

Diversification and Divestments of Agricultural Farms in Warmińsko-Mazurskie Voivodship

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Abstract

Diversification of the agricultural production structure and the use of farm land, capital and labor to conduct activities other than agriculture is a sign of entrepreneurial activity among farmers. The main objective of diversification is a more efficient use of farm resources, not only in agricultural activities, but also to a large extent in non-agricultural activities. The aim of the study is to determine the scale of farm diversification and regional diversification, and an indication of the non-agricultural activities. This article presents the results of the studies carried out on farms engaged in agro-tourism in the regions of Warmia and Mazury. The aim of the study was to identify the motives behind tourism activities and to understand why farms divest.

Introduction

An important manifestation of activity and entrepreneurship among farmers is diversification of agricultural farms, which is defined as „the differentiation of the structure of agricultural production and the use of farm land, capital and labor to conduct activities other than farming” (Majewski and Radzikowska 2006, 1–8). This term is also used in a wider sense—for example, to determine the diversification of agricultural income and is sometimes identified with multifunctionality (Wilkin 2003, 350).

The main objective of diversification is a more efficient use of farm resources, not only in agricultural activities, but also in non-agricultural activities. Diversification is associated with activation of the rural population, development of entrepreneurship, creation of new ideas and concepts, reduction of unemployment and increase of the income of rural residents. Diversification of activities will socio-economically revitalize regions searching for new jobs while supporting the will of the residents to maintain the characteristics of rural and regional-cultural distinctiveness (Tyran 2010). Contributing to the diversification is a change of the profile of the traditional business of agricultural production in order to exploit resources such as land, buildings and labor resources. The popular direction of reviving rural areas in the Warmińsko-Mazurskie Voivodship¹ is the development of tourism activities, in particular agro-and eco-tourism.

There are many reasons for the start of agro-tourism. The most significant is the desire to increase income using available housing and labor, and to better monetize farm products (Sznajder and Przezbórska 2006, 103). Adoption of tourism activities on farms leads to increased processing of agricultural products and provision of services using the resources of the farm. Agro-tourism is seen as a complementary activity to the agricultural industry. The impact of tourism activities on agricultural activities is positive or neutral as long as it is done on the basis of available household resources (housing, free labor resources, savings), and their use without competition (Sroka and Wojewodzic 2010).

1. Voivodship—Polish administration region on the NUTS 2 level. Poland is divided into 16 voivodships.

1 Diversification and divestment of agro-tourism farms in Warmińsko-Mazurskie Voivodship

The usage of the diversity of rural areas in the Warmińsko-Mazurskie Voivodship affects different levels of infrastructural development. This difference directly affects the quality of living conditions and opportunities for agro-tourism activities. There are many reasons for different levels of infrastructure development, for example, the location of the major cities, the national border and the promotion of tourism products (Batyk 2011). The studies were part of an extensive analysis of the functioning of farms implementing agro-tourism in the Warmińsko-Mazurskie Voivodship. The aim of this analysis was to include identification of the motives for undertaking tourism activities and an understanding of how such business causes divestments. This paper presents the results of surveys conducted in 2011, among 92 randomly selected agro-tourism farms in the Warmińsko-Mazurskie Voivodship.

There are many reasons why income is sought outside the farm. Mainly this is due to the economic weakness of farms. The results of this study have indicated the main reasons for the provision of agro-tourism activities in the Warmińsko-Mazurskie Voivodship. These include: the ability to obtain additional income (45,7%), the ability to sell products produced on the farm (19,5%) and the use of available space (10,9%).² Subsequently, there were: the use of the tourist potential of the region (9,8%), ability to obtain financing from the European Union (6,5%), fulfillment of dreams (4,3%), and family traditions (3,3%).

The business of rural tourism provides residents with income from various sources. The results showed that besides the income from renting rooms, there are a number of additional sources. The highest percentage of farms engaged in agro-tourism in the Warmińsko-Mazurskie Voivodship receives income from the sale of agricultural products such as:

- bread (51,1%), fruit and vegetables (33,7%), dried and pickled mushrooms (30,4%), cheese and curd (26,1%), meat products (19,6%), fish (17,4%), honey (14,1%), and wine (4,3%)
- pottery products (4,3%)
- blacksmith art handicrafts (3,3%)
- wicker products (2,2%)

To increase the attractiveness of an agro-tourist farm, a major advantage is the opportunity for guests to purchase these products. At a time when much food is standardized, tourists look for something interesting and original; those unique products which are often a magnet for a stay on a farm.

To undertake agro-tourism activities, it is necessary to adjust current base material conditions. This means the modernization and furnishing of living quarters and sanitary facilities (bathrooms). Often it means the construction of additional facilities such as grill areas with shelter and a place in the garden to relax, a playground and organization of recreational activities. Increased maintenance is often required on the farm in order to improve safety and aesthetics.

