subsistence accounts for 0.6 hectares on average, that is, one tenth of the total area of private holdings. These farms are not real farms by economic definitions, however, their activity serving basic subsistence and own consumption providing additional income can be considered a modest one but indispensable for sustenance (Laczka, Szabó 2000). Their role and impact are double. On the one hand, due to the scattered property structure, they limit or impede the economic and social development, that is, the recovery, and on the other hand, by producing the basic food they weaken (by lacking other intervention measure they preserve) the strong social tension.

The *farms marketing only the surplus over own consumption* can be found in-between the “full-time”, commercial holdings and subsistence farms/households. The share of semi-subsistence farms with 4.4 hectares of land on average is 29% (222 thousand farms). Their production does not cover the subsistence of the family but they produce a large proportion of the agricultural products available in markets,

therefore their role in generating additional income is really significant. Their activities – by size, aim, and output – are rather varied. Mainly in this group of farms we can see the potentials of development by shifting farming into the direction of commercial activities.

Only 12% of private holdings *produce for mainly marketing* (89 thousand farms), which use approximately half of the total agricultural area (48%), and 13% (177 thousand people) of family labour, are coupled to them. As for the farm size, the majority of commercial holdings are in the category over 50 hectares; the average farm size is 13.2 hectares.

The number of *holdings providing mainly agricultural services* is very small (441), therefore, we do not deal with this group of holdings.

The most recent changes show that the aim of farming – among others, into the direction of holdings marketing the surplus – shifts towards commercialized production and in the long term, the production only for home consumption (subsistence) will probably decrease gradually.

Between 2000–2003, the number, area, and labour only of commercial holdings increased in such a way that the changes due to concentration affected only the large-scale holdings of 50–300 hectares (Figure 3).

Between 2003–2005, the rearrangement by the aim of farming continued: the share of subsistence farms decreased from 60% to 51% and that of commercial holdings increased from 11.65 to 15%.

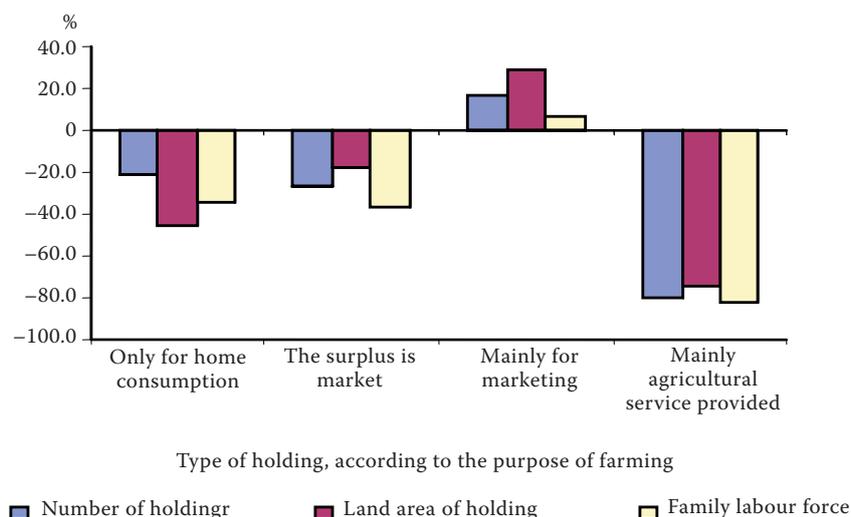


Figure 3. Characteristics of private holdings by the aim of farming (2000–2003)

Source: Farm Structure Survey 2003

CHARACTERISTICS OF FAMILY LABOUR

Considering that competitiveness and profitability depend not only on the technology and machinery but also on the human factor, it is important to analyse the characteristics of family labour engaged in farming.

The characteristics (age, qualification, economic activity, income generation) of family labour engaged in agricultural activity at private holdings are rather unfavourable in Hungary and point out the deficiencies, the unfavourable tendencies, which hinder the increase of economic performance, sustenance and competitiveness. The main characteristics of family labour are as follows:

- An important characteristic of family labour in private holdings is that only one fourth of them were employed as full time workers by the holding (24.3%, 480 thousand people) and the majority of them are not bound to agriculture. In the subsistence and semi-subsistence holdings, the share of the labour coming out of sector is 70–80%. By strengthening commercial farming, the share of labour force connected directly to agriculture and making a living out of it will gradually increase.
- The significant role of agricultural activities of various motives and aims is proved by the fact that one fifth of family labour – approx. 277 persons – does not have any other income besides agricultural income, moreover, they do not get a pension. 40% of family labour (542 thousand persons) get a pension, which is only a modest income but besides agriculture they do not have any other income. Therefore, we note that 60% of

family labour (891 thousand persons) is closely bound to agriculture by the mainly modest income generated. Regarding these producers, agriculture has primarily a social role.

- The age composition of family labour and farmers is getting more and more unfavourable. The share of young people (under 40) accounts for only 10%. In the self-supplying holdings producing exclusively for own consumption and marketing only the surplus, one third of the family labour is over 60! The age composition is more favourable in the case of commercial holdings (in holdings with more than 100 hectares of land the share of young people reaches 38%).
- The qualification and innovative skills of family labour in private holdings is rather of low level. This is indicated by the fact that 92% of the managers (704 thousand persons) do not have any (agricultural) qualification. The levels of qualification are better in the cases of commercial holdings even if 80% of the commercial holdings (71 thousand holdings) have managers without any appropriate (of medium- or high level) qualification; and this does not constitute an advantage in the competition (Hamza, Tóth 2005).

