FARMER’S ENTREPRENEURSHIP: CASE OF LITHUANIA

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The majority of households are family business organizations, which were formed naturally and handed down from generation to generation; thus, often it is difficult to reconcile necessary changes with the fundamental value – harmony between business and lifestyle. Research question: do the Lithuanian farmers have an entrepreneurial attitude towards farming? Aim of the research – to evaluate Lithuanian farmers’ attitude towards business and to present scientific insights regarding the development of households and promotion of farmers’ entrepreneurship. Theoretical research was carried out while applying methods of analysis and content analysis of scientific researches. In order to find out about Lithuanian farmers’ attitude towards farming, motives and business, the method of questionnaire survey was applied. In total, 162 farmers working in different Lithuanian municipalities were interviewed. 82 percentage of interviewed persons recognize farming as a type of business. In order to achieve identified business goals, farmers expand areas of cultivated land, improve production technologies, and have consultations. Teaching/learning, dissemination of good practices could be possible measures which contribute to the change of the attitude towards activity of these farmers.

Keywords: agriculture, farmer’s household, farmers’ entrepreneurship, questionnaire.
JEL Codes: K20, M21.

1. Introduction

In the European Union (hereinafter – EU) and many other countries farmers’ households represent a significant part of organizational structures in the agricultural business (Suess-Reyes, 2016). Predomination of the farmers’ households as family business organizations, dependency of agricultural activities and results on natural environment, multifunctional nature of agricultural activities, measurements of financial assistance and other factors distinguish the farmers’ households from other business organizations.

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However, the farmers’ households do not operate in vacuum – they are a part of certain business environment. The extent and speed of changes in this environment, development of technical and organizational innovations, dissemination and other factors result in greater or smaller changes. The effectiveness of adaptation to changes depends greatly on person’s entrepreneurship. In scholars’ (McElwee, 2005) works different types of the farmers are identified according to their aims and motives for farming, for instance, conventional growers, modern growers, amateurs, farmers oriented towards profit and etc. But it is agreed that the entrepreneurial competence is necessary for everyone in everyday life and professional activity, because it enables people to raise their awareness regarding the context of their working life, use opportunities more effectively and be flexible while adapting to the requirements of changing environment (Lisbonos strategija, 2000).

There are many researches carried out with respect to farmers’ entrepreneurship. However, it is important to highlight that in order to analyze a chosen research object, it is important to consider place, time, historical and cultural contexts. The duration of self-sufficiency farming is quite short in Lithuania, a significant part of business farms is still in initial phase. The concept of entrepreneurship is not static. Therefore, researches related to this topic are still relevant. Research question: do the Lithuanian farmers have an entrepreneurial attitude towards farming which is predominated by the family business organizations?

Research object – Lithuanian farmers’ attitude towards farming.

Aim of the research – to evaluate Lithuanian farmers’ attitude towards business and present scientific insights regarding development of the households and the promotion of the farmers’ entrepreneurship.

Research methodology. Scholars analyzing entrepreneurship correlate the farmers’ entrepreneurship with farmers’ orientation towards profit, specialization of the farm, development and management optimization (Lans, 2014). Estrin (2016) correlates the farmers’ entrepreneurship with the development of partnership, establishment of new activities (diversification of farm), and innovations. Morgan (2010) and McElwee (2008) correlate the farmers’ entrepreneurial behavior with innovations, initiation of changes, risk acceptance, creation of added value and market orientation. Vesala (2010) states that identification of the farmer as a businessman depends greatly on the size of the household.

The theoretical research was performed while applying the methods of analysis and content analysis of the scientific articles and the reports of scientific researches. In order to analyze the Lithuanian farmers’ attitude towards farming, the aims and motives for becoming farmers, the measures of entrepreneurial education, the expression of farmers’ entrepreneurship, the questionnaires were used.

