

# The adjustment of agrarian business structure to the European agrarian structures during pre access period into the EU

## *Prispôsobovanie agropodnikateľskej štruktúry európskym agrárnym štruktúram v prístupovom období*

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**Abstract:** The article deals with the preparation of the agricultural business structure for accession into the European agrarian structures in the pre-accession period. Main attention is devoted to the preparation of agrarian management and to changes in the macroeconomic area. From the viewpoint of the information mentioned above, the paper includes the explanation of the agrarian functions in the agrarian sector and prediction of the development of business base in the sectors of agriculture, food processing industry and services. The synthetic part deals with the integration and globalization tendencies in the agricultural and food production.

**Key words:** quantitative and qualitative reproduction, agrarian management, top management, integration and globalization tendencies, agricultural business structures

**Abstrakt:** Príspevok analyzuje pripravenosť agropodnikateľskej štruktúry na vstup do Európskych agrárnym štruktúr v prístupovom období. Pozornosť venuje pripravenosti agrárneho manažmentu a zmenám v makroekonomickej oblasti. Osobitnú pozornosť venuje preferencii funkcií agrárneho sektoru v spoločnosti a predikovaní vývoja podnikovo-hospodárskej základne v sektoroch poľnohospodárstva, potravinárstva a služieb. V neposlednom rade zvyrazňuje integračné a globalizačné tendencie v agropotravinárskej výrobe.

**Kľúčové slová:** kvantitatívna a kvalitatívna reprodukcia, agrárny manažment, vrcholový manažment, integračné a globalizačné tendencie, agropodnikateľská štruktúra

Agricultural and food sector is intensively adjusting its business structure to the EU structure. The adjustment is most visible in application of quality standards in food production, application of unified information systems and technologies, and approximation of laws related to agricultural policy and in a series of other accession processes.

The undergoing changes are mainly changes of organization of firms and alterations of macroeconomic instruments used to manage agricultural sector. Decisions that are being taken strengthen sustainable development of countryside and deepen multifunctionality of agriculture within our society. This view is supported by Hudáková (1997), Mižičková (1997), Ubrežiová (2000) a Žaja (1997).

Agricultural management plays a special role in the pre-accession period. Agricultural management has a significant influence on the success of transformation of agricultural and food structures and their adjustment to the EU structures. Additionally, preparation of human resources and efficient use of managerial techniques is an important factor.

The goal of this article is to analyze readiness of agricultural and food business structures for conditions of the integrated Europe, and to find out whether agricultural management is ready for joining the EU structures. Finally, the goal is to support integration and global

trends in formation of agricultural structures and to predict development of firms in agricultural and food sector and in the service sector.

### METHODOLOGY

To achieve the goals, we have conducted a survey of 1260 agricultural enterprises. The results were verified in 195 enterprises. The survey focused on:

- readiness of agricultural business structures for accession into the EU agricultural and business structures
- readiness of agricultural management for accession into the EU market structures
- changes in macroeconomic area
- societal preferences for functions of agricultural
- prediction of development of agricultural firms

In data collection and processing we used a survey method with managed dialogue method, methods of analysis, synthesis, deduction and comparison. Expert estimates were used for quantification and prediction of some variables.

### RESULTS AND DISCUSSION

Accession of agricultural and food subjects into market structures of the European Union is determined by a

series of changes of systematic measures, strategic approaches, and structural and process changes in business subjects. These changes determine adjustments of transitive business structures into integrated food market that can be divided into:

- a) Enterprise area that includes property changes, structural and procedural changes, typological and legal changes in enterprises. This is characterized by polarization of small, medium and large enterprises and their differentiation.
- b) Macroeconomic area that includes institutional changes, formation of payment, marketing and consulting agencies as well as changes in support, financial and consulting system. These changes are reflected in the form of market and commodity regimes, negotiation positions and production quotas.
- c) External environment that is based on regulation of material, financial and information flows and on creation of wider or narrower associations and integrated business structures, on inter-enterprise cooperation and creation of market environment.
- d) Globalization area that is based on approximation of legal norms, using of single qualitative standards, criteria of efficiency and competitiveness of business subjects.

