

# Problems and Prospects for Development of Family Households in Ukraine



Tetiana Yavorska , Yurii Prus , Oksana Lysak   
and Hanna Zavadskykh 

## 1 Introduction

Agriculture in Ukraine is characterized by the most dynamic rates of development among other sectors of the economy in recent years. Its share in the gross product of the country in 2017 amounted to 10.2%, in exports—33.6%. This situation shows that the state is taking real steps to form an effective agricultural policy. There are many different forms of management in agriculture in Ukraine: agricultural enterprises, farms, households. At different stages of the formation of the agrarian market, the pace of development of these forms is unequal.

At the present stage, the dual organizational structure of the rural economy has developed, which is manifested in the presence of two sectors—corporate and individual. The corporate sector combines agricultural enterprises of various organizational and legal forms, which have the right of a legal entity: state enterprises, private enterprises, economic partnerships, production cooperatives, etc. The individual sector is represented by two types of individual farms: farms and households that carry out agricultural activities. Under the influence of market factors, the corporate and individual sectors occupy their niches in the structure of agricultural production. Joint-stock companies produce the most commercially attractive and export-oriented

---

T. Yavorska (✉) · Y. Prus · O. Lysak · H. Zavadskykh  
Tavria State Agrotechnological University, B. Khmelnitsky ave. 18, Melitopol  
72310, Ukraine

e-mail: [super\\_yavort@ukr.net](mailto:super_yavort@ukr.net)

Y. Prus

e-mail: [yurii.prus@tsatu.edu.ua](mailto:yurii.prus@tsatu.edu.ua)

O. Lysak

e-mail: [lysakksana@gmail.com](mailto:lysakksana@gmail.com)

H. Zavadskykh

e-mail: [hannaz2208@gmail.com](mailto:hannaz2208@gmail.com)

types of products: grain, sunflower, rape, etc., and handle more than 90% of the land. In 2017, they produced 47.7% of gross agricultural output.

The individual sector, in particular, households, is focused on self-sufficiency and self-sufficiency in the domestic food market. In the total volume of gross agricultural production, the share of households accounted for 43.6%. They have grown 98.1% of potatoes, 85.5% of vegetables, 83.7% of fruits and berries, 22.6% of grain, 13.4% of sunflower seeds in 2017. Among the types of livestock products, farms have produced 36.9% of meat in slaughter weight, 73.1% of milk, 46.1% of eggs, 87.0% of wool, 98.7% of honey in 2017 [1]. Households also perform important public functions: food security, self-employment, economic base of rural development, social base of reproduction of the peasantry, etc. At the same time, households do not have legal status as producers of agricultural products. The state policy of regulation and support of agricultural production mainly contributes to the strengthening of large-scale production, that is, the corporate sector.

## 2 The Role and Definition of Family Farms in Global Agriculture

World experience shows that the basis of the agrarian sector of developed market economies is family farms. In the world, more than 500 million farms (more than 570 million) are family farms. They account for almost 56% of agricultural production and a significant share of land in cultivation: 83% in North and Central America, 68% in Europe, 85% in Asia, 62% in Africa [2]. Family farms achieve a high level of productivity on their land plots. For example, according to the Food and Agriculture Organization of the United Nations (FAO), in Brazil, family farms account for less than 25% of all agricultural land, and the production of basic crops is almost 40%. In the USA, family farms account for 78% of the country's agricultural land. At the same time, the share of their production of agricultural products is 84% in the amount of 230 billion dollars [3]. In agriculture in the European Union, 85% of all farms are family farms, they handle almost 70% of all agricultural land.

In the world, there is no single definition of the concept of "family farm". For different countries, different definitions are used in the legal field, based on the share of the farmer's own work, on the legal status of the owner, on the amount of land cultivated, on the right to ownership of land and inheritance. According to the FAO definition, the family farm is a way of organizing agricultural, forest, fish, pastoral and aquaculture production, which is carried out by a separate family and is based mainly on the work of family members, both women and men. The family farm includes all types of family farming and local development activities.

Based on a literature review [among others 4–10] derived following elements that define family farming within the current development:

- Both business ownership and managerial control are in the hands of family or near-family members;

- Business ownership and managerial control are transferred within the family over different generations;
- A majority of the labor is provided by the operator and his/her family;
- A substantial part of the capital is furnished by the operator and his/her family;
- The family obtains a major share of its income from farming;
- The principals are related by kinship or marriage; The family lives on the farm.

