

# Family farms in Lithuania: Problems and challenges

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**Summary:** The paper aims to analyse the situation of family farms in Lithuania regarding essential problems and challenges. Family farming in Lithuania remains new phenomena in a period after gaining independence after the 1990s. Family farms are very important for Lithuanian rural areas as they create the main job places and income for the citizens. The need to analyse the situation about family farms in Lithuania remains on the problems disclosed in the research. It could be named as lack of legal acts concerning family business, poor managerial traditions of family farming comparing with other EU countries, lack of financial resources for innovative growth, poor family business including family farming culture and lack of values keeping families together, lack of interest of family farmers in diversified activities including social entrepreneurship in rural areas. The grounded solutions and suggestions how to improve situation in rural areas for family farmers are needed. One of the suggestions in this paper about the situation is diversified family farms activity with additional innovative activities and deeper involvement of young farmers in the family business. Social entrepreneurship could be a possible solution for family farms in rural areas.

**Keywords:** family farms, rural development, Lithuania, social entrepreneurship.

## Introduction

Family farming in Lithuania has retrospective of just 25 years if not counted independency time of the country before the Second World War. After gaining the independency of a country, again in the 1990s, in Lithuania the farms based on family grounds started a new era. It was important in rural areas because it helped people to create their own activity for earning income and staying in their native places. Now, after more than 20 years family farming became stronger and more developed, if talking about agriculture, especially plant growing and livestock farms. On the other hand, family farms started being oriented to diversified activity, even changing their profile to other kinds of activities as family business, for example rural tourism or social entrepreneurial activities. The aim of this paper is to disclose the main problems of family farms in Lithuania and propose pos-

sibilities and solutions how to improve their activity. The object of the paper is family farms. The tasks of the paper remain on the legal issues of family farms on Lithuania, possible innovative family farming ways and suggestions how to improve complicated situation in Lithuanian rural areas considering

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family farms as positive and perspective form of activity in rural areas. It is emphasized that due to climate change, the agricultural sector will increasingly seek sustainable agricultural models, including family farms that are recognized as one of the most realistically capable units of adapting to these challenges. Family farms are the economic model (Strange, 1988) with high social and environmental added value (Agence Française De Développement Family, 2016). It leads to an understanding of family farming as an appraisal of social entrepreneurship (Greblikaite et al., 2017). Research methods used in this paper are scientific literature in-depth analysis, document analysis, statistical data analysis, comparative analysis. The methodological approach used in the article lays upon the discussion of family farming concept and its features, family farms profiling in Lithuania. The originality and novelty of this research fulfilled in the paper is the actuality of research question in Lithuania and lack of appropriate legal, economic, societal integrity of family farming in theoretical research and practical exposure.

## 1. Family farm concept / definition

The analysis of foreign and Lithuanian scientific, practical and legal literature in the frames of analysed topic has noted that the concept of family farm has not yet been adopted and regulated by law (the Law of the Farm household) in Lithuania. It is worth noting that the Family Business Organization (GEEF), in cooperation with the European Commission and EU experts in family business established family business definition in November 2009. Following the most recent meetings, the European Commission finally acknowledged the family business definition (see Figure) (Kauno regioninis inovacijų centras, 2011).

Given the fact that it is necessary to legalize the household definition, trying to go deeper into the essential, key aspects of fam-

ily farms concept was developed. By Ministry of Agriculture Farmer's Law, in the Article 2; the farm is presented as under the Law registered in the agriculture unit, and the farmer as a natural person engaged in agricultural activities registered in his name and representing the farm (Farmer Agricultural Law, 1999). For describing the essence of a family farm is obviously not enough explanation.

The analysis of the Ministry of Agriculture Farmer's Law disclosed that family farm context is found only in the concept of members of such farm, which indicates that farm as a unit is their permanent employment and wealth in the economy involving the farmer's family members and other persons. On the Lithuanian family farmers' union's site information can be found on family farms (Šeimios ūkiai, 2017), but it is not systematically processed and renewed. It is not clear what percentage of the total number of farms in Lithuania consists of family farms, respectively, in the Agricultural Information and Rural Business Centre system.