Structural changes as well as alterations of human resources became an integral part of structural and procedural changes in agricultural sector. Transformation and privatization of agricultural enterprises introduced a series of quantitative changes in human resources used in production that were subsequently reflected in the inadequate reduction of the number of workers and increase

of productivity of labor. Average number of agricultural labor declined from the original 360 thousands by 70 per cent what supported rise of productivity of labor. There are about 55 to 57 other employees per one farmer and 25 hectares of land cultivated by one farmer and 600 thousand SK in revenues per one farmer.

Decrease of agricultural workers was not accompanied by adequate substitution of labor by capital. It is documented by the lack of 18 billion SK for innovation of machinery. Created substitution imbalance is accompanied by a significant over-utilization of labor force up to 2 640 hours per employee.

We see the solution of the problem in accelerated innovation of machinery, more efficient use of technology and better organization of work.

Reduction of numbers of workers in agriculture was not reflected in the quality of labor force. The opposite is true as more qualified and creative workers left than came to the agricultural sector.

It is due to more lucrative salaries and working conditions, effort to start independent business and better social security outside agriculture.

#### Adjustments of agricultural business structures to the European agricultural structures

In addition to transformation of human resources, other factors took part in transformation of agricultural business structure. An example are changes in support instruments, in availability of financial resources and growing demands on agricultural management. Finally macroeconomic indicators and criteria of the European

Table 1. Structure of surveyed agricultural subjects in the year 2001

Organizational-legal form	Number of surveyed subjects	Share of surveyed subjects on agricultural land in Slovakia	Share of subjects in the sample	
			number	area
Agricultural co-operatives	716	50.67	34.93	61.53
Joint stock companies	486	26.56	23.70	32.25
State farms	3	0.27	0.15	0.32
Legal persons total	1 205	77.50	58.78	94.10
Private farmers	845	4.86	41.22	5.90
Total	2 050	82.36	100.00	100.00

Source: Informačné listy CD MP SR, VÚEPP, 2001, Processed: VÚEPP (Ing. Z. Chrastinová)

Table 2. Overview of selected indicators in development of agricultural enterprises in the years 1993–2001

Indicators	1993	1997	2001	Index 2001/1993
Average area of agricultural land in hectares	1 820	1 620	1 500	0.82
Share of successful enterprises (%)	30.0	50	70.0	2.33
Average number of workers	228	120	90	0.39
Agricultural land per workers in hectares	13.68	18	22.12	1.62
Total revenues per workers in thousands of SK	294	430	560	1.90

Source: Research grant E-IV, 2001 and own calculations

Commission also had an influence on adjustment of agricultural structures.

Dynamism and flexibility is a characteristic mark of the transitive agricultural structure. As an example, there serves 61.5% share of cooperative form and 32.2% of joint stock companies in total number of agricultural subjects as well as 845 independent farmers cultivating 147 500 hectares of agricultural land (Tables 1 and 2).

Business structure becomes elastic by the influence of internal and external environment. External determinants are political, economic, ethical and social environments. Internal determinants are natural, financial, and human resources and firm management and business culture. It is documented by 80% of top managers that achieve success through agricultural management. That is the reason why there is demand of qualified top managers.

### Readiness of agricultural management for accession into the EU market structures

A survey of activity of agricultural management in the pre-accession period shows that there are top managements that must play an irreplaceable role in transformation of agricultural business structures. It is obvious that in this area agricultural management is lagging behind. It is documented by the results of the survey. 51.8% of top managers has a need for better communication, 47.2% do not speak any world language and 53.3% wants to improve in the management area and to acquire managerial expertise (Table 3).