### **3 Legislative Aspects of the Establishment and Functioning of Family Farms in Ukraine**

In Ukraine, the status of a farm is defined by the legislation since 1991. According to the latest draft law No. 1599, “On Amendments to Some Laws of Ukraine Concerning the Promotion of the Establishment and Operation of Family Farms” (2016), it is established that the farm is a form of entrepreneurial activity of citizens who have expressed a desire to produce commodity agricultural products, to process their processing and realization for the purpose of making profit on the land plots granted to them by the ownership and/or use, including lease, for farming, commodity agricultural production, personal farming. Such an economy is subject to state registration as a legal entity or an individual—an entrepreneur.

For the first time in this law, the term “family farming” has been introduced. The status of such an economy can be obtained provided that in its business activities the work of exclusively members of one family is used. Involvement by family farming of other citizens can be carried out exclusively for seasonal and individual work, which are directly related to the activity of the farm and require special knowledge or skills. The head of a family farm may only be a member of the family concerned. It is established that a family farm without a legal entity status is organized by an individual, an entrepreneur, alone or jointly with members of his family, on the basis of a contract for the establishment of a family farmer.

Domestic experts and experts in agriculture believe that for the development and modernization of agricultural production, the introduction of EU standards, all producers of agricultural products should have a single legislative field for the organization of their activities and work on equal tax conditions.

To increase the legal, tax, social status of family farms to a level not lower than other categories of agricultural producers, on August 15, 2018, the Law of Ukraine “On Amendments to the Tax Code of Ukraine and certain Laws of Ukraine on Stimulation of the Formation and Activities of Family Farms”. The law provides the possibility for residents of countryside to legalize their activities in the form of entrepreneurial activity for individual entrepreneurs who have organized a farm, including a family. They were given the opportunity to be taxpayers of the single tax of the fourth group, which previously had the right to pay only agricultural producers—legal entities. At the same time, this opportunity can be realized provided the family farm is consistent with the set of such criteria:

- Carrying out activities exclusively within the limits of a farm, registered in accordance with the Law “On Farmers”;
- Exclusively engaged in the production, processing and supply of agricultural products;
- Realization of economic activity (except delivery) at the place of tax address;
- Not using the labor of hired persons;
- The members of the farm of such an individual are only members of the family of this person;
- The area of agricultural land owned and/or used, the land of the water fund in the use of members of the farm is not less than 2 ha, but not more than 20 ha.

The law also establishes a preferential procedure for paying a single social contribution for all members of the farm, including its chairmen (additional payment of the single social contribution at the expense of the State budget for 10 years). It is planned to pay the tax on personal income from rent for land (units), to local budgets at the location of such land plots.

Legislative changes are intended to strengthen the social and economic protection of members of family farms, increase readiness and ability of peasants (especially young and middle generations) to self-management on a family basis and will promote increase of incomes of rural inhabitants by the formation of favorable prices for own-produced products. In addition, it will affect the availability of farms to existing agricultural budget support programs and will encourage the introduction of newly designed programs for them.

#### **4 Analysis of Households as the Basis for the Establishment of Family Farms**

An analysis of the socioeconomic nature, functions, motivations and development of households of the population shows that they can represent in Ukraine the modern stage of evolutionary development of family type of farming in agriculture. Family farms form the basis of the agricultural system of developed countries. Creation of family-owned farms based on households will allow them to acquire forms similar to those existing in other countries over time.

The basis for the establishment of family farms in the countryside of Ukraine is part of households (farms) who own land plots of different sizes and are engaged in the production and sale of crop and livestock products. This is a huge category of agricultural producers (almost 4.8 million units), which foreign experts consider a real “Ukrainian phenomenon” [11].