The questionnaire was composed of several blocks of questions (Table 1).
Table 1. Groups of questions in questionnaire and their purposes

<table>
<thead>
<tr>
<th>Group of questions</th>
<th>Purpose of the group of questions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st group of questions. General characteristics of respondents</td>
<td>To analyze demographical characteristics of participants: age, education, size of household, duration and type of farming.</td>
</tr>
<tr>
<td>2nd group of questions. Purposes and motives of respondents’ activity</td>
<td>To identify the respondents’ attitude towards the farming, purposes and motives of farming.</td>
</tr>
<tr>
<td>3rd group of questions. Expression of respondents’ entrepreneurship</td>
<td>To analyze the change of cultivated area in the farmer’s household from the beginning of the farming and current year, innovations in the farm, activity planning and management in the farm, development of the links and diversification of the farm activities, measures of the entrepreneurial education.</td>
</tr>
</tbody>
</table>

In order to perform more accurate analysis, a great deal of time and money is required. However, the respondents included in the sampling frame reveal the general tendencies of Lithuanian farmers’ households: there is a predominance of small farms owners, the duration of farming – 11–20 years, middle-aged farmers are the most common, type of farming – crop production and/or mixed (Table 2).

Table 2. Respondents’ characteristics

<table>
<thead>
<tr>
<th>Groups of respondents</th>
<th>Structure, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education</td>
<td>Primary, primary vocational – 12.3, secondary, secondary vocational – 18, non-university higher – 37, university – 32.7.</td>
</tr>
</tbody>
</table>

In order to perform the research, it was chosen a convenient type of selection: the farmers were interviewed during the trainings conducted by the researchers of Aleksandras Stulginskis University, during the event for the farmers “Agrovizija 2017”; also, the students of Aleksandras Stulginskis University and Kauno Kolegija whose families/family members are farming were interviewed. In total, 162 farmers farming in different Lithuanian municipalities were interviewed.

The participants of the investigation answered questions in a voluntary manner. People performing investigation followed the principles of research ethics: the purpose of the research was introduced to the respondents, respondents’ anonymity,

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1 The general tendencies of Lithuanian farmers’ households are presented in the article Structural changes of farmer’s farms: case study of Lithuania (Zaleckiene, 2017).
proper and timely usage of research results for generalization of this research were guaranteed.

2. Theoretical insights

2.1. Legal definition of the farmer’s household as the business entity. Mikelėnas (2016) identified four legal forms of individual business in Lithuania. One of them is the farmer’s household, which does not have status of legal person, but is established and operate under the Law on the Farmer’s Household of the Republic of Lithuania. Development and issues related to legal status of the farmer and the farm in Lithuania were analyzed by Grakauskas (2004).

In the Law on the Farmer’s Household of the Republic of Lithuania is determined that “farmer’s household – farmer’s financial and personal nonfinancial obligations, as well as rights taken as a whole; farmer is a natural person, who alone or together with partners engage in agricultural activities or forestry and his farm is registered in the Register of Farmer’s Household” (Article 2 of the Law on the Farmer’s Farm of the Republic of Lithuania, 1999). According to the Part 1, Article 4 of this law, farmer and his partners can be engaged in agricultural activities, forestry or other activities not prohibited by law without establishing an enterprise. Farmer does not establish entity (legal person); thus, while analyzing the farmer’s household as a legal form of business, it can be stated that farmer’s activity can be recognized as individual activity, because the farmer seeks to generate revenue or other economic advantage during the continuous period.

