

# EFB and ELO response to the consultation on the role of family farming, key challenges and priorities for the future



The European Landowners Organization (ELO) supports and represents farmers and landowners across the EU 28 promoting a prosperous countryside through the dynamism of private landownership. In light of the European Commission's present interest in the future of family farming, the ELO in collaboration with the European Family Businesses (EFB), feels it is necessary to explain the concept of family farming from the perspective of our members. That is, we believe that family farmers and landowners are rural businessmen and business owners. They are entrepreneurs with an intergenerational perspective, who play an important economic as well as social role at local and regional levels.

As such, the ELO and EFB ask the European Commission to support and promote family farms as the competitive, sustainable, market-orientated enterprises they are. At a time of austerity and budget cuts, it is critical that such support is targeted and facilitates the financial viability of enterprises capable of bringing long-term stability and prosperity to local and regional rural economies. With their long-term, inter-generational outlook and commitment to enterprise, financially and politically well-supported family farmers can contribute to a thriving rural economy.

## Background

Family farming is the most common farming model in Europe. Throughout EU history this type of farming has provided the foundation for business and industry development and today it continues as a fertile ground for new enterprise.

The products delivered by family farms serve society in a number of ways. Agricultural produce and foodstuffs produced on family farms are of a superior quality, and often supply local food markets. Family farming provides solutions for the European food-sector, not just in supplying the market but also in terms of creating and maintaining jobs in rural areas, thus contributing to the broader economic viability of a region. In many of the Member States facing economic difficulties, including Ireland, Malta and Portugal, the farming sector has played a key role in improving unemployment rates (See figs. 1 & 2). Farming and our relationship to land and resource use can assure a stable future, as well as food security, even in times of economic hardship. It is important, therefore, that we adopt a business-like attitude towards family farms in Europe, to ensure that entrepreneurship, cooperation and leadership in the agricultural, forestry and other rural sectors flourish to the benefit of all.

Aside from its clear economic potential, the family farm is also an important provider of public goods through the sustainable preservation of Europe's natural and cultural heritage. Conservation and stewardship are



ensured when farmland is owned and managed within a family. The right to land ownership fosters responsibility to manage the land in a way that preserves its natural resources and protects the inheritance of the next generation.

That is why the ELO and EFB seek to engage with the issue of family farming together; because we share the conviction that well-supported family farms continue to provide one of the best platforms for socio-economically profitable and environmentally sustainable business ventures, to the benefit of local and national society. Within the framework of the Commission's Rural Development programme for 2014-2020, and with particular reference to the European Innovation Partnership (EIP), we ask that the Commission recognises the place of Europe's family farms as the historical and contemporary platforms for sustainable rural enterprise and growth they undoubtedly are.

**Fig. 1<sup>(1)</sup>: Number of family labourers working on sole holder farm holding (persons nos.)**

	2007	2010
Ireland	227,610	255,640
Malta	16,300	17,410
Portugal	636,150	657,830

**Fig. 2: Number of sole holders working on sole holder farm holding (persons nos.)**

	2007	2010
Ireland	126,650	139,560
Malta	10,380	11,900
Portugal	268,570	297,380

(1) Data for figures 1 and 2 was sourced from the EC Europa Eurostat's Agriculture database/ Farm Structure/ Family labour force/ labour force categories: no. of persons and farmwork (AWU) by legal status of holding and economic size:

<http://epp.eurostat.ec.europa.eu/portal/page/portal/agriculture/data/database>

## Key considerations

In its discussions on this topic, we strongly suggest that the Commission considers carefully the definition of a family farming, and also takes a bottom-up approach to identifying the challenges faced by family farms in Europe today.

### 1. Definition is key

Allen and Lueck (1998) define the 'pure' family farm as an organisation of farming activity where "a single farmer owns the output and controls all farm assets, including all labour assets". In the context of the UN's Year of Family Farming, the FAO defines family farming as a means of organising agricultural, forestry, fisheries, pastoral and aquaculture production such that it is managed and operated by a family and is predominantly reliant on family labour. The ELO and EFB support this definition of family farming, in which the landholders are also active labourers. However, we err caution against too narrow a definition and against restrictive concepts. While there is no agreed definition of family farming, there is a tendency towards a particular image of the self-sufficient family unit operating on a plot of no more than 2 hectares. Such romantic notions do not give due recognition to the dynamism required from family farmers to meet the pressures of increased competition, growth and sustainability. Nor do they address the situation of the ELO's members.

Definition is a process, and it should work towards a better understanding of the unique business and management model of family farms, rather than factors such as size, or traditional outlook. It should involve an exploration of investment behaviour, employer-employee relationships, the duration of contracts, and the long-term intergeneration dimension of this particular business structure amongst landowners and managers.