A partial solution is return to cyclical education of top agricultural managers, to post-gradual education and to intensive language courses. By wide inclusion of top managers into life education and into system of consulting, we can create conditions for growth of qualification of agricultural management and better readiness of managers for accession into the integrated Europe.

Quantitative and qualitative re-production of agricultural management is a procedural part of adjustment of agricultural business structures to the European business structures.

There are growing demands on top managers in their expert areas and language area, in social communication and fast absorbing of the European legal norms.

Increasing qualification of managers must be broadened. It must achieve a systematic character with the goal of reaching more efficient decision-making and strategic decision-making.

### Changes in macroeconomic area

A openultimate area by importance is to absorb qualitative, legal, and accounting standards of the European Union, to implement association and negotiation agreements and to prepare the apparatus for gradual inclusion of agricultural business structures into the integrated market structures.

The changes went slowest in macroeconomic area, in application of price, credit, tax, and subsidy policies. Despite the fact that associated countries of the European Union use financial support systems, they are under unceasing pressure from the world economic society and world agricultural markets. The nearest task for the government is to finish transformation, and restructuring of agricultural and food sector, to increase expertise and communication skills of agricultural management and to finish institutional rebuilding of agricultural support system.

Structural and procedural changes among firms brought about a series of problems and determined imbalance states in agricultural and food sector. The existence of these imbalances is associated with the specific environment that is characterized by liberalized prices of inputs into agricultural production on the one hand and limited prices of strategic agricultural commodities on the other hand, eliminated financial and material flows, decreased purchasing power of population and low performance of consumer markets.

Adjustments of firm sector into the integrated food market are based on identification and gradual solution of crises in agricultural and food sector. Therefore, it will

Table 3. Readiness of top managers for business in the integrated Europe

Question	Response						Total	
	yes		no		do not know		number	%
	number	%	number	%	number.	%		
Do you consider yourself competent for doing business in the integrated Europe?	104	53.3	52	26.7	39	20.0	195	100.0
Do you speak at least one world language?	71	36.4	92	47.2	32	16.4	195	100.0
Do you feel like needing better communication skills?	101	51.8	71	36.4	23	11.8	195	100.0
Are you improving your communication and language skills?	128	65.6	59	30.3	8	4.1	195	100.0
Do you expect benefits from EU accession?	104	53.3	58	29.8	33	16.9	195	100.0

Note: World language English, German, Spanish, French, Russian  
Source: Research project E – IV, 2001 and own calculations

