Commercialisation of smallholder farms in Kosovo

Preliminary results from the project survey

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Outline

• Objectives of the project
• Methodology, survey and sampling
• Preliminary descriptive results
• Outlook
Project objectives

“Capacity development to MAFRD to improve commercialization between small farmers and family farmers” (TCP/KOS/3602)

• Main objective =
  determine the facilitators of and barriers to commercialisation of small, predominantly subsistence oriented family farmers in Kosovo.

  ➢ Address lack of evidence concerning policy measures: have they reached small farmers? And do they effectively influence small farmers commercialization and incomes?
  ➢ Assess the effectiveness of the current policy: identify the facilitators and barriers to commercialization of small farmers, and indicate directions to improve and rebalance the policy instruments in order to increase the productivity and sustainability of small and family farmers.
Methodology

Mixed methodology – a combination of quantitative and qualitative approaches, including

a) Existing data from FADN -> for past policy impact analysis

b) Farm Household Survey -> to better understand the socio-economic situation of also small farm households, as well as the barriers they face to selling their produce on the market, the most effective policy measures in regards to commercialisation, and farm households’ livelihood strategies (present and future)

c) Qualitative data -> in-depth interviews with rural households drawn from the household survey sample to investigate the best practice of households that managed to commercialise

d) Secondary and, where necessary, primary data collection concerning the municipalities and villages where the survey households reside
FADN = representative reference sample
.....the sample selection of the farm household survey generally follows the representative sampling of the FADN dataset.
It includes

– 350 farms drawn directly from the FADN dataset, whereby we concentrate on the smallest farms

– 350 typical smallholder farms that are snowball-sampled from the selected FADN dataset. The snowball-sampling will ensure that the additional households still reflect the distribution of farms as in the FADN dataset

– 403 FADN cases preselected (for a final sample of 350) from all 7 regions. This selection covers 28 of 38 municipalities.

– Farm type representation: focus on mixed and specialized field crops as well as dairy (grazing livestock)
Survey tool

- Data collection is done with a tablet application (electronically).
- Automatic selection of a different set of questions for FADN and non-FADN farms (several sections of the project questionnaire are largely reduced for FADN farms)

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<th>1.1 Cilat janë qëllimet e familjes në aktivitetin e fermës?</th>
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<th>Shumë e rëndësisë 7</th>
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- The draft questionnaires were piloted.
- The survey is administered by 7 interviewers (MSc students) under the supervision of national project experts.
The survey covers household demographics, time-allocation, incomes and sources of income, factors of production, agricultural output and sales, and marketing channels used. In addition we gather information on respondents’ attitudes to farming, off-farm employment, risk, subsistence farming and commercialisation, as well as to future objectives of the households in relation to their agricultural activities and livelihood strategies based on 7-point Likert-like scales.

15 topical sections:

1. Farming and household objectives
2. Facilitators to commercialisation – Advisory service
3. Facilitators to commercialisation – Collaboration
4. Marketing barriers
5. Agricultural factors of production – Land, farm assets, labour
6. Crop production and sales
7. Livestock production and sales
8. Policy support
9. Production and investment barriers
10. Diversification
11. Household information (incl. employment and migration)
12. Education and skills
13. Household incomes
14. Infrastructure
15. Future Farm and Livelihood Strategies
Preliminary results for 601 farms

- 309 FADN farms and 292 snowball sampled smallholder farms were interviewed until end of August 2018
- All 7 regions covered, following roughly the original distribution of preselected FADN farms

Only 15 farm households representing minorities at this stage
As expected most of the non-FADN smallholder farms are mixed crops and livestock farms, more specialized farms are less frequently found compared to the (original) FADN selection.
Farm Size (non FADN)

- Farm sizes represent the typical smallholder farm: average farm size = 1.1 ha
- More than half of the land is crop land, one third is pasture
- 95% use family labour only
- On average a farm has 3 plots and most of the land is owned individually
- Farm size went down in the last 5 years (from 1.6 to 1.1)
Level of commercialisation

- About 2/3 of production are consumed, less than 1/3 sold
- No big difference between shares in sales and consumption between FADN and non-FADN
- About 60% of farms sell something or are at least interested in commercial activities.
Aims in farming

- Rating of different farm aims from 1 (not important at all) to 7 (very important)
- Results clearly point at non-commercial orientation
- The highest rated aims indicate that farming is done because the resources are there and need to be maintained
- Lower interest in increasing production or specialization
- Exiting farming is not considered by many, but is the only item which is higher rated by FADN farms
Who are the farm managers?

