

# Should I stay or should I go? The impact of major trends in the agricultural sector on farmers' decision to continue or end their business

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**Abstract:** *One of the most important trends within agriculture over the last decades is the increase of scale. In Belgium during the period 1990–2005 the total number of farms decreased, while the total agricultural area in use and the economic size of the farm increased. As the average economic farm size increases, this can entail a high financial burden for the successor. This burden, combined with trends such as intensification, specialization and high societal expectations, has changed the sector and the traditional way of working profoundly. The main objective of our research is to unravel the reasons and motivations farmers have to continue or end their business in these changing circumstances. Special attention is paid to the thresholds that prevent young farmers to take over or start a new business. The second objective is to get insight in the social implications starting or stopping a farming business has for the farmer and his or her family. A qualitative approach using the Grounded Theory method was used to get a deeper insight in the research situation. This results in a theoretical scheme showing the factors influencing a farmer's decision on the one hand and the social implications of that decision on the other hand. The theoretical scheme shows that all decisions are influenced by a complex combination of factors. Furthermore these factors largely depend on the stage in the farm life cycle the farm is in. So there is no unambiguous answer to the question why farmers stop or start their business.*

**Keywords:** *farm life cycle, grounded theory, farm succession, social consequences*

## Introduction

As in other western-European countries the Flemish agricultural sector faces important changes. Rural areas in densely populated regions are increasingly faced with a high demand for land. Agriculture still is a main user of open, non-built space, yet agricultural land use is increasingly being replaced by “urban” land uses like residential areas and commercial activities (Oltmer, 2003). Moreover, due to societal developments such as higher incomes, increasing leisure time, and increased mobility, social expectations for the countryside are changing. Today, wildlife, landscape, leisure and outdoor recreation are in higher demand as an integral part of the countryside (Jongeneel et al., 2008). This results in an increasing pressure on the agricultural sector (Kerselaers et al., 2009).

On the other hand, one of the most important trends within agriculture over the last decades is the increase of scale. In Belgium during the period 1990–2005 the total number of farms decreased by 39 per cent, while the total agricultural area in use increased by 2 per cent and the economic size of the farm increased by 41 per cent. This thus implies a strong growth of the remaining businesses on the one hand and a shift of land and other production factors (such as labour and capital) on the other hand. As a result, the total productive capacity and average farm size increased (Calus et al., 2008). A considerable amount of Flemish farmers has thus made the decision to end their business in recent years. And it is most likely that this trend will continue in the years to come.

As the average economic farm size increases, this can entail a high financial burden for the successor. This burden, combined with trends such as intensification, specialization and high societal expectations, has changed the sector and the traditional way of working profoundly. These changes inevitably have social implications both for the farmers who decide to continue their business as for the ones who decide to end.

In the beginning of 2009 the Flemish government commissioned a study to obtain better insights in these major trends and their social impact. This study comprised three major parts. In the first part a quantitative approach, based on Belgium farming statistics, confirms the trends as they are described above. In a second part a qualitative case study approach tries to give insight in the people behind these figures and statistics. In this part of the study we try to understand the reasons why farmers decide to continue or end their business. We also focus on the social implications of this decision. In the third and final part a large-scaled survey is performed with approximately 400 farmers in order to get a better view on the generality of the findings of the second part of the study.

In this paper we will only focus on the methodology and results of the second part of this larger study.

## **Research objectives**

The main objective of our research is to unravel the reasons and motivations farmers have to continue or end their business. Special attention is paid to the thresholds that prevent young farmers to take over or start a new business.

The second objective is to get insight in the social implications starting or stopping a farming business has for the farmer and his or her family.

## **Methods**

As the main objective of this research is to obtain intricate details about phenomena such as feelings, thought processes and emotions, a qualitative approach is appropriate (Strauss and Corbin, 1998). Based on the research questions, the 'grounded theory' approach came forward as most suitable. In this method, data collection, analysis and theory stand in close relationship to one another. A researcher does not begin a project with a preconceived theory in mind. Rather, the researcher begins with an area of study and allows the theory to emerge from the data (Strauss and Corbin, 1998). This explicit emergence is what differentiates grounded theory from other qualitative research. It does not test a hypothesis, the aim is to understand the research situation. Because they are drawn from data, grounded theories are likely to offer insight, enhance understanding and provide a meaningful guide to action (Strauss and Corbin, 1998). The data for our research was gathered by means of open, in-depth interviews. Each interview was started by asking the farmer to introduce him or herself and the farm. From there on respondents were able to talk freely about the topics they found most important. Depending on the course of the interview additional questions were asked by the interviewer. Each interview lasted between 45 minutes and 2 and a half hours.

