Forming of the agrarian services in Slovakia in the process of European integration

Formovanie agrárnych služieb na Slovensku v procese európskej integrácie

I.M. Zoborský

Slovak University of Agriculture, Nitra, Slovak Republic

Abstract: The paper analyses formation of specialized activities of Slovak agrarian services. The paper focuses attention on the definition of agrarian services, evaluation of their position and progress of their transformation, their quantitative development and distribution in the regions of the Slovak Republic, as well as on their economic results during the period from 1995 to 2001. Biological, technical, and other specialized services significantly influence the reproduction process of the plant and animal production even in the period of European integration.

Key words: agrarian services, economic indicators, the Slovak Republic, development tendencies

Abstrakt: Práca analyzuje formovanie špecializovaných činností charakteru agrárnych služieb na Slovensku. V príspevku sa položil dôraz na vymedzenie agrárnych služieb, posúdenie ich pozície a priebeh transformácie, na vývoj počtu subjektov poľnohospodárskych služieb, ich rozmiestnenie v jednotlivých regiónoch Slovenskej republiky a na dosiahnuté ekonomické výsledky v rokoch 1995–2001. Biologické, technické a ostatné špecializované služby aj v období európskej integrácie významne ovplyvňujú reprodukčný proces rastlinnej a živočíšnej výroby.

Kľúčové slová: agrárne služby, ekonomické ukazovatele, Slovenská republika, vývojové tendencie

INTRODUCTION

At the beginning of the 3rd millennium, the services intensively influence all phases of the reproduction process. According to the data of the Statistical Office of the Slovak Republic, the share of the services in the GDP in 2001 represented 58.22%; in 2002 it dropped to 53.65% level. From the national economy wider point of view, the services form the most massive sector of the Slovak economy. The results of the national economy are more and more dependent on rational link between production and services in the individual sectors, including agricultural sector. After the year 2000, the Slovak agrarian complex has moved to the final stage of its changes in context of the common EU market accession.

Agrarian services are formed by a wide scale of business subjects and specialised organisations in the regions of the Slovak Republic. There is a progressive move towards changes in the enterprises providing biological, technical, and other specialised services for plant and animal production sector. These changes include predominantly the service demand, service supply, their structure and quality, their number, and efficiency of business subjects in the agrarian complex. Subjects supplying services for companies farming on the land are still being formed and they use a progressive approach known from the well-developed foreign countries.

Several authors solve the problem of the specialised services for agricultural companies. Blaas and collective (1999) analyse the development of the agricultural services after 1990 year. Changes in the area of agrarian services in Slovakia and their influence on the expected development of the agrarian sector are explored by Bielik, Gurčík (2002) and Kuzma (2002). The process of the services transformation in the agrarian structures and services as a specific part of the agrarian resort is evaluated by Zoborský, Laclavík, Stričík (2003) and Zoborský (2002).

MATERIAL AND METHODS

As agrarian services, there can be understood specific activities of above-enterprise character, supplied to agricultural companies, which are involved into the chain of food production and processing, and significantly influence the results of companies farming on the land. Since 1974, we have studied business activities and economic assets of the selected services subjects within the agrarian system, and their position in the economy of Slovakia. Since 2000, we have continued in uncovering the reserves in state and non-state services for plant and animal production. In this paper, we analyze our own data, base information of the Central Tax Office of the SR, the

Ministry of Agriculture of the SR, the Research Institute of Agricultural and Food Economics, the 'Agriregister', the Statistical Office of the SR, and other institutions. In the paper, we also process the information reached within doctoral studies and within an elaboration of the scientific monograph entitled 'Agrarian services', published by the Slovak Agricultural University in Nitra in 2003. The paper draws also from the research project (2000–2002), focused on the biological and technical services for the plant and animal production sectors.

Several methods and economic indicators evaluate the development tendencies of the agrarian services in Slovakia during the time of the European integration. The changes in the area of agrarian services and on the transformation of the subjects providing the services after 1990 are emphasized. We analyzed the present structure and number of the companies providing services for agriculture from the point of view of their distribution within the regions in the Slovak Republic, and we evaluated also their economic results during the years 1995–2001. Our further research develops methodological approaches to biological, technical, and other specialized services for agricultural companies.

