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[Working Paper]

How to View Changes in Family-run Farming

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1. Introduction

This paper is the introduction for Workshop on Study of Family-run Farming “Theoretical Framework for Comparative Analysis on Family Farming” in Thursday 17 March 2016 at Kyoto University. This workshop aims to address family-run farming and discuss frameworks for understanding its transformation. In last year’s workshop, it was reported that the nature of family-run farming had been changing and facing the difficulties in France and Germany where the generous policies had been adopted, not to mention Japan. We thus found it necessary to revisit the concept of family-run farming. In addition, our resolve was strengthened to understand problems common to agriculture in developed countries, whether in Asia or Europe, and facilitate discussions of solutions to those problems. Moreover, as we move ahead with research based on a deep concern for farming in developing countries, we also want to discuss frameworks for developing countries. It seems necessary to consider how we categorise conditions of family-run farming in developing countries to facilitate the uncovering a clue of solutions of problems. Finally, In the Asian region, we want to discuss the commonalities in agriculture between Japan and other Asian countries and its future nature.

From that perspective, the discussion at the previous workshop is reviewed and summarized for use in today’s discussion. There are three aspects to the discussion: (1) how to view changes in family-run farming; (2) how to organize the problems faced by family-run farming; and (3) the outlook on the role of family-run farming. Last time discussion was focused mainly on the first two.

2. Big picture of changes of family-run farming

Firstly, the big picture over aspects in the previous workshop (Fig.1). The upper part of the figure shows the directions of changes in family-run farming. Family-run farming originated

with “traditional family-run farming”, carrying out agriculture based on land, capital, and labour owned by the family. We have known three or four common directions of the changes, although their weight differs from country to country and region to region.

The first is the direction to become autonomous and then reform corporation. More elements for management have been sourced from outside, which has proceeded to strengthen a process of the progress to autonomy of management yet within the household (modern family-run farming). And some have established corporations independent from the household.

The second is the trend toward joint or group operation by farmers. Some have been also taking the path of establishing corporation.

The third is the outsourcing of farming functions.

These can be viewed as changes in ownership structures of agricultural holdings and management functions, in other words changes of types of enterprise.

The fourth is the withdrawing from farming. Thinking this as a trend of change may be inappropriate in our context. In addition to these shifts, there are entities which do not engage in farming as a business, such as Japan’s part-time farmers who do not sell their agricultural products and non-farming land owners, which are influencing conditions of family-run farming.

It is necessary to understand the factors in management environments which affect these

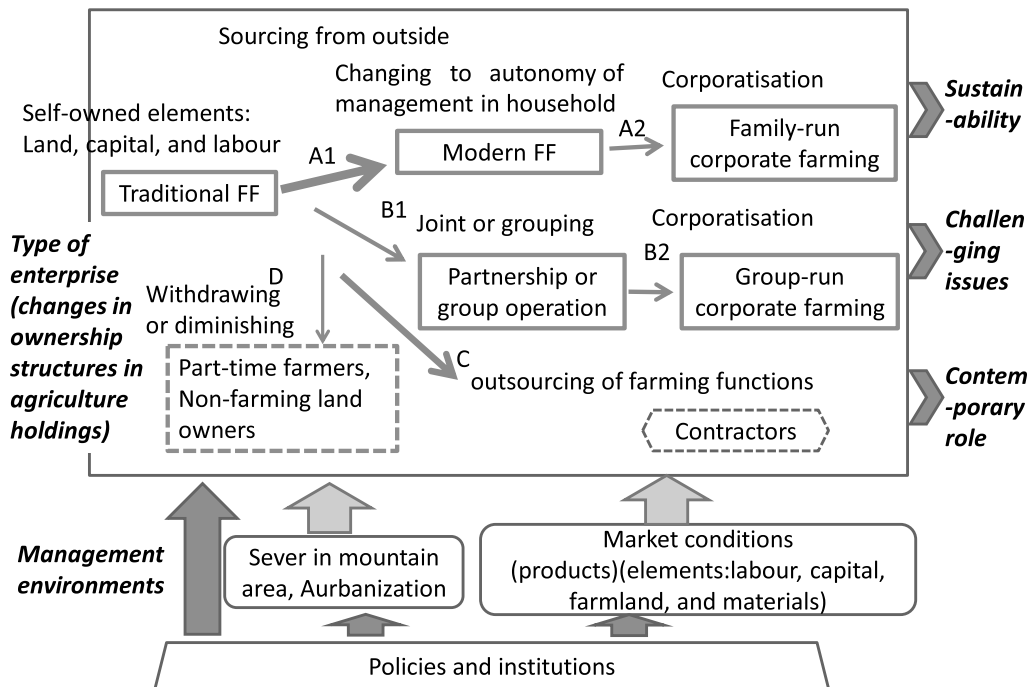


Fig 1. Big picture of changes of family-run farming (FF)

changes. The factors addressed in the presentations and general discussions in the first workshop included severe conditions in mountain areas, ongoing urbanization, market conditions for products and elements such as labour, capital, farmland and materials, and the policies and institutions which affect them.

