Development of business structure in agricultural companies in Slovakia

Vývoj podnikateľskej štruktúry poľnohospodárskych podnikov SR

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Abstract: This article presents information about the development and the structure of indices regarding natural and legal persons in the years 2000 and 2002. Finally, the development of indices is compared with the year 1990. The article characterizes the development of companies, which are farming land, like cooperatives, business companies, state owned companies and natural persons. It demonstrates the number and structure of companies in the branches of the agri-food sector divided into agriculture, agricultural services and food industry. Moreover, the article presents agricultural land area used by natural and legal persons. This contribution draws information from the results of the questionnaire, which was made by the regional offices of the Ministry of Agriculture. In conclusion, the article suggests the possible orientation of organizations in the short time period.

Key words: structure of companies, size of companies, agricultural land area, legal forms of farming

Abstrakt: Príspevok poskytuje informácie o vývoji a štruktúre ukazovateľov právnických a fyzických osôb v rokoch 2000 až 2002. Zároveň je vývoj ukazovateľov komparovaný s rokom 1990. Charakterizuje vývoj podnikov hospodáriacich na pôde vo forme družstiev, obchodných spoločností, štátnych podnikov a fyzických osôb. Uvádza počet a štruktúru podnikov v odvetviach agropotravinárskeho komplexu (APK) v členení na poľnohospodárstvo, poľnohospodárske služby a potravinársky priemysel. Ďalej sú v príspevku uvedené výmery poľnohospodárskej pôdy v užívaní právnických a fyzických osôb. Príspevok čerpá najmä z výsledkov dotazníkového šetrenia, ktoré vykonali regionálne odbory MP SR, z informačných listov a údajov z centrálnej databázy MP SR. V závere formuluje možnú orientáciu týchto organizácií v najbližšom období.

Kľúčové slová: štruktúra podnikov, veľkosť podnikov, výmera poľnohospodárskej pôdy, právne formy podnikania

INTRODUCTION

The key feature of the new economic and social conditions regarding agriculture are major changes in the structure of enterprises, in terms of their legal business organisation, used land acreage and average business concentration. The real owners and users of agricultural land create and define new mutual relationships. New conditions have created major differences in the overall economic situation of agri-food sector (AFC) enterprises and some enterprises found themselves in the difficult economic position resulting in economic decline, bankruptcy and the subsequent liquidation. The agricultural land used by the original enterprises is now taken over by new businesses of diverse legal status. The overall economic stability of newly emerged enterprises has been worsened mainly by the lack of available capital, poor material and equipment conditions in most of new enterprises, wide opening of the agrarian price scissors and especially by the poor payment morale of the businesses in the agrarian food market.

DEVELOPMENT OF ENTERPRISE STRUCTURE IN THE SLOVAK REPUBLIC, IN TERMS OF AGRICULTURAL LAND ACREAGE

The analysis of the development of enterprise structure in 2000–2002 and comparison with 1990 comprises the land farming enterprises with the legal status of a co-operative, business partnership, state-owned company and natural persons. The information on the development of enterprise structure originates from the Statistical Yearbooks, central database registers maintained by the MoA, statistical statements by enterprises, results of the questionnaire survey in regional departments of the Ministry of Agriculture (MoA) and data from the MoA Information Sheets in 2000. This article focuses on development trends in the structure of enterprises according to the legal status of enterprises active in primary production, food industry and agricultural services, in the breakdown by agricultural and biological services, economic, technical and trading services and other services. The article also brings about the analysis of agri-

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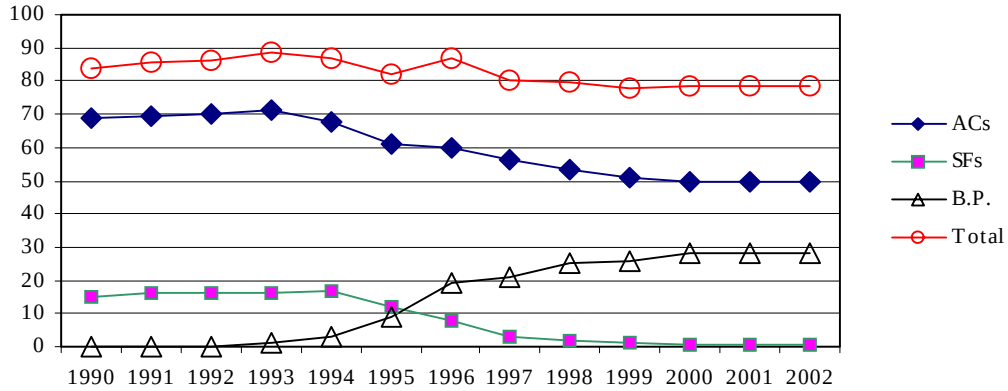

Figure 1. Development of the share of corporate organisations in agricultural land

cultural land development trends, where the land is used by corporate organisations and natural persons.

