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## **FARMERS' OPINION ON PROSPECTS OF FARMING DEVELOPMENT IN UKRAINE: SOCIOLOGICAL ASPECT**

The private farm as a type of enterprise in the agricultural sector was considered in the article. The benefits which distinguish the private farms from other types of agricultural enterprises were emphasized. The results of the expert survey of farmers (N=102) conducted during the agricultural exhibition “Agro-2011” in Kyiv were presented. The factors of success in the farm business and obstacles that prevented the development of private farms in Ukraine were characterized. The prospects for farms development and measures that should be taken at the state level to encourage development of farming activity in Ukraine were outlined.

**Keywords:** private farm, expert survey, Ukraine.

There are different forms of enterprises, such as individual households, business partnerships, agricultural enterprises, cooperatives, farms, agricultural holdings and others in the agriculture sector today. In difficult socio-economic and political conditions in our country different enterprises are being formed in agriculture sector. We should draw attention to private farm as a small enterprise in the agribusiness.

Developing of farms in Ukraine has a long history. V. Lazurenko mentioned that under the influence of economic and socio-political crisis caused by the devastating consequences of military actions and war communism policy, Soviet government in order to prevent more destroying civil conflict and loss of its power had been forced to make some concessions to millions of Ukrainian rural population in the 20s of XX century. A new economic policy was which opened the opportunity for the development of private initiative; arranged conditions for development of farms. As a matter of fact, definition of “farmer” interpreted as a farmer-entrepreneur involved in agriculture was introduced in scientific and publicist turn of NEP period (new economic policy). Therefore, intensive rural

households of commodity character with family members and hired employees working at their own and leased land were deemed as private farms [4, c. 30].

Further rejection of the new economic policy had led to the withdrawal of farms establishing in rural areas. Instead of that the three-component system of agriculture was formed that included following links: leading product link – collective farms (kolhosp); service link –MTS (machine and tractor stations), agro- and zoostation; control link – authorities and administrative structures of industry vertical, starting from the district level [7, p.31]. These changes over the years have been causing the extirpation from consciousness of rural peasants of the image of owner, the value of personal labor and the desire to have their own business.

Current stage of farms development in Ukraine began in years 1990-1991. They became the most common in the Western region (Lvivska, Volynska, Ivano-Frankivska, Ternopilska oblasti). The main reason is that the population of this region has retained running a private farm in its memory and mind and also that collectivization took place here 20 years later than in the Eastern Ukraine [5, p. 125-126].

Comparing to other forms of agriculture enterprises the farms have some positive advantages. For instance, Ye. Mayovets determined such benefits as: 1) high motivation to work and responsibility of the farmer and his family; 2) simple management structure, absence of bureaucratic intermediaries; 3) low transaction costs, especially on account of combination of the owner and worker in one person; 4) lack of staff turnover and other problems of labour resources effective use; 5) possibility of efficient use of equipment; 6) speed and flexibility to change in market situation and, therefore, ability to respond to changing demand [5, p. 127-128]. Also V. Horovy mentioned other advantages: 7) farm can be set up only by one citizen who has the right to obtain land ownership or use even without the statutory fund or invest personal possessions in farm (the balance of the farm); 8) ability to combine industrial and domestic aspects of life; 9) ability to deal with

family, educate successors in their field, share their experiences to future generations [2, p. 13-14].

Table 1

### Main characteristics of farms in Ukraine

| Index   | years |        |        |        |        |        |        |        |
|---|-------|--------|--------|--------|--------|--------|--------|--------|
|   | 1995  | 2000   | 2005   | 2008   | 2009   | 2010   | 2011   | 2012   |
| Number of farms, units                                    | 34778 | 38428  | 42445  | 42446  | 41906  | 41524  | 40965  | 40676  |
| Land area in use, thousand ha                             | 786,4 | 2157,6 | 3661,2 | 4327,8 | 4298,6 | 4290,8 | 4345,9 | 4389,4 |
| Share of gross production in total agriculture output, %* | 0,8   | 2,1    | 4,6    | 7,0    | 6,1    | 6,1    | 6,9    | 6,3    |
| <i>Structure of gross production*, including:</i>         |       |        |        |        |        |        |        |        |
| output of plant production, %                             | 85,4  | 92,9   | 94,4   | 93,3   | 91,8   | 90,6   | 92,6   | 91,0   |
| output of animal production, %                            | 14,6  | 7,1    | 5,6    | 6,7    | 8,2    | 9,4    | 7,4    | 9,0    |
| Number of employees, persons                              | -     | 71504  | 133534 | 111659 | 102795 | 98400  | 99858  | 100243 |

\* in prices of 2010

Sources: [9, p. 166, 168; 10, p. 164, 166].

