

FAMILY FARMS – A SUSTAINABLE MODEL FOR THE DEVELOPMENT OF RURAL AREAS

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Abstract

The family farm is a unique organizational form that holds significant economic and social importance in rural areas. These farms preserve traditions, customs, history, and authentic folklore and are symbolic of Bulgarian heritage in rural regions. They provide employment for rural households, enhance production efficiency, ensure food security, and contribute to the preservation of biodiversity. The purpose of this study is to analyze the advantages and disadvantages of family farms in promoting sustainable rural development. Motivation for agricultural and non-agricultural activities in rural areas is influenced by various factors, including natural and labor resources, financial support through the CAP (Common Agricultural Policy) and state assistance, market conditions, infrastructure, and more. To achieve the research goal, both quantitative and qualitative methods are employed, using representative data and results from comprehensive agricultural censuses, empirical sociological studies, desk research, and internet sources.

The involvement of the younger generation in farm ownership and the continued development of small businesses is essential for rural areas, serving as the backbone for economic activity and social structure. Targeted development of family farms will also contribute to the sustainable environmental growth of agriculture in Bulgaria and ensure greater attention to environmental preservation. Additionally, increasing the competitiveness of family farms can, beyond raising employment levels, lead to various secondary effects in rural areas, such as the development of related industries, income growth, risk reduction in agricultural activities, and workforce skill enhancement through experience and knowledge acquisition, as well as the implementation of innovations in production. Family farms possess all the qualities needed to strengthen the economic vitality of rural Bulgaria and to be a significant factor in alleviating rural poverty, both by creating jobs and as consumers of various services provided by other rural residents.

Key words: family farms, rural regions, vitality, sustainable development

JEL: J15, J24, F51

Introduction

In the coming decades, rural areas will become attractive places to live due to various natural, ecological, and social reasons. These areas offer favorable conditions for developing numerous socio-economic activities based on natural potential, providing an alternative to conventional resources. Rural areas allow for the development of activities beyond traditional agriculture and forestry, such as non-agricultural activities that contribute to GDP and create jobs for the working and childbearing population. Young farmers describe the challenges of rural life as involving a particular lifestyle, low incomes, living in remote areas, lack of essential

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services, and social isolation. The family farm is a unique organizational form, as it simultaneously serves as a workplace, a territory, and a means of providing food and sustenance for the farming household, encompassing lifestyle, tradition, and more. Choosing to be a farmer is not only a professional decision but a choice of a specific way of life.

In recent years, numerous studies have focused on the entry of the new generation into farm management, bringing different perspectives, education, attitudes, and motivation, which ultimately benefit the introduction of innovations in farms (Van der Ploeg, 2018; Milone and Ventura, 2019; Pitson et al., 2020; Conway et al., 2021). This aligns with new trends and fulfills the specific goal of supporting young farmers and new entrants, promoting the sustainable development of rural economic activities. Historically, small farms have been the first and most resilient representatives of family and small businesses worldwide. The United Nations Food and Agriculture Organization (FAO) defines a family farm as “an agricultural holding that is managed and operated by a household and where agricultural labor is largely provided by that household.” Family farms encompass a wide range of agricultural holdings: from small, semi-market farms with only family workers and those reliant on other profitable activities to diversify income, to large farms that are nevertheless primarily managed by family members. In other words, a family farm is managed by a household where most of the labor force primarily comes from that household. According to Barry (1975), Barnes & Hershon (1976), this is a business controlled by members of a single family.

Methodology

The objectives of this study are to analyze the advantages and disadvantages of family farms for enhancing sustainable rural development. The motivation for developing agricultural and non-agricultural activities in rural areas is influenced by a range of factors, such as natural and labor resources, financial support from the Common Agricultural Policy (CAP) and state assistance, market conditions, infrastructure, and others. To achieve the research objectives, quantitative and qualitative methods are employed, along with representative data and results from the 2020 agricultural census, findings from empirical sociological studies, a survey conducted with 845 agricultural producers across the country by the Ministry of Agriculture, desk research, internet sources, and case studies with young agricultural producers.

The involvement of the younger generation in the ownership of agricultural holdings and the continuation of small business development is of vital importance for rural areas, serving as the primary foundation for developing economic activity and the social structure.