Over the monitored period, the most remarkable changes took place in the group of corporate organisations. In 1990–2002, the number of land farming corporate organisations has dropped down by 9.9% (see Figure 1).

Since 1990 and especially the period between 1990 and 1993, a moderate increase took place in the agricultural land acreage used by co-operatives due to the transfer of forest land into the group of agricultural land and transfer of some land which was previously used by state-owned enterprises. The total acreage used by corporate organisations has been relatively stable until 1996. The year-on-year comparison has shown a marginal growth or decline in agricultural land. This period has seen a decline in used acreage caused by scheduling of small areas of land for individual farming. The land acreage used by state-owned enterprises has only been changing as a result of internal restructuring rather than the change in their legal status. 1997 saw a substantial decline in agricultural land acreage used by corporate organisations, with this trend continuing until the present day. This trend was confirmed by the data from the questionnaire survey, which was completed by the regional departments of the MoA in 2002.

DEVELOPMENT IN NUMBERS OF THE AGRI-FOOD SECTOR ENTERPRISES

In 1990–2002, the number of corporate organisations increased by 100.19%. The highest growth was recorded in limited liability companies and joint-stock companies. On the contrary, the number of public companies has slightly dropped.

The threshold years in terms of numbers of enterprises were 1991 when the total number of enterprises rose by 30.6% as a result of the split of the amalgamated co-operatives; 1996 when a large number of new partnerships went into business; and 1997 when the number of co-operatives dropped down by 84. The number of co-operatives remained relatively stable in the period following

Table 1. Number of enterprises in the agri-food sector

		Agriculture			Agricultural services			Food industry			Total		
		2000	2001	2002	2000	2001	2002	2000	2001	2002	2000	2001	2002
State-owned enterprises		2	4	6	4	2	3	0	1	0	6	7	9
Co-operatives		739	703	668	17	18	15	4	5	8	760	726	691
Partnerships	v. o. s. (public companies)	3	2	2	19	20	18	10	6	7	32	28	27
	s. r. o. (limited liability companies)	593	639	680	790	839	881	370	456	453	1 753	1 934	2 014
	a. s. (joint-stock companies)	104	115	123	172	168	166	158	170	153	434	453	442
	total	700	756	805	981	1,027	1,065	538	632	613	2 219	2 415	2 483
Other corporate organisations		28	45	43	74	54	86	1	2	30	103	101	159
Corporate organisations, total		1 469	1 508	1 522	1 076	1 101	1 169	543	640	651	3 088	3 249	3 342
Natural persons		6 243	5 681	5 473	246	309	292	2 655	3 210	2 952	9 144	9 200	8 717
Total		7 712	7 189	6 995	1 322	1 410	1 461	3 198	3 850	3 603	12 232	12 449	2 059

Source: CD MoA, Information sheets

Table 2. Number of enterprises in agricultural services

		Agricultural and biological services			Economic, technological and trading services			Other services			Total		
		2000	2001	2002	2000	2001	2002	2000	2001	2002	2000	2001	2002
State-owned enterprises		2	1	2	1	0	0	1	1	1	4	2	3
Co-operatives	4	4	6	13	14	9	0	0	0	17	18	15	
Partnerships	v. o. s. (public companies)	5	7	5	14	13	13	0	0	0	19	20	18
	s. r. o. (limited liability companies)	132	156	184	649	674	686	9	9	11	790	839	881
	a. s. (joint- stock companies)	33	33	33	137	133	131	2	2	2	172	168	166
	total	170	196	222	800	820	830	11	11	13	981	1 027	1 065
Other corporate organisations		26	20	33	42	28	47	6	6	6	74	54	86
Corporate organisations, total		202	221	263	856	862	886	18	18	20	1 076	1 101	1 169
Natural persons		55	82	69	190	226	222	1	1	1	246	309	292
Total		257	303	332	1 046	1 088	1 108	19	19	21	1 322	1 410	1 461

Source: CD MoA, Information sheets

the transformation. Despite the decline of some co-operatives, their land was taken over by new co-operative entities, especially by the newly emerged co-operatives of shareholders, the number of which was almost identical to the number of those enterprises that were unable to continue their business.

The period between 2000 and 2002 saw a drop in the total number of AFC enterprises by 173 (Table 1). This trend was caused by the drop in number of natural persons by 427 and dissolution of 69 co-operatives, against a backdrop of increase in number of partnerships (ltd.) by 264 and other corporate organisations by 56.

In agriculture, the total number of enterprises dropped down by 717. This was caused mainly by the drop in numbers of natural persons (by 770) and co-operatives (by 71). In the group of partnerships, the number has grown by 105; of that 87 limited holding companies and 19 joint stock companies. Once the privatisation process was completed, the agricultural primary production was left with but two state-owned enterprises with the core business in livestock breeding.

