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Economic Activity of Farms Against Farms Countries of the European Union

Abstract. The development of an economic activity has been considered as a driving force for economic development, creating a chance to remove the rural population outside the agricultural sector. This article presents an analysis of the development of non-agricultural activities on farms in Poland and other countries in the European Union. A spatial variation in entrepreneurial farms in the EU in the years 2005, 2007 and 2010 indicated the dominant form of non-agricultural activities.

Key words: rural area, other gainful activity, agricultural farm

Introduction

The issue of rural areas development is still relevant and researched by many scholars as Wilkin (2010), Kłodziński and Rosner (1996), Czyżewski and Kułyk (2011), Adamowicz and Zwolińska-Ligaj (2009). The notion of rural areas (*les territoires villages, zone rurali*) is not clearly defined. It can be examined in terms of geographical, economic and sociological terms. Sociologists define rural areas considering local communities or peasant society features among which are spatial-demographic with territorial features, namely, the geographical community and a group of people selected on the grounds of the territory.

In terms of social features, related to similarities in the living conditions they define distinct type of solidarity, predominance of private and informal forms of communication and limited number of social institutions. In terms of cultural features, representing the same standards and values they define joint actions taken by the locals, individuality of its own culture (traditions, concepts, attitudes) and economic features, which is the connection of work in the fields with preindustrial structure against developed trade and craftsmanship, with a specific division of work and market structure (Kaleta, 1998).

In sociology, rusticity, in comparison to urbanity, is mostly defined as a distinct bond of human and nature, landscape and housing (Cloke, 2006). Reference books on economic geography and planning include several kinds of definitions of rural areas. The main concern of geographical research focuses on the issue of space and its environmental, economic and socio-cultural processes. The subject of geographical research is rural areas, which are distinguished based on their unique structures mostly referring to demography, land cultivation and economic elements.

As it was emphasised by Gilg (1985) and Wibberley (1972), the definition of rural areas should be based on the characteristics of the landscape and the intensity of land use. Kostrowicki (1976) considers rural areas as *a place which was dominated by farming for years and complemented by other forms of activity related to exploitation of natural resources*.

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Whitby and Willis (1978) emphasize that accepting land use as a criterion of rusticity is inadequate without considering social issues. According to the authors, a rural area may be dwelled by people not associated with farming or forestry, which are the directions of extensive land use. Therefore, a workplace or a sector in which people live may be a crucial criterion as defined by Banski (2012). Disorganisation of social and economic structures in the countryside is related to the activation of unused resources located in the rural areas, so above all, human resources, land and natural and cultural environment. It should be noted that it was farming which had a decisive influence on shaping a cultural image of the countryside (Adamowicz, 2004).

Although farming is still a dominating factor shaping the features of most rural areas, and it will remain a dominant share of rural economy in most regions for a long time, the process of diversification of businesses in rural areas, and integrating new non-agricultural and non-commodity outputs functions, is becoming more visible (Sikorska-Wolak, 2009).

Landscape analysis allowed for spatial identification and evaluation with a perspective of socio-economic development in some regions in European scale. Cavallo *et al.*, (2010) point the importance of traditional agrarian landscape for territory which urgently requires an examination of the study of transformation and evaluative dynamics. In regions with unique natural and cultural potential, the most recommended direction of development is sustainable tourism, based on landscape values. One of such types of tourism is rural tourism, including agritourism (Jaszczak and Žukovskis, 2011).

The introduction of market mechanism in the economy resulted in the fact that more and more people living in the countryside started establishing their own trade, service and crafts businesses using their household resources. An important way of developing the business activity among a considerable number of countryside dwellers is a diversification of farms towards non-commodity outputs such as agritourism, pre-processing of farm products, crafts and handicrafts. In this way, some farmers may secure an additional source of income for their future.

Such a concept popularises a “European model of agriculture”, which has at its core functioning and development, juxtaposed to highly competitive farms and is tightly connected with non-agricultural cells of agribusiness, including family-run farms, supplying market goods beyond the agribusiness structure (processing regional goods, direct sale, processing agricultural raw materials, non-commodity outputs and non-market goods in form of landscape values, biodiversity and restoring balance in natural environment).

The institutional development of rural areas is displayed in farm owners participating in cultural events, public life by using mass media. The aim of farming is not only maximising the effectiveness but also the realisation of pro-social and pro-environmental functions. As it is shown in the delimitation of rural areas, tourism may play a crucial role in being a significant branch of local economy and acts as a stimulus of endogenic development. The research conducted in randomly selected communities in Finland and Norway (Huse *et al.*, 1998; Saarinen, 2003 and Kosmaczewska, 2013) indicates that the influence of tourism on socio-economic development is more beneficial in case of larger communities than smaller ones, which, according to the authors, stems from more diversified economic structure.

Methodology

The primary objective of the study is the analysis of non-agricultural activities of farms in Poland and selected countries in the European Union. The research is based on economic activity and its spatial and temporal diversity. It deals with the level of entrepreneurial farms in the EU and in Poland in the years 2005, 2007 and 2010 indicated the dominant form of non-agricultural activities. The basic method of the study is a comparative analysis with the use of used selected methods of descriptive statistics.