Discussion and analysis of the issues

According to Eurostat, the number of farms in the EU-27 decreased from around 15 million to 10 million (–32%) between 2003 and 2016, with the largest decline occurring among small farms (<5 ha; –38%) and a moderate decline among medium-sized farms (5 – 19 ha and 20 – 49 ha, with decreases of 17% and 12%, respectively). Meanwhile, the number of large farms (>50 ha) increased by 7%. By 2040, the EU could lose an additional 6.4 million farms, leaving approximately 3.9 million farms remaining, an impressive 62% decrease compared to 2016.

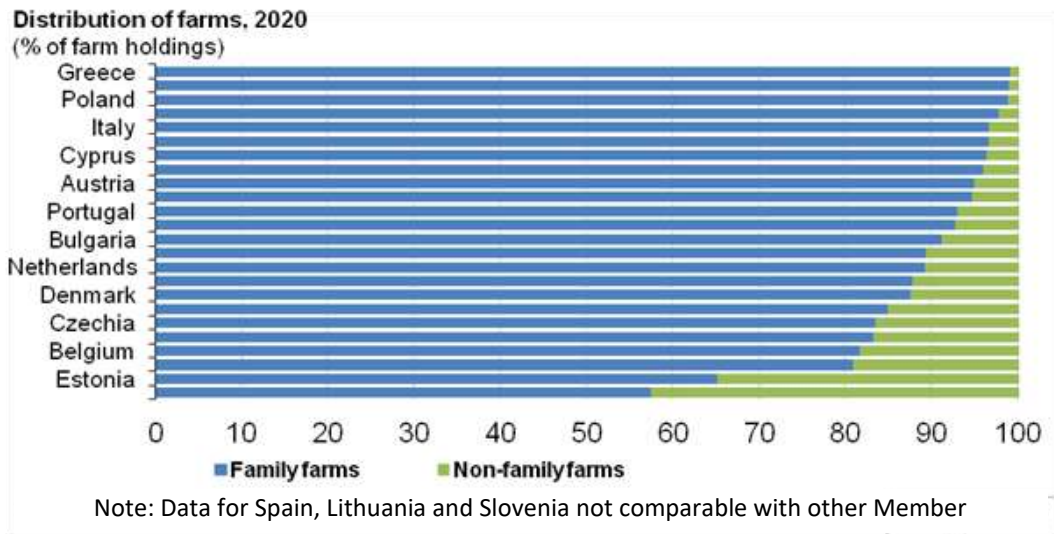


Figure 1. Number of family farms in Europe

Source: Eurostat

Family farms account for just over 9 out of 10 of the 9.1 million farms in the EU in 2020.

Statistical data from the latest agricultural census in Bulgaria clearly indicate a general decline in the number of young agricultural producers and a trend toward abandoning agricultural activities, despite the fact that rural areas offer new opportunities that young people living there could leverage.

Several authors (Glover, J., Reay, T., 2013) highlight business diversification and family obligations as motivating factors for heirs to continue the family tradition. The family farm is perceived both sentimentally as a means of preserving family values and as an inherited property (business). This arrangement can be understood as a unique type of “agreement between parents and heirs”, typically “oral and informal.” The strong connection of young generational farmers to their birthplace, agricultural land, and family traditions provides a reliable motivation for keeping

young people engaged in agriculture. The targeted development of family farms will also contribute to the sustainable environmental development of agriculture in Bulgaria and enhance environmental preservation. Furthermore, by increasing the competitiveness of family farms, numerous secondary effects in the country's rural areas can be achieved, such as the development of related industries, income growth, reduced agricultural risks, workforce skill enhancement through experience and knowledge acquisition, and the introduction of production innovations.

