Chapter 41
Sustainable Entrepreneurship, Family Farms and the Dairy Industry

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ABSTRACT

There has been increasing recognition that for regional competitiveness in rural areas there needs to be a focus on sustainable farming initiatives especially for family farms that are competing with global conglomerates. Family farms, whilst declining in number, are the purpose of this paper studying the rural entrepreneurship in family farms as they are at the heart of rural communities and the overall agricultural industry and comprise a high percentage of total farms. This paper takes a case study approach using in-depth semi structured interviews to delve into the types of entrepreneurial strategies that are distinctive of family farms in terms of their sustainability approach to farming. Dairy farms in the West Victorian area of Australia are studied and the findings suggest that family farms can increase their regional competitiveness and international standing by focusing on their collaborative, social and sustainable entrepreneurial strategies.

INTRODUCTION

Family farms are resilient businesses that transfer knowledge from one generation to the next (Glover and Reay, 2015). The agricultural sector is largely comprised of family farms that have been operating in the same region over a long time period (De Rosa and McElwee, 2015). Family farms are defined in this paper as land-based businesses in the agricultural industry that are managed and operated by a family. These family farms rely on labour from family members as part of their business model and often continue despite low or negative profits (Howorth, Rose, Hamilton and Westhead, 2010). Despite the

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abundance of family farms in the agricultural sector their survival depends on entrepreneurship because they are important sources of employment for local communities (Glover and Reay, 2015). There is a gap in the family business literature about family farms despite their importance in the global business environment (Glover and Reay, 2015).

Some family farms are located in geographically remote areas, which relies on the support of the community for their regional development. This sense of community encouraged by the existence of family farms contributes to societal behavior by impacting social cohesion. Glover and Reay (2015) argue that family farm businesses have a high level of socio-emotional wealth due to the generational part of the business. Profit growth is not the key goal of family farms because of the emphasis on socio-emotional wealth and historical development (Austin, Deary, Gibson, McGregor and Dent, 1996). Family farms have their own set of values that are related to their desire to maintain non-economic goals due to the psychological attachment to the business (Gasson and Errington, 1993).

Family farms are distinct family businesses due to their characteristics of persistence and adaptability being incorporated into their business model (Gasson and Errington, 1993). This has meant that family farms have been able to adapt to changing societal needs by reallocating resources to more sustainable growth and profit business areas (Glover and Reay, 2015). In addition, small farms have continued to survive multiple generations despite the adversity and hardship involved by their involvement in sometimes remote locations. Family businesses have retained control by passing the business to future generations whilst keeping close connection to the land (Keating and Munro, 1989). Family farms have withered economic crises together with the inherent inefficiencies compared to large farms (Jervell, 1999).

Family farmers are affected by costs and profits, which influence their decisions and strategies (Van der Ploeg, 2000). Some small farmers have addressed the limited capabilities of their businesses because of diminishing returns and increased debt levels by supplementing their income with outside activities (Burton, 1998). This has enabled them to remain in farming by diversifying their income streams as a survival mechanism (Glover and Reay, 2015). Non-farm activities are increasingly being used to subsidize family farms as a way of responding to market challenges.

Farming has broadened into deeper and broader functions due to changing shifts in their business environment (De Rosa and McElwee, 2015). The deepening of farm activities means moving into more specific agricultural products and services that might relate to certain geographic areas, which can be marketed because of their location as a way to commercialize existing activities. The broadening of farm activities means diversifying farming based on factors such as tourism, renewable energy and cultural preservation. Despite the diversifying of farming activites, farmers often continue with certain activities due to their psychological linkage (Beedell and Rehman, 2000). This can mean that constrained entrepreneurship results from the behavior of farmers limiting their business opportunities (McElwee, 2006).

The competitiveness of family farms in rural areas is based on the incorporation of innovative business practices. The central research question of this paper is linked to the lack of attention in the entrepreneurship literatures about the rural industry and more specifically small family farms. Therefore, the research question is: How are family farmers utilizing different types of entrepreneurial strategies compared to non-family farms? This paper contributes to the small business literature existing about family farms and rural entrepreneurship by looking at the collective behavior of family farms in terms of how they engage in entrepreneurship differently. Consequently, the main focus of the paper is to understand the collaborative, social and sustainable entrepreneurial practices of family farms.

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