According to the definitions in the statistical yearbook: “Household (economy of the population)—a set of persons (or one person) living together in one living space (part thereof), have a common household, have common expenses for housing, food, etc.”. Households are households that carry out agricultural activities both for self-provision of food products and for the purpose of production of commodity

**Table 1** Characteristics of households in rural areas of Ukraine in 2014–2018

Indexes	Year				
	2014	2015	2016	2017	2018
Number of households, ths.	5173.0	4948.7	4924.0	4900.1	4873.6
Of them: have land plots, ths.	5076.7	4834.6	4835.7	4779.1	4799.8
Of them: have land plots (%)	98.0	97.7	98.2	97.5	98.5
Hold livestock, poultry and bees (%)	76.7	76.3	76.9	75.8	76.0
Area of land, total, thousand hectares	13444,6	12163,9	14371,7	13706,5	14020,2
The same, for one household, hundredth of hectare	265.3	251.6	297.2	286.8	292.1
Number of households with an area of land more than 2 ha, thousand units	1819.3	1600.3	1832.7	1806.5	1771.1
Of them: with an area of more than 10 ha	278.7	227.2	314.3	325.0	292.8
The direction of land use by households on average, %: cultivating products only for their own needs	14.4	16.3	14.8	15.2	15.7
For own needs and for sale	11.7	11.5	14.3	11.7	10.0
Leased out	73.0	71.3	69.7	71.8	73.2
Only started to use	0.9	0.9	1.2	1.3	1.1

agricultural products. This category includes rural households, urban areas (including collective gardens and gardens), as well as individuals—entrepreneurs who carry on their activities in the field of agriculture without establishing a legal entity.

The total number of households with land plots has decreased somewhat (by 5.5%) in period of 2014–2018 [12]. However, their share in the total number of rural households increased by 0.5%. Increased both the total area of land and on average one farm. According to the statistics of 2018, 36, 9% of Ukraine's households in land use exceeds 2 ha of agricultural land, including 16.5% of them have an area of land more than 10 ha (Table 1).

Increase in land use in households partially affected the volumes of production of certain types of agricultural products. Vector of agricultural production has shifted toward crop production in the period from 2000 to 2017. Production of grain (3.1 times) and sunflower (3.7 times) has increased the most. Vegetable production volumes in 2017 have grown by 48.0% compared to 2000, by 11.0% compared to 2010. Until 2000, livestock farming was an important place in the production of agricultural products. Currently, there is a tendency toward a decrease in the share of households in the production of meat (by 37.8%) and eggs (by 20.1%). At the same time, the share of total milk production in 2017 was 73.1% versus 71.0% in 2000 and 80.3% in 2010 [1]. The share of wool and honey production in the total production of these types of products has increased (Table 2).

**Table 2** Production of basic types of agricultural products in households of Ukraine

Product type	2000		2010		2017	
	Thousand tons	Share in total production (%)	Thousand tons	Share in total production (%)	Thousand tons	Share in total production (%)
Cereals and legumes	4494.8	18.4	9491.6	24.2	14,011.6	22.6
Sugar beets (production)	1604.7	12.2	1085.8	7.9	654.4	4.4
Sunflower	431.7	12.5	1185.9	17.5	1638.8	13.4
Potato	19561.4	98.6	18222.3	97.4	21778.8	98.1
Vegetable crops	4835.0	83.1	7157.8	88.1	7942.4	85.5
Fruit and berry crops	1188.5	81.8	1459.7	83.6	1714.2	83.7
Meat of all kinds (in slaughtered mass), t	1224.7	73.7	924.6	44.9	835.2	36.0
Milk	8989.2	71.0	9031.9	80.3	7514.8	73.1
Eggs million pcs.	5831.3	66.2	6802.7	39.9	7140.5	46.1
Wool, t	2089	61.4	3482	83.1	1712	87.0
Honey, t	48875	93,2	69253	97,7	65384	98,7

That is farms have a significant place in production of agricultural products in the country and they continue to significantly influence the formation of its offer on the market. In case the area of the land exceeds 2 ha, is not leased or is not dispossession in any other way, and is processed by the own forces of the household, it is essentially an entrepreneurial structure or a family farmer.

## 5 Problems of Family Farms in Ukraine

A significant achievement of Ukrainian agrarian policy is legislative definition of the status of family farms. However, in addition to the legislative definition, a number of problems still need to be resolved for the effective functioning of family farms (Table 3).

