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SMALL FARMS IN BULGARIA – TRENDS AND PERSPECTIVES

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Abstract

Small farms play a significant role in the rural regions of the European Union. They contribute to food security, create and foster biodiversity and provide local employment. In Bulgaria, the agricultural structure is dominated by small farms, which represent more than 86% of all holdings. The aim of the study is to outline the main trends and changes in Bulgarian small holdings for period 2010-2016 and to highlight the future prospects and opportunities after 2020. In the study are applied comparative, historical and logical methods of analysis. The results indicate that the share of small holdings in the utilized agricultural area and generated standard output is declining. On the other hand, they concentrate the highest share of the agricultural labour force and remain mostly family business. Although the current schemes under Pillar 1 provide financial support for small holdings, some of the measures are ineffective and unequal. Some of the schemes of the CAP post 2020 should be revised in order to become more effective, fairer and better orienteered.

Keywords: rural development, financial support, sustainability

INTRODUCTION

In the past decade, the importance of small farms for rural development is widely discussed and acknowledged. In the global context, small holdings play a significant role in poverty reduction and contribute to food security and sustainable development. In the European Union, they are often considered as a "backbone of European farming".

In Bulgaria, small farms are dominating structures in the number of holding and are an important source of income and local jobs. They play a crucial role in rural society, contribute to the local economy, secure the resilience of the food system and help in maintaining biodiversity. On the other hand, small farms are disappearing and could not compete with large scale holdings. They struggle to ensure financial support under the Common agricultural policy (CAP) and are under the pressure of the process "land grabbing".

The aim of the study is to outline the main trends and changes in Bulgarian small farms for period 2010-2016 and to highlight the future prospects and opportunities after 2020.

The paper is structured as follows: First, material, methods and theoretical background are presented. Second, the tendencies, dynamics and changes of the role of small farms are observed. The study analyzes the current schemes for financial support under the CAP. In the third part, some important conclusions and recommendations are provided.

MATERIALS AND METHODS

In the scientific world, there is no clear and universally accepted definition of a small farm (Davidova and Thomson, 2014). Physical size, economic size, labour force, market orientation, specialization are used to define small farms. (EC, 2011). Eurostat and Food and Agriculture Organization (FAO) classified as small farms holdings with less than 5 ha UAA. The definition is used in a number of studies (Davidova and Thompson, 2014; Galluzzo, 2015 Papadopoulos, 2015).

Definitions associated with the criteria "farm size" are widely and easily applied. However, they are pointed as misleading and incomplete by some authors, because do not take into consideration the differences between countries, regions and production types. (Van Elzakker et al., 2003; Nagayates, 2005).

Regarding the labour force, Petit et al. (2006) classified the small holdings as farms with less than 1.5 annual work units (AWU) employed.

Another widely applied indicator is the economic size. Definitions related to this criteria are used by Angelova and Bojnc (2012) and Ruane (2016). The economic size is the most appropriate criteria for defining small farms as an object of special support measures (European Commission, 2011). Therefore the EU institutions apply this indicator in development policies and programs.

In this regard, the survey uses the Eurostat classification. It distinguishes the holdings into very small and small farms. “By physical size based on utilised agricultural area in hectares: Very small farms: < 2 hectares; Small farms: 2 hectares – < 20 hectares” (Eurostat, 2016). “By economic size based on standard output in euro: Very small farms: < EUR 2 000 and Small farms: EUR 2 000 – < EUR 8 000” (Eurostat, 2016).

Comparative, historical, and abstract-logical methods of analysis in the study are applied.

RESULTS AND DISCUSSION

The role of small farms in Bulgarian agricultural and rural areas

Farming in the EU is mainly dominated by three different groups: subsistence farming, small and medium-sized holdings that are generally family farms and large agricultural structures. According to the Farm structure survey conducted in 2016, Romania has one-third of the EU's farms but they are small in size. Poland (14%), Italy (10%, 2013) and Spain (9%) also concentrate the majority of the EU holdings (Eurostat, 2018). Bulgaria accounts for only around 2% of all EU holdings as more than 80% of the farms are small or very small. The data indicate that these structures play a significant role in Bulgarian agriculture and especially for rural areas.

