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## **Farm Succession Patterns in Austria**

### **Abstract**

Farm succession with related household strategies is one of the main adaptation processes of family farms to structural changes. Thus, farm succession is a complex process in which farmers plan their retirement, pass on management competence and plan farm developments. In 2003 such succession patterns were analysed by a survey of 278 farmers in Austria. Two samples were obtained: full-time farmers and part-time farmers. The structure of the farms in both samples differs in several ways and full-time farmers have distinct traditional attitudes in farming. The analysis focuses on differences in succession plans and farm family characteristics in the two samples. This encompasses the fact that full-time farms have proportionally higher rates of identified successors and farm adjustment plans than part-time farms. Results also show that there are not only significant differences in farm succession patterns, but also in value systems.

Keywords: farm household, farm family business, farm succession, Austria.

### **Introduction**

Farm households differ in their strategies to cope with changes stemming from globalisation. These changes include increased product standardisation in production and trade, increasingly competitive markets and reduced public support for agriculture. There are three general patterns of farm family behaviour in Europe (for a comparison of European regions see: Brun and Fuller, 1992; Dax et al., 1995): (i) either intensification and standardisation of production or extension of production, such as organic farming or eco-tourism, (ii) gradual withdrawal from farming, often first moving to part-time farming and then to total withdrawal at retirement age and (iii) continuation as usual and waiting until later to make changes.

Research shows that investing in agriculture or withdrawing from agriculture are closely tied to the family life cycle depending on the availability

of a successor (successor effect and succession effect: Potter and Lobley, 1996; Vogel et al., 2003). An area of sociological understanding is the gradual process whereby farmers pass on decision and management skills to the family successor (Errington, 1998).

This article compares characteristics of farm succession on full-time and part-time farms in Austria. This comparison is based on a farmer survey conducted in 2003.<sup>\*</sup> The survey questionnaire contained mostly closed, but some open-ended questions covering the status of the farm succession, farmer retirement plans and attitudes towards farming. It was only applied to 45 year-old or older farmers. The questionnaire was sent to 2000 farmers in Austria; the response rate was 14%.

The whole data set has 50.4 per cent full-time and 49.3 per cent part-time farmers. As part-time farming reflects totally different family strategies in this paper the questionnaires from full-time and part-time farming are considered as two independent samples. Sample differences are statistically compared according to: *t*-test, Wilcoxon-test, Mann-Whitney-test,  $\chi^2$ -test or Fisher's exact test.

The organisation of this paper is as follows: Firstly, a description of the samples is given. Secondly, comparisons are made of the nature of the farm succession by full- or part-time farming. Thirdly, attitude differences and values among farmers are discussed. Finally, conclusions are drawn from the found empirical evidence.

### Basic Characteristics of Farms and Farmers

Before the basic characteristics of farms and farmers are presented, some insights in the differences between the samples and structure of Austrian agriculture have to be highlighted. This is necessary as a basis to consider differences in succession patterns of full and part-time farmers in Austria in terms of the distribution of these patterns in the whole structure.

Compared to the structure of the Austrian farming sector in 2003 (BMLFUW, 2004, 2005, Oedl-Wieser, 2004), several groups are over-represented in the data set. The share of full-time farmers is higher than in the Austrian average by some 8 percentage points. The average full-time farm of the respondents in the survey of 2003 is 10 ha larger than the Austrian average full-time farm (39 ha) in 2003. While organic farming represents some 10% of the whole farming sector, this share is about 15% in the whole

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<sup>\*</sup> Research was carried out within the *International Farmtransfer Network*. Within this network comparable surveys have been carried out in several OECD-countries. The *International Farmtransfer Network* was initiated by Professor Andrew Errington of the University of Plymouth.

data set and 20% in the sample of part-time farming. While in the whole farming sector in Austria about 30% of the farmers were female in 2003, women responded to a much higher degree in part-time farming (45%).

The following table shows the sample characteristics of the farm structure and the farm family.

Table 1

## Basic characteristics of farm, farmer and family

Characteristic	Full-time (50.4%)	Part-time (49.3%)
<b>Farm</b>		
Average farm size	48.7 ha	16.1 ha
Specialisation: crop production*	2.3%	4.6%
Specialisation: milk and beef production*	42.2%	48.7%
Mixed crop and animal production*	48.4%	38.5%
Organic farming	10.7%	20%
Mountainous area	46%	56%
<b>Farmer and family</b>		
Sole proprietor	37%	41%
Proprietor in a partnership with wife or husband	61.6%	55.2%
Average age of farmer	52	51.6
% of farmers who are female	26.4%	45.3%
Share of farmers with agricultural education	67.4%	37%
Share with agricultural "Meister"	25.4%	6.7%
Other education	21.9%	51.6%
Number of sons	1.2	1.3
Number of daughters	1.3	1.3

\* Pork and chicken production, as well as permanent cultivation are not considered, so that the three categories do not add up to 100%.