**Table 3** Problems of the establishment and functioning of family farms in Ukraine

Problems	Consequences	Results
The farm does not act at the same time as the way of life and form of management, as it is in developed countries	Lack of experience in family farming	Slow formation of a layer of family farmers in the countryside
Low level on information support	Lack of information and analytical network, which will provide the opportunity to communicate on the issues of creating family farms, purchase and use of productive resources, product sales, participation in support programs, exchange of experience, solving legal, financial and other issues	The lack of awareness of the majority of households about the conditions for the establishment and the benefits of the functioning of family farms
Low competitiveness on the market of agricultural products	Lack of established agricultural value-added chains, covering agricultural production, processing, storage, access to profitable markets, etc.	The difficulty of becoming a full member of the agricultural market
Low efficiency of control system	Lack of self-regulatory management structures	Limited possibilities for professional associations, lack of representation in state authorities
Inefficient state support	Absence of complex conditions for the voluntary transition of households to family farms, by encouraging them to become the official producer of agricultural products and their further functioning	Inhibition of the process of creating family farms
Absence of a system of professional training for family management	Lack of relevant knowledge of technological, economic and other levels for farm management	Uncertainty about the expediency of opening your own business and running an effective business

This pattern has been formed over the centuries for economically developed countries, where family farms are main form of management. The farm here serves both the way of life and the form of management simultaneously. In Ukrainian countryside, the way of life remains as rural system, but family farming is still emerging as a form of management. This is the main problem that affects the formation of a layer of family farmers in the Ukrainian countryside. Accordingly, the disadvantages of family farming in developed countries and in Ukraine are significantly different.

For example, SWOT analysis in Western European agriculture, in particular, in the UK, shows both the advantages and disadvantages of developing modern family farms.

The persistence of family farm depends on the transfer of the farm within the family. The timely designation of a successor is crucial for survival of family farm, and the number of designated successors decreases over time (Calus 2009). On the one hand, there is the movement toward increasing farm size: The economies of scale are used to develop high capital-intensive family farms. On the other hand, there are motivated and skilled young people who are willing to take over the family farm, but there is no viable (family) farm available to take over. New institutions should focus on the combination of viable farms in combination with motivated and skilled successors to develop competitive farms both on the level of farm size and management. Cooperation with external capital providers might be necessary to have a positive development of these kinds of interactions. In order to bring land, management and capital together, a successor bank can be developed.

Most of the problems of family farmers in Ukraine are almost the same for countries in the past as a “socialist camp”. For example, family businesses in Georgia are also faced with a number of problems inherent in Ukrainian farms.

Small and diversified land plots are considered to be one of the main challenges and constraints facing Georgian farmers today. Small plots of land located in different places, sometimes not even close to the farmer’s house, hinder the expansion and development of farms. Farmers often do not have any legal documents proving ownership of land. The other important byproduct is the lack of knowledge about farming. As was mentioned before, after the collapse of the Soviet Union many families received plots of land but did not know anything about farming. The other important byproduct is the lack of knowledge about farming.

These two major challenges are related and cause many other challenges, such as the lack of access to finance. In many cases, farmers are not bankable, and agriculture is considered to be quite risky. Although the government has initiated an agro-insurance project, which could contribute a lot to the increase in the bankability of farmers, there are still a lot of issues to be resolved.

Limited innovation and low adoption rates of new technologies are another challenge to family farms. In addition, family farms have limited access to markets (e.g., input markets) and services (e.g., veterinary, machinery, etc.). All of which contribute to the weak position of family farms in the value chains. Lastly, it should be mentioned that the quality of services and amenities in rural areas of Georgia are very low. This negatively affects family farms, agricultural enterprises and the rural population in general. Larger enterprises have greater power to cope with those challenges, whereas due to their constraints family farms are quite weak and cannot cope with the lack of rural development without assistance from the government and donor community [13].

One of the main directions of solving problems of farms is the creation of the Ukrainian Foundation for the Development of Family Farm and Villages with the participation of State Authorities, the Association of Farmers and Private Landowners of Ukraine (AFPLU) and donor organizations [14]. Such a foundation will solve most



of the problems of family farms listed in Table 3. It will help to create an institutional environment for increasing the capacity of family farming to a greater extent than the adoption of the law on the status of family farming. Accordingly, now it is necessary to concentrate efforts, firstly, on the implementation of support programs for households without requiring the acquisition of the status of a family farm as a condition for obtaining this support; and secondly, to ensure the representation of the interests of households—potential family farmers in the executive [15].

## 6 Conclusions

Today in Ukraine, family farms are almost the main direction of sustainable development of rural areas, an important factor in rural economies. They preserve traditional production, local culture, promote the preservation of agricultural biodiversity and the rational use of natural resources, and so on. Given the full revival of family farms, Ukrainians can not only increase their food security, but also become the largest suppliers of products to foreign markets, as these products have a high export potential.