The priorities of rural development policy in EU focus on multifunctional farming sector and supporting alternatives sources of income in rural areas such as those connected with tourism, crafts or services. Not only does undertaking additional businesses contribute to raising income, but also enables a better use of resources as well as allows the rural population to stay in their dwellings. In 2007, apart from agricultural activities, more than 1361 thousand farms in EU (27 countries) ran businesses other than farming. They constituted approximately 10% of all the farms (Figure 1). The percentage has been changed in the following years. In comparison to the previous years, the largest number of farms running additional businesses registered in the EU was in 2010 (Agriculture ..., 2013).

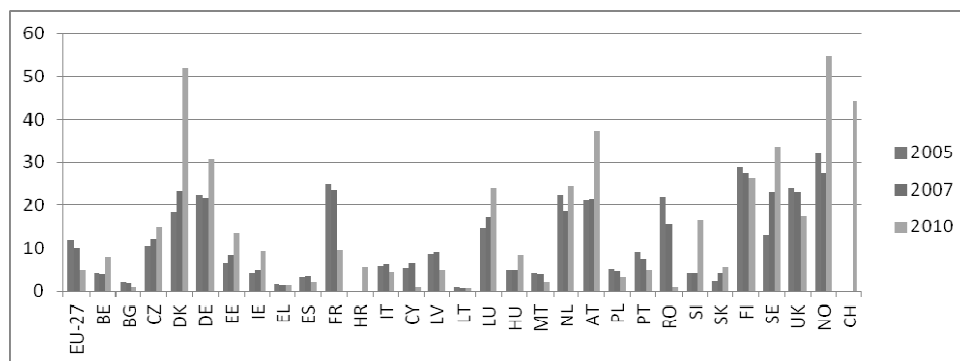


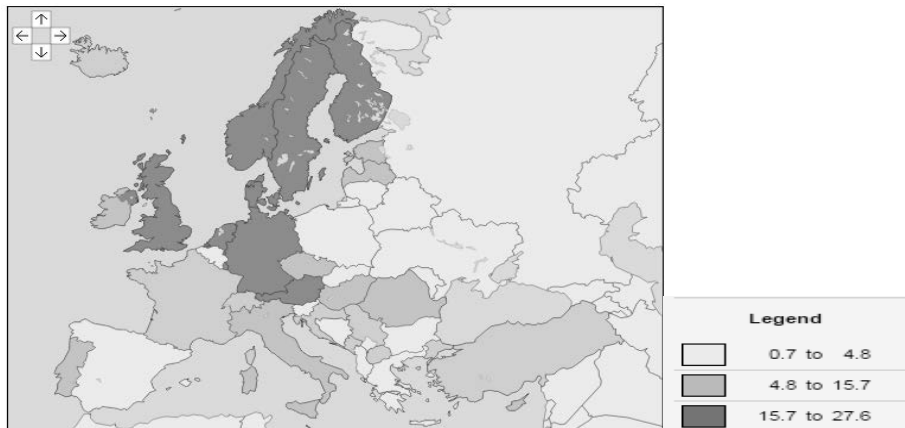
Fig. 1. The percentage of farms engaged in economic activities other than agriculture (% of households) in 2005, 2007 and 2010

Source: Author's calculation based on Eurostat 2007; Agriculture, forestry and fishery statistics 2013, Eurostat Pocketbooks.

Among EU countries in 2007 the highest proportion of farms with additional non-agricultural outputs was Finland with 28,9% and Norway with 32,2% (a country affiliated with EU). In 2007 there was a downfall in the number of farms by approximately 2% in comparison to 2005, but still the number was much higher (60%) than in 2003. The highest number of farms running non-agricultural businesses in 2007 was registered in Finland (28,9% households), in France (23,6%), in Germany (23,4%) while in 2010 in Denmark (50%), in Austria (37,3%), in Norway (54,7%) and in Croatia (44,5%).

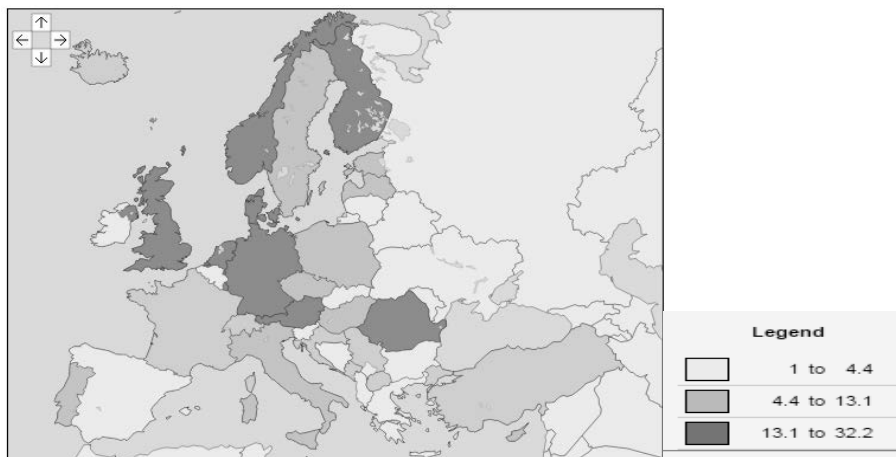
In Poland merely 4,8% farms in 2007 went into additional businesses while in 2010 there was a considerable drop by 2,1% in comparison to 2005. Although diversification of rural economy is desired and supported by rural development policy in EU, there are countries in which the percentage of entrepreneurial farms is systematically decreasing.