It is also necessary to intensively discuss the sustainability of each type of family-run farming and what types of challenging issues are being faced. Finally, in light of those things, we need thinking over the contemporary roles of family-run farming.

3. Change of family-run farming

At the first workshop, the first direction of transformation in family-run farming was approached with indexes and data. To conceptualize the family-run farming at each stage of the path to the first direction has attempted. Niiyama's conceptualizations emphasize the relationship between managerial economy and the household economy, focusing on whether operations are carried out intrinsically within the household (traditional family-run farming), are conducted autonomously even if within the household (modern family-run farming), or are conducted separately the household (family corporate farming) (Fig.2). Niiyama argues

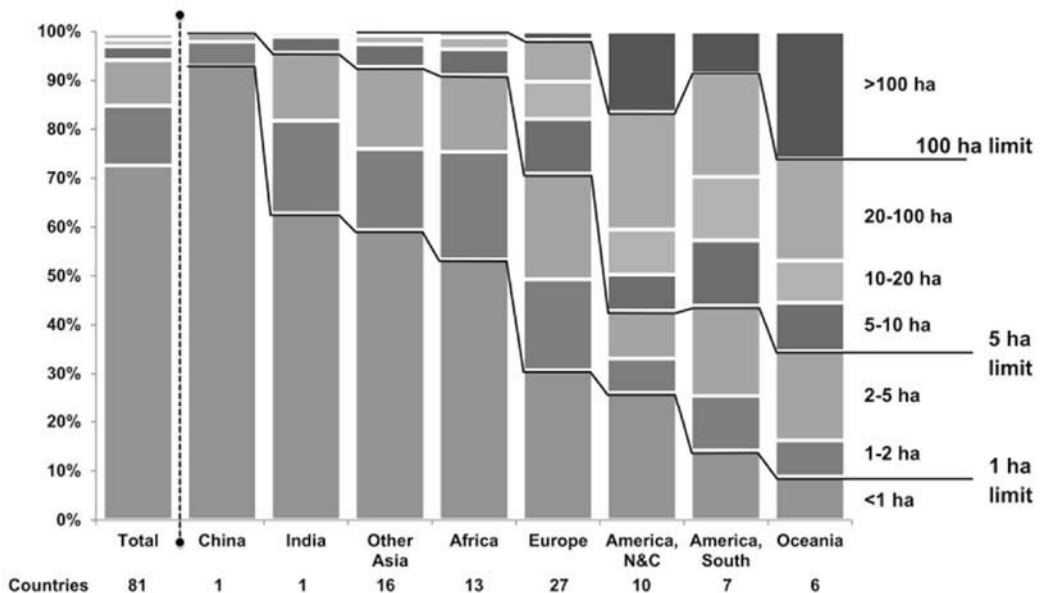


Fig 2. Reference: distribution by scale of farms in France

Source: Jean-Michel Sourisseau and Pierre-Marie Bosc, Sustainable Rural Livelihoods to analyze Family farming dynamics a comparative perspective, in first workshop in March 2015

that the external procurement of management elements is changing ownership structures and uses the degree of that as the index for each stage. Sourisseau & Bosc focus on labour and view the transformation of family-run farming depending on the extent of employment, presenting the three concepts, family farm, family business farm, and enterprise farm (Fig.2). The two sets of concepts stand in close correspondence. Depending on the stage, basic managerial goals are different, and mechanisms of decision making, systems of financial and operational management and managerial economic behaviours also change. Then, sustainability also differs.

4. Summary of the data of the type of enterprise

The current state or distribution of family-run farming based on these three concepts has not yet totally shown by data. Shortly, Table-1 summarizes the data on type of enterprise from Holst for Germany and Niiyama for Japan. The ratio of corporate farm in West Germany is about 1%, in Japan has a somewhat higher. For livestock corporations it has higher.

For partnership-type, community farming is popular in Japan, but the ratio is low; Germany's is higher. Niiyama and Holst touched on the topic of partnership-type, which is different from family-run farming in type of enterprise, and in discussion Gasselin has pointed out that it also exists in France.

Table 1. Change of family-run farming

		i)1 Traditional family-run holding	i)2 Modern family-run holding	i)3 Family-run corporate-type holding
		ii)1 Family farm	ii)2 Family business farm	ii)3 Enterprise farm
Relationship: farming and household		Intrinsically within the household	Autonomously even if within the household	Separately the household
Ownership structures	Labors	Family	Family+employed laborer	Employed laborer
	Capital	Owned by the family	Owned by the family+rent	Owned by the corporation+rent
	Land	Owned by the family	Owned by the family+rent	Owned by the corporation+rent
Management	Control technique	Empirical/family	Evidence based/family~technical	Evidence based/technical
	Economy/accounting	Non-separation	Separately accounting	Separation