It is advisable to develop and adopt a strategy to encourage the creation and development of family-owned farms for the period up to 2025, the concept of the relevant State Target Program, as well as the budget program “State Support for the Development of Family farms” to form self-sufficiency and employment of rural population in Ukraine as an economic basis for the development of rural areas. It is advisable to take advantage of the experience of foreign countries in applying the economic instruments of state support to agricultural production in developing these documents, of which the most effective is to improve the mechanism of pricing agricultural products, the provision of state subsidies to farmers, the use of preferential lending and preferential taxation of agricultural producers, the development and implementation of national and sectoral programs development of agriculture, well-balanced foreign trade policy.

In our opinion, without the stimulation of the acquisition of the status of an official producer of agricultural products by high-quality farms, it will not be possible to achieve a significant breakthrough in the creation of family farms. Therefore, an important task of the state agricultural policy should be the formation of sufficient financial incentives for the voluntary transformation of subjects engaged in commodity agricultural production in the status of the economy of the population, as the business unit.

## References

1. Statistical Yearbook “Agriculture of Ukraine” for 2017 State Statistics Service of Ukraine, 245 r. <http://www.ukrstat.gov.ua/> (2018)
2. Zubar, I.V.: Development of cooperation of small farms on the basis of world experience. *Innov. Econ.* **4**, 54–60 (2015)
3. Bezzub, I.: Prospects for the development of family farms in Ukraine. [http://nbuviap.gov.ua/index.php?option=com\\_content&view=article&id=419:agropromislovij-sektor-2&catid=71&Itemid=382](http://nbuviap.gov.ua/index.php?option=com_content&view=article&id=419:agropromislovij-sektor-2&catid=71&Itemid=382)
4. Brandth, B., Haugen, M.S.: Gendered work in family farm tourism. *J. Comp. Fam. Stud.* **38**, 379–393 (2007)
5. Calus, M.: *Factors explaining farm succession and transfer in Flanders. Department of Agricultural Economics*, pp. 229. Ghent University, Ghent (2009)
6. De Haan, H.: Images of family farming in the Netherlands. *Sociol. Rural.* **33**(1993), 147–166 (1993)
7. Gasson, R., Errington, A.: *The farm family business*. CAB International, Wallingford (1993)
8. Knutson, R.D., Penn, J.B., Flinchbaugh, B.: *Agricultural and Food Policy*. Prentice Hall, New Jersey (1998)
9. Loyns, R.M.A., Kraut, M.: The family farm in the next decade: the positive role of part-time farming. *Can. J. Agric. Econ.* **40**, 591–604 (1992)
10. Small, L.-A.: The influence of “Family” on agrarian structure: revisiting the family farm debate in Bulgaria and southern Russia. *J. Comp. Fam. Stud.* **36**, 489–503 (2005)
11. Zbarsky, V.K., Alekseeva, Y.Y.: Features of the transformation of rural households in family farms. *Econ. Agroindustrial Complex.* **7**, 23–29 (2017)
12. Social and Demographic Characteristics of Households of Ukraine [Sotsialno-demohrafichni kharakterystyky domohospodarstv Ukrainy u 2018 rotsi (za danymy vybirkovoho obstzhenhnia umov zhyttia domohospodarstv)]. *Statistical Yearbook. State Statistics Service of Ukraine [Statystychnyi zbirnyk. Derzhavna sluzhba statystyky Ukrainy]*. [Online]. Access from: <http://www.ukrstat.gov.ua/>
13. The Role of Family Farming in the Sustainable Development of the Agricultural Sector and Poverty Reduction in Georgia [Online]. Access from: <http://www.aea.am/files/papers/w1504.pdf>, pp. 29–30
14. Borodina, E., Prokopa, I.: Support for family farming: slogans and actions. “Mirror of the week. Ukraine” No. 1, January 15, 2016. [http://gazeta.dt.ua/ariculture/pidtrimka-simeynogo-fermerstva-gasla-i-diyi-\\_html](http://gazeta.dt.ua/ariculture/pidtrimka-simeynogo-fermerstva-gasla-i-diyi-_html) (2016)
15. Korinets, R.: Family farm as an objective need the Ukrainian farmer, September 2014 [Online]. Access from: <http://www.agrotimes.net/journals/article/simejni-fermi-yak-ob%E2%80%99ektivna>