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CHARACTERISTICS OF LAND TENANCY ON FAMILY FARMS IN VOJVODINA ¹

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Abstract

Authors show the significance of land tenancy in the conditions of small and fragmented land property of family farms. The analysis was conducted on 1.513 selected family farms that take land on lease and cooperate with Agricultural extension service of Vojvodina on issues of agricultural production improvement. The authors explore how much land is being taken on lease, what is the relation between owned agricultural land and land on lease, what are the reasons for the taking land on lease, do the owners of the selected family farms have intentions to buy land and for what reasons. Also, the paper gives a review of some basic information on socio-economic characteristics of families that take land on lease.

Key words: *land tenancy, purchase of land, socio-economic characteristics of families that take land on lease*

Introduction

Land tenancy is a complex social process that is historically determined and depends on various socio-economic and cultural factors (FAO, 2002). In open market agriculture, with domination of family model of production and family farm in private ownership, increase of agricultural land for production is possible to achieve by purchasing or taking land on lease. Considering that the purchase of land is a costly investment, better and more adequate solution for many farmers is the land tenancy. At last, land tenancy depends on demand of potential tenants, supply of available agricultural land funds and governmental and institutional regulation of land tenancy (or customs and other rules and regulations of local

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rural communities). Demand for land tenancy is greater if farmers (who have no sufficient owned agricultural land, but want to modernize and improve their agricultural production) estimate that taking land on lease will provide them with economic benefit. In other words, land tenancy demand depends on rational estimation of farmers whether agriculture will be cost-effective and profitable activity for their families.

On the side of supply of available agricultural land funds, land tenancy issue is objectively more complex because it depends on the social processes of "long duration". The most relevant of these are rural exodus, deagrarianisation and demographic changes in rural communities (most of all, ageing and low or negative birth rates of rural population). If those processes are significant, many farmers and their families will decide to leave agriculture and rural areas and give their estates on lease or sale.

Family farms in Serbia are characterized by small owned land property composed of a large number of small plots (Božić i sar., 2004). Such anachronistic agricultural land structure of family farms in Serbia has well-known causes and there are numerous scientific studies to prove them³. Especially are well-known ideological and political causes of such land structure such as a measure of agrarian maximum (introduced 1953) which in the past decades - along with other measures of agricultural policy – has been legally restraining the increase of privately owned agricultural land and development towards the model of market orientated, commercial farms.

During the 1990s, it has been expected that the agricultural land structure of family farms in Serbia will change more rapidly due to the land purchase and, therefore, increase of the agricultural land owned by farmers. But, many economic and other reasons that characterize most of transitional societies prevent such expectations. Instead of buying land, many farmers have chosen to overcome shortage of agricultural land by taking land on lease. Serbian national statistics does not register data on land tenancy in a systematic and valid way even though such data and data on agricultural land market (especially agricultural land market between farmers) are very important indicators of change in agriculture and, also, social change in rural communities and Serbian society.

Therefore, in this paper authors analyze the widespread of land tenancy, relations between owned agricultural land and land on lease, reasons for taking land on lease, farmers' (who take land on lease) intentions for improvement of land resources *i.e.* resources for production and production structure on owned and land on lease. In addition, the authors give a short review of some socio-economic characteristics of families that take land on lease. The analysis is based on a sample of 1.513 family farms that take land on lease and cooperate with Agricultural Extension Service of Vojvodina⁴.

3 As an illustration, see: Mitrović (1999).

4 For further information on concept of selected family farms and extension process see in: Janković, Petrović, Čikić (2010), Petrović (2007).

Data resources

Data on land tenancy stem from the *System of information in agricultural extension of Vojvodina*. The *System*, in conceptual and methodological sense, enables registration of the full scope of information regarding extension agents' activities and socio-economic features of selected farm (Petrović, 2007). Data on land tenancy and all other information within the *System* are registered by extension agents based on their direct contact with the owners of the selected farms and their families over the past three years (period of one cycle of cooperation). Beside quantitative indicators on land tenancy, extension agents have also been registering their impressions on owned and leased land base for the agricultural production on farm⁵. That information is also taken into account while analyzing land tenure.