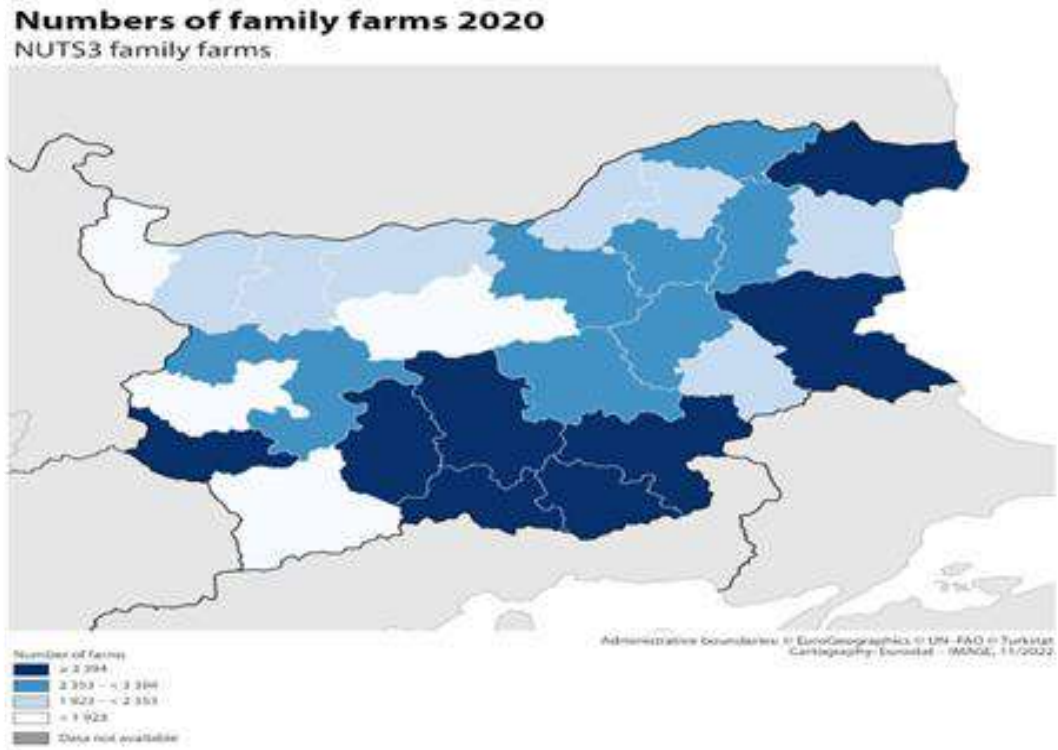


Figure 2. Number of family farms in Bulgaria 2020

Source: Eurostat

Family farms are primarily engaged in so-called labor-intensive sectors-livestock, vegetable production, and permanent crops-sectors which are crucial for Bulgaria for economic, social, and environmental reasons. Small farms play a key role in preserving local and traditional productions.

A study conducted as part of a research project¹ and by the Ministry of Agriculture, surveying 845 agricultural holdings in Bulgaria, examined the age structure of farm owners. The results show that the largest group of farm owners is those aged 50 or younger.

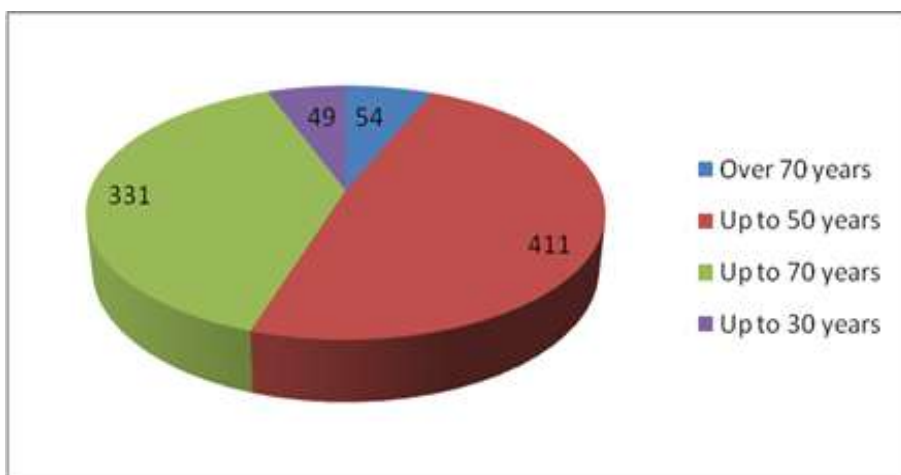


Figure 3. Age structure of farmers in Bulgaria

Source: Own calculations/survey of 845 agricultural producers

Over 60% of these farmers indicate that they have a successor who will manage the farm after them. It is a nurturing response that ensures the succession process has begun and is planned for the long term.

¹ Research within the framework of the project “Land Relations and European Policy: Synergy and Prospects for Bulgarian Agriculture (POZESIN)”, implemented with the financial support of the Scientific Research Fund at the Ministry of Education and Culture, contract KP06-H35/from 18.12.2019



Figure 4. Do you have an heir to the farm?