The most important themes of divestment on farms in the Warmińsko-Mazurskie Voivodship include:

- the need to raise standards of agro-tourist farms, the need to increase the shared leisure facilities, for example, use of the land for recreational infrastructure, adaptation of farm buildings for guests
- the need to adapt to the demands and expectations of guests – for example because livestock production can be cumbersome due to the odors and noise
- time management difficulties, the problems of reconciling work on the farm with the duties associated with the services for agro-tourists
- the need to obtain funding for the development of agro-tourism activities from the sale of land

2. [In the journal (in both Polish and English texts) European practice of number notation is followed—for example, 36 333,33 (European style) = 36 333.33 (Canadian style) = 36,333.33 (US and British style). Furthermore in the International System of Units (SI units), fixed spaces rather than commas are used to mark off groups of three digits, both to the left and to the right of the decimal point.—Ed.]

Income is declining on agricultural farms due to deteriorating economic conditions of agricultural production, the poor relationship between the prices of agricultural products and the means of production. Also important are the limited opportunities to sell products which are produced in farms. Farms in the Warmińsko-Mazurskie Voivodeship rarely carry out their current activity and investment on the basis of external funding. In such a situation they are less attractive customers for financial institutions. A key influence is also the mentality of farmers and their unwillingness to take loans. Much more often and willingly they have used funding from the European Union, mainly because in most cases they have a form of non-repayable grants.

2 The scale of agricultural farm diversification and regional location

Based on the National Agricultural Census, in 2010 54,7 thousand farms (2,9% of all households engaged in agricultural activities) carried out an economic activity other than agriculture, which was directly related to the farm. Compared to 2007, the number of these households has decreased by more than half. Some of them dropped agricultural activities for the development of non-agricultural activities. The proportion of households engaged in activities other than agriculture increased with the increase of farmland—from 1,4% in the group of 0–1 hectares area to 16,3% in the group of 100 hectares or more. Non-agricultural activity on farms in the Warmińsko-Mazurskie Voivodship was the only main source of income for 10,1% of the farms (Grzelak 2012, 86).

For farmers who do not maintain agricultural production, there is a whole range of new possibilities to obtain additional income for residents of rural areas who do not depend on agriculture. Opportunities are mainly related to service activity in the provision of rural tourism, trade and food processing. This is confirmed by the results of the National Agricultural Census in 2010; the highest percentage of households in Poland conducting agricultural activities other than farming was observed in the case of:

- service activities using their own equipment—in the group area of 50–100 hectares (27,5% of all households in this group engaged in activities other than agriculture)
- agro-tourism – in the group of area 1–2 hectares (23,4%)
- processing of agricultural products—in the group of 100 hectares or more (9,6%)
- processing of wood—in the group of 2–3 hectares (4,9%)
- handicrafts—the group of area 0–1 hectares (4,9%)
- aquaculture—the group of area 100 hectares or more (30,8%)
- production of renewable energy for the market—the group of area 100 ha or more (1,5%)
- other activities such as running a shop where farm products are sold—in a group of 0–1 hectares (56,3% of all households in this group engaged in activities other than agriculture)

An emerging new possibility of obtaining additional revenue is seen mainly on farms engaged in activities other than agriculture. This situation has a wide scope and applies to all Polish households. According to the Agricultural Census in 2010, the share of revenues from sales of products and services non-directly related to the agricultural production of the total farm revenues was as follows:

- does not exceed 10% for 38,7% of all households engaged in activities other than agriculture
- in the range of 11–50% for 26,9% of the farms
- was more than 50% for 34,4% of households engaged in activities other than agriculture

The scale of the possibility of obtaining additional revenue depends on the size of the farm. Nationwide data show that income from activities other than farming were greater than from agricultural activities mainly in the smallest farms up to 10 hectares (about 42% of these households). For comparison, this situation involved less than 1/5 of units with an area of 10 hectares and more.

The results of the National Agricultural Census confirmed that more than 60% of the individual farms in Poland, including 66% of farms with an area of more than 1 hectare, produced agricultural products mainly for sale. For almost 40% of the individual farms, including 34% of farms with an area of more than 1 hectare, the household consumes more than 50% of the value of agricultural production produced thus producing mainly for its own use. In every fourth individual

farm and almost every fifth with areas of more than 1 ha, agricultural production was carried out only for the household (*Charakterystyka gospodarstw...* 2012, 78–82).

Among agricultural households in Poland, almost 1/5 (19,7%) received income from non-agricultural activities. The highest percentage of agricultural households earn income from non-agricultural activities are in Śląskie (24,2%), Opolskie (24%), and Zachodniopomorskie (23,7%) voivodships. The lowest percentage of households receiving income from non-agricultural activities are in Lubelskie (16,2%), Wielkopolskie (18,0%), and Łódzkie (18,3%) voivodships. In Podkarpackie and Lubelskie is the least percentage of households in which more than 50% of total revenue accounted for income from non-agricultural activities. The highest percentage of such households is in Lubuskie, Opolskie, Śląskie, Pomorskie, and Zachodniopomorskie voivodships.