- 71% of respondents were the household heads, 15% were women.
- Average age = 51 years.
- Most farmers have primary (35%) or high school education (49%) only or around 10 years of schooling on average.
- On average 21 years experience as farm managers, but only a small minority is qualified through education or training.
- Spend on average about 50% of their working day on farm work.
Main activity (respondent)

- Only about 1/3 work mainly on the farm
- About 20% are employees in a full-time job
- 18% are pensioners
- 10% work in the house
- For about 7% the main occupation is in a non-farm family business
Attitudes

- Generally very positive attitude towards farming, but less so towards commercial farming...

[Diagrams showing attitude towards farming and commercial farming]

[Ratings of farming as attractive field of business]

[Charts showing ratings for farming, commercial farming, rural environment, and lifestyle]

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Use of farm advisory service

- Low share of advisory service users...

- With some regional differences (to be further explored)

- Reasons for not using the advisory service:
  - No need (54% of answers)
  - No advisor available at all (27%)
  - Believe advisors are not competent (5%)
  - No advisor in field needed (2%)
  - Other (12%)
Cooperation

- High occurrence of informal cooperation among farmers (more than 50%), higher among non-FADN farm households
- Formal cooperation is insignificant with less than 2% cooperators. Slightly higher share of cooperators among FADN farms
- Formal cooperation intention is also low (below)
Marketing situation and channels

- Marketing situation is rated as rather difficult by most respondents.

- For more than 50% the main sales channel is direct sales. About 1/3 indicate commercial private buyers as main sales channel.

- FADN farms have slightly higher shares for commercial traders, and very few market via a cooperative.

- 7% of farms sell (some) of their products via contract sales.
Important barriers to marketing are seen in low prices, but also price fluctuation.

Government support is seen as insufficient and financing is an important barrier to increase production and sales.
Farm subsidies / support

- Rather low share of applications for direct payments (21%)
- Many claim to be not eligible (41%), other feels not sufficiently informed (15%), and a considerable share has deliberately chosen not to apply (23%)
- Application rate for Rural Development Grants is even lower 5% (for “ever applied”)
- Only 3% of farms have ever applied for a bank loan for farm investments
Direct payment application process

- Rather easy to understand
- Not too bureaucratic
- A bit time-consuming
- Some find it rather expensive, others not
- Delays are clearly an issue!
- As well as the usefulness for small farms, which is doubted by many.

DP application process: useful only for big farms (N=332)
1=disagree 7=agree

![Chart showing DP application process](chart.png)
Income portfolio

- Farm income is only one part, and usually not the biggest one, in diversified income portfolios.

- Non-farm income is important, especially waged employment.

- Non-farm self employment was found in 14% of interviewed farms, it contributes with 10% to the incomes.
Income

- Net household income is just over 3000 €/year
- Net farm income is at around 1100 € on average
- Farm related activities contribute usually with smaller amounts (some exceptions!)
- Non-farm businesses yield on average three times more than farm incomes
Welfare rating - is the income enough?

- Poverty is an issue
- More than 1/3 indicate their income as not enough for covering essential needs
- Only 8% say they live comfortably

Welfare rating (self-assessment)

- Not enough for covering essential needs for food and housing: 35%
- Sufficient only for food and housing: 26%
- Sufficient for food and housing and to cover some extra needs: 31%
- Sufficient to cover a wider range of needs and live comfortably: 8%
Future of the farm

- Rather unclear, but only around 20% see excellent or good economic prospects

- Despite this – More than 1/3 plan to expand farming activities, while 18% expect to quit or reduce farming
Outlook

After this first descriptive analysis we plan to

• ...associate commercialisation measured by the share of output sold with household characteristics, location, risk attitude, transaction costs and other relevant project variables
• ...conduct group comparisons to detect significant differences between groups
• ...better profile agricultural households in Kosovo -> a cluster analysis to define groups of farm households.
• ..use of clusters as dummies in a linear stepwise regression using as a dependent variable the share of output sold
Thank you!

......Questions and suggestions are very welcome!
Commercialisation of smallholder farms

In stark contrast to the farm structure of the EU, an important characteristic of Kosovo is the overwhelming predominance of small-scale farming with low level of market integration.

The Agricultural Census of the Republic of Kosovo carried out in 2014 (KAS, 2015) accounted for 130,436 agricultural households and individual businesses. The average size of agricultural holding is 3.2 ha, including nearly 60% of the holdings with a size up to 1 ha. Holdings with arable land between 0 and 0.5 ha are the most common – 35.3% of the total number of holdings. In the livestock sector, the average number of livestock units (LSU) per farm is 3.

- > small farms/farm households are the prevailing producers in Kosovo which means that their productivity and sustainability are central to the performance of the overall Kosovo agriculture.