## **Data sampling**

The idea behind data sampling in grounded theory is to purposefully select participants who will help the researcher understand the problem and the research question at the best (Creswell, 2003). The aim is to choose a small number of cases that will yield in-depth data for testing theoretical propositions, rather than a random selection of a large number of data points to represent a population. This method thus allows us to build a theory instead of giving us statistical information about the opinions of an entire population (Koontz, 2003). The selection of stakeholders was carried out according to the method of theoretical sampling (e.g. Glaser, 1978; Glaser and Strauss, 1967; Miles and Huberman, 1994). This is an iterative process in which cycles of data collection and data analysis are repeated (i.e. data analysis is followed by a new phase of data collection) until the data collection stops yielding additional relevant insight into the research topic. After about 10 respondents we had the feeling that data completion was achieved. To obtain a larger diversity within the sample and to be sure not to miss any information we continued interviewing until we reached 22 respondents. The participants were selected according to a method of snowball sampling (Atkinson and Flint, 2001) in which at the end of each interview the respondent was asked whether

he or she knew people who should be involved in the research because they would be able to give valuable insights.

Because we were (amongst others) interested in the shifts in the production factor land, we decided to work with a small case-study area. By working with farmers who all live in the same neighbourhood, we could get a better view on how land is passed through and reorganised within that small community.

As a result 22 farmers from the small community of Kanegem (in the east of the province of West-Flanders) were interviewed during a five month period in the summer and fall of 2009. To get a diverse view on the subject we interviewed farmers with different types of farms and from different age groups. Tables 1 and 2 give an overview of the background and age of the 22 respondents.

**Table 1.**

Age	Number of respondents
<35	7
35-50	4
50-65	5
65-80	3
>80	3

**Table 2.**

Farm type	Number of respondents
Arable farm	3
Dairy farm	4
Pig farm	2
Mixed farm	10
Sheep farm	1
Horse farm	1
Greenhouse horticulture	1

### Data analysis and coding

Subsequently, the approach and method of Strauss and Corbin (1998) was followed for the analysis of the data gathered throughout the in-depth interviews. First of all the 22 interviews were typed out literally. Subsequently the data was analysed by *open coding*. As described by Strauss and Corbin (1998) the data was broken down into discrete incidents, ideas, events and acts. Each *phenomenon* that was related with the subject of starting or stopping a farm business or the social implications that come with it, was given a name. Whenever a certain phenomenon was mentioned by two or more respondents we defined it as a *concept*. In total 27 such concepts could be distinguished, some of them being mentioned only twice, and others mentioned by each of the 22 respondents. After the open coding of the interviews the concepts that emerged were analysed and grouped into 3 distinct *categories*.

In the following step of the analysis, the data that was broken into bits and pieces is reassembled by *axial coding*. When coding axially we try to find out how categories link and crosscut in order to find more complete and precise explanations about phenomena. Although we do need some categories to start axial coding, it is not a separate process from open coding. In reality, both techniques are closely intertwined and sometimes happen at the same time.

In the final analysis phase the categories were integrated and refined into a larger theoretical scheme by *selective coding*. Based on all data gathered in the interviews a 'grounded theory' was proposed. The process of axial and selective coding relates the three distinguished categories to each other. This results in a theoretical scheme that unravels and visualises the key factors that underlie the decision of farmers to start, continue or stop their business. This scheme also integrates the social impacts this decision can have.

The concepts were determined by a single researcher. Grouping the concepts into categories, making relationships and building the theoretical scheme however, was done by a group of four researchers who were closely involved with the research and had experience in working with the grounded theory approach. As we wanted to prevent a bias by the researchers as much as possible, these researchers had no previous background in the subject of farm succession and everything that has to do with it.

### Validation of the grounded theory

The methodology and main results were presented to a steering committee of stakeholders that were gathered by the Flemish Government who commissioned the study on October the 27th. Representatives of the Farmers Union, scientists of the Ghent University and civil servants of the agricultural department were given the opportunity to comment the results. Within this group there was a large consensus on the different concepts, categories and theoretical scheme. Based on the comments given in this steering committee some minor adjustments were made to the theoretical scheme.

In the spring of 2010 three additional focusgroups with farmers from the Kanegem region will be gathered. At these occasions the results of the research will be presented to the farmers in order to see if they can agree with these results.