Tab. 1. Individual farms with income from non-agricultural activities in 2010

Voivodship	Percentage of individual farms receiving income from non-agricultural activities	Percentage of individual farms with incomes of non-agricultural activities more than 50% among farms receiving any income from non-agricultural activities
Poland	19,7	9,5
Dolnośląskie	20,1	11,6
Kujawsko-Pomorskie	18,9	8,6
Lubelskie	16,2	7,1
Lubuskie	23,5	12,3
Łódzkie	18,3	9,2
Małopolskie	21,9	10,9
Mazowieckie	19,0	10,3
Opolskie	24,0	11,9
Podkarpackie	21,2	7,9
Podlaskie	18,9	8,9
Pomorskie	19,9	11,0
Śląskie	24,2	10,0
Świętokrzyskie	18,9	9,7
Warmińsko-Mazurskie	19,6	10,1
Wielkopolskie	18,0	9,8
Zachodniopomorskie	23,7	11,5

Source: (*Charakterystyka gospodarstw...* 2012, 452–453)

The importance of diversification of farm activities, particularly in the search for alternative sources of income, is reflected in the funding strategy of the Rural Development Programme 2007–2013. More than 345 million euro has been earmarked for variation in non-agricultural activities. Within the Operational Programme Development of Eastern Europe for the period 2007–2013, Priority V – Sustainable development of tourism potential based on natural conditions, it is assumed that the implementation of tourism activities will stimulate the development of local initiatives and companies operating in the tourism services sector (mainly those services in conjunction with attractive places in terms of nature, located outside urban areas), especially agro- and eco-tourism. This involves the creation of services and structures that provide new employment opportunities outside of agriculture for the local population, and also help to improve the quality of life of people in rural areas (*Program Operacyjny...* 2007).

The study of economic efficiency of Polish agro-tourism shows that its share of the income of households was 18,9%. Most important was the agro-tourism for farms located in the Warmińsko-Mazurskie—with a share of 27,6% of revenues and Pomorskie—26,8%, and it was lowest in the Lubelskie Voivodship—11,4% (Kryński and Capiaga 2001, 16). The results provide a basis to conclude that agro-tourism is more a form of diversification of holdings in regions with high tourist

attractiveness. Apart from the natural environment and cultural assets, more likely to have the diversification are the farms which are situated in an attractive landscape where the owners understand that the conditions for success in this activity include: their personal attitude, hospitality, cleanliness and tidiness, security, the ability to take an interest in the environment, preservation of traditions and identity of the region and the need to improve the business (Jalinik 2002, 92).

The initial success of agro-tourism activities combined with the low profitability of farming could lead to divestments on the farms, which is planned and deliberate reduction of agricultural production and resource commitment of the farm household leading to the release of land, labor and capital, that can be used in other agricultural or non-agricultural activities. This will lead to an increase in personal income for the farm householder. Divestments may be of a reserve or production:

- in extension, restriction or abandonment of some manufacturing activities
- in terms of land management: setting aside or the exclusion of land from agricultural use for building or planting, sale or lease
- in the management of capital: a change in the use of household assets (used for non-agricultural activities or family living purposes), the sale or liquidation of assets
- in terms of manpower resource management: of people working on the farm or working outside the farm (Wojewodziec 2010)

Conclusions

Agro-tourism activity in the Warmińsko-Mazurskie Voivodship is treated as an economic stimulus and a factor significantly influencing rural development. Agro-tourism helps to obtain additional income, allows for optimal use of available space and increases the availability and direct sales of products produced on farms. Local food processing and direct sales are promising and profitable directions for diversification of farm activities.

Diversification activity analysis indicates that the activities of non-agricultural farms varies greatly by region. The highest share of households receiving income from non-agricultural activities occurs in Śląskie, Opolskie and Zachodniopomorskie voivodships. Farmers in these regions recognize opportunities and possibilities for improving incomes by better use of resources and undertaking non-agricultural activities. Agro-tourism is a form of greater diversification of holdings in regions with high tourist attractiveness.

The analysis indicated that non-agricultural activities are an important part of small farms sectorally. An important element of tourism activities in the Warmińsko-Mazurskie Voivodship is the opportunity to sell directly to consumers of manufactured products. Also, throughout the entire country, more than 50% of revenues from the sale of non-directly agricultural goods and services is noted in every third household. Agro-tourism activity provides opportunities to generate income from the sale of crops as well as all kinds of handicrafts. Agro-tourism activity meets all the conditions for sustainable economic development of rural areas.

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