RESULTS AND DISCUSSION

Services for the agricultural prime production companies undergo a difficult stage of development. Numerousness of companies providing the agrarian services and their activities changed in the above-mentioned period of the development of Slovak agriculture. Most activities of the agrarian services were an integral part of agriculture, other services were provided by other sectors of economy. Specialized activities (as the industrial production of the fodder mixtures) were detached from the structure of companies farming on the land, and these specialized activities started to be provided by individual agricultural companies. Corporate agricultural companies have been established and some of them are known as the subjects providing services in plant nutrition and protection, in the soil fertilization, and in the agricultural building industry. The farmers evaluated specialized activities of the services, which were provided by agrichemical and agri-building enterprises, quite favorably. Systems of crop technologies were developed as a new kind of complex services and they significantly influenced mostly the development and the results of the plant production sectors (cereal industry, oil production, production of pulses, root crops, technical and special crops). Also other sectors of the food-processing industry provide specific activities of the agrarian services character (e.g. oil industry, sugar refineries, breweries and other food production sectors, which process row materials of the plant origin).

Till 1990, big state companies formed the sectors of inputs and processed outputs with the influence spread all over Slovakia. Transformation of the agrarian services did not differ from the other parts of agricultural sector. After 1990, an evident decline of the agrarian services was noticed.

The delimitation, which ran from 1990 till 1994, was considered the preparation phase of the privatization process of the services companies. The highest number of the delimitated companies was in 1990 and 1991. From 18 former state service companies, new 114 agricultural companies were created. The biggest share in these companies was formed by agricultural trade (34.7%), companies of services for plant production (19.8%), and companies of services for agricultural building industry (17.7%).

Small privatization of agrarian services did not significantly influence the total privatization process. Only 0.14% of the service companies took part in the small privatization. Their share in the upset price was 1.02% and in the auction price only 0.76%.

47 service companies were included in the first wave of privatization, and it represented 33.8% from the total number of the companies in the agricultural sector. To sum it up, during the period of 1992–1993, 28 companies of agricultural trade; 17 companies of technical, building, and project services, and 5 companies of biological services were sold. Coupon privatization touched 50 subjects of agrarian services. Service companies participated by 40.89% in the total number of subjects integrated in the coupon privatization.

Since 1995, the Slovak Land Fund has significantly influenced the privatization of agri-service companies. It has influenced mostly the seed production state enterprises, which were delimited from the State Seed Production Company. During the second wave of privatization, the Slovak Land Fund assigned sale of 33 state service companies.

Liquidation and bankruptcies were a side-effect phenomenon of the transformation and it affected 24 companies of agricultural services. In the majority of the companies of agricultural trade and biological services the original object of activity was sustained. There was a remarkable change of the orientation of technological and building services. The diversification of the business activities is a characteristic feature for the successor companies; it concerns mostly the trade activities and activities provided for other non- agricultural sectors. As it is adduced in the final report on the complex transformation, 5 state service enterprises, or their parts, were not privatized.

In the process of privatization, there were no capital links between the primary producers and the subjects of services. Therefore, the subjects of the primary production did not have a direct influence on the companies providing services for plant and animal production. The model of the mutual connection between the primary production and services, successfully working in most of the developed countries, might be prosperously used also in Slovakia.

However, the agri-food complex with insufficiently developed sector of services entered the reforming process. After 1990, besides the state organizations, the above-company services are provided by numerous groups of non-state companies. Farming companies of plant and animal production provide some specific services of the production or technological character.

A view on the agrarian services can be very wide, if the producers and suppliers of the agricultural technology, fertilizers, chemical protection aids, and other necessities for agricultural performance are included, on the other hand, the view can be reduced only to the enterprises, which belong to the agricultural sector. The above-mentioned approaches are also reflected by the diverse data about the number of the agrarian service companies.