Source: Own calculations/survey of 845 agricultural producers

Returning to a local approach in how we produce, process, and distribute food can help reshape our economy to address the challenges of climate change, biodiversity loss, and rising levels of social and economic inequality. This type of consumer demand cannot be met by industrial agriculture, which is unable to provide small batches of diverse products, but can be fully satisfied by small local farms. For this reason, consumers see these farms as gathering places for families, neighbors, and friends, environments where inspiring connections can be established and where they can feel closer to their roots. The underdeveloped market environment is a limiting factor for increasing the number of newly established agricultural farms, both nationally and regionally. Among the factors contributing to the current state of the market environment for small farm product sales in our country are: Decreased purchasing power of the population and the limited domestic market; Low investments in the food processing industry; Extreme fragmentation and dispersion of land plots, which discourages owners from even renting them out;

The very slow process of farm consolidation and land restructuring, resulting in most farms operating to meet the needs of their own members, with only a small portion producing primarily for the domestic market; A sharp reduction in areas cultivated with modern agricultural machinery; the widespread neglect of essential agricultural practices due to a lack of working capital; Significant reduction of irrigated land and minimal use of mineral fertilizers; Dependence on clients and suppliers; The unfavorable economic situation, which adds further stress; Income instability.

A survey among young people engaged in family farm activities highlighted the following main motivating factors:

- Satisfaction (37% of respondents)
- Fast business development in their home region, where they have strong familiarity (22%)
- Applying knowledge acquired in university (15%)
- High income potential (11%)
- Opportunities to access Rural Development Program (RDP) measures (9%)
- Family traditions (4%)
- Success of similar businesses in EU countries (2%)

The use of land and natural resource potential by new generations in different regions is a fundamental prerequisite and foundation for developing a form of multi-functional agriculture. This approach will enrich the rural economy, diversify production, and preserve the cultural identity of rural areas. The future Common Agricultural Policy (CAP) and other rural development policies should focus on enhancing the attractiveness of rural areas. This requires providing employment opportunities, decent working conditions, and high-quality services in fields like education, housing, culture, employment, social support, and more.

For the greater part of them, the land is a source of income as well as a family value. The next generation's awareness of turning land into a major factor of production has its long-term goal. Being heirs to a farm, proximity to home, relatives and the farm plays a key role. This supports the thesis about the social role of family business in rural areas.

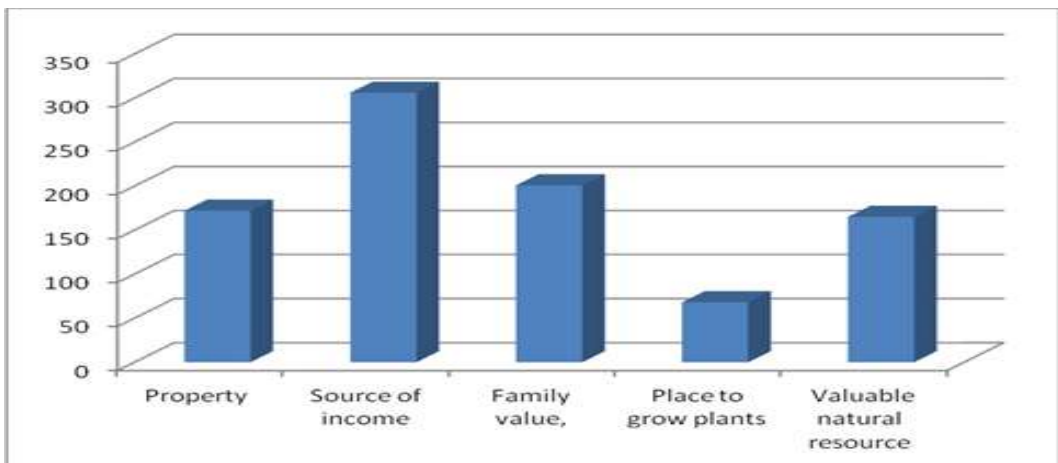


Figure 5. What is the earth for you?