According to statistical data in 2012 the amount of farms in Ukraine comparing to 2000 increased by 2248 units, and the area of farms' land-use increased twice (Table 1). However, after 2005 we can observe the decline of the number of farms. Their share among other enterprises in agriculture has remained steady during the past 10 years and is over 70%. On the other hand, there are households in the agriculture sector of Ukraine registered in rural areas and the land parcels with the purpose "for family farming" are given to the members of these households according to the legislation. The number of such households were 4301.8 thousand units in 2012. It is important to note that mostly members of rural households work in agriculture which allows them to ensure their needs in natural products and survive in the absence of other sources of income. It should be noted that private farms in some ways are similar to the rural households, for instance, involving of family members in farming and close combination of industrial and domestic aspects of life. Therefore, if we take into consideration rural households in the structure of economic agents, the share of farms will be negligible near 0.93% [9, p. 50, 65]. On the other hand, farms in comparison with rural households

can be more efficient in agriculture, especially in using agricultural machinery, ensuring proper storage of products and developing sales and logistics networks because they are specialized in market-oriented production as well as agricultural products processing and selling.

Share of family private farms grows year by year. In 2008 share of family members who worked at farms was 29.7%, in 2012 its share was 40.9%. The amount of farms units differs through regions. Among all farms in Ukraine the largest share of them was observed in Odeska (13.2%) and Mykolaivska (9.8%) oblasts in 2012. In the Western region of Ukraine (Volynska, Zakarpatska, Ivano-Frankivska, Lvivska, Rivnenska, Ternopil'ska, Chernivetska oblasts) the share of farms was 14.5%. The smallest share of farms - 8.5% was in the North region (Zhytomyrska, Kyivska, Chernihivska, Sumska oblasts) [9, p. 351].

Sociological research should be used along with economic analysis of farm activity for a comprehensive understanding of the functioning of farms which enables detecting and evaluating of farms problems from the insight view and looking at the problems, difficulties and prospects of this activity by owners' eyes.

**Analysis of recent research and publications.** Activity of farms were investigated by such economists as P. Sabluk, V. Lypchuk, Ye. Mayovets, A. Prokopyshyn, T. Ostashko, J. Hubeni, V. Horovyy, M. Malik, V. Yurchyshyn et al. The problems of transformation of Ukrainian villages and development of economic activities in the agriculture were researched by sociologists in particular, V. Tarasenko, O. Goncharuk, V. Chygryn, A. Shatokhin et al. Also, in recent years domestic sociologists conducted a sets of studies in which the land reform in Ukraine was evaluated (Centre of Social Expertise of the Institute of Sociology of NAS of Ukraine within the framework of the World Bank Project "Titling land ownership in rural areas and cadastre development", 2010, 2011, 2012) [3]; questionnaire survey was conducted that aimed to define the landowners' attitudes toward the land reform (managers and owners of farms and agricultural enterprises) and assess of the contemporary situation, dynamics of the land rent

market, accessibility to farmers market infrastructure (Project AgroInvest, a study conducted by the Center of Social Expertise of the Institute of Sociology of NAS of Ukraine, 2012) [11]; thematic national sociology survey was organized which determined public opinion on land policy in Ukraine and society readiness to accept the setting up of agricultural land market (Razumkov Centre Sociological Service, 2009, 2012) [6], studies on the development of the agricultural sector, small and medium farmers, registration of land ownership, giving owners the land rent were made (Razumkov Centre Sociological Service, 2012) [8]. In addition to mentioned above the Institute of Sociology implemented large-scale project which aimed to assess the progress, outputs, outcomes and values (social cost) of agrarian reform. Qualitative analysis of the media (throughout the research period), an expert survey (2001), focus groups (trial version, 2002), a massive survey of farmers and peasants shareholders (2005) and in-depth interviews (2005) were used among the methods of research [1].