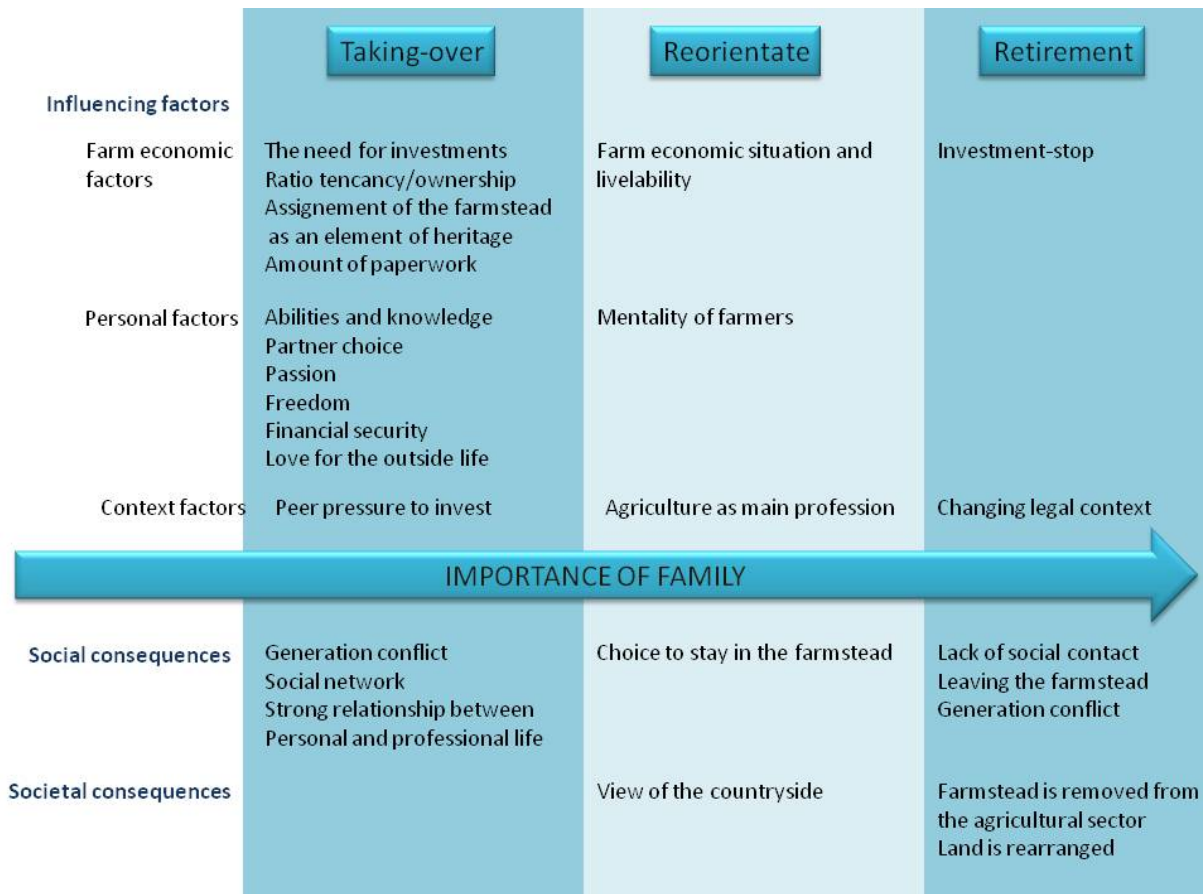
### Results

As mentioned in the methods section, 27 concepts and 3 categories were distinguished after analysing the 22 open interviews. In the following paragraphs, each of these categories and concepts is discussed based on its place within the theoretical scheme that is given in Figure 1.

The first category groups all concepts that can influence a farmers' decision to start, continue or stop farming. Within this category three subcategories can be distinguished. First of all there are *farm economic factors*, secondly there are *personal factors* and finally we distinguish *context factors*. In the second category we find the *social consequences* of a certain decision. These consequences only influence the farmer self and his or her family. In the third category finally, we find consequences of the farmer's decision that affect the *society* as a whole.

In the course of our research it soon became apparent that a distinction has to be made within these categories depending on the stage in the farm life cycle. In the first stage, a young farmer decides whether or not to take over the family-business. In the case-study area we did not find any young farmers who started a business from scratch. We will therefore only focus on the specifics of taking-over an existing farming business. Once the farm has been running for a certain amount of time, the interviewee's indicated that the farm life cycle enters a second stage in which some crucial decisions have to be made. Depending on the farm economic situation some farmers feel the need to reorient their farm and look for solutions to keep their business liveable. Within the study-area we found different examples of farmers broadening, deepening or regrounding (van der Poeg et al., 2002) their business. Finally, the third stage of the farm life cycle comes with the retirement of the farmer. In our study area we did not find any examples of farmers stopping their business before they were at a pensionable age. We will therefore focus on the consequences of retirement.