Such a definition might follow the criteria for family business proposed by the EFB:

- a.** The majority of decision making rights are the possession of the natural person(s) who established the firm, or in the possession of the natural person(s) who has/have acquired the share capital of the firm, or in the possession of their spouses, parent, child or children's direct heirs.
- b.** The majority of decision-making rights are indirect or direct.
- c.** At least one representative of the family or kin is formally involved in the governance of the firm.
- d.** Listed companies meet the definition of family enterprise if the person who established or acquired the firm (share capital) or their families or descendants possess 25 per cent of the decision-making rights mandated by their share capital.

## 2. Identifying challenges from the bottom-up and proposing workable solutions

Identifying obstacles to rural entrepreneurship amongst family farmers through effective dialogue and targeted investigation with on-the-ground actors, has the potential to bring about significant economic benefit for all. According to the Commission's 2012 Rural Development in the EU Statistical and Economic Information Report, in 2009 22% of total employment was provided by predominately rural areas in the EU. Slovakia, Bulgaria, Germany, Estonia, Spain, Lithuania, the Netherlands, Poland, Slovenia and Finland have all shown a significant increase in GDP per capita in rural areas compared to the EU average from 2005 to 2008. 67% of total value added to the economy in rural regions depends on the tertiary sector (services), 29.1% on the secondary sector (manufacturing, construction, utilities), and 3.9% on the primary sector (agriculture, forestry & fishery). However, the primary sector provided c. 12 million jobs in rural regions in 2011. Moreover, both employment in the primary sector and the rural primary sector employment as a share of the total employment across the EU have remained stable since 2008. Indeed, the share of primary sector employment in the total EU employment has even increased in the EU-NI2 since this time<sup>(2)</sup>. Family farms, and rural businesses originating as family farms, span all three of these sectors.

Thus, addressing challenges faced by family farmers whose work falls predominantly, but not exclusively, within the primary sector may have wider and tangible economic advantages. The Commission should therefore support Europe's growing family farms in overcoming problems including access to finance; access to markets; access to equity; access to services and technologies; access to successors; business transfers and inheritance laws; education; administrative burden; and, innovation as some of the major obstacles faced by family farmers, landowners and Rural SMEs in Europe.

Solutions may come in the form of improved fiscal environments, in which the next generation feels secure in their entrepreneurial endeavors without over-reliance on debt financing. Education will also play an essential role in this process. At an administrative and legal level, reduced inheritance and gift taxes will contribute significantly. Critically also, is the need to adjust the perception of family farming at a family, societal and European Institutional level, to recognize the economic value of this particular model of business.

## Consultation with our members

On the basis of the Commission's consultation survey on family farming, which was circulated by the ELO to its members<sup>(3)</sup>, we would like to draw attention to the following outcomes:

- 'Intergenerational Succession', 'Direct Farm Ownership', and 'Independent Decision Making' were the

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(2) All figures are taken from the European Commission's 2012 Rural Development in the EU Statistical and Economic Information.

(3) Please see full response to the Commission's online survey, based on the collated responses of our Members, at Annex I.

categories most associated with family farming, with 73% of respondents 'disagreeing' or 'strongly disagreeing' that family farming means 'small scale'.

- 80% of respondents saw 'Rural Economy' as a 'very important' aspect of family farming, with 60% adding that 'Environmental Management' was also a 'very important' aspect. 53% of respondents felt that 'Employment' was a further 'very important' aspect of family farming.
- 87% of respondents saw 'Ageing and Succession' as a key issue faced by family farmers today.
- 80% saw increasing the physical size of a farm as an effective way of improving the financial viability of the farm.
- 80% of respondents thought that research, technology and innovation contribute 'some' or 'a lot' to family farms, compared to 11% who thought it had 'very little' place.
- 47% saw 'International Trade' as an 'opportunity', compared to 13% who saw it as either 'irrelevant' or a 'threat' to family farming.

## Broadening the concept of Family Farms

In support of our assertion that the Commission should avoid the narrative of family farms as necessarily small, traditional uncompetitive enterprises, we would like to present the following case studies. The first, a family farm in Shropshire, England, illustrates the trends we have highlighted in the figures above, and demonstrates the progression of a family farmland estate to a thriving rural business. The second, referring to a smaller family farm, visited during the informal meeting of Agricultural Ministers in Vilnius, Lithuania in September 2013, emphasizes the growth that can happen within a single generation with the right entrepreneurial spirit and support.

### **The Sansaw Estate, Shropshire, UK**

The Tompson family have lived on the Sansaw Estate for the past 150 years. Today, the estate consists of 1,400 hectares of agricultural land, of which 320 hectares are farmed by the Tompson family. The remaining land is farmed by tenants, but the family management team has pursued an active policy of working closely with farmland tenants to ensure maximum environmental and economic return from the land across the estate.