Source: Own calculations/survey of 845 agricultural producers

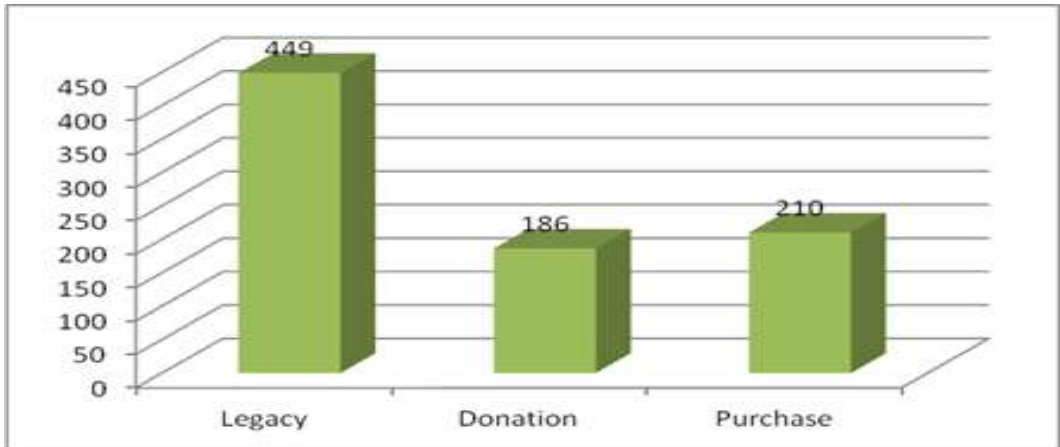


Figure 6. How did you get this land?

Source: Own calculations/survey of 845 agricultural producers

It is here that the role of farmers is key, as none other than they are the people who ensure the food security of the entire EU. And without young people, any sector has no future. That is why the CAP 2023-2027 bets extremely much on them.

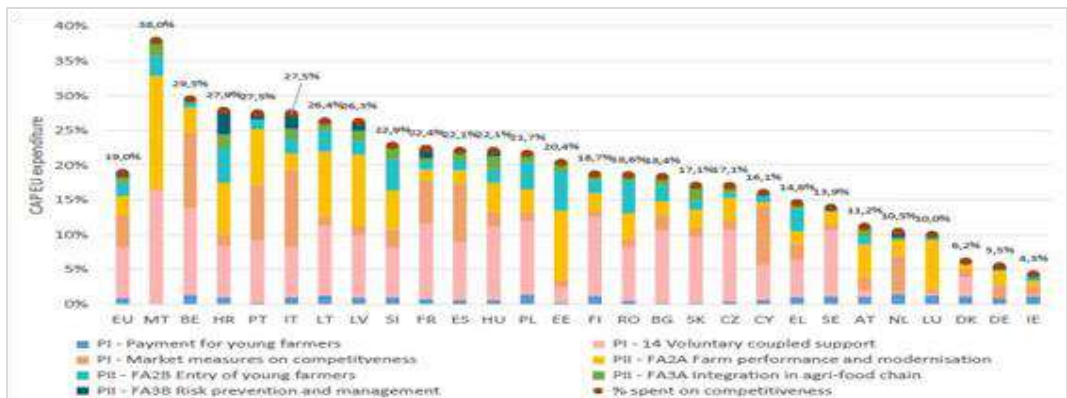


Figure 7. Guidelines for the development of farms in Europe (CAP 2030)

Source: Eurostat

However, there are trends that have proven stable over time. The conducted research is further strengthened by field and desk studies that elaborate on observations, suggesting that farms operating in rural areas can be categorized into several types of groups:

The **first group** – **The home is in the village**. There is a strong attachment to agriculture and the land, especially for generational family farms. Traditions are well-

preserved, with a transfer of experience, a drive to grow from a personal farm into a small or medium-sized operation. It is unacceptable for them to leave their land uncultivated or miss the opportunity to produce something that could help their children and families live better.

The ***second group – Farms of those employed in the tourism sector, offering guesthouses in rural areas and entirely business-oriented.*** These entrepreneurs either settle in ancestral rural homes or prefer to purchase property in a rural area that meets specific requirements. In these farms, the yard is divided: one part is designated for agricultural activities, such as fruit, vegetable, and livestock production. This farmyard provides guests with the chance to experience agricultural production firsthand through demonstrations, observation, and even direct participation in work processes.

The ***third group – Driven primarily by a desire for a lifestyle change, seeking a quieter life, away from urban noise, overcrowding, and polluted air.*** They are motivated to manage a small farm for personal needs, often aimed at producing food resources that are “clean,” grown naturally without artificial fertilizers. For this group, the right model is to develop family and ecological farming. They use their produce primarily for personal consumption, with a small portion sold at local markets or online through specialized sites.

The ***fourth group – Based on social exclusion and economic necessity:*** loss of employment, subsistence needs, primary household income from retirement pensions, disability pensions, social assistance, and so on.