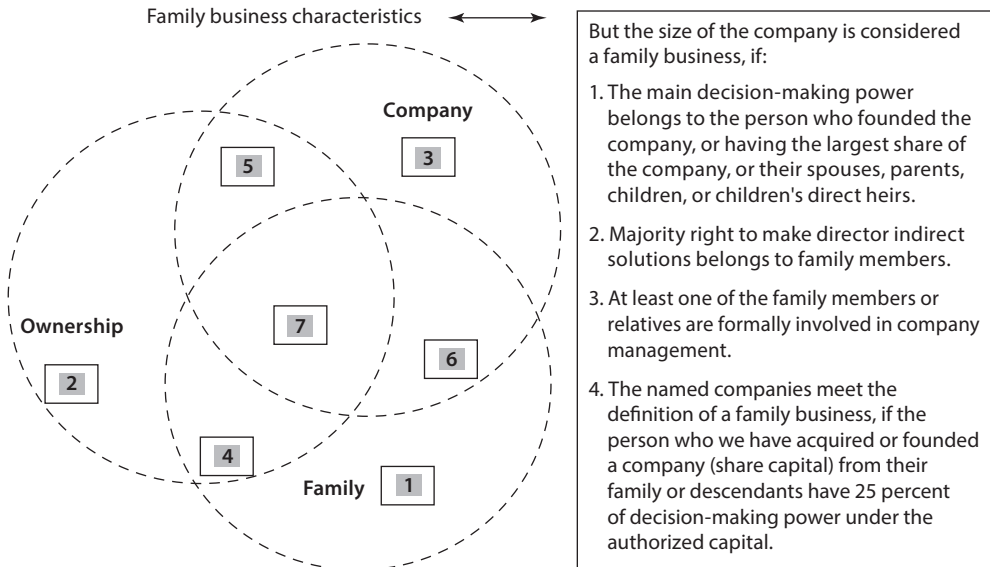
Lindahl (2005) provides the rudiments of the household concept, indicating that the farm activities in which one family is working full-time in this organisation and develops agricultural production, securing regular family income.

Another important aspect of the household concept formulation may be distinguished by authors Kimhi and Nachlieli (1998) who keep a position of the family farm sector as highly dependent on the times and descendants (Kalvotoji Žemaitija, 2013), their attitude and their residence near the family farm. It was a family farm heir possession which leads to further economic prospects (the family farm decisions related to the preservation of the economic viability) (Savickienė, Miceikienė, 2016) is its transmission from generation to generation. Business Transfer - is the third element of a business life cycle stage, after the start-up and growth stages (Kauno regioninis inovacijų centras,

2011). Parents have the right at a multiple to appoint a successor to the family farm, but it must agree to develop the business further (Kimhi, Nachlieli, 1998). In the family farming

concept three essential components are joining – family, ownership, and company. Their interaction with different influence conditions family business (see Figure).

**Figure. Family business definition**



1 – family member; 2 – owner; 3 – company employee; 4 – a family member of the owner; 5 – owner, employee; 6 – a member of the family and the company's employee; 7 – the owner of a family member, a campaign worker

Source: (Kauno regioninis inovacijų centras, 2011).

In 2014, United Nations Food and Agriculture Organization reviewed the English, Spanish and French family farm definitions and identified the following description of the most dominant elements: family farm includes one or more of activity, family management/ control of the economy, the household size, income family living, family residence, family ties, inter-generational aspects of belonging to a community and social networks, family living way (operational hobby), a family heirloom, land ownership transfer to family members, and the family investment (Garner, Campos, 2014).

Summarising the analysed aspects of the proposed Farmer Agricultural Law amend-

ment included in the household concept can be defined as a family farm definition. By the law it is registered member of the family ownership of agricultural activity unit, which is transmitted from generation to generation (inherited) family members, the household farmer – a natural person, engaging themselves and their families in agricultural activities, registered in his name and were represented in the farm..

## 2. Family farm profiling

It is stated that family farming (family farms) is dominant and constitutes more than 500 million farms (Food And Agriculture

Organization Of The United Nations, 2014). Farms are social bases of many developing countries and are the main form of agricultural organizations around the world (Agence Française De Développement Family, 2016). According to farm Register data, on July 1, 2016, in Lithuania there reregistered 122,588 family farms: of which 74 140 farmers registered by men and 48 448 - by women. Farmers' management of the land area is 1 148 143,69 ha, the average farm size – 9,37 ha. It depends on the region of farms. For example, in the western part of the country as Silute district, there are a lot of house holdings owning just 2-3 ha. The size of the land appears to be a key factor in selecting a possible activity in the land. Farmers or owners are not keen to be involved in traditional agricultural activities if the land area remains not big.

According to July 1, 2016, it is reported that, compared with January 1, 2016, the number of Lithuania farms increased by 75 farms (Žemės ūkio informacijos ir kaimo verslo centras, 2016). But the statistics are not kept as to how many of these statistically counted farms consists of family farms. This form of testing is important to Lithuania because family farms contribute to both the domestic and international markets for agricultural development. It is argued that the family-owned farms account for nearly 80%

of global food production (Agence Française De Développement Family, 2016).