Figure 1 presents the share of small and very small farms in number and utilized agricultural area (UAA).

The implementation of the Common Agricultural Policy changed Bulgarian agricultural structure. The accession to the EU caused wider polarization in farms distribution by physical and economic size. For the period 2003-2016, there is a downward trend in the number of farms, and the rate of decline in the country is around 70%. Similar trends are observed in almost all Member states of the EU, but only in Bulgaria, Slovakia and Italy, the decline is with more than half of all farms.

In 2016 in Bulgaria are registered 201 thousand agricultural holdings. The rate of decrease compared to the previous farm surveys (2010 and 2013) is respectively 20.9% and 45.7%.

The share of very small farms in the number of holdings declines by more than 12%. Although there are some variations in the share of small and very small farms over the years, they remain very important for Bulgarian agriculture.

According to Eurostat (2018), more than 171 million hectares in the EU in 2016 are used for agricultural production (around 40% of the EU total

land area). Although Bulgaria represents little over 2% of UAA in the European Union, in the country is registered the highest increase for the period 2010–2016.

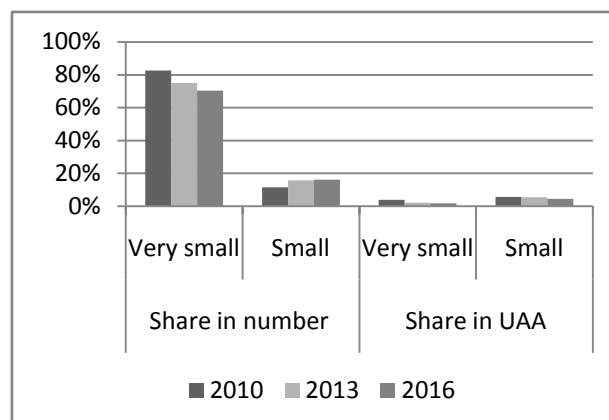


Fig. 1. Share of small and very small holdings in number and UAA of agricultural holdings (%)

Source: Farm structure Survey 2010–2016

In 2016 France (16.2% of EU total UAA) and Spain (13.2%) are the two Member States with the largest utilized agricultural area, followed by United Kingdom (10%) and Germany (9%). The most contrasting distribution of farms is registered in Romania – more than 90% of all farms are small. On the other hand, 0.5% of farms are large and very large (50 ha or more) and accumulate 51% of UAA.

Large farms are dominating in the number of structures in Luxemburg (52% of farms), France (41%) and the United Kingdom (39%). (Eurostat, 2018). In Bulgaria, the share of small and very small farms in UAA decreases respectively by 1.3% and 2.1%.

Based on the results some important conclusion could be drawn. Comparing to the EU-28 average Bulgarian agriculture has different farm distribution. It is characterized by unbalanced farm structure. Small holdings are the most common structures, but they concentrate less than 3% of UAA in Bulgaria. On the other hand, less than 5% of all farms have physical size of more than 50 hectares, concentrating more than 90% of UAA.

The data highlight one of the crucial issues in Bulgarian farm structure - the overconcentration of the UAA. The implementation of the CAP could not help Bulgaria to address the challenges associated with the dualistic structure of holdings and to maintain sustainable and competitive agriculture. Mainly larger extensive producers benefit from the direct payments under Pillar 1, while small and very small farms have limited

access to financial support. The trends and perspectives of Bulgarian small farms are observed by the other most commonly used indicator-economic size.

Figure 2 presents the share of small and very small holdings in the produced standard output.

