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THE PROBLEM OF SMALL FARMS WITH SPECIAL REFERENCE
TO AGRICULTURAL UNDER-EMPLOYMENT

Introduction

At the 12th Session of the EER-Committee the Chairman instructed me to prepare a paper on the problem of small farms, which could be helpful for the discussion of this problem at the next meeting.

In this paper the economic aspect of the problem will be emphasized, though it is readily admitted that other aspects, mainly of a sociological, social and demographic nature are probably as important.

Statement of the problem

Quite a range of problems affects this type of holding, so that it can be misleading to speak of the problem of small farms. Owing to its different aspects it is difficult to define the conception of the small farm, since it varies between the different countries, each having its own agricultural pattern.

There are two main aspects which have to be distinguished, the first having a more technical, the second a more economic and social character. The technical aspect concerns the difference in technical productivity between a smaller and a bigger farm as a result of the varying technical possibilities of both (mechanization, training, capital, etc.). This aspect must be seen quite irrespective of a possible excess of labour on the smaller farms.

The other aspect can be described as a maladjustment between labour and land resources, though it must be clear that small farms do not always necessarily have an excess of labour. But very often such an excess is found, because small farms arise from the disproportion between the increase of the farm population and the possible increase in the area of cultivable land. So in the areas where small farms prevail, too many people are cultivating too small an area of land. This circumstance results in a low labour productivity and as this labour productivity is one of the main determining factors of the farmers' income, it leads to an unfavourable income situation. It will be preferable, when discussing this aspect of the problem of small farms, to use the term agricultural under-employment.

Comprehensive views about the scope and causes of agricultural under-employment cannot be attained by a mere statement of the

numbers of holdings in different size groups and of the average size of farms, because this information does not reveal the essential factor, i.e. the relation between labour supply and labour requirement. It will be necessary to assess this relation not necessarily for the country as a whole but specially for those regions where the under-employment of labour is manifest.

This paper concentrates mainly on this central problem, though it is appreciated that there are other aspects which will require to be taken into account.

The implications of under-employment of labour

It was stated above that a maladjustment between labour and land resources results in a low labour productivity. The low labour productivity results either in a relatively low income or in the granting of subsidies to these low-productivity classes of farmers or in some form of protection. These protective measures result in a high domestic cost of food which has to be paid by consumers and/or tax-payers. Both the granting of subsidies and protective measures transfer a part of the national income from the non-agricultural groups of the population to the farmers, thus arriving at a distribution of income different from that which would have been attained on the basis of mere productivity. Therefore it will be wise policy to try to raise the productivity of the group of small farmers: productivity has always turned out to be the best form of protection!

There is still another reason why an improvement in the productivity of the group of small farmers is so important. The problem of closer economic co-operation in Western European agriculture can be drawn nearer to a solution when those groups of the agricultural population which have the lowest labour productivity and thus the worst competitive position can be improved. Mostly the extent of national protection in the agricultural field - which must be progressively reduced during a transition period if single markets are to be created - is attributable to the position of these low-productivity groups of farmers. And so one of the main arguments against closer economic co-operation appears to be the endangered position of the small farmers!

Possible solutions of the problem of under-employment of labour

The solution of this problem must, of course, be found in an improvement of the land/labour ratio. This improvement must take one of three directions or some combination of them:

1. increase of the intensity of production, e.g. by an increase of the cattle population, by cultivating more labour-intensive crops (e.g. more potatoes and mangolds instead of grains or grass),
2. increase of the size of the farm,
3. transfer of labour from the farm to other non-agricultural occupations.

All three solutions have their own limitations.

1. The intensification of the farm will only be possible to a limited extent. It must be borne in mind that it is necessary to find a profitable outlet for any increase in production, or to put this more generally, any additional costs must be offset by the value of the additional production. However, account can have been taken of the fact that there will be no additional cost of labour since it is already available and, to a certain extent, cannot be transferred to other gainful occupations. Furthermore, in order to achieve its purpose, this intensification must lead to an increase in the labour requirement in the periods when this is at present low. If the result of the intensification should be an increase in the requirement in the peak season, the additional production would not mean an improvement in the land/labour ratio, but would only delay the necessary flowing off of the labour surplus.

The improvement of farm practices recommended above should be stimulated by educational, credit and technical assistance programs. The nature of these programs has to take into account the special position of the small farmers: mostly they have no capital resources and only some formal educational training.

2. The possibility of increasing the size of the farm will in many cases be very difficult owing to the shortage of cultivable land. In one respect such an increase in size is a pre-requisite for solving the problem where the farm is too small to create a reasonable labour requirement for the minimum size of the farm family. This minimum size is generally the father and the mother, and the son who will succeed his father. It follows therefore that in this connection a minimum desirable size of a farm can be constructed: it is a farm of such size that, given a certain level of technique, the amount of labour necessary to work that farm gives a reasonable degree of employment the whole year round to the one-son-family. A farm is too small when it is below the minimum desirable size as stated above. On such farms, an excess of labour exists. A large number of these farms are to be found in several Western European countries. The situation can only be improved through a reduction in their number.

It is recommended that consolidation of farms should be stimulated by creating an awareness and desire on the part of these families for higher levels of production and family living, and by making available adequate credit at reasonable interest rates.

3. The third solution, namely transfer of labour to other occupations or to areas, including other countries, with a shortage of labour, has its limitations. Often the men lack adequate training for other jobs or the necessary inclination to leave the farm or the village or the agricultural way of life. On the other hand a shortage of capital in industry may play its role. Movement to other countries is often restricted by immigration laws.

It is recommended that families who desire farm or non-farm employment outside their home communities should be assisted in this direction. One way of doing this would be to start new industries in the small farm areas.

So quite a range of schemes and programs can be designed to try to bring about the necessary improvement in the land/labour ratio. It is extremely important that these measures should be clearly designed to improve the productivity of labour, either by increasing the labour requirement or by decreasing the labour supply. Existing measures sometimes only tend to alleviate the results of this bad labour productivity. As the difficulty is not merely a short-term low profitability of the very small farms, these support measures may not provide a real solution to the problem. Of course, these measures cannot be dispensed with at this moment, but we should bear in mind that they have a conserving character and a tendency to draw away attention from the real difficulties.

Necessity of studying the problem: Suggestions

Measures to bring about the necessary improvement can only be properly taken when we have a clear idea of the situation as it is. Therefore, in my opinion, an inquiry into the scope and nature of the different aspects of the problem of small farms in the relevant countries and into possible solutions should be valuable.

Probably such an inquiry could be undertaken by the agricultural economic institutions to be found in the various member countries. It would be advisable in my opinion to set up a small coordinating committee, on which all or some of these bodies would be represented, with broad terms of reference laid down by the EER-Committee. The Committee shall have to decide which problems have to be dealt with primarily and along which lines the inquiry should proceed. No further details need be given at this stage about all the factors which will have to be analysed.

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