At the international level, the United Nations General Assembly declared 2014 for - family farm year (Agence Française De Développement Family, 2016). This organisation aims to support sustainable family farming (Food And Agriculture Organization Of The United Nations, 2014). Farmers who feel responsible and sustainable can successfully participate in the global economy and contribute to the strengthening of rural areas, create jobs in the region, improve the country's structure of agricultural holdings, the agricultural sector, improve competitiveness, generate more revenue (Savickienė, Miceikienė, 2016). It is important that family farms could create bigger added value. The instruments for such results could be various. Innovation, effective management, diversified activity, a favourable governmental policy might generate the interest in deeper involvement in family farming.

Another important scientific discourse stems from the same family farm profile (see Table) census of farmers holding register. Namely, Agriculture Business Register Division, which administers the Farm Register, provides information system development and information delivery to users, summarises and analyses the collected registration data farms.

**Table. Family farms profile assessment indicators**

Statistical indicators	Family farms	All farms
Number of agricultural holdings	✓	✓
Number of holdings and updated holdings	✓	✓
Total holdings' land area and average holding size, ha	✓	✓
Holding distribution by land ownership and land use	✓	✓
Farms' land area by property right	✓	✓
Farms' land structure by land purpose	✓	✓
Farm distribution by Farms' land area	✓	✓
Holding distribution by economic activities	✓	✓
Number of holdings by county	✓	✓

**Table cnt'd**

Average holding size by county, ha	✓	✓
Distribution of holding owners – legal persons – by land owned	✓	✓
Distribution of holding owners by age and gender	✓	✓
Distribution of holding owners by age group	✓	✓
Distribution of holding owners by age and land owned	✓	✓
Number of young farmers by county	✓	✓
Holding owners' educational status	✓	✓
Economic size of holdings	✓	✓
Economic size of holdings expressed in standard output	✓	
Number of holdings and holdings registered on partnership basis		✓
Additional statistical indicators of family farms to identify		
Employed family members	✓	
Which generation of farms	✓	
Family relationship	✓	

Source: Žemės ūkio informacijos ir kaimo verslo centras, 2016; Helfand, Moreira, Bresnayan, 2015; Slesinger, Whitaker, 2016; Food And Agriculture Organization Of The United Nations, 2014.

Family farms express plenty indicators which are shared among all type of firms (see Table). But some differences could be indicated due to family farms. Indicators assessing family farm profile are divided into two groups: statistical and additional statistical indicators actual for family farms. These special additional indicators are employed family members, generation of a farm, family relationship. In the family business, family relationship is the essence of the business. That is why those indicators matter and describe the business type. It is appropriate to carry out the family farm statistical indicators statistics (Food And Agriculture Organization Of The United Nations, 2014), taking into account the above indicators. It would be possible to analyse family farms, development trends in the country.

According to data from GUESS survey (see [www.guesssurvey.org](http://www.guesssurvey.org)) fulfilled in higher education institutions of Lithuania in 2016 some very interesting tendencies could be disclosed. As it was mentioned before in the article family business roots are not deep in

Lithuania. Just the first generation of equity holders are raised and could be the predecessors of their family members in their business. There are successful examples. But if we look to some data of the very latest survey of Lithuanian students of higher education institutions, it is possible to find out some considerations of young people in this field.

It could be mentioned such tendencies concerning family business in Lithuania (Greblikaite, Rakstys, 2016; Greblikaite et al., 2017):

- The number of employees is no more than 10;
- 56,78 % of respondents were not ever working in their family business despite that their families hold such one (n = 100);
- International data about students from 50 countries show that those students who were working in their family business are prepared to take over it after five years (7,86% of respondents);
- In Lithuania, an overtaking number is very similar – 7,46%.

### 3. Improvement of situation – innovative family farming

It is important to measure family farms and divide them from another kind of firms. This issue comes from the different essence of how family business was started and created. In family farms, personal relations matter even more than in standard type of farms. Solidarity and good relationships come as the core for successful development of family farms. Especially when it takes to solve strategic decisions and make innovative changes in the farm. Because often innovative solutions are based on significant financial investments where common decision remains very important. In Lithuania, obstacles remain for family business development. They can be named:

- Lack of legal acts concerning family business;
- Poor managerial traditions of family farming comparing with other EU countries;
- Lack of financial resources for innovative growth;
- Poor family business including family farming culture and lack of values keeping families together (poor involvement of young people in their family business);
- Lack of interest of family farmers in diversified activities including social entrepreneurship in rural areas.

### 4. Social entrepreneurship as perspective for family farms

Social entrepreneurship is considered as the main engine of EU countries economy as the social economy consists more than 50 % of all economy. Social economy in the biggest EU countries is very important and creates the significant amount of income in the countries budget. As the statistical data reveal the boost of a social economy was in United Kingdom, Germany, Spain, France, Finland. But, for example, such countries as Denmark, Malta, Cyprus, Latvia were not in the interest zone

to develop social enterprises and boost the social economy. Slovakia, Romania, Ireland, Bulgaria, Slovakia, and Lithuania exposed themselves in quite an analogous situation due to the size of the social economy (OECD, 2013). The data reveal that the motives and preconditions for social, economic activity in different countries remain different and still can remain in the future. But strong economies generally are involved more in social entrepreneurship than weaker ones.