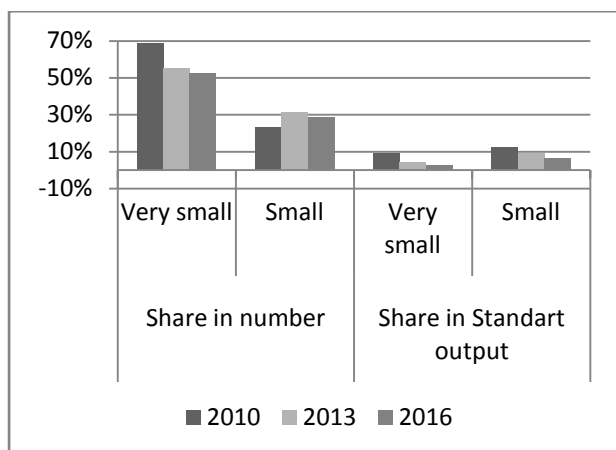


Fig. 2. Share of a small and very small holding in a number of farms and produced standard output (%) Source: Farm structure survey 2010–2016

In the EU more than 60% of the holdings (4 million farms) have a standard output below EUR 2 000 and produced only 1% of total agricultural economic output. By contrast, only 3 % of the farms (296 000) are with a standard output EUR 250 000 or more. In 2016 they concentrate more than half of the EU total standard output.

France, Germany, Spain and Italy form almost 54% of the standard output. Although Romania represents 33% of the EU's farms, the country produces less than 3% of the EU's standard output (Eurostat, 2018).

In Bulgaria, the share of small and very small farms in the number of registered holdings is declining. Similar trends are observed in the share of these two groups in the generated standard output. For the period 2010-2016 the share of small and very small holdings in the total standard output decreases by more than 6%. On the other hand, the large structures represent less than 2% of all holdings but are responsible for over 58% of the standard output.

These changes indicate that there is over-concentration of agricultural output in large structures. Small farms are disappearing and continuing to struggle in order to increase their economic role (Atanasov, Popova, 2010). Small holdings are vital for Bulgarian rural regions and further polarization is a barrier to the development

of balanced agriculture.

Small and very small holdings are mainly family business. The structure of the labour force in Bulgaria shows the importance of these farms for the rural economy (Figure 3).

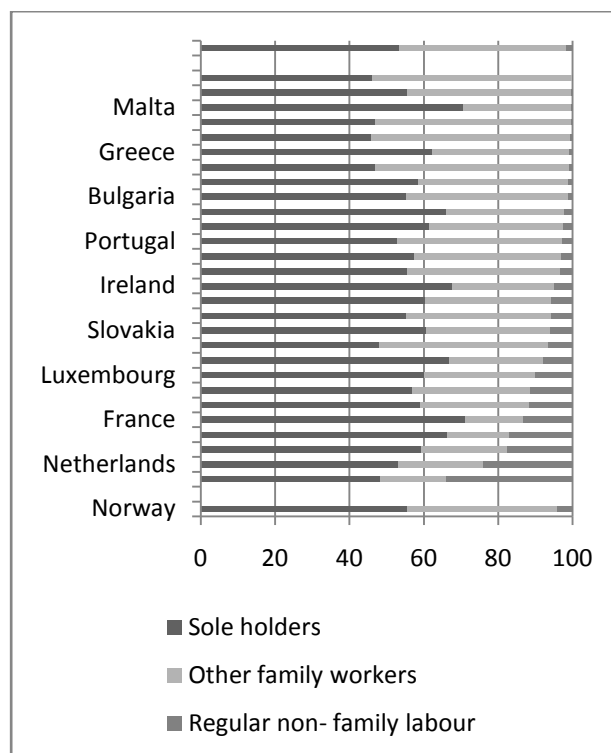


Fig. 3. Regular farm labour force on very small and small farms in economic terms, by sex, 2013 (% of the regular labour force in AWU) Source: Eurostat

According to Eurostat (2016), in small farms (with a standard output of EUR 2 000 – < EUR 8 000) is recorded 24.2 % of the EU-28 agricultural labour force. A similar percentage is registered for very large farms (with a standard output of ≥ EUR 100 000).