This conclusion refers to Latvia (a decrease by 61% in comparison to 2003), to Hungary (a decrease by 55%), to Bulgaria (a decrease by 49%) as it is shown in Maps 1 and 2.



Map 1. Percentage of farms engaged in economic activities other than agriculture (% of households) in 2007

Source: Author's calculation based on OECD 2008.



Map 2. Percentage of farms engaged in economic activities other than agriculture (% of households) in 2005

Source: Author's calculation based on OECD 2006.

Analysing the types of non-agricultural activities it is worth noticing that the highest number of farms (60%) ran businesses related to processing of agricultural products. According to Eurostat, the dominating business activities are services (15% of households) and tourism (9,2% of households).

Among the farms engaged in tourism those specialising in grazing livestock dominated over others amount to 44%. Tourism was also the domain of the farms with field crops and permanent crops (accordingly 15,5% and 15,2% of all non-agricultural outputs).

In Poland, dominant non-agricultural activities are unclassifiable. Among the most popular business activities in Polish farms are service activity using own machinery (29% of farms), aquaculture (10%) and tourism (9%). Services sector is a dominant form of business activity among farmers (increase by 29,2 % in 2013 in comparison to 2005). Agritourism took the second position (increase by 5% in comparison to 2005). The presented data indicate that between 2005 and 2013 there was the increase in the interest in the agritourism and services on the national scale. There was also a decrease in the number of the following activities: wood processing (4,2 percentage point), plant cultivation and stock farming in water environment (aquaculture – 8,2 percentage points) and other activities (23 percentage points). Production of renewable energy for the market changed marginally from 0,2% to 0,3% (Table 1).

Table 1. Types and number of non-agricultural enterprises in farms in Poland in 2005, 2007 and 2013

Types and number of non-agricultural activities	2005		2007		2013	
	Thous.	%	Thous.	%	Thous.	%
Services with the use of own equipment	31,6	23,6	33,2	28,8	36,9	52,8
Agritourism, room to let and others	9,1	6,8	10,2	8,9	8,2	11,8
Processing of agricultural products	5,3	4,0	3,2	2,8	2,4	3,4
Wood processing	9,0	6,7	6,8	5,9	1,7	2,5
Handicrafts	2,1	1,6	2,1	1,8	2,3	3,3
Cultivation and breeding of plants and Animals in water environment	13,6	10,2	11,5	9,9	1,4	2,0
Generating renewable energy for the market	0,3	0,2	0,2	0,2	0,2	0,3
Other activities	62,8	46,9	48,0	41,7	16,6	23,9

Source: Author's calculation based on: Charakterystyka gospodarstw..., GUS 2006, 2008, 2014 Warszawa.

Recently farming has been undergoing many changes including quantity, size and the direction of business activities. The growing number of farms, mainly small, is moving from traditional methods, looking for non-agricultural sources of income (Johannesson, Skaptadottir, Benediktsson, 2003). Undertaking an additional economic activity not only contributes to the increase of income, but also allows a more effective use of resources that are in our possession.

The state of development of non-agricultural business activity is regionally diversified. There are more farms located in northern and western voivodships than in typically farming-oriented districts (podlaskie, lubelskie, mazowieckie and wielkopolskie) (Charakterystyka, 2012). Service sector constitutes the dominating form of business activity among farmers, the increase by 21,2% in comparison to 2005. Agritourism took the second position (increase by 2,7% in comparison to 2005).

The presented data indicate that between 2005 and 2013 there was an increase in the interest in the agritourism and services on national scale. There was also a decrease in the number of the following activities: wood processing (6%), plant cultivation and stock farming in water environment (aquaculture – 11,6%) and other activities 38,9%. Only production of renewable energy for the market did not change and was only 0,3%.

Conclusion

The available data of mass statistics do not determine precisely the scale of enterprises related to agrotourism and the number of people using this form of relaxation. The number of farms dealing with agrotourism and rural tourism is growing year by year in most Polish voivodships. Also, in many EU countries the number of farms offering agrotourism services is growing rapidly. Italy may serve a good example here, as the number of farms between 2003 and 2007 doubled (OECD, 2008).

The share of agriculture in gross domestic product is systematically reduced, in rural areas is taking place an increased diversification of business activity. Unfavourable indicators scissors prices make farmers increasingly forgo the typical agricultural activities and occupy the alternative sources of income.

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