Occurrence of land tenancy, reasons for taking land on lease and intentions of buying land

According to the data from the System of Information in Agricultural Extension of Vojvodina, out of the total of 3,147 selected family farms in Vojvodina that have cooperated with Agricultural Extension Service during the past three years 2,077 (66%) farms were taking land on lease, while 676 (21.5%) were not taking land on lease. For 394 farms (1.2%) there are no reliable data in the System of Information. Out of the total number of the selected farms, in this paper the authors will analyze 1,513 farms that were taking land on lease since for them there are reliable data for all the indicators regarding the land tenure issue. The data suggest that land tenure, at least among these farms, is a very common occurrence⁶. When comparing the average land owned by farmers and land on lease (Tab. no. 1.), it can be noticed that the average area on lease is larger (24.16 ha) than the area owned by farmers (16.68 ha).

5 Processing quantitative data on land tenancy for the purpose of this paper was done by Ivan Koči, author of software for the System of Information in Agricultural Extension of Vojvodina.

6 Data on land tenancy as a common occurrence in Serbian agriculture are also registered in national statistics (Popis, Poljoprivreda – knjiga 1, 2003: 20).

Table No. 1. The structure of owned agricultural land and agricultural land on lease

Area (ha)	Owned agricultural land			Agricultural land on lease		
	Number of farms	Total area owned by selected family farms (ha)	% of total area owned by selected family farms	Number of farms	Total area on lease by selected family farms (ha)	% of total area on lease by selected family farms
0 ha	15	0	0	-	-	-
0.01 – 3.0	133	255,0	1.0	245	471.4	1.3
3.01 – 5.0	110	453,5	1.8	172	732.6	2.0
5.01 – 7.0	141	865,0	3.4	125	781.3	2.1
7.01 – 10.0	245	2147.0	8.4	194	1,721.4	4.7
10.01 – 15.0	297	3,708.0	14.5	175	2,216.2	6.1
15.01 – 20.0	199	3,503.0	13.7	128	2,357.0	6.5
20.01 – 25.0	103	2,346.5	9.2	80	1,840.9	5.0
25.01 – 30.0	81	2,253.1	8.8	85	2,432.3	6.7
30.01 – 35.0	44	1,446.0	5.7	57	1,891.1	5.2
35.01 – 40.0	47	1,788.8	7.0	48	1,878.2	5.1
40.01 and >	98	6,737.3	26.4	204	20,237.1	55.4
Total	1,513	25,503.0	100.0	1,513	36,559.5	100.0
Average on family farm (ha)	16,68			24,16		

The data from the Table 1 point to a very interesting phenomenon. If we consider the total number of farms and their owned agricultural land within the interval 7.01-30.0 ha it is evident that 61% of the farms own 55% of the land. An even more interesting fact is that farms that own more than 40 ha have the share of 6.5% of the total number of the analyzed selected farms, but own almost 27% of the land. Analyzing the same intervals in *ha* of the land taken on lease, the group of farms (that was taking land on lease from 7.01-30.0 ha) has the share of almost 44% of the total number of farms and the share of almost 29% of the land taken on lease. *The most interesting fact is that a group of the farms with 40.01 and more ha of the land taken on lease (having the share of 13.5% of all the selected farms) takes 55.3% of the total amount of the land taken on lease.* In a nutshell, the above stated data point to a significant polarization of bigger and smaller farms regarding the issue of the owned land and especially regarding the issue of the land taken on lease. This is a phenomenon that has significant economic and social consequences, but in this paper, unfortunately, we cannot pay more attention to it. The already mentioned groups of bigger farms surely represent the basis of the farm sector in agriculture of Vojvodina. Furthermore, regarding the land base of agricultural production on family farms, we might assume that the farms that own more agricultural area also take more land on lease, but the table presented (Table 1) provides no empirical ground for this assumption.

Decision on taking land on lease is a complex one. It depends on the size of owned agricultural land, production structure and production orientation, economic position of agriculture in general and many other factors related to farms and farmers' families. For

many farmers, land tenancy is not permanent but only temporary solution, especially for those whose livelihood depends solely on agriculture and who have intentions in expanding land base for their agricultural production. Therefore, land tenancy is always closely related to farm owners' intentions in the purchase of the agricultural land (Tab. No. 2 and No. 3).