As it is stated in the resources of the Ministry of Agriculture of the Slovak Republic and the Research Institute of Agricultural and Food Economics, in 1993 there were in the sector of agrarian services in Slovakia: 59 state companies, 146 trade companies and other enterprises providing services in the agrarian complex. In 1995, 143 subjects and technical services by app. 100 companies provided biological services. Other companies were oriented onto data processing, trade and advisory services. In the period 1996–1999, the number of the business subjects in the area of services for agriculture rose. The Research Institute of Agricultural and Food Economics in Bratislava in 2002 registered 1 322 subjects of agricultural services. Biological and trade service companies formed the most numerous groups. From the companies of agrarian services registered by the Ministry of Agriculture of the Slovak Republic, nearly 96% were trade companies. The share of the big companies was step-by-step decreasing. According to the Tax Office of the Slovak Republic, which registers the business companies via the Tax Informative System, the number of the registered subjects of the agricultural services (prevailing activity) was as follows: 4 725 subjects in 1995, 4 762 in 1996, 4 852 in 1997, 4 953 in 1998, 5 057 in 1999, 5 175 in 2000, and 5 239 in 2001. In 1995 the most numerous group was the group providing biological services (67.9%). Even in 2001, biological services were the most dominant (66.7%). In the evaluated period, the number of subjects rose by 510. It is also necessary to mention the fact, that in 1995, from the total number of the registered subjects almost 36% were non-active. In 1997, this indicator rose by 42.9% and in 2001, the number of non-active companies of agricultural services reached almost 50%.

The Green Report 2003 states 1 461 subjects of the agricultural services, from this number, there were 3 state companies, 15 cooperatives, 1 065 trade companies, 86 other corporate bodies, and 292 natural persons. From the total number of the service companies, the economic-technological and trade services were represented by 1 108 subjects, 332 subjects provided agricultural and biological services, 21 subjects provided other services. In 2002, the number of corporate bodies increased by 68 subjects and the number of natural persons decreased by 17 subjects. The number of the corporate bodies providing agricultural and biological services increased most significantly. Newly created companies are mostly oriented towards the services of the plant production and on feed production. New corporate bodies were also created during the processing of these data.

The Statistical Office of the Slovak Republic classifies all the subjects of the plant and animal production services as the agricultural sector. However, the subjects of the building and advisory services, data processing services, and financial and other services for agriculture are not classified as the agrarian services.

According to our research, the number of the agrarian services subjects in Slovakia was in the last years app. 2 600 (Table 1). Natural persons represented around 80% of the total number of the subjects of agrarian services. The number of the state companies and natural persons in the studied period decreased, the trade companies represented 15% of the total number. The structure of the agrarian services by their types has recently not significantly changed.

We have evaluated also the numerousness of the agrarian service subjects from the point of view of their distribution within the regions of Slovakia (regions and districts). Till 1989, there was a group of specialized agrarian service companies in each region of Western Slovakia (Table 2). Nowadays, the share of the service

Table 1. Number of the subjects providing agricultural services by the types in the SR

	1995	1996	1997	1998	1999	2000	2001
Natural persons	2 361	2 264	2 213	2 231	2 207	2 131	2 118
Limited liability companies	271	305	330	358	357	356	352
Joint-stock companies	58	61	63	63	72	70	69
Cooperatives	29	30	28	29	28	30	30
State companies	22	10	4	4	4	3	2
Budgetary and allowance organisations	2	3	3	3	3	4	4
Foreign bodies	1	2	3	3	2	3	3
Syndicates	12	10	10	11	12	12	12
Other types	4	5	3	4	3	5	5
Total	2 760	2 690	2 657	2 706	2 688	2 614	2 595

Source: Zoborský et al. (2003)

Table 2. Groups of the agricultural services in the Slovak Republic by regions

Service group	Region								Share in %
	BA	TT	TN	NR	ZA	BB	PO	KE	
Services in the plant production	9	14	10	14	4	8	4	13	3.7
Seed producers	47	72	20	75	18	26	19	20	14.4
Services in the animal production	9	6	5	4	11	8	5	14	3.0
Veterinary services	17	30	26	88	26	72	72	38	17.9
Veterinary medicals	13	9	6	8	5	4	6	4	2.7
Technical services	4	11	7	13	13	17	7	11	4.0
Trade services	87	48	20	92	40	39	37	36	19.4
Building services	3	9	1	12	5	9	9	8	2.7
Projection services	41	8	6	7	3	7	7	12	4.4
Services in the fodder area	98	50	30	73	30	51	31	44	19.8
Services in the area of the pesticides	38	5	3	6	1	1	2	4	2.9
Data processing services	4	2	-	1	-	2	1	3	0.6
Scientific research base	7	3	2	3	1	1	1	2	1.0
Other services	37	7	2	11	6	4	4	1	3.5
Region in %	20.1	13.3	6.7	19.8	7.8	12.1	10.0	10.2	100.0