The share of the labour force in small farms is characterized by wide variation between the Member States. In Bulgaria (33.3 %) and Hungary (39.4%), very small farms concentrate the higher share of the agricultural labour force. In the other eight Member States, the share of the agricultural labour force in small farms (2000–8000 EUR) is above 40%. By contrast, the large enterprises (with a standard output of EUR 25 000 – < EUR 100 000) account for the highest shares of the labour force in Malta, Italy and Austria. In the other nine Member-States, the very large structures are providing the highest share of the labour force.

The results indicated that in the EU the labour force in small farms is represented by family members. The share of non-family labour is insignificant. The trends are similar in almost all Members – States. The highest share of non-family labour is registered in Denmark (33.9%), the Netherlands (24.2%), the United Kingdom (17.8%) and Belgium (17.1%). By contrast, in Romania (0.1%), Slovenia (0.4%) and Poland (0.8%) the non-family workers are under 1%. In Bulgaria, only 1.3% of the labour force is presented by non-family members. The results outline that small farms play a significant role in rural regions. The majority of the agricultural labour force is concentrated in small and very small holdings.

Another important conclusion is associated with the gender equality. In Bulgaria, the gender gap is greater than in the EU-28. Although their valuable role in rural society, women still form less than 35% of all farm managers in the country. Similar trends are observed in the share of female non-family workers. Although there is a slight increase in the number of women managers, the agricultural policy should be directed in order to enhance the possibilities for entrepreneurial activities.

The data show the vital role of small and very small farms for Bulgarian rural economy and sustainable development. (Shahanova, Kabatliyska, 2018). Farming remains the most important source of income for local society (Manolova, Penov, 2015). The results of the survey highlight the crucial role of small farms for poverty reduction and social inclusion in Bulgaria. Although the small farms represent the negligible share of UAA and standard output, they are playing an important role for the majority of the rural population and therefore are the key for preventing the abandonment of rural areas.

Financial support under the CAP

From 2004-2007, the EU enlargement brought countries like Poland, Romania and Bulgaria, doubling the number of farmers in Europe and bringing in millions of very small holdings based on self- or semi-sufficiency (*European Coordination Via Campesina*, 2014). In this regard, the financial support possibilities have provoked debate about the main purposes and directions of the CAP.

Under the mandate of Barroso Commission 2009-2014, the Commissioner for Agriculture, Dacian Cioloş designated the term 'small farms' for first time in the draft for the CAP in 2014-2020 period. The year of Family Farming was 2014. The consultations and workshops under this initiative helped small farms, which are mainly family

holdings, to be more visible and offered opportunities for further debate.

The 2013 CAP reform presented new schemes for supporting small farms. The opportunities under Pillar 1 are mainly voluntary. One of the possibilities for support is the Small Farmers Scheme. This instrument is "a simplified direct payment scheme which replaces all other direct payments schemes that a farmer could be entitled to. The Small Farmers Scheme includes simplified administrative procedures for farmers and national administrations. Participating farmers are exempted from greening obligations and from cross-compliance penalties. The level of payments is limited to a maximum of EUR 1 250 (European Commission, 2017). Bulgaria and other fourteen Member-states apply for the new scheme.

Other opportunities that support small farms are the voluntary scheme for the redistribution of basic payments and Young Farmers Scheme, which is mandatory.

In Bulgaria, under Pillar 2 there is a thematic subprogram for small farms. This program includes different measures that aim at helping small farmers - consulting services, start-up support and investments in tangible assets. In the special subprogram, however, there is a definition of small farms. According to the Program, these are farms with standard output between 2000-7999 EUR. Unfortunately, financial support could not be received by very small farms below 2000 EUR. In Bulgaria, very small farms concentrate the majority of the labour force and are more than 70% of all farms. The exclusion of these holdings limits their opportunity for development and growth.

First results of the implementation of the newly designed schemes were published by the European Commission in 2018 (European Commission, 2018). Figure 4 presents the share of small farmers' scheme applicants in all direct payments applicants for period 2015–2016.