Each of these three large stages of the farm life cycle has its specific characteristics. The factors influencing a farmer's decision differ depending on the stage in the farm life cycle, as do the social consequences. We will therefore handle each of these three stages separately.



**Figure 1.** Theoretical scheme visualizing the different concepts and categories related to a farmer's decision to start, continue or stop his business.

### Taking over

In the process of deciding whether to take over a farm or not, there are a lot of influencing factors. First of all the farm economic situation plays an important role in this decision. Evolutions within agriculture are so fast that there is a continuous need for investments. The financial burden to keep up with modern techniques can become very heavy and frightens a lot of newcomers to take over the family business. Another important element is the proportion of the land that is owned by the farmer in respect to the proportion of the land that is leased. For a young farmer it is virtually impossible to start a new business when he/she cannot dispose over land that is owned or leased by the family. Although younger farmers seem to have less problems with it, the large amount of paperwork can also be a reason for young people not to step into the family business. Within the case-study area the assignment of certain farmsteads as cultural heritage also raises a lot of doubts because this assignment strongly limits the possibility to change something to the building. This limitation to change something can prohibit the farm to stay an economically functional farming business.

Besides these farms' economic factors there are a lot of personal elements that influence a farmer's decision to start a business. Passion for the job, the freedom to work independently and to take your own decisions and the love for the outside life, for nature and for working with animals are all elements that stimulate young farmers to take over the business. On the other hand the lack of financial security and the choice of a partner outside the agricultural sector are elements that can cause young people to doubt. A lot of respondents also point out that a farmer nowadays needs totally different knowledge and abilities than 30 years ago. In the old days everybody could become a farmer, now young people need a clear point of view, they need to have management skills, they

must be able to work with people etc. This makes the business much more difficult than it used to be.

Young starters also indicate that there is a large peer pressure to keep up with the pace of modern agriculture. If one of their neighbours invests in new technology or new stables they often feel that they cannot stay behind, although an additional investment could be very detrimental to them.

Stepping into the farming business also has some important social consequences. First of all there is often a generation conflict in the taking-over stage. The parents need to give their business out of their hands and take distance, while the young generation wants to carry through some major changes. In some cases this generation conflict escalates to a real family quarrel. A social consequence that is experienced positively is that by taking over the farm young people are automatically adopted in the existing social network of the parents. They can keep up the lifestyle that they are used to since they were little. A last important social implication of working on a farm is that there is a very strong relationship between the personal and professional life. Respondents point out that the important moments in life (such as birth, marriage, divorce, death...) are often accompanied by important changes within the farming business.

### Re orientate

The majority of the respondents indicate that after a certain amount of time, the farming business enters a new stage in which serious changes are considered. The factor that is largely responsible for this search for reorientation is the farm economic aspect. Farmers indicate that, at a certain point, they have to search for alternative sources of income if they want to stay profitable. Within our case-study area, this reorientation stage leads to very diverse activities. Some farmers choose to broaden their activities and try to earn an extra income out of the advantage the rural area offers them. The most common example of broadening is agri-tourism. Others transform their activities so that they would deliver products that fit better with the demand of society, and therefore create more value added per production unit. This process is often referred to as deepening. All efforts to shorten the food supply chain, such as an on-farm shop selling fresh produce directly to the consumer, can be considered as forms of deepening.



**Figure 2.** Example of an activity that is located in a former farm-stead but that doesn't have a link with agriculture anymore.

Finally there are also farmers who chose to regroup their activities and look for an additional source of income outside the agricultural sector. In the area, we find quite a few examples of farmers starting a different activity on their farm. Specifically for the Flemish context, this evolution has some major societal consequences. Some of these new activities (for example making wooden crates, plumbing businesses, garden centres,...) are considered to be industrial or commercial activities and are not allowed within agricultural zones according to the legislation on spatial planning. Because farmers don't want to leave their farmstead, and moving to an industrial zone is too expensive, these

activities (that often provide a major part of the farmer's income) are not declared. Often these activities however have an important impact on the outlook of the countryside (Figure 2).

Another group of farmers however claims that it is not strictly necessary to reorient for the farm to survive, but that it is a farmer's mentality to keep wanting more and more. Respondents often referred to the saying 'farmers live poor but die rich'.

### **Retirement**

Finally the farm enters the final stage of retirement. The presence or absence of a successor mainly determines the course of the farm management in this final stage. When there is no successor often no more investments are done, there are no more structural changes or innovations on the farm. The farmers take it easy and slow down the last years of their working life.

In some cases changing legislation, that requires large investments (such as the group housing of sows), can speed up this process and makes farmers retire early.