Along with the existing large tracts of sociological data to assess the agrarian reform, land rental market and the attitude to the sale of agricultural land, the information to identify opinion of the entities, including farmers, about the prospects for business development in the agricultural domain is limited.

**The aim of the article** is to identify the opinion of farm managers over the prospects of farm development in Ukraine.

**Statement of main content.** We conducted an expert survey during industrial exhibition – “Agro-2011” in Kiev June 2, 2011. The sample included 102 farmers.

*Socio-demographic characteristics of farmers.* Farmers who participated in the survey were predominantly male (93.1%). Most of the experts were middle age: 30.4% aged 30-39 years and 28.4% aged 40-49 years and 26.5% of over 50 years. Educational level of experts: secondary special education (23.5%), high education (64.7%). Majority of farmers managed farms larger than 1 ha (76.5%). Two-thirds of farmers were engaged in the field of crop, one third – in animal

husbandry. Most farmers (86.3%) had worked in this field for over 5 years. Experts represented almost all regions of Ukraine (19.6% - Kyivska oblast, 8.8% - Cherkaska oblast, 7.8% - Kirovogradska oblast, 6.9% - Kharkivska and Zhytomyrska oblasts, 4.9% - Vinnytska, Sumska, Mykolayivska oblasts, 3.9% - Odeska, Chernigivska, Poltavska, Zakarpatska oblasts, 2.9% - Ternopilska, Khersonska, Donetska oblasts, 2,0% - Chernivetska, Lvivska and Zaporizka oblasts, such oblasts as Ivano-Frankivska, Chernihivska, Khmelnytska, Rivnenska and Dnipropetrovska were represented by one person).

Majority of the surveyed farmers mentioned that starting farming brought additional financial opportunities for their families (52.9%). One third of respondents (36.3%) indicated that no significant changes were in their material welfare after starting the farm, and only 3.9% of respondents noticed about worsening of the family economic condition. In turn, in response to question about profitability of farm 81.4% of farmers answered positively.

Given the fact that respondents have pointed out an improvement of family material well-being and profitability of farms, it is appropriate to identify what is important for success in this field. The data of table 2 shows that majority of respondents believed that first of all farmers should have had a life experience, skills of work in agriculture (61.6%) and good health (60.6%). Half of the experts have stressed the need of stability in society (53.5%) and professionalism (51.5%). The luck in life and practice of Christian values are of the least help in successful farming according to the surveyed.

In general, out of sixteen possible statements to the question mentioned above the following alternatives were not chosen: “presence of foreign partners or investments”; “appropriate education”; “knowledge of nature”; “efficient state support programs of farming”.

**Responses to the question: “What of the following do you consider to be important to achieve success in farming?”**

| Choices  | %    |
|--|------|
| Life experience, skills of work in agriculture | 61,6 |
| Good health                                    | 60,6 |
| Steady society                                 | 53,5 |
| Professional expertise                         | 51,5 |
| Abilities and talents in farming               | 45,5 |
| Economic knowledge                             | 43,4 |
| Reliability of partners                        | 34,3 |
| Knowledge of land law                          | 30,3 |
| Personal networks (social capital), patronage  | 23,2 |
| Luck in life                                   | 14,1 |
| Practice of Christian values and morals        | 14,1 |

Note: The sum of the responses is not 100% because respondents were allowed to choose several options

In addition to the factors that are pledge of success in running the farms there are objective and subjective obstacles that hinder business development.

The next question was: “What does, in your opinion, keep back the development of farms in Ukraine?”. Answering this question the majority of respondents mentioned that there were no single most important obstacle. Adverse state tax policy, unpredictable economic situation in the country and incompetence of local authorities were among the top three (Table 3). These three obstacles have remained stumbling block to efficient entrepreneurship in any industry for several years in Ukraine. It should be noted that according to respondents’ opinion, the lack of agricultural land market has the least influence on farm development. However, 77.5% of respondents have stressed the necessity of setting agricultural land market up in our country when they have been answering a question about stimulating actions of farm development in Ukraine on the state level. We can assume that the agricultural land market is desirable for farmers, but not essential, because they can use leased land.