The focus of the social economy is creation of social added value generated by social enterprises. At the end of the 20<sup>th</sup> century, enterprises were focusing on social responsibility dimension, and it was like "label mark" to be socially responsible. Now social responsibility (Vveinhardt et al. (2014), Vvienhardt, Andriukaitiene, 2016) in progressive enterprises is just a common dimension, and nobody needs special explanations why it is important and useful. Now EU countries economies are growing not so fast. The fast-growing markets are in Asia, South America or Africa. EU needs solutions suitable for the 28 different countries' economies, and it becomes quite challenging work to develop deeper social cohesion of the regions.

The possible tools are various for solving social and economic problems in EU countries. One of the suitable choices became social enterprises and social entrepreneurship development (Milius, Sarkiene, 2008; Greblikaite, 2016).

Family farms could be involved in social entrepreneurship in diverse ways. Firstly, it depends on the activity they are performing. Now, the biggest part of family farms is traditionally growing wheat, and for the big farms, it is a profitable business. But if we talk about smaller farming profitability remains smaller and riskier because is balancing on inputs-outputs turnover. Profit could be used just for casual needs but not for the development of the farm. On a legal basis, social entrepreneurial activity could not be supported then

it remains as agriculture activity fulfilled by the farmer. It means farmers should try other legal forms for some additional activities in their lands based on social entrepreneurship principles (Astromskiene, Gargasas, 2013). Entrepreneurial skills and abilities allow to provide more innovative activity, find more competitive ways of acting in the market because it creates competitive advantage. The mentioned measures require additional research and data for development of appropriate instruments and plan for family farms how to improve their situation in quite a narrow market. Any innovative and progressive managerial knowledge should be considered as the worth of research and economic evaluation in seeking to provide grounded solutions for farmers.

## Conclusions

The fulfilled research in the paper provides some proves about main problems

and challenges of family farms in Lithuania. Family farms are the main engine in rural areas of Lithuania, but the situation remains quite conservative regarding development and the progress of problems solutions are needed. The paper provides some data and indicators about family business, the intentions of young people to stay in family business. But now innovative instruments how to improve family farms using EU funds or, for example, to propose taking the other forms of activities as additional, for example, social entrepreneurship, in the farms remains rather poor and lack of interest in the country. The active government policy and educational activity and training remain as significant factors influencing the positive movement of farming in the rural areas of Lithuania. Social innovation, legal environment changes, involvement in different projects could be possible perspectives for family farms in Lithuania.

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## Rodzinne gospodarstwa rolne na Litwie – problemy i wyzwania

**Streszczenie:** Celem artykułu jest analiza sytuacji rodzinnych gospodarstw rolnych na Litwie pod kątem istotnych problemów i wyzwań. Rolna gospodarka rodzinna na Litwie jest relatywnie nowym zjawiskiem w okresie od uzyskania niepodległości w 1990 roku. Rodzinne gospodarstwa rolne są bardzo istotne dla litewskich obszarów wiejskich, ponieważ są głównymi miejscami pracy i dochodów dla ich mieszkańców. Zasadność przeanalizowania sytuacji rodzinnych gospodarstw rolnych na Litwie wynika z problemów ujawnionych w badaniu. Można je określić jako: brak aktów prawnych dotyczących rodzinnego biznesu, niewielkie tradycje zarządzania rolnictwem rodzinnym w porównaniu z innymi krajami UE, brak środków finansowych na innowacyjny wzrost, słabo rozwinięty biznes rodzinny, w tym kultura rolnej gospodarki rodzinnej i brak wartości utrzymujących rodziny razem, jak również brak zainteresowania rolników z gospodarstw rodzinnych dywersyfikacją działań, w tym przedsiębiorczością społeczną na obszarach wiejskich. Potrzebne są zatem ugruntowane rozwiązania i propozycje, jak poprawić sytuację na obszarach wiejskich dla rolników z gospodarstw rodzinnych. Jedną z propozycji zawartych w tym artykule jest dywersyfikacja działalności rodzinnych gospodarstw rolnych o dodatkowe innowacyjne działania i głębsze zaangażowanie młodych rolników w biznes rodzinny. Przedsiębiorczość społeczna może być rozwiązaniem dla rodzinnych gospodarstw rolnych na obszarach wiejskich.

**Słowa kluczowe:** rodzinne gospodarstwa rolne, rozwój obszarów wiejskich, Litwa, przedsiębiorczość społeczna.

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