Once the farmers are retired, the lack of social contact and leaving the farmstead are the most important social consequences. A lot of farmers continue working after their retirement so that they would be able to stay in the farmstead.

In the case that there is a successor, here again generational conflicts can occur.

Within the community of Kanegem, land that comes available after a farmer retired, is immediately rearranged among neighbouring farmers. It only rarely happens that the land is redrawn from the agricultural sector. The majority of the farmsteads on the other hand, are sold to people from outside the agricultural profession. Most of the time, the buildings are renovated and used for residential purposes.

### **Importance of family**

We have positioned 'the importance of family' in the centre of our scheme, because throughout the interviews we have noticed that family plays a crucial role in a farmer's life for different reasons. First of all, important decisions are almost always discussed within the family. Family also plays a considerable role when it comes to buying or leasing land. A lot of the farmers have started their business with family owned land. And when they need new grounds, they will always check the availability within the family before searching new land on the free market. For a lot of aspects of the daily management farmers also count on family. Everything that has to do with handling manure is an example of how families tie together in the case-study area. Because of the manure legislation, farmers can only spread a certain amount of manure on their land. Farmers who keep livestock often produce too much manure for their own land. Trading manure and using each other's land is a common practice in which family relations play an important role. Farmers first of all look within the family for possibilities before considering to export their manure, which costs a reasonable amount of money.

### **Discussion and conclusion**

The main objective of our research was to obtain a better insight in the reasons why farmers start or stop their business and which social implications this can have. In our opinion, we succeeded in this purpose by using a qualitative research approach. The theoretical scheme clearly shows that a decision is influenced by a complex combination of factors. Furthermore these factors largely depend on the stage in the farm life cycle the farm is in. So there is no straightforward and simple answer to the question why farmers stop or start their business.

As it was our explicit intention to follow the grounded theory approach as correct as possible, we did not frame our research within a theoretical framework before we started the research process. We

wanted the results to truly emerge from the interviewed farmers themselves. By working this way, we also wanted to avoid any bias stemming from the researchers' prior knowledge. The theoretical scheme as it is presented in Figure 1 summarizes the main results of our research and gives us insight in the research topic.

We want to point out however that we have worked with a case-study area according to a qualitative approach. Our results can thus not be extrapolated without further research. But we do believe that these results give a first understanding and indication of the issue in Flanders.

The main elements of the theoretical scheme correspond with findings in literature in general. The idea of a farm life cycle with three major stages is generally recognised (Keating and Munro, 1989; Casson and Errington, 1993; Potter and Loble, 1996; Calus, 2009). Although most of the elements that influence the process of farm succession correspond with literature, within our study we did find some remarkable divergences. The aspiration of the family to pass the farm on to the next generation (Gray, 1998), and family pressure on the successor to take over (Glauben et al., 2005), are elements that were not mentioned one single time during the interviews. Parents on the contrary advise their children against taking over the farm. But we suspect that this attitude can mainly be attributed to the economical crisis.

Calus (2009) distinguishes three main drivers within the farm succession process namely economic, social and legal aspects. Within our study the first two elements strongly came forward. The third element being the legal context was not mentioned as an influencing factor within our research. Context factors, such as peer pressure on the other hand, could clearly be distinguished.

Another strong element is that leaving the farmstead is one of the major social implications of retirement. Farmers therefore often keep on farming even though they have reached a pensionable age. Older farmers indicate that staying in the farmstead is one of the major reasons to keep on farming after their pension, more important than supplying an additional income.

Although a more thorough literature review imposes itself, we can already state that the results from our grounded theory approach largely correspond with the existing literature. This confirms that the methodology also works for agriculture, a sector where the grounded theory approach thus far has not been used very much. By letting the data truly emerge from the farming community itself, we furthermore confirm that the resulting scheme represents their opinion and not that of the scientists working on the subject.

To refine and validate the results stemming from the in-depth interviews, a series of three focus groups is planned in the spring of 2010. Besides evaluating the theoretical scheme, within these groups attention will be specifically paid to the production factor 'land'. Farmers will be asked to work with maps so that a study of the agricultural land and its transformations within a certain pilot area can be made. Within these focus groups a lot of the topics that emerged from the interviews will be discussed with a larger group of farmers. The majority of these farmers were not involved in the interviews. This will allow us to gain data on the same phenomenon in different ways (interviews and focus groups). This process of varying data-gathering techniques and approaches is referred to as triangulation. Therefore, we aim to include these two major types of analysis in our research.

On the other hand, the results of the qualitative approach will also be related to the results of the large-scaled survey that is also being held in the frame of this research project. This will enable us to compare the results of the case-study area with the situation in the rest of Flanders.

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