Table 3

### Obstacles to farms development in Ukraine

| Choices   | %    |
|---|------|
| Adverse state tax policy                                      | 46,1 |
| Unpredictable economic situation in the country               | 44,1 |
| Incompetence of local authorities                             | 38,2 |
| Imperfect legislation framework of running land relations     | 22,5 |
| Inadequate domestic agro-economy lending by foreign investors | 20,6 |
| Corruption in the executive branch                            | 19,6 |
| Unfavorable conditions for obtaining bank loans               | 16,7 |
| Activity of mafia formations and racketeering                 | 12,7 |
| The low skill level of staff engaged in farming               | 2,0  |
| Lack of agricultural land market                              | 2,0  |

Note: The sum of the responses is not 100% because respondents were allowed to choose several options.

Generally, most farmers positively assessed prospects of the development of their enterprises in Ukraine. Nevertheless, experts have stressed the necessity of proper program of rural development and state support for farm development (72.5%).

Two contradictory statements such as “farming has good prospects for development if Ukraine accesses the Eurasian Customs Union with other countries of Commonwealth of Independent States, in particular with Russia” and “farming in Ukraine has good development prospects under condition of deepening economic integration with the European Union” have the highest percentage of difficult to answer option (42.2% and 46.1%, respectively) (Table. 4).

Table 4

### Prospects of farms development in Ukraine

|  | Strongly agree | Disagree     | Difficult to answer |
|--|----------------|--------------|---------------------|
| Farming in Ukraine has good development prospects                      | <b>52,9%</b>   | 18,6%        | 28,4%               |
| Farming has no prospects for development in Ukraine in next 5-10 years | 19,6%          | <b>52,0%</b> | 28,4%               |

|   |              |       |              |
|---|--------------|-------|--------------|
| Farming has good prospects in case of giving communist and socialist ideas up   | 47,1%        | 19,6% | 33,3%        |
| Farming has good prospects if proper program of rural development and state support for farm development exists   | <b>72,5%</b> | 8,8%  | 18,6%        |
| Farming has good prospects for development if Ukraine accesses the Eurasian Customs Union with other countries of Commonwealth of Independent States, in particular with Russia | 29,4%        | 28,4% | <b>42,2%</b> |
| Farming in Ukraine has good development prospects under condition of deepening economic integration with the European Union   | 35,3%        | 18,6% | <b>46,1%</b> |

In recent years the state regulatory actions had no positive impact on business and did not ensure the rapid development of farms. But, it should not be as a rule to rely on major state support in starting own business. On farmers' mind the state is responsible for most actions which stimulate farms development in Ukraine. State authorities must be accountable for the issue of legislative regulation, the efficient implementation of state support programs of farming, the formation of positive public opinion in society in relation to farming activities. At the same time, one third of respondents (33.3%) have not considered encouraging at the state level of the foreign investors' entry into agriculture sector and 40.2% of farmers have chosen difficult to answer option. Such statement as "the use of harsh political and economic actions in public land management" also has not found unanimous support among respondents. Half of the farmers (52.9%) have suggested establishing a land mortgage bank as a state agent in the land market, while 16.7% were against it. And a third could not give an explicit answer to this question.

**Conclusions.** In general, the main objective of all transformations which take place in the agricultural sector is to create the land owner. Today the state has set of socio-economic bases of establishing the landowner, especially variety of forms of land ownership have been legally approved.

Farms have being reviled on the territory of our country since the 90s of XX century. According to Ukrainian legislation farm is a form of an enterprise with

legal personality, owned by persons who wish to produce market-oriented agricultural production, processing and other activities, aiming at obtaining profit. However, farms today do not occupy a leading position in the agrarian sector of Ukraine, because they can not fully compete with large agricultural enterprises and their share in the structure of agriculture business entities is very low.

Analysis of conducted expert survey shows that mostly farmers consider farming as a profitable activity that has good development prospects in Ukraine. Objective and subjective factors have an influence on successful farms management. First of all, success in farming depends on the manager's personality, his life experience and working skills in agriculture.

In accordance with the results of the survey the economic situation in the country should be stabilized, state tax policy must be settled and competent administrative staff should be organized for further development of business farms. Also, the government should implement efficient programs of rural development and programs of farming support.

From our point of view, the problem of business farms development requires additional sociological research. Therefore, prospects for research in this field may be related to the monitoring of current situation in the agricultural sector, analysis of processes and changes that occur in agribusiness, measurement of the level of consulting and advisory services' efficiency, etc.

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