Table No. 2. Reasons for taking land on lease

Reason	Number of farms	% in total number of farms
1. Insufficient owned agricultural land	1 493	95.2
2. Affordable rent	41	2.6
3. Better and more rational use of existing agricultural machinery	5	0.3
4. Favourable position of the area taking on lease	14	0.9
5. Social reasons (taking land on lease from cousins)	11	0.7
6. Specifics of agricultural production	4	0.3
8. Other reasons	1	0.1
Total	1 568	100,0

As it was expected (Tab. No. 2.), insufficiency in owned agricultural land is the main reason for taking land on lease (95.2%)⁷. In the second place is affordable rent (2.6%). Due to the fact that land tenancy, in Serbian society, is much more financially reasonable solution than the purchase of land, it could be interpreted that affordable rent as a reason for taking land on lease is more likely present among farmers who take land on lease because they do not have agricultural land on their own. Other reasons are significantly underrepresented, but also important for the analysis. It is central to point out that some farm owners take land on lease not only for economic reasons, but because of the favourable position of the land available for lease or because land available for lease is owned by elderly cousins who due to the age or for some other reasons do not cultivate their own agricultural land⁸.

Table No. 3. Intentions of land purchase

Reason	Number of farms	% in total number of farms
1. Expanding farm production	1 335	88.2
2. Affordable price	6	0.4
3. Both mentioned reasons	35	2.3
4. Other reason	29	1.9
5. No intention in purchasing land	108	7.1
Total	1 513	100.0

⁷ Total number of farms and total number of reasons are not even because some farmers chose more than one answer in expressing their reason for taking land on lease.

⁸ In Serbia, on average, 4% of total arable agricultural area is not cultivated. For Vojvodina only, it is a loss of 13 million EURO per year, in value of primary agricultural products (Bošnjak, Rodić, 2010).

As already mentioned, land tenancy is also closely connected to farmers' intentions and reasons for purchase of agricultural land (Tab. No. 3.). Presented data show that farmers have strong intentions to buy land, mostly because they want to expand their agricultural production (88.2%). This reason is usually related with some other reasons that determine the decision on land purchase. Beside affordable price, according to the extension agents' opinions, many farmers would like to buy land because there is a family member who will continue to practice agriculture on the family farm, because of the favourable position of the land which can be bought or because of the more rational use of existing agricultural machinery and possibilities for cultivating more land. Some farmers stated that purchasing land is a good and safe investment and others want to buy land from the cousins (which imply that purchase of land is not only motivated by economic reasons, as it is sometimes assumed).

Some socio-economic characteristics of families that take land on lease

Family farm and rural family have always been closely related. Vukosavljević claimed that rural family is some sort of „working partnership” based on traditional labour division and family values system which regulate not only relations between family members, but also relations between family as a social group and farm as an economic base for rural family existence. In the open market agriculture, the relation between rural family and family farm is even more complex because of the distinctive social changes. This also refers to the land tenancy and decision of family members to take land on lease as a solution for expanding their production land base and, thus, ensuring the family existence. There are no researches on relation between socio-economic characteristics of the family and land tenancy in Serbian sociology. Thus, the authors present some of the empirical information on basic socio-economic features of the families that take land on lease.

The relation between the farms that take land on lease and their families is undoubtedly complex due to the fact that land tenancy does not simply depend on economic factors, but also on socio-economic characteristics of rural families' members. The results of this research show that between farms that take land on lease prevail those with families consisting of five and more members (42.2%) and with three and more generations (43.4%). Average age of farm owners and their spouses is 46 years⁹. Of total 3,337 members of the families that take land on lease, 84.7% have no official employment and 4.8% are retired. The results show that most of the farm owners who take land on lease and their spouses have secondary school degree (61.2 %) and 6.2% have a faculty diploma which imply on favourable educational structure. Land tenancy also should be examined compared to family farms' owners and their spouses' occupation. According to the data, almost $\frac{1}{3}$ of all family farms' owners and their spouses are farmers, 25.4% of them work as clerks and experts with college and university diplomas and 20.5% of them are housewives.

9 On relation between land tenancy and elderly rural population, see: FAO (1999), Miladinović (2010).

Conclusions

According to the presented data, it is a general conclusion that taking agricultural land on lease depends on whether family consider agriculture as their primary economic activity. Also, data showed that there is significant polarization of the farms regarding the farm size of the property and especially of the land taken on lease and this implies important social and economic consequences on the further development of agriculture in Vojvodina. Furthermore, families who take land on lease have more members and complex generation structure. Also, land is more often being taken on lease in those families whose members have above-average education (compared to educational structure of total rural population in Serbia) and families with no or few members employed outside the farm.

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