In the group of agricultural services, the number of enterprises increased by 139, of those 46 natural persons and 93 corporate organisations. The group of partnerships has recorded the highest growth of limited holding companies (by 91). The number of other corporate organisations rose by 12.

In 2002, there were three state-owned enterprises active in the area of agricultural services. The structure and number of entities is shown in Table 2.

In 2000–2002, the total number of enterprises in food industry has increased by 405. The group of partnerships has recorded a rise in limited liability companies (by 83), while on the other hand, the number of public companies has dropped by 3 and there were 5 joint -stock companies less. The number of natural persons making business in food industry increased by 108. In 2002, there was no state-owned company active in food industry.

NUMBER OF AGRICULTURAL LAND FARMING CORPORATE ORGANISATIONS AND NATURAL PERSONS, AND THEIR LAND ACREAGE

Of the total number of agricultural enterprises, the number of land farming enterprises has dropped down by 493 when compared to 2000 (Table 3), the number of corporate organisations rose by 56, while the number of natural persons dropped down by 549. The number of enterprises without agricultural land has dropped down by 38. The number of corporate organisations dropped by 14 and of natural persons by 24.

In 2000–2002, the total acreage of agricultural land used by corporate organisations and natural persons (Table 4) increased by 20 838 hectare and the average acreage per user increased by 24 hectares. The agricultural land used by corporate organisations increased by 3 265 hectares and the average acreage rose by 51 hectares. In the natural persons group, the total acreage rose by 17 573 hectares and the average acreage per user rose by 7 hectares.

The effort of economically stable companies to expand their acreage was mainly determined by their hopes of acquiring higher subsidies for agricultural land, increase in profit and by their effort to accumulate enough capital to complete or to upgrade the material and equipment assets. In the group of co-operatives, the increase in number of enterprises was prompted by the effort to maintain the employment rate. The total land acreage held by corporate organisations was relatively balanced, with the acreage held by natural persons increased by 17 573 hectares and average acreage by 24 hectares.

CONCLUSION

Under the new economic conditions, the average concentration of enterprises is on the decline and major changes took place in the legal structure of landowners.

Table 3. Number of agricultural land farming corporate organisations and natural persons and entities with no land

	Number of enterprises, total			Agricultural land farming enterprises			Enterprises without agricultural land		
	2000	2001	2002	2000	2001	2002	2000	2001	2002
Corporate organisations	1 469	1 508	1 522	1 386	1 432	1 442	83	76	69
Natural persons	6 243	5 681	5 473	5 832	5 292	5 283	411	389	387
Total	7 712	7 189	6 995	7 218	6 724	6 725	494	465	456

Source: CD MoA, Information sheets

Table 4. Acreage of agricultural land used by legal entities and natural persons

	Acreage of agricultural land (hectares)			Average acreage (hectares)			Share of actual acreage of a.l. (%)		
	2000	2001	2002	2000	2001	2002	2000	2001	2002
Corporate organisations	1 886 204	1 846 616	1 889 469	1 361	1 290	1 310	90.54	90.58	89.80
Natural persons	196 989	191 998	214 562	34	36	41	9.46	9.42	10.20
Total	2 083 193	2 038 614	2 104 031	289	303	313	100.00	100.00	100.00

Source: CD MoA, Information sheets

Due to privatisation of state farms, the share of land in Slovakia held by state-owned enterprises dropped sharply from 15.15% in 1990 to 0.81% in 2002, and the share of co-operatives went down from 69.07% to 53.77% over the same period. Of the total number of corporate organisations, which make business on the agricultural land, limited liability companies hold the highest share. The share of land farming partnerships in the total number of AFC companies represented 20.59% in 2002. After the initial stabilisation of co-operatives in 1990 and 1991, their numbers have dropped down, and the decline continued to take place in the period between 2000 and 2002. The average acreage held by co-operatives is on the decline in proportion to the drop in number of co-operatives. Mainly partnerships and natural persons take over the available agricultural lands left behind by the co-operatives in decline. The available land was taken by prosperous agricultural co-operatives, and to the lesser extent by newly emerged co-operatives. This was proven by the fact that the co-operatives founded before 1990 hold a larger user acreage than the co-operatives created afterwards. The ownership structure of co-operatives is diverse in both types of co-operatives and is proportionate to the increasing concentration, especially with co-operatives founded before 1990. There are 281 owners in average per one co-operative founded before 1990, while the newly emerged co-operatives are owned in average by 154.5 owners. The average number of owners is high also in partnerships. The highest concentration of ownership has been recorded in those partnerships that took part in the privatisation of state-owned enterprises. In this group of partnerships, there are 10 owners in average per one partnership and 0.4 owners per 100 hectares of agricultural land.

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