While analyzing the concept of farmer’s activity determined in legal acts, it can be assumed that this activity is quite narrow; however, in the Law on Agriculture, Food and Rural Development of the Republic of Lithuania agricultural activities are established as production of agricultural products, processing of one’s own produced agricultural products, selling of produced foodstuffs or other goods as well as provision of services for agriculture (Part 22, Article 2 of the Law on Agriculture, Food and Rural Development of the Republic of Lithuania, 2002). As a result, the farmer has a possibility to implement his activities in production, processing, selling and providing specific services. Also, the farmer has a possibility to engage in other activities not prohibited by law in that case if it is not required to establish legal entity. This could be various services or production activity. However, the farmer willing to engage in other activities not prohibited by law and without establishment of legal entity has to identify the type of his activity while registering the household. The State Tax Inspectorate in its explanatory statement has stated “in that case if the farmer identified that he is engaging not only in agricultural activities while registering in the Register of Farmer’s Household and if there is a wish, a Certificate of Individual Activity can be issued. This document confirms resident’s activities. If the farmer wishes to engage in other type individual activity during the continuous period, which is not registered in the Register of Farmer’s Household, he has to inform the tax authority about engaged individual activity” (Due to…, 2011, p. 1).
Regarding the analysis of the farmer’s activity in the sector of forestry – the Forest Law of the Republic of Lithuania (1994), complex activity of forestry is determined as reproduction, preservation, protection of forest and rational use of forest resources and selling timber and forest resources (Part 2, Article 2, the Forest Law of the Republic of Lithuania, 1994). In Article 3 of this law groups of forests are defined and aims as well as types of farming in them are established.

According to the Law on the Farmer’s Household, the household has to be registered in the Register of Farmer’s Household in the name of the farmer (Part 1, Article 6 of the Law on the Farmer’s Household of the Republic of Lithuania, 1999). Natural person acquires a status of the farmer from the moment of the farm registration in the Register of Farmer’s Household (Part 2, Article 3 of the Law on the Farmer’s Household of the Republic of Lithuania, 1999).

Regulations of the Register of Farmer’s Household (2003) determine the establishment, management and data use of the register of households. This register is managed by the Center of Agricultural Information and Rural Business. The household is included in the register by the Department of Agriculture of the municipality under the person’s request. It should be noted that in the name of one person only one farmer’s household can be registered. Also, farmer’s household can be registered in register only by the person with full legal capacity.

The farmers as tax payers are defined in Lithuanian laws on taxes and are registered in the Register of Tax Payers. After the end of tax years, the farmers as the other business entities are obliged to declare collected revenue. Also, this obligation is due to other persons, who are engaged in agricultural activities of the farm, for instance, spouse or partner of the farmer.

Under the Law on State Social Insurance of the Republic of Lithuania (1991), the farmer is insured compulsory in that case if the size of farm is equal to or not higher than 4 economic sizes.

Therefore, the following main features of the farmer’s household can be identified: 1) activity is implemented by the natural person with full legal capacity; 2) it is autonomous individual activity; 3) activity should be registered under the legislation; 4) people are engaged in agricultural activities and forestry; 5) there is a possibility to be engaged in other activities not prohibited by law and without establishing an enterprise; 6) from the moment of the registration, the farmer is obliged to pay state taxes and contributions.

To sum up, it can be stated that the farmer – natural person working autonomously – businessman, who is engaged in agricultural activities and forestry, in order to generate economic advantage during continuous period.

\[\text{Economic size is calculated while following the framework, determined by the Order of the Agriculture Minister of the 23rd December 2010, No. 3D-1106, “Regarding the determination of the framework related to calculation of economic size of standard production revenue from household or farm presented by the units of economic size”.}\]
2.2. **Problems of the farmer as a businessman.** Entrepreneurship and entrepreneurship education have been a research objects for a long time; however, according to Nettle et al. (2018), the researches on the farmers’ entrepreneurship remain fragmental. This is caused by the various objective and subjective reasons:

1) agricultural sector in the member states of the EU, where the majority of the organizational structures are composed of the farmers, is the most State-regulated sector. In order to evaluate the extent of farming and its macroeconomical and social value on national and local levels, governmental institutions tried to bring greater stability in farming and carried out protectionist policy on farming and agriculture. The Common Agricultural Policy (hereinafter – CAP) of the EU has long been directed towards the assurance of stable and more favourable terms for production of agricultural products and modernization of households, i.e. the protective umbrella providing protection from negative factors and controlled market economy conditions. Due to the active agricultural policy, the farmers did not have to consider about competitive advantage, significant changes in farming activities. A specific example of adaptation to changes in the external environment – increasing agricultural production while applying modern biological, technical and etc. innovative instruments. As a result of the protectionist agricultural policy, the farmers did not have to make strategic decisions – they had only to adapt strategic decisions made by national regulatory authorities to the parameters of their households. Farmers’ autonomous decisions were mostly related to the management of the farm and operational processes of production and sale;

2) various scholars (Dreby, 2017; Coller, 2014; Hansson, 2013; Domenico, 2012; Barbieri, 2010; Poviliūnas, 2008; Treinys, 2002) analyze farmers’ households in the context of the family farming while highlighting the family nature of farmers’ households. From this perspective farmer’s household means autonomous agricultural enterprise, which provides farmer and his family living from agricultural activities with farm-related goods, services and financial income. According to the researchers, farmers’ households are in harmony with rural lifestyle, cooperate with nature, ensure material basis for families in village and vitality of rural areas. In the management of household owned by the farmer, who follows traditions and family work, a special place is taken by values and moral standards of the family. Family and work relationships are based on them. Thus, entrepreneurship has still been hardly compatible with the farmers’ traditional values and lifestyle (Vesala, 2010). Often, in farmers’ households there is no regulation on formal order and motivation, formal allocation of final operating results, and there is no operational planning (Vidickienė, 2014). The preparation and reasoning of decisions related to strategical changes hardly are performed at the farmers’ households. Hansson, Oskarson, Öhlmer (2010) and Hansson (2008) state that there is only a minority of farmers who perform an assessment of financial situation in the household, an analysis of costs of the household and formation of annual budget. In most cases, farmers do not use this information while making decisions regarding the management of the household;
3) vesala (2010) points out that the problem of farmer’s identification as businessman is resulted by his place in the market and his relationship with the customer. The majority of farmers operate at the primary level of food production (production of raw material); as a result, they supply their products not directly to the consumer, but business enterprises operating in higher level of production of added-value products. The majority of farmers’ households – business organizations directed towards the production. Consequently, farmers identify themselves more as producers than businessmen (Marsden, 2001). This farmer’s place and role in the market lead to the fact that entrepreneurial competences not always were and/or are relevant.

On the other hand, the environment where the farmers operate is changing. Sustainable rural development has been related to the multifunctional agricultural development where great attention is paid not only to goods produced for the market but also to non-commodity goods (van Huylenbroeck, 2007). While the structural changes occur in the agricultural sector, the researchers (McElwee, 2006; Seuneke, 2013; Rudman, 2008; Lans, 2014; Vesala, 2006) highlight the change of farmers’ functions and competences, which are necessary to perform their functions effectively (Table 3).

Table 3. The presence of farmers’ functions and entrepreneurial competences in the traditional and multifunctional agricultural models

<table>
<thead>
<tr>
<th>Farmer’s functions</th>
<th>Traditional agricultural model</th>
<th>Multifunctional agricultural model</th>
</tr>
</thead>
<tbody>
<tr>
<td>Planning, organizing and implementing the production of traditional agricultural products.</td>
<td>Development of the farm activities and risk management.</td>
<td>_accompanying_lightly_words</td>
</tr>
<tr>
<td>Sell of the produced agricultural products to the processing Company.</td>
<td>Quality assurance of goods.</td>
<td></td>
</tr>
<tr>
<td>Development of the farm activities.</td>
<td>Diversification of the farm activities.</td>
<td></td>
</tr>
<tr>
<td>Entrepreneurial competences</td>
<td>Establishment and development of the cooperative links.</td>
<td></td>
</tr>
<tr>
<td>Knowledge and skills regarding raising animals and growing crops.</td>
<td>Search and assessment of the financial sources.</td>
<td></td>
</tr>
<tr>
<td>Activity planning and organization.</td>
<td>Evaluation of the business environment and decision-making.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Innovations.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Other.</td>
<td></td>
</tr>
</tbody>
</table>

Other.