Source: calculations on the basis of survey 2003; full-time:  $n = 140$ ; part-time:  $n = 137$ .

Differences in structural characteristics indicate different farming strategies between the two samples. A main difference between the samples is farm size. The average full-time farm is three times larger than the average part-time farm. In the production the main difference between full-time and part-time can be found in a lower degree of production specialisation in full-time with a higher share of mixed businesses compared to part-time with a higher share of farmers being specialised in milk and beef production. A much higher share of organic farming is found in the sample of

part-time farmers. These differences may be due to the fact that more than half of the average Austrian part-time farms are mountainous.

Large differences in education occur among the samples. Higher levels in agricultural education in full-time farming support an agricultural professionalisation pattern, while the higher level of non-agricultural education in part-time farms in Austria goes along with family strategies that rely on pluriactivity combining farm-income with income from work outside farming.

Contrary to full-time farming, almost every second part-time farm is managed by a woman. This may suggest a family strategy where business and family roles are interwoven in a way that women take on management responsibility on the farm.

### **Farm Succession**

From a sociological point of view farm succession can be seen as a process including (i) the farmer's retirement plan, (ii) the question whether a successor has definitely been identified, (iii) the gradual transfer of management responsibility to the successor, including the effects this transfer may have (successor effect), (iv) the legal act of the transfer of the farm property, (v) the succession effect, which encompasses changes made by the new farm manager (owner) and, finally (vi) the role of the farmer's and successor's persisting or changing attitudes towards aspects of family farming and succession (combining approaches by Errington, 1998 and Potter & Loble, 1995, extended by the notion of the role of attitudes and perceptions as one characteristic of farm succession). In this chapter some aspects of these components of the succession process are compared for full-time and part-time farmers in Austria, as far as the data collected allows for that.

### **Retirement Plans**

Table 2 reports differences in the retirement plans of full and part-time farmers. It also shows, with whom the farmer has discussed his or her retirement plans.

Austrian part-time farmers plan to keep their farms longer than full-time farmers and a comparatively high share of them tends to remain in their residence in retirement. Part-time farmers get less pension from the farmers' pension system and more from another public pension system than do full-time farmers. The share of farmers with retirement income from private investment is higher for full-time farms.

Table 2

## Retirement plans

Variable	Full-time	Part-time
Time to farm transfer		
Keep farm as long as possible	13.1%	29%
Number of years to the farm transfer	8.3	10.4
Helping on farm after transfer		
Keep on working on the farm after farm transfer	81.7%	65.6%
Move out from current residence in retirement (share of answers)		
No	60.8%	78.4%
Yes, another flat on the farm	28.3%	17.1%
Move to another location	10.8%	4.5%
Planned income sources after retirement / estimated share in farmers' total income		
Share of farmers with income from helping on the farm after retirement / average share of this income in total farmers' income	7.9% / 18.7%	8% / 10.6%
Share of farmers with farmers' pension / average share of farmers' pension in income	95% / 68%	59.1% / 48%
Share of farmers with other public pension / share of this income type in total income	10.7% / 44%	67.9% / 69%
Share of farmers with income from private investment / estimated share of this income type in total income	35% / 14%	23% / 17%
Farmer discussed farm succession plans with:		
Family	69.2%	55.5%
Successor, if available <sup>a</sup>	33.1%	21.1%
Farm management adviser <sup>b</sup>	5%	
Financial adviser <sup>b</sup>	5.4%	

<sup>a</sup> The bases are those farmers who have identified a potential successor: full-time:  $n = 71$ , part-time:  $n = 51$ .

<sup>b</sup> If there is no marked (statistical significant,  $p \leq 0.05$ ) difference between the samples, the average of the whole data set is given.

Source: calculations on basis of survey 2003; full time:  $n = 140$ ; part time:  $n = 137$ .

The share of farmers who discussed retirement and succession plans with their families is higher for full-time farmers. The share of farmers who discussed succession with a successor (if available) has to be seen in relation to the share of identified successors. This relation will be discussed later.

### The Successor

A crucial question in the family farm business is, whether a potential willing successor has already been identified. Table 3 shows a comparison between the two samples with respect to the availability of a potential successor. The question wording was: "Have you already identified a successor?" with three answer possibilities: yes, definitively; no, but there is a potential successor, who might take over; and; there is no available successor.