Under the current manager's stewardship, Sansaw provides more direct and indirect employment than it did during the 19th Century. The Sansaw farms, managed by fourth generation tenant farmers, the Brettells, collectively

produce 2,000 tonnes of potatoes; 3,000 tonnes of wheat and other cereals; three million litres of milk; 15 tonnes of beef and lamb; 2500 tonnes of pork; and, one million eggs per year. The 160 hectares of woodland at Sansaw has the potential to employ new woodchip technology for energy to heat the farm buildings, cottages and commercial properties on the estate. The woodland is also part of a Local Nature Reserve, engaged in important local conservation and rehabilitation programmes. A partnership with a local school provides education for children about business, farming and environmental activities in the countryside.

In addition to these agricultural and environmental activities, the family management of Sansaw has led to the conversion of redundant buildings into hi-tech offices. These have received an 'A' rating for energy performance and won the Royal Institute of British Architects award for outstanding design in 2009. More significantly, however, they have brought the very latest technology and fibre-optic connections to this rural location. This provides everyone at Sansaw better opportunities to exploit data and information technology.

The family managers of Sansaw have also made invaluable investments in the local community, selling a 99-year lease and charging a nominal ground rent to provide affordable housing for the current and future local rural inhabitants.

Over the past 150 years, the Sansaw family farm, the broader family-managed estate, and the family-managed tenant farms have collectively grown into a thriving rural business spanning farming and commercial operations. Critical to this has been the succession of current managing director, James Thompson, from his father in 2009. With its 40 year-strategic view, and through its strong partnerships and relationships with local businesses, authorities and community, Sansaw has to some extent sheltered itself from the fluctuations of a volatile economy. However, for businesses like Sansaw to grow out of family farms, long-term policy support is required. This means recognizing the importance of long-term stewardship in family farming, facilitating easy family transitions, and supporting long-view economic and investment strategies.

### **Vaitelis Organic Livestock Farm, Lithuania**

Father, Donatas Vaitelis, and his two sons, began raising cattle on a small plot of land in the Kedainiai district of Lithuania in the early 2000s. Today, the Vaitelis family farms a plot of nearly 500 hectares and owns 70% of this land. The Vaitelis family are predominantly organic beef farmers, but in 2010 they diversified to rear organic pigs, which are sold directly from the farm to consumers. The farm also engages in other agricultural activities, including crop production. Indeed, Donatas Vaitelis was acknowledged at the 'feast of Kedainiai farmers' as the best farmer in the region.

There are over one hundred thousand farms of this type in Lithuania, where the ownership and management of the business is in one family's hands. As such, the ELO and the EFB are highly supportive of the Lithuanian

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(4) European Commission, 2012 Rural Development in the EU Statistical and Economic Information, pp. 97

Presidency's ambition to highlight the economic and social value of family farming as a means for achieving smart, sustainable growth.

The first results of the 2010 agricultural census indicate that "on average farms are becoming bigger not only in physical but also in economic terms"<sup>(4)</sup>. But if the success of established estates like Sansaw, and smaller but growing family farms like Vaitelis is to continue, the centrality of intergenerational succession; land ownership rights and responsibilities; independence in decision making; employment opportunities; enterprise; technology; and, innovation must be stressed.

The ELO and EFB support the Commission's initiative to engage with and support the future of family farming in Europe. However, we implore the Commission to think carefully about how the specific situation of family farms is understood. It is right that family farms are becoming a more prominent feature of EU level entrepreneurial policy, but accurate perception and understanding are the key to achieving a desirable outcome for ground-level actors and policy makers alike. Conceiving of Europe's family farmers and landowners as rural businessmen and business owners, as entrepreneurs with an intergenerational perspective, with an important local and regional economic function is vital. Why? Because it promotes policies at European, national and regional levels that will best support the long-term economic viability of family farms. And moreover, it emphasizes the economic and social value of one of Europe's oldest and most successful business models, ensuring family farming is seen as a smart way to achieve sustainable, competitive business growth for the future.

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The European Landowners' Organization (ELO), created in 1972, is a unique federation of national associations from the 28 EU Member States and beyond which represents the interests of landowners, land managers and rural entrepreneurs at the European political level. Independent and non-profit, ELO is the only organization able to stand for all rural entrepreneurs. The ELO aims at promoting a prosperous countryside through the dynamism of private landowners. Its Secretariat is based in Brussels.

European Family Businesses is a federation of 11 national family businesses associations. Our aim is to make political decision makers aware of the contribution of family businesses to society at large and to promote policies that are conducive to long term entrepreneurship. Our members represent turnover in excess of one trillion Euro, 9% of European GDP.