This clearly demonstrates that working in a family farm becomes an alternative for many households, helping them reduce the negative impact of the economic crisis on their budgets by seeking opportunities to meet their basic food consumption needs. Many young families have sought a life in the village and find it appealing. In Figure 8, we can clearly observe an active process of settlement in rural areas, which has continued since the end of 2018, reaching its peak in 2020. Whether socio-economic crises in a society change trends or whether these are short-term personal decisions is a process that we will monitor in the coming years. In order for these processes to be sustainable, the regional policy for rural areas in Bulgaria must focus on: developing a vibrant agricultural sector; diversifying the economic structure in line with local potential; creating alternative sources of employment and income; stabilizing demographic and settlement development; reducing unemployment, increasing incomes; improving access to infrastructure, education, and healthcare, among others. The multifunctionality of the agricultural sector can play a stabilizing role in the rural economy, as family farming is not just an occupation, but rather a way of life compared to most other professions.

The return of the younger generation to active agricultural activity will lead to the recognition of the fundamental importance of small farms for the sustainable development of rural areas. Involving the younger generation in farm ownership and

small business development is crucial for rural areas, as in most of these regions, agriculture continues to be the main pillar for economic activity and social structure. This rational behavior of many rural residents is not only a motivation for entrepreneurial spirit but also a potential source of synergistic effects.

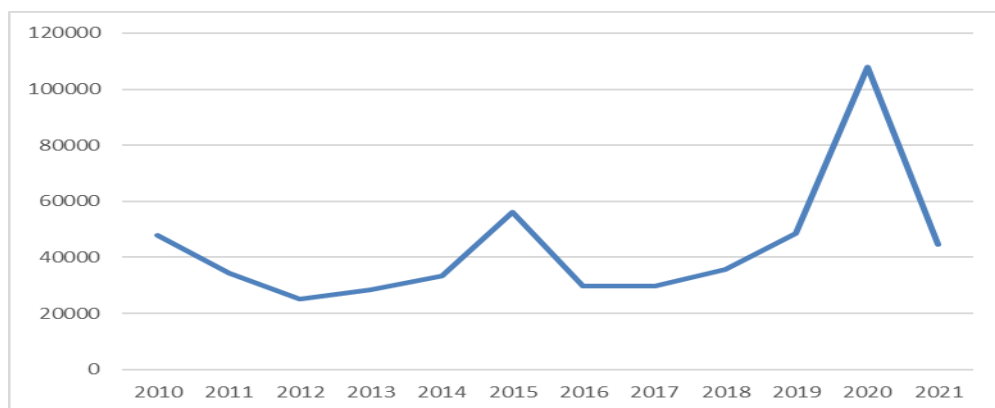


Figure 8. Migration of the population to the villages for the period 2010 – 2021

Source: Own calculations, NSI

Conclusions

As a result of the conducted research, the following conclusions and recommendations can be made regarding the development of agricultural entrepreneurship and institutional changes in Bulgaria:

- A significant number of young entrepreneurs are still not sufficiently familiar with the mechanisms of the Common Agricultural Policy (CAP) for supporting farms. The development of the information network and training will increase their access to public support.
- The majority of farm owners lack the necessary assets to guarantee high productivity and compliance with market requirements for production, quality, and safety. Due to a lack of financial resources, they cannot apply for agricultural and rural development measures.
- The implementation of CAP and support for young people will contribute to balancing the agricultural product market, thus improving the absorption of European funds, which is a prerequisite for increasing competitiveness.

Young farmers bring ideas, knowledge, and energy to the sector, while also driving innovation, productivity, and competitiveness in farms. This inevitable change is something we must face in the next decade when two out of every three agricultural specialists in our country will reach retirement age. Initiatives like this aim to raise awareness about the excellent opportunities this sector offers and, ultimately, attract more young people to agricultural activities. As I mentioned at the beginning, no

other food system has guaranteed food security throughout history like family farming and livestock. Given its experience in providing services and the benefits it generates, we, from the government, will work to ensure that this continues in the future. This is our commitment to family and sustainable agriculture.

The successful transfer of the business from one generation to the next is crucial for its sustainability and long-term development. It is important to recognize that this process is not simply a legal or financial matter; it requires careful planning and a strategic approach. Planning the business transfer between generations is a complex but vital process. Through careful planning, training, open communication, and a strategic approach, families will be able to ensure the successful inheritance of the business and its long-term development. Ultimately, a successful transfer is not only a matter of inheritance but also of continuing tradition, innovation, and family commitment to the growth and sustainability of the business. Supporting the next generation of European farmers will not only improve the competitiveness of agriculture in the EU in the future but will also ensure Europe's food security for years to come.

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