Table 3

Availability of a successor

Have you identified a successor?	Full-time	Part-time
Yes, definitively	57.2%	38.6%
No, but there is a potential successor	31.1%	37.1%
No successor available	11.7%	24.2%

Source: calculations on basis of surveys 2003; full-time:  $n = 140$ ; part-time:  $n = 137$ .

Full-time farmers are more likely to have successors than part-time farmers. This may suggest the view that part-time farming is a first step out of farming for the family.

Table 4 shows some information about the definite successor for the case when a definite successor has been identified.

Table 4

Some characteristics of the successor

Characteristic	Full-time with successor	Part-time with successor
Age (average)	23	24.3
Successor is a daughter	16.8%	22.7%
Finished agricultural education	40.5%	14.6%
Agricultural "Meister"	5.7%	0.7%
Other, non agricultural education	25.7%	44.5%
Successor works full time on farmers' farm	13.6%	1.5%
Successor works full-time outside the farm sector*	32%	

\* If there is no markable (statistical significant,  $p \leq 0.05$ ) difference between the samples the average of the samples is the information given.

Source: calculations on basis of survey 2003; full-time with successor:  $n = 71$ ; part-time with successor:  $n = 51$ .

In part-time farming the successor is more likely to be a woman. While the successor in full-time farming tends to be more educated in agriculture, successors in part-time farming have a higher rate of education outside of agriculture. There is a considerably higher share of successors working full-time on their parents' farm in full-time farming than in part-time. Anyhow, with respect to the share of successors working full-time off the farm (one third), there is no significant difference between full-time and part-time farming in Austria.

### Participation of the Successor in Decisions

From the sociological point of view, one very important process within farm succession is the intergenerational transfer of managerial control in the farm family business (Errington, 1998). A significant step in passing managerial control on to the next generation is to hand over responsibility for certain work processes or parts of the business. The following table 5 presents some empirical evidence on the basis of the analysis of a survey question about handing over responsibility for any part of the enterprise or for specific tasks on the farm. This table considers responses for farms with over 14-year-old successors (2003).

Table 5

Does the successor have total responsibility for any enterprise?

Farmers with over 14-year-old successors			Successor has total responsibility for part of enterprise or specific tasks		Total
			Yes	No	
Type of farm	Full-time	Frequency %	20 23.3%	66 76.7%	86 100.0%
	Part-time	Frequency %	12 14.8%	69 85.2%	81 100.0%
Total		Frequency %	32 19.2%	135 80.8%	167 100.0%

Source: calculations on basis of survey 2003, full-time with over 14-year-old successors:  $n = 66$ ; part-time farmers with over 14-year-old successors:  $n = 69$  (this does not only include "definite" succession, but also "potential" succession – see table 3).

While a quarter of the 15-year-old or older successors in full-time farming have total responsibility of a certain part of the enterprise or specific tasks within the farming household this is only the case for about 15%

of the same age group of successors in part-time farming. Anyhow, one has to note, that this difference is not statistically significant (Fisher's Exact Test,  $p \leq 0.05$ ).

### Values related to Farming and Farm Succession

A number of questions were asked about farmer attitudes towards farming, the future of the farm, the role of agricultural policies and family views on farming. Succession is embedded in these attitudes, which influence farm family strategies and decisions.

The farmers were asked – on a 5 point Likert scale – to agree or not to agree to 12 attitude statements. A factor analysis of the answers to the statements identified four value type groupings: (i) confidence in farming and belief in the future of family farming; (ii) extent of financial problems and farm workload; (iii) few problems with public regulations; (iv) traditional family farm values.

Factor values were calculated for each farmer, which allowed a ranking of all the interviewees in the four value type groups. For each value type the whole sample was grouped into halves with 50 per cent of all the farmers holding the values to a higher extent than the other 50 per cent. While full-time and part-time farmers did not significantly differ in their attitudes towards the extent of financial problems and workload (perceptions of necessity of investment for successful future farming, attitude towards the financial situation of their farm, perception of farm workload), significant differences could be shown for the other three factors. For these three factors table 6 shows the share of each of the two samples in the top 50 per cent. Table 6 also gives information which attitude statements are identified with one of the three value types.

Full-time farmers identify more with value type *confidence in farming and belief in the future of family farming*. Part-time farmers in Austria are highly represented in the value type – *few problems with public regulations*. Full-time farmers hold stronger *traditional family farm values* than part-time farmers.

Finally, in an open ended question farmers were asked what they would miss most and what they would most willingly give up when they retire. The answers to this question also give an insight into farmer value systems.