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The reform of the CAP and liberalization of the agricultural policy, the implementation of measures of financial assistance motivate the farmers to be more entrepreneurial (Morgan, 2010). Trust, comprehension and direct relation to the producer become more and more important to the consumers (Vidickienė, 2014). There is a growing need of the local goods/services, ecological products. Due to the use of informational and communicational technologies, workplaces move to the employees’ home (Vidickienė, 2014). Consequently, rural areas perform a residential function more and more often. According to Jasaitis (2009), “a new concept of home takes shape”. Often a workplace is not centralized. There the residents have nothing in common with agriculture; however, they have a clear understanding about nature, healthy lifestyle, ecology. In these places there is a growing need of foodstuffs as well as various services. On one hand, these changes present the challenges for the farmers. Scholars (Laumenskaitė, 2006) state that knowledge, management skills and abilities cannot be acquired or changed during the short period of time. On the other hand, the changes occurring in the environment of the farmers’ household create new opportunities. In order to use them, it is not enough to use relevant knowledge and experience. Changes in the business environment determine new qualitative requirements for those, who work in this sector. The importance of entrepreneurial competences and education, which enables people to adapt easier to the requirement of changing environment and to understand the purpose of the activity, to use the opportunities in the market more effectively, is highlighted more often.

3. Results

Firstly, the respondents were asked to estimate their activities: farming – business or lifestyle? The majority (81.5%) of the respondents identify the farming as business. This is also confirmed by the respondents’ opinion regarding purpose and motivation of the farming (Fig. 1). The answers show that purposes and motives are oriented towards the higher needs – a wish to work autonomously and be independent. A half of the respondents stated that they aim to implement business ideas. They see future perspectives of agricultural business; thus, they aim to gain a proper education. One third of the respondents highlighted that they have the education related to agriculture, for instance, agronomist, specialist of animal production, agricultural technologist.

A significant part of the respondents having higher (33 percentage) and university (80 percentage) education pointed out that they did not inherit the household from their parents; thus, an assumption can be made that more and more people start farming, because they see their households as the perspective business establishments and these establishments are started in motivated manner, not because of rural lifestyle. The majority of the respondents, who stated that they have chosen farming because they did not have a choice, have primary or secondary (not vocational) education. This lets to assume that a part of citizens living in rural area and having various subjective and objective reasons, for example, less new workplaces are created in ru-
rural areas, low education and etc., have limited opportunities in the labor market and have chosen farming as a possibility to survive.

![Fig. 1. Respondents’ motives to become a farmer, percentage (N=162)](image)

In order to evaluate the expression of entrepreneurship, several different types of expression were chosen (Fig. 2). A significant part of the respondents (more than 80 percentage) stated that the area of cultivated land (owned or leased) has been growing since the beginning of their business. Entrepreneurship is related not only to the maximization and accumulation of production capital, but also to the innovations. Similar part of the respondents pointed that they have modernized households (agricultural machines, warehouses, equipment), installed new production technologies or automated some work processes while using the EU structural assistance measures. A part of the farmers started to grow new types of crops or animals. In order to implement this type of decisions, the farmers had not only to learn new technologies of growing new types of crops/animals, but also to search new suppliers and buyers of agricultural products. A development of the new activity in the farmer’s household requires more entrepreneurial abilities: recognition of the opportunity in the market, introduction of the new product in the market, synergy between the search of different agricultural activities and implementation, effective management of activities and etc.
Fig. 2. Evaluation of respondents’ entrepreneurial expression, percentage (N=162) (5 – very high expression, 4 – high expression, 3 – average expression, 2 – low expression, 1 – very low expression)

