SWOT analysis of Slovak farmers in the pre-accession period to the EU

SWOT analýza slovenskych farmárov pred ich vstupom do EÚ

P. BIELIK

Slovak Agricultural University, Nitra, Slovak Republic

Abstract: In the framework of Slovakia entering into the European Union, there was done a PHARE-ACE survey in years 1999–2000. The name of this survey was "Micro-economic analysis of farming households restructuring in pre-accession period to the EU". The survey was finished in 2002. This survey was done in two regions of Slovakia, characterized by different natural conditions, production and economic conditions. This project was aiming not only at private farmers but also at other legal entities producing agricultural products. The monitored group consisted of 412 private farmers, farming in average 43.2 ha of agricultural land. Most of them are farming on 0–2 ha of agricultural land (20.8%) and on 25–100 ha of agricultural land (20.1%).

Key words: SWOT analysis, restructuring, individual farm, transactional costs, incomes, households

Abstrakt: V rámci prípravy Slovenskej republiky na implementáciu štrukturálnej politiky EÚ a rozvoja vidieka bol v rokoch 1999–2001 realizovaný program PHARE ACE „Mikroekonomická analýza reštrukturalizácie vidieckých domácnosti v predvstupovom období do EÚ". Výskum sa uskutočnil súbežne v dvoch územno-správnych regiónoch Slovenska, diferencovaných rozdielnymi prírodnými, produkčnými a ekonomickými podmienkami a z hľadiska organizačno-právnej formy podnikania na pôde. Výberový súbor tvorilo aj 412 súkromne hospodáriacich roľníkov podnikajúcich na priemernej výmere 43,2 ha poľnohospodárskej pôdy. Najpočetnejšiu skupinu tvorili farmári podnikajúci na výmere od 0–2 ha poľnohospodárskej pôdy (20,8 %) a v rozpätí od 25–100 ha poľnohospodárskej pôdy (20,1 %). Priemerná výmera súkromných fariem v SR je pritom nižšia, len 10,4 ha poľnohospodárskej pôdy pri počte viac ako 21 tisíc registrovaných farmárov.

Kľúčové slová: reštrukturalizácia, súkromne hospodáriaci roľníci, transakčné náklady, príjmy domácnosti, výdaje domácnosti SWOT analýza

RESTRUCTURING OF AGRICULTURE AND ITS INFLUENCE ON PRIVATE FARMS FORMATION

Slovak agriculture restructuring did not achieve success in putting pressure on private farmers. Most agricultural land is still cultivated by the transformed co-operative farms and even higher is their share in agricultural production. Agricultural production is capital intensive in Slovakia. The share of agriculture in total employment decreased (from 11% to 5.6%) and thus agriculture is no more a social net. Restructuring of agriculture led to increase of labour productivity, especially at larger enterprises. (Pokrivčák, Bielik 2002)

Land ownership became not only a formal legal relation but a relevant economic category. Problematic is the fact, that land ownership is extremely atomised. In 1997, there were 9.6 million plots of the average size 0.45 ha of agricultural land, owned by 12 up to 15 owners (OECD 1997). Land ownership was consolidated under the pressure of economies of scale in conditions of market economy, whereas in conditions of Slovakia it was not so.

Atomised land ownership slowed down the transition to private farming. High transactional costs were one of the reasons why this process was not successful. Transactional costs are mostly of the technical nature (lost and damaged cadastral maps and land registers, elimination of physical borders between plots during collectivisation) and legal nature (non-registering of possession changes in cadastre in the long-run). The result was the status quo in using land and also the decrease of long-run investments in agriculture (Swinnen 1976).

Additional obstacles with dividing the associated capital, underdevelopment of land market and shortcomings in money market connected with the lack of credit possibilities caused the increase of start-up costs related to the transition to private farming in agriculture.

Restructuring of agricultural produce and transformation of proprietary relations induced an increase of total productivity and a rapid increase of labour productivity in agriculture. The reason was improved managerial methods, budgetary restriction for enterprises after transformation and dismission of redundant workers. These are also the main reasons why private farmers are not the dominant farming form within agriculture.

Selected results of the survey

Presumptive changes in our macro-economy after Slovakia entering into the European Union create some opportunities and threats for competitiveness of agriculture and exert pressure on different development of enterprises. Perhaps our entering into the EU in 2004 might solve some problems concerning development of farming that were not solved after the transformation in 1989. How did respondents evaluate the impact of Slovakia entering into the EU in terms of agriculture? They are of different opinions regarding the fundamental question.

More than 70% of them expect mostly positive effects. Those should be connected especially with the foreign capital inflow, foreign investments to new technologies and increase of labour productivity. This ought to decrease possible threats and dangers concerning the united market and its competitiveness. Another strong motive for private farmers to support our entering into the EU is the system of subsidising agricultural producers by direct payments. Entering into the EU is connected with using four basic forms of the free flow of products, services, capital and people, that can present also a possible threat, because of the related increase of all forms of costs and competition for home producers. Possible threats are quotation of some agricultural products, high proportion of farmers farming on 0–2 ha of agricultural land (20.8%), low average size of farm 10.4 ha of agricultural land, outflow of qualified labour force for better living and working conditions to the present member countries of the EU and so forth.