Source: Agrion, Agroregister, the Ministry of Agriculture of the SR, the Central Control and Testing Agricultural Institute, and the author's calculations

Bratislava (BA), Trnava (TT), Trenčín (TN), Nitra (NR), Žilina (ZA), Banská Bystrica (BB), Prešov (PO), Košice (KE)

companies in this region (Bratislava, Trnava, Nitra, Trenčín) reaches almost 60%. The subjects providing services in the area of pesticides (63% from the total service companies number) and in the area of fodder and projection services are typical for the Bratislava region. Producers of the seed are concentrated in the highly productive regions of Slovakia (Nitra, Trnava, Bratislava). Their share is more than 65%, most of these subjects are concentrated in Nitra and Trnava regions. A very similar situation can be seen in the field of the scientific research. A more even distribution is that of the subjects of the plant services, as well as the agricultural building services. Most of the subjects providing veterinary and breeding services are located in the marginal parts of Slovakia.

The development of the economic results of the agricultural service companies in Slovakia during the period 1995–2001 is given in the Figure 1–3.

Economic results of the agrarian service subjects from 1994 to 2001 indicate, that the revenues and the costs are higher year by year, mostly in the limited liability companies, which belong to the small and middle size companies. Revenues in 2001 increased in comparison to 1995 by 1.77%, costs increased by 1.12%. In spite of the low share of the joint-stock companies in the companies' total number, this type reached 46 % share in the total re-venues and now less than 48% share in the total outputs of the services companies. In 1994, the agrarian service companies had the loss of 50 millions SKK. In 1995–1997 they managed to make a

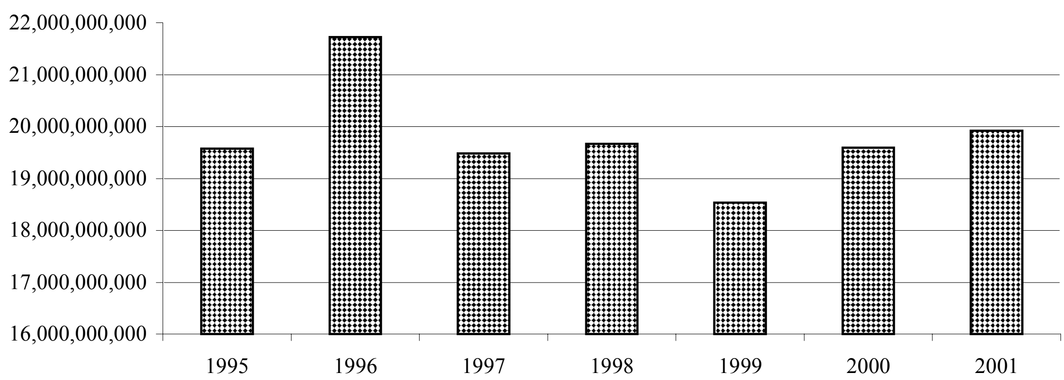

Figure 1. Revenues in the sector of agricultural services from 1995 to 2001 (in SKK).