Also, entrepreneurship is linked with the development of cooperation. A significant part of the respondents stated that regular contacts are maintained, cooperation with suppliers and agricultural produce collectors, representatives of consultative and educational institutions. In addition, the research has revealed that more and more attention is paid to the activity management: goals are set, activity processes are planned, and decisions regarding business development are made on the basis of indicators of the farm activities. A part of the respondents pointed out that created jobs are not only for the family members, but also, permanent and/or seasonal workers are employed. Farm revenue are used for basic living of the family and business development; in most cases, salary is not paid to the family members in the farm. However, employee retention in the farm becomes an increasing challenge. Emigration of residents from rural areas, aging of residents of rural areas result in limited opportunities of employee recruitment in rural areas. In order to retain employees, the farmers are forced to find new solutions, for instance, seasonal workers are employed as permanent workers, and motivational measures are searched and applied to the employees.

Diversification of the farming activities (the processing of farm production, development of activities not related to agriculture) shall be recognized as difficult and complex strategical alternative for the farm development and, in order to implement that, the existing knowledge and resources are not enough. The research showed that in the farmers’ households activities related to agriculture are developed more often. The respondents’ participation in the activities of cooperatives remains an issue. This shows that the importance of this type of farmers’ cooperation has been still
not sufficiently understood, poor skills of coordination of common actions and individualism predominate.

The globalization of the markets, changes in the consumers’ needs, scientific and technological progress cause insufficient predictability of the business environment. Thus, a constant learning is often recognized as a management leverage, which can ensure viability and resistance of the farmer’s household. The research results (Figure 3) showed that respondents pay a lot of attention not only to self-learning – all conditions are developed for that – various platforms for distance learning (Skiff), a lot of information on the internet.

Fig. 3. Respondents’ opinion about modes of learning, percentage (N=162)

In conclusion, it can be said that attitudes towards the farming and purposes of the activities are different of the interviewed farmers. A significant part of the respondents are the representatives of quite strong and innovative farms. These representatives have a strong inner entrepreneurial motivation – they participate in seminars devoted to the farmers, trainings, consultations, install technological innovations in the farms, plan their activities, increase area of cultivated land in the household. A part of the interviewed farmers have chosen the farming as a strategy for survival. The development of these farmers is limited by the low entrepreneurial motivation, poor professional preparation, limited financial sources.

Teaching/learning, dissemination of good practices could be possible measures which contribute to the change of the attitude towards activity of these farmers. This is quite long process, but the promotion of entrepreneurial motivation is one of the fundamental stages for the development of the farmers’ entrepreneurship.
4. Conclusions

1. The majority of the interviewed farmers represented motivated business entities, which are oriented towards the production and where aims of the business development are achieved while increasing area of cultivated land, installing technological innovations and participating actively in the events devoted to the farmers’ education.

2. A part of the interviewed farmers own family business organizations which resulted from the rural lifestyle. The main aim of these farmers – to provide the family members with work and revenue. Their entrepreneurial motivation is poor – the decision to become a farmer was influenced by the fact that they owned a piece of land.

3. The farmers’ entrepreneurship is expressed by the growth of the area of the cultivated land, development of production technologies, cooperation with other business organizations (suppliers, agricultural produce collectors, consultants), planning farm activities.

4. Constant learning and dissemination of the good practice can be key factors for the promotion of the farmers’ entrepreneurial motivation.

5. The research results can be useful for the scholars as well as the practitioners while searching the solutions regarding the promotion of the farmers’ entrepreneurial motivation.

References


**UKININKŲ VERSLUMAS: LIETUVOS ATVEJIS**

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**Santrauka**


**Raktiniai žodžiai:** anketinė apklausa, ūkininko ūkis, ūkininkų verslumas, žemės ūkis.
**JEL kodai:** K20, M21.