In 2015, around 50% of all applicants in the EU apply for the scheme (around 2.9 million). The holdings under this measure are very small and concentrate only 9% of the total determined UAA. There is serious variation in the share of applicants and in the covered area among Member-States. The lowest share of small farmers' scheme applicants is in Switzerland (3%) and the highest- in Malta (90%). In Bulgaria, the share is more than 15% in 2015 but declines significantly next year to around 10%.

The area covered by the scheme is only 0.5% in Germany and more than 70% of total direct payment area in Malta.

Significant decrease in the number of applicants in the EU is observed between 2015 and

2016 (with more than 10%). The share of the area in the total determined area is reduced from 9% to 7% in 2016.

The main reasons for the decline are associated with the higher financial support outside the small farmers' scheme because this measure is limited up to EUR 1 250 combined with the relatively high administrative burden under the scheme (Georgiev, Roycheva, 2018).

The results indicate that the specific instrument aimed at supporting small farms is not efficient and could not help the small holdings to overcome the difficulties. These structures prefer to apply for basic payment support outside the Small Farmers Scheme.

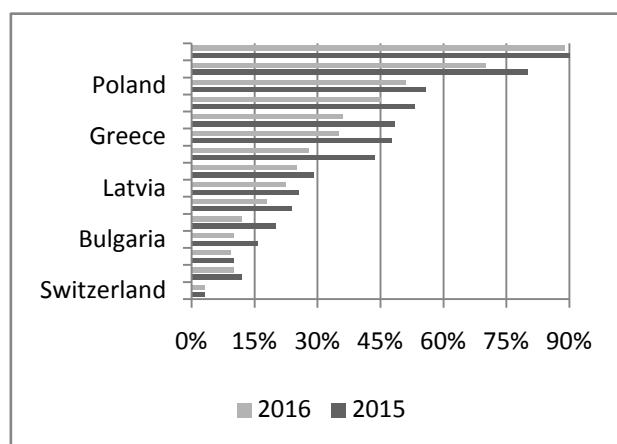


Fig. 4. Share of Small Farmers Scheme applicants
Source: Clearance Audit Trail System

Similar results are registered with the Young Farmer Scheme, which is compulsory and supports young people to start own farming business. In 2015 Young farmers scheme beneficiaries represent only 4.2% of all applicants in the EU-28. This share increased up to 4.8% of applicants in 2016. In Bulgaria, the share is a little more than 6%. In 2016, the total payments under this scheme are EUR 365 million (0.90% of the DP envelope). This amount is far below the initial estimates.

Another optional scheme is the redistributive payments (Figure 5). It is applied in 9 Member-States, including Bulgaria. The purpose of the scheme is to support the small farmer's income by extra payment per hectare.

The design of the scheme is different in every Member-state. The financial allocation of the national ceiling for direct payments to the scheme is from 0.5% in Wales up to 15% in Lithuania. In Bulgaria, the share of this financial measure is around 7%. The redistributive payment unit rate is

fixed by each Member-State and could be up to 65% of the average national direct payment per hectare. In Bulgaria, the unit rate is 77 EUR. The highest unit rate is in Belgium 127 EUR.

In 2016, France and Wales raised the percentage of the redistributive payment in national direct payment envelope. It is resulting in a higher unit rate (European Commission, 2018).