Source: i)1~3 by Niiyama, ii)1~3 by Bosc & Sourisseau, ownership structure and management by Niiyama and by Sourisseau et al., and other element by Niiyama in first workshop in March 2015 and in pre-workshop in November 2014

Table 2. Summary of the data of the type of enterprise

Germany:2013 Japan:2010		Total number of farms (in 1,000)	share of agricultural land	average farm size (in hectare)	
West Germany	Family farms	240.3	84%	39	
	Partnerships	20	15%	87	
	Corporate farms	1.4	1%	78	
	Sum	261.6	100%	43	
East Germany	Family farms	15	27%	99	
	Partnerships	3.6	22%	303	
	Corporate farms	3.8	51%	740	
	Sum	22.5	100%	245	
Japan	Family farms	Non-corporate	1,644	97.9%	2.2
		Corporate	5	0.3%	
	Partner ships	Non-corporate	14	0.8%	14.1
		Corporate farms	17	1.0%	
	Sum	1,680	100%	2.2	

Source: each presentation by Holst and by Niyama in first workshop in March 2015

Note: In Japan, share of livestock on corporation in 1990 is dairy cow (3.0%), cattle (15.2%), pig (29.4%), egg (52.25), poultry (45.3%)

The outsourcing of management functions is moving ahead in some fields, but we have not yet reached in the discussion. In discussions of academic society in Japan, it has pointed out that in Thailand some agriculture holdings have kept only capital and planning function, and outsourcing all production functions, and it has been reported that in Germany the maximum size which can be handled by the family labour has been rising due to outsourcing of portions of production functions.

In Japan, community farming holdings have contracted rice farming, feedstuffs contractors have been came.

5. Challenges in family-run farming

To summarize the presentations and discussions at the first workshop, the challenges that have arisen are the following. We have not yet led to full well discuss and sum up on this point. The problems take shape in a different way depending on the type of enterprise. It is also necessary to summarize the common and difference aspects between developed and developing countries.

First is the impact of the market, a critical element of the management environment, on managerial profit. It raises the issue of managerial survivability. In particular, in Japan and

Table 3. Summary of distribution of farm scale, and change of labor force

Farm size (hect.)	Germany		Farm size (hect.)	Japan/Hpkkaido		Japan/Other	
	Share of farms	Change (%)		Share of farms	Change (%)	Share of farms	Change (%)
5 – 10	24.3	-19.30%	< 5	27.1	-0.29	95.8	-0.21
10 – 20	20.7	-13.00%	5 – 10	14.3	-0.43	2.8	0.10
20 – 50	25.1	-13.60%	10 – 15	11.5	-0.21	0.6	0.25
50 – 100	17.6	-6.00%	15 – 30	21.3	-0.08	0.5	0.38
100 – 200	8.3	8.70%	30-50	13.8	0.00	0.2	0.59
200 – 500	2.7	18.20%	50 – 100	10.1	0.05	0.1	0.61
> 500	1.3	8.80%	100 >	1.9	0.22	0.0	0.49
Total in 1000	285	-11.40%	500	46	-0.17	1632	-0.20

	Germany	Japan
Family workers	-38.5%	-11.9%
permanent employees	+5.2%	+15.9%
seasonal employees	+8.7%	-4.8%

Source: each presentation by Holst and by Niiyama in first workshop in March 2015

Europe, the lowering prices of agricultural products and the difficulty of price transmission to agricultural products prices along increases in material prices, typically in dairy farming, have become prominent, which have posed severe deficit balance. One of the backgrounds is increasing buying power of large retailers in Japan, and in addition large food industries in Europe. As policies for the issue, regulations of the unfair trade have been introduced in both Japan and Europe, to say as for the practice, Europe has strongly enforced. In addition, in Europe to improve the power balance, price negotiations through farmer organisations, enhancements in pricing systems, and price monitoring have been introduced.

Second is the issue of aging of family labour and succession. These issues have been serious in Japan, and it was reported to be actualized in Germany and France. In Japan, it is pointed out as the background that compensation of family labour is remarkably lower than wages in other industries, and agricultural policies are unstable, which make visions of future farming uncertain. Customs for inheritance, we have not yet discussed in the workshop, differ among countries (in Japan, farm assets are inherited; in France and Germany are trade?), which may impact on the status of the succession issue.

The third includes constraints of management environments due to a location including a less favoured area and an urbanisation, which influences survivability of family-run farming.

Fourth, mainly to strengthen family-run farming in developing countries, we have issues of market access (such as funds, materials, as well as products), access information and de-

velopment of management skills and labour ability reported by Bosc and Sourisseau.

The fifth includes policy and institutional issue, which influence the status of coordination of management environment, such as markets. In addition, they can also affect the level of covering disadvantages of agriculture over other industries, such as direct payments policies. And also affecting the level of strengthening family-run farming, such as above 4th issue.

Considering the above and based on the following six presentations, we could deepen our discussions on the framework of analysing of family-run farming.