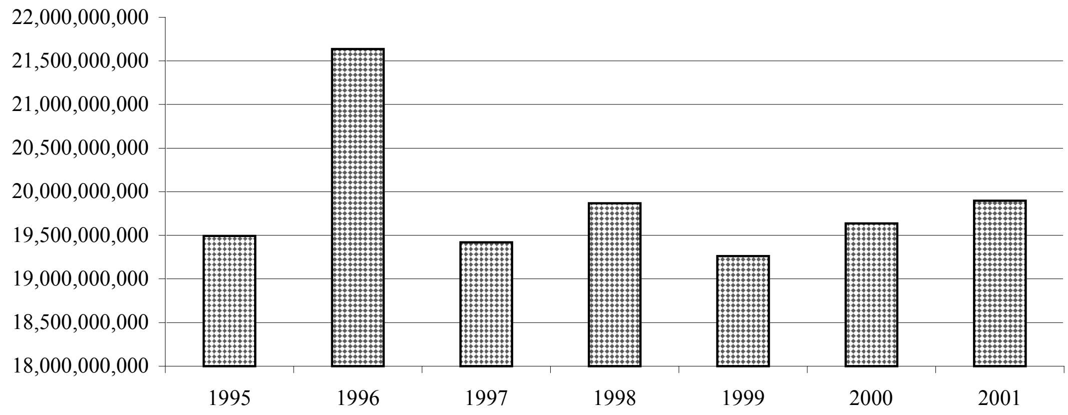

Figure 2. Development of the cost level in the agrarian service companies (in SKK)

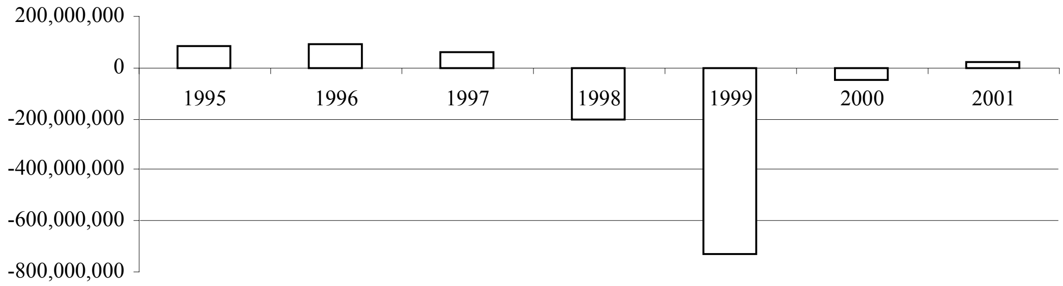

Figure 3. Development of the economic results of the services for agrarian subjects (in SKK)

profit, but in 1998–2000 they got to the loss again. The most numerous is the group of physical persons. This group provides mainly biological services and during the time of the studied period, it reached positive economic results.

The foreign capital was present in approximately 60 subjects, while its highest representation was in the Ltd companies. The highest share of the subjects with the presence of the foreign capital was in the western regions of Slovakia.

During the last years, agricultural cooperatives and other companies farming on the land played a significant role in the area of mechanization services. New enterprising subjects in the form of the above-company exploitation of the technology, mostly harvesting machines, supply of the specialized technological services for the sectors of plant production. Higher requirements are put on advisory services in all fields of economy, including agriculture. It is necessary to update and adapt them to new conditions and trends, which are related to the exploitation of the EU funds.

CONCLUSION

Both market and non-market services are the biggest sector of the economy in the well-developed countries. Demands on services are increasing with the increasing economic level. We notice also the connection of the agrarian services and other sectors of the national economy. Economics of the agrarian service subjects is determined by the agricultural production as a consumer of these services. Nowadays, even in Slovakia, there are more and more used progressive approaches from the foreign countries. Agricultural farmers positively evaluate biological services for the plant and animal sectors as their consumer. In this sector, we do not expect any significant changes. In the sector of services provided to the plant production, we assume, that new types of business subjects will provide some specific technological activities. Some of the agrarian service companies will be probably integrated into combined business groups. The services for agricultural primary production will significantly influence the results of the agriculture and the development of the countryside. Agrarian services are related with local subjects assigning regional development activities. Accordingly to the demands of the producers of the raw plant and animal production, they may play a highly important role and positively influence economic results of the primary sector subjects. It can be stated, that services for agricultural companies will be a significant specific part of agricultural sector even during the time of the European integration.

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Contact address:

Prof. Ing. Ivan Mojmír Zoborský, CSc., Slovenská poľnohospodárska univerzita v Nitre, Tr. A. Hlinku 2, 949 76 Nitra, Slovenská republika
tel.: +421 376 508 594, e-mail: Ivan.Zoborsky@uniag.sk