Farm types by income generation and sustenance

For defining the farm size classes, the European Union specifies that the statistical census of economic unit should meet the requirement of covering 99% of agricultural production based on the Standard Gross

Margin (SGM)¹. Owing to the fragmented status and scattered property structure, Hungary can only meet these criteria by determining a relatively low threshold of farm sizes. Therefore, in Hungary there is a great number of production units – in 2003, 765 thousand – which statistically are defined as farms coupled with 1.3 million family labour. This is the reason why it is important to categorise the holdings by subsistence and sustenance and to determine their role, potentials of development and methods of management for the future (Hamza, Tóth 2006).

- On one side, we can find 89 thousand holdings producing mainly for marketing, the number of which can be increased by developments and subsidies by 20–21 thousand by joining some of the holdings marketing the surplus at present. This way, there work in total 110 thousand holdings, 200 thousand people could be coupled to agricultural production on the long term even in competition. This is the group of full-time commercial holdings of long-term.
- On the other side, we can find those private holdings producing for home consumption which rural households are marketing only a small share of the surplus. In these holdings, family labour has no other income or pension other than agricultural activity. There are more than 122 thousand rural households (economically these cannot be considered as farms) of extremely bad social conditions, for which agricultural activity is indispensable for subsistence as their incomes originate only from social support, unemployment benefits or other kinds of allowances and also from black labour. We call this a group mainly of social function.

- Between the two extremes, there are about 510–530 thousand holdings to which a large number of family labour are coupled (920 thousand people). These holdings are varied a lot regarding their sizes, output, employment of the rural population and the role in sustenance.
- From these, there are about 260 thousand holdings (470 thousand people), which are ‘transitional’, that is, with potentials for development or falling behind; the sustenance of these depends directly on the agricultural activity as they have no full time job out of agriculture. In these holdings, the level of production is relatively low although their subsistence depends significantly on the agricultural product produced. Therefore, for them agricultural production coupled with other rural development activities (safeguarding the landscape, environment management) remains an obvious opportunity. However, these options of subsistence are not sufficient. The jobs created also by the other sectors of the economy have to take part in solving the problems of the rural areas.
- The remaining 250 thousand holdings, which are mainly households (450 thousand people), are only loosely connected to agriculture. The sustenance of family labour is based on other income resources; this way by definition, they cannot be considered as agricultural producers. They produce exclusively for self- supply and consider agriculture as a hobby, recreation or as a part of rural life style. However, their role in safeguarding the landscape and following good agricultural practices is rather significant. This group in Figure 4 is called “hobby” farms”.

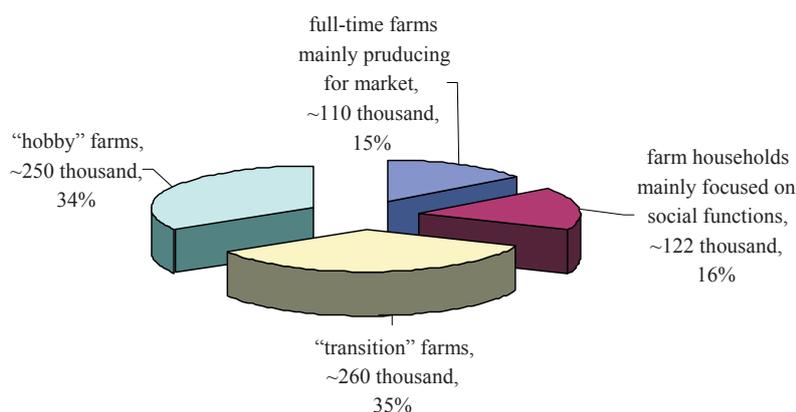


Figure 4. Main types of private holdings by sustenance and income generation, 2003

Note: Farm categories based on data of the Farm Structure Survey 2003, own calculation

¹ The Standard Gross Margin (SGM) is the difference between the value of gross production (total output) or services and variable costs (in fact the income generating capacity of the farms), which is the normative SGM determined for one unit of agricultural production (hectare, number of livestock).

CONCLUSIONS, RECOMMENDATIONS

On the basis of the analysis of the role and types of private holdings in subsistence from various aspects, the steps to be taken in the future are as follows:

- According to professional considerations, it is an urgent task to categorise and manage the private holdings by resources, aims of farming and roles in subsistence. This could help to rearrange the holding groups in a definite way instead of the present “spontaneous” rearrangement. This could be directed by the economy and agricultural policy and could help to define the roles and develop the sectors of the national economy in a harmonised way assisting (also) the rural areas.
- In addition to the careful support of competitive (professional) holdings, it is also important to provide subsidies to rural development in agriculture and to distribute the resources available proportionally and give priority to profitability.
- The majority of the private holdings cannot be considered as the only source of subsistence; therefore, other developments and employments connected to other sectors of the economy are also required to retain the population. Agriculture cannot be considered as the only source of subsistence for the rural population but without agriculture, subsistence is not possible.
- It is very important to launch activities – which can be agricultural or non-agricultural – to encourage diversification for which it is indispensable to prepare the farmers and to carry out a relatively reliable market research on the demand (Tóth 2000).
- Significant resources can be mobilised in the fields of developing the qualification of agricultural producers, in acquiring the information on the requirements and opportunities of the EU as well as in approaching the questions and increasing the knowledge (Kapronczai 2004).
- As for the income generating capacity of the holdings, it is indispensable to provide an economic base for lobbying in the interest of agricultural producers. This can only be ensured if the organisations and cooperatives – which are not too popular at present – are developed.

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