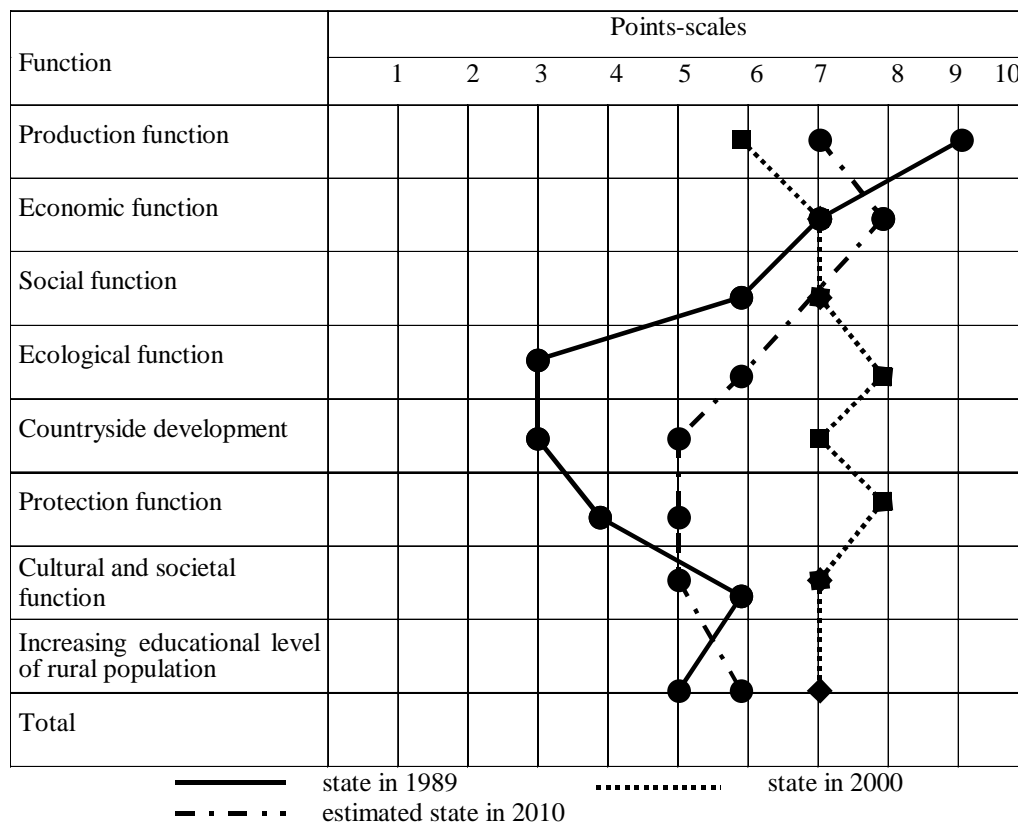


Figure 1. Preferences for functions of agriculture in society

Source: Survey and expert estimate

be necessary to cope with economic, technical, ecological, social, and knowledge imbalances.

In addition to coping with imbalances in agricultural sector, there is a need to focus more attention on multifunctionality of agricultural production. It flows from the declaration of the European Union to associated countries for sustainable development of rural areas and for growing responsibility of farmers for growing safe food, for protection of environment and development of countryside in the integrated Europe.

The results of the survey show that there is a differentiated approach of agricultural sector to production and extra-production function of agricultural sector in the economy. After 1990, there was a move towards non-production functions of agriculture. From the graphical depiction of the development of agriculture, it can be seen that agricultural sector will in addition to production of food significantly develop social, ecological, economic functions and protection of cultural and societal values (Figure 1).

We assert that the support system of the European Union will be directed towards support of non-production functions of agriculture in associated countries.

### Prediction of development of agricultural enterprises

The undergoing structural and procedural changes are a basis for integration and globalization. The existence

of 30% of idle enterprises, lack of financial capital as well as low return on capital became an impulse for horizontal integration of agricultural businesses. Legislative and organizational framework is based on creation of free and tight associations, acquisitions, and voluntary merging of weaker enterprises with stronger enterprises. From the integration process, we can suggest that by 2010 concentration will reach in average 2400 hectares of agricultural land and creation of a series of strategic alliances.

There is a complex transformation of food processing enterprises. Activity is focused on horizontal and vertical integration. First, creation of current businesses is based on liquidation of smaller enterprises or integration of food processing subjects. Second, agricultural enterprises build their own input portfolio from up down or other way round, agricultural producers initiate creation of food processing branches of their enterprises.

The biggest changes are taking place in service sector. Enterprise management, in effort to maintain production and to achieve better cashing of inventories or to convert production into goods with higher value, builds large production portfolio and integrates production, processing, and service area. The created subject is therefore the result of large vertical integration with significant support of production and non-production functions of agricultural production. We expect that food processing companies and service companies will determine the level of concentration and specialization and the

character of integration of business subjects overall management line.

## CONCLUSION

Based on the information mentioned above, we can explain the adaptation of entrepreneurial subjects of the agrarian and food complex to the agrarian market environment. Extensive structural and process changes are leading to the increasing of sector efficiency and business revenues.

The reserves exist in the language skills and communication of agrarian management at the all management degrees.

Specification of the efficiency of direct payments has supported the percentual share but does not warrant their efficiency in the financial environment.

From the viewpoint of wide-spread vertical and horizontal integration, we presume to achieve the capital power and efficiency of the agri-entrepreneurial subjects. It means to establish the effective system of financial support as well as business advisory centers.

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