What do respondents think about competitive advantage and disadvantage in comparison with the EU? Strong points of our enterprises are cheap labour force and its high expertise, diverse agricultural production on bigger farms, geographical position of Slovakia and specialised agricultural production. These strong points can change in practice into possible threats.

The structure of farmers' education reveals the level of education as well as the level of expertise of private farmers (Table 1). Almost 80% of the analysed group of respondents have secondary or higher education, but 30.5% of them have non-agricultural education. It means that 46% of farmers gained their present level of expertise, ability to work and manage farm of their parents, by working with parents or from their own experiences with farming in the past. 13% of private farmers have completed tertiary education in such fields of study as agronomy, livestock specialisation, mechanisation or economics. Although their education was interdisciplinary, it was directed at agricultural production. The share of farmers who gained their expertise by working in co-operatives or state farms is very low. Stated differently, a great amount of the current farmers did not farm before the year 1989 in the socialistic agricultural production. Their motive to start farming was land restitution, loss of their previous job in industrial enterprises, return to former family traditions (Table 2).

Among the underbellies typical for farming, there belong low productivity and utility of labour, low profitability and income parity of farmers and rural households, unfavourable capital structure, problems to obtain credit, weak marketing strategy, insufficient research and development, poor language knowledge etc. Approximately 60% of private farmers spend their working time by working on farm. The rest work on farm from 0 to 99% of their working time (Table 3).

An equivalent for prosperity is success in economics of enterprise, it means profitable farming. To prove that prosperity is connected with economic results of farm, we use in economics the term "economic prosperity" measured by income, profit and cost-effectiveness.

Low profit, or high loss typical for great number of farms became one of the most important negative mo-

Table1. Education and expertise of private farmers

Education	1	2	3	4	5	6	7	8	9	Total
Proportion (%)	1	19	22	5	14	22	13	4	0	100
Number of farmers	4	79	90	22	57	89	55	15	1	412

1 – no schooling, 2 – completed primary, 3 – some high-school, 4 – completed gymnasium, general, 5 – completed agricultural high school, 6 – completed other vocational school, 7 – agricultural university, 8 – non-agricultural university, 9 – postgraduate study

Table 2. Where did you learn to manage farm

Category	1	2	3	4	5	6	7	Total
Proportion (%)	46	12	11	2	20	1	7	100
Number of farmers	190	50	46	8	83	5	30	412

1 – from parents, work on own farm, 2 – previous job in cooperative or state farm, 3 – I learned it in the school, 4 – other farmers, 5 – own experiences, 6 – other, 7 – not applicable

Table 3. Time spent in farming

Time spent in farming	0	1–30%	31–50%	51–99%	100%	N	Total
Proportion (%)	5	11	10	7	60	7	100
Number of farmers	19	46	41	30	247	29	412

N – not applicable

Table 4. Most important reasons why people are not interested in farming

Category	1	2	3	6	7	8	X	Total
Proportion (%)	37	33	5	6	8	8	1	100
Number of farmers	76	68	11	13	16	17	2	203

1 – private farming is not profitable, 2 – we are too old, 3 – no descendant interested to take over the farm, 4 – we can earn more money doing other things, 5 – we do not need money, 6 – our land is located in nature reserve, 7 – other reasons, 8 – no reasons, X – does not know

Table 5. Main job in terms of incomes

Category	1	2	3	4	5	6	7	8	9	10	11	N	Total
Proportion (%)	48	3	3	1	3	2	3	3	5	2	2	24	100
Number of farmers	197	14	11	5	11	10	12	13	21	10	8	100	412

1 – own farming agriculture, 2 – agriculture/private sector – manager/professional/specialist, 3. agriculture/private sector – employee/manual worker, 4 – agriculture/public sector - manager/professional/specialist, 5 – agriculture/public sector – employee/manual worker, 6 – non-agro – own company, 7 – non-agro – private sector - manager/professional/specialist, 8 – non-agro – private sector – employee/manual worker, 9 – non-agro – public sector – manager/professional/specialist, 10 – non-agro – public sector – employee/manual worker, 11 – other paid work, N – not applicable

Table 6. Appraisal of the present incomes in the household

Category	1	2	3	4	N	Total
Proportion (%)	7	50	37	4	2	100
Number of farmers	28	206	152	16	10	412

1 – incomes are not sufficient for the bare necessities of life, 2 – incomes are sufficient only for the bare necessities of life, 3 – incomes are sufficient for a decent living, but we cannot afford buying more expensive things, 4 – we manage to have everything we need, without any restrictions, N – not applicable

tives in the development of farming. High average age and so-called "over-aged" farmers are the restrictive factors of farm stagnation (Table 4).

Table 5 reveals that only 48 % of farmers have incomes resulting solely from own farming. Low income parity, when incomes in agriculture represent approximately 70% of incomes in the national economy, force farmers to find other sources of money in the non-agricultural sector. 22% of farmers are interested in working abroad (for instance job in non-agricultural sector out of season, working on farms in the EU etc