

# Diversification as a Factor for Sustainable Rural Development

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**Abstract** - The article deals with the question how the EAFRD Programme should be used in the South Bohemian Region. The analyses for this research work were carried out from May 2007 till September 2007 and show which activities will be preferred by the farmers, how much money the farmers would like to use from the programme during the budget period 2007 – 2013 and which support they would like to get from the regional authorities like the Regional Agrarian Chamber. Furthermore, the analysis shows the topical state of fund usage in the middle of the programming period (2007 – 2009).

## INTRODUCTION

A wide range of business activities, services and production processes could be financed by the EAFRD Programme. [2] With the purpose of drawing down financial resources the Czech Republic prepared a basic strategic document – the National Strategic Rural Development Plan of the Czech Republic for the period of 2007-2013 and later the Rural Development Programme of the Czech Republic for period of 2007-2013 which specifies in detail the measures for meeting the objectives of the development of rural areas in the Czech Republic. [5]

The programme consists of 4 basic parts (groups of measures), each of them meeting some of its objectives, for example improving the competitiveness of the agricultural, food and forestry sectors, falls within the first group of measures – part I. Increasing biodiversity, water and soil protection and mitigating climate change is a joint objective of the second group of measures – part II. [1] The task of part III is to improve the quality of life in rural areas and to encourage the diversification of economic activities there. [3] Last but not least, the objective of part IV must be mentioned – support for rural micro-regions (applying the “from bottom to top” principle) to work out local development strategies and to support the projects concerning the development of the region they live in, the so called LEADER method. For the whole programme period of 2007-2013 the Czech Republic was allocated EUR 2.8 billion from the European Agricultural Fund and together with the finances from the state budget the total amounts to approximately EUR 3.6 billion. [4]

## OBJECTIVES AND METHODS

In the frame of a research project granted by the Czech Ministry of Agriculture the main objective deals with the question how the programme EAFRD and its Axis III will be used in the South Bohemian Region. The analyses for this research work were carried out from May 2007 till September 2007 and at the end of 2009. The data shows which activities were preferred by the farmers, how much money the farmers liked to use from the programme in budget period 2007 – 2013, and what support they would like to get from the regional authorities, such as the Regional Agrarian Chamber. The next part of the analysis shows the topical state of fund usage in the middle of the programming period.

In the case of traditional local goods and diversified activities like handicrafts we asked 47 museums in the South Bohemian Region for help. This was a questionnaire-based inquiry. The rate of return of questionnaires was 38 per cent.

The second analysis was based on an inquiry of 340 farmers in the region. In the analysis we could summarize their experience with the previous support programmes (mainly SAPARD and EAGGF) and with the diversified activities at present. They were asked to inform us about their future plans according to diversification, and we also wanted to know what kind of help will be required concerning the project work and the implementation of projects.

The statistical evaluation of the data collected in both inquiries was a basis for the synthesis results of the project. It was also a sound base for the comparison in 2009. The data for comparative synthesis were given by the State Agrarian Intervention Fund. These results were obtained with the financial help from experimental programme MSM 6007665806 of the South Bohemian University in České Budějovice, Faculty of Economics.

## RESULTS AND DISCUSSION

The first part of the analysis should show the development of diversified activities according to the historical development of the region. The first inquiry showed that the typical activity in South Bohemia – farming – is traditionally connected with production of craftsmen. The traditional range of craft production is mostly represented by carpentry, smithery, glassmaking, stonework, pottery, basket-making, beekeeping and garden-husbandry. Some craft production can be run as own businesses but some of them (like beekeeping or basket-making)

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are more like a hobby activity. For the preservation of the traditional craftwork it is important to organize frequently and repeatedly events such as fairs, workshops, hobby courses, as the results of the inquiry showed. Not so frequent but also very important are parades and carnivals. Such parades in South Bohemia are connected with typical local productions – such as Fishery Parade and Fair in the town of Vodňany or the Trade Fair in Holašovice (UNESCO protected typical village).

The second important activity is the processing of food on farms, and that in organic quality. The institutions (museums) also mostly mentioned that the renewal of traditional hand craft is one suitable way of diversification in the future.

After we had gathered these results we asked 340 enterprises from the agrarian sector, what importance has the diversification for them at present and in the future. We asked them about their experience with previous support programmes and with the diversified activities. They should inform us about their future plans according to diversification and we also asked about the required help with the projecting work and the implementation of projects.

From the total sum of questionnaires sent to the farmers 118 returned back and the results were very interesting. Only one quarter of the farmer has experience with diversified activities and do not only pursue primary agricultural production.

The results according to the next planning period are also highly interesting and important. About 30 per cent of farmers are willing to register a project in Axis III. As we know from the inquiry there are now 34 prepared projects for this year, but there could be more projects in practice because of the return rate of 34 per cent. Therefore the total amount of support finances can not be predicted.

We also asked for the reasons why farmers do not want to register a project within this programme. The most frequent answer was that the process of projecting takes a long time (21 answers), the second most frequent answer concerned the absence of advisors, who would be needed for project adjustment, and the third most common answer was that the projecting process is difficult.

A statistic  $\chi^2$ -analysis of the data obtained by the inquiry validated also the dependence between the willingness to register a project in Axis III and the practical experience with diversified activities.

The comparative part of the analysis is based on the data from the three years of programming period 2007- 2013. Till the end of 2009 there were eight calls for projects in the frame of Axis III. In the case of tourism support there were 24 projects approved in the second call and 21 projects in the fourth call with a total sum of subsidies of 103.7 million CZK. The total number of projects in the Czech Republic was 238 with a support of 567.4 million CZK. This means that in South Bohemia 18.9 per cent of all projects were realized with the support of 18.2 per cent in total. These figures reveal that South Bohemia was the region with the highest acquired amount of subsidies in the Czech Republic.

In the frame of handicrafts activities thirty eight projects were focused on joinery and wood cutting, with a support of 26.1 million CZK. The second im-

portant activity was "car repairing service", subject of eleven projects and supported with 5.9 million CZK. Five approvals concerned projects with focus on wooden green pellets or chipping technology (6.7 million CZK). Other activities like metal cutting, bottling of water, constructing material warehousing, book binding, furniture production were mentioned only once during the period from 2007 to 2009.

In total of all Czech projects, 258 or 22 per cent were submitted by South Bohemian applicants. This is a very satisfying development. As we expected in the first part of the survey – agro tourism and handicrafts connected with the usage of renewable energy are the most frequently approved projects.

## CONCLUSION

This paper shows that the enterprises in the South Bohemian Region use the skills of local people, their historic experience with handicrafting and new sources like support for diversification activities. The main orientation is on market services in tourism and in wood handicrafts. Modern innovative activities in metal production and machinery are also aimed in some projects. Diversification takes place predominantly in the following two sectors - on the one hand in the service sector, where the operational radius in rural area is limited for competitors of agricultural businesses and their actions. On the other hand in an innovative production and processing sector which provide products of higher added values which can be sold at world market prices.

Unfortunately, some characteristic local activities will remain only in museums. For example, agricultural enterprises are not able to develop a basis for the local production of glass or baskets, for which the region was well known in the past. The financial support from the Rural Development Programme should be adjusted in favour of those activities, where the output and input are in balance and are also sustainable in the future.

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