Full-time farmers miss the decision-making aspects of farming. This aspect is noticeably less important to part-time Austrian farmers. Farmers in both socio-economic types of family farming are willing to give up the stress. Full-time farmers perceive bureaucracy to be a greater burden than do part-time farmers. Interestingly, the part-time farmers distinguish themselves from the full-time farmers in that they would miss work with nature



Table 6

Attitude statements and value type as a result of factor analysis

Attitude statement	Factor / value type	Share of sample farmers within the half holding stronger values in the value type*	
		Full-time	Part-time
My farm can survive in a long term view I am satisfied to choose farming as a profession None of my children are interested in agriculture It will be difficult for my successor to find a partner In my family there are conflicts about farm succession	Confidence in farming and belief in future of family farming	47%	30%
Agricultural policy facilitates my planning for the future Farming is hindered by regulations (construction, environmental protection, etc.)	Few problems with public regulations	66%	82%
The farm will stay in the family I am a farmer because of family tradition	Traditional family farm values	67%	48%

\* Rounded to full percentages.

Source: calculations on basis of surveys 2003; full-time: 140; part-time:  $n = 137$ .

Table 7

What farmers will miss most and would most willingly give up when they retire

	Full-time	Part-time
Miss entrepreneurial decisions and activities	68%	36%
Miss working with nature and animals	32%	64%
Willingly give up hard physical work and certain specific work in agriculture	63%	81%
Willingly give up dealing with bureaucracy	19%	0%
Willingly give up stress and other psychological pressure	18%*	

\* No statistically significant difference between the two samples ( $p < 0.05$ ).Source: Analysis of open ended questions – survey 2003; 100% = mentions in the categories “miss” or “give up”: full-time: miss:  $n = 32$ , give up:  $n = 57$ ; part-time: miss:  $n = 25$ , give up:  $n = 31$ .

and animals much more. Clearly the respondents in part-time farming place a high value on working with animals and nature. This may be seen in the context, that 20% of the sample of part-time farmers farm according to the principles of organic agriculture (see table 1).

### **Discussion**

The patterns of farm family strategies range from intensification of production, diversification and pluriactivity as well as planning to withdraw from agriculture. The family strategy chosen largely depends on the economic situation, the family life cycle and the preferences and attitudes of family members. A key factor of the development of the family farm business is planning for farm succession. When a successor has not been identified that often results in abandonment of the family farm business. According to Tweeten (1984) the loss of a family farm is an additional loss of a family from the rural community.

Higher levels of agricultural education of both the parent and successor generation in full-time farming support an agricultural specialisation pattern. Higher levels of non-agricultural education in both generations are consistent with more part-time farming.

About 14 per cent of Austrian full-time farm successors work full-time on their parents' farms as compared to only 1.5 per cent of Austrian part-time farmers. Anyhow, a relatively high share of about one third of the full-time farm successors work full-time outside the farming sector. Here we found some indication for further socio-economic change from full-time to part-time farming if we assume that many of these successors in full-time farming will not quit their off-farm work when they take over the farm.

We found the full-time farming patterns to be more market and business oriented on the one hand and more of the traditional family value type on the other hand. Full-time farmers tend to rely more on private investments for retirement than do part-time farmers. They more often move out of their residence after retirement than part-time farmers do. In fact, the farmers in the two samples stand out in their behavioural patterns and their value systems. Full-time farmers showed more confidence in farming and their belief in the future of their farm business. To them, public regulation of agriculture is a greater problem than it is to part-time farmers and they would be more likely to miss entrepreneurial activities when they retire.

57% of full-time farmers have identified a definite successor as opposed to only 39 per cent in part-time farming. But, only a third of the full-time farmers have discussed their succession plans with their successors. This is a very interesting result: How can somebody indicate to have a definite successor, even if this person has not yet had the chance to accept or even

discuss succession? This discrepancy may be seen as a signal for a strong presence of traditional farming habits (Schallberger, 1996, Vogel & Wiesinger, 2003) in full-time farming. The “taking succession for granted” seems to be part of this traditional farming habit of – especially – full-time farmers. To a certain extent they seem to take the intergenerational transfer of the farm as a second nature to farming, so that they often do not even think of succession as a process to be discussed with the successor. Thus, the assumption that a son or daughter would take over is sort of a second nature of these farmers – the related beliefs and behaviours are often persistent and unquestioned as well as partly unconscious. This view is supported by the fact that full-time farmers hold high family farming values. In part-time farming the case is different: Almost all part-time farmers who identify a definite successor, indicate that they have discussed succession plans with this successor.

Full-time farmers' values and behaviour seem to represent a combination of business orientation on the one hand, and family values on the other. Some of the characteristics of full-time farms, farmers and successors lead to the assumption that farms will be farmed part-time after succession, although the orientation of both generations in part-time farming towards outside the farming sector is much higher than in full-time farming.

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