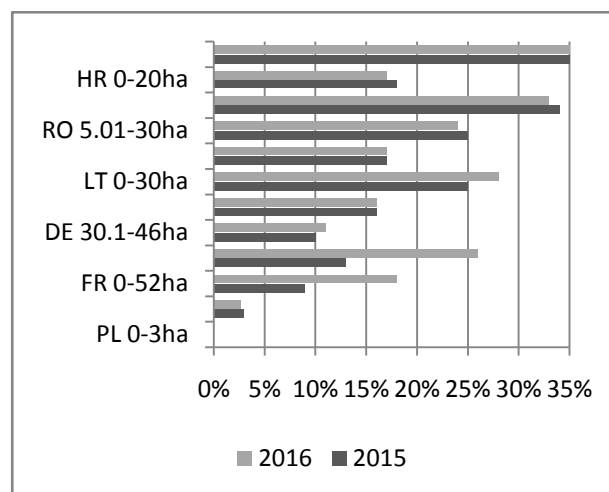


Fig. 5. Redistributive payment CY 2015 and CY 2016 - % applied

Source: 2015 and 2016 Clearance Audit Trail System

The share of redistributive payments application varies significantly among Member-States. The highest share is registered in Belgium (35%) and the lowest in Poland (0%). Bulgaria ranks second after Belgium with a 30% share of applicants.

Comparing with the other mentioned schemes the share of beneficiaries and the amount of support is the highest under the redistributive payments. However, all farmers eligible for direct support receive the redistributive payments. The financial aid is up to a certain number of hectares per holding. Although the limitation, redistributive payments scheme support not only small and very small farms, but also large structures. The instrument is more effective, but is not design and directed only to small and medium-sized farms.

On the other hand, a large part of the rural development budget is set aside for investment which is essentially directed towards the mechanizing of farms, which is generally not suitable for small farms. (European Coordination Via Campesina, 2014, Zlatinov, 2018).

Although the debates and consultations behind the reformed CAP, the agricultural policy has not changed significantly compared to the

previous one. The subsidies in the 2014–2020 periods are related to the number of hectares and their allocation is unequally distributed among Member-States and among single farms. According to the latest financial report of the European Commission 81% of all direct support is concentrated in the 20% of the largest farms (European Commission, 2018). In Bulgaria, the share is even higher (84%). By contrast, around 76% of European farmers receive less than 5000 EUR per year. Along with this process, there is over-concentration of land in the largest enterprises. In Bulgaria 90% of the UAA determined for support is accumulated by 20% of the biggest farms.

The CAP remains directed to larger farms above small holding. In addition, large structures are stimulated to grow bigger by expanding their land and their economic power. Small farms struggle and are unable to cope with the standards and regulation defined by the European Union.

The new CAP after 2020 is still under consideration. However, the attempt to reduce the amount of the payments is a good starting point, but it should include other schemes and measures. Some authors express the option that financial aid is ineffective and badly targeted and needs serious reform and revision (Buckwell, A. et al., 2017).

CONCLUSIONS

1. Based on the analyses some conclusions could be outlined: (1) The number of small farms in Bulgaria is decreasing in parallel with the accumulated UAA and generated standard output. (2) Although the decline in number, share of UAA and economic size, small farms are the majority of the holdings in Bulgaria (86%) and remain the most common structure in Bulgarian agriculture. (3) Small and very small farms concentrate the highest share of the agricultural labour force and ensure income and employment in rural regions. (4) Small holdings are mainly family farms. (5) The current CAP presented new architecture by implementing new schemes. Unfortunately, the specific instrument for support - Small Farmers Scheme is not giving the expected results and is not fitting its purpose and priorities. (6) In Bulgaria, the Thematic subprogram for small farms under Pillar 2 excludes farms below SO 2000 EUR and limits the opportunities of the very small holding to receive guidance and support.

2. In regards to the CAP future after 2020 and the possibilities for small farms, some recommendation could be drawn: (1) Small farms play a vital role for rural community and society as a whole by creating employment, protecting the

environment and maintaining biodiversity. Although their importance for the rural economy, small holdings are often underestimated compared to larger structures. Small farms need support and assistance in order to overcome a number of challenges, both social and economic. (2) The new CAP post 2020 should include fairer and more equal direct payment distribution. In the current period, the largest amount of support is directed to ineffective and unequal direct payments under Pillar 1. It is recommended a reduction in direct payments and better targeting. The policy should include a higher percentage of capping in order to limit the overconcentration of financial aid. (3) The Rural Development Program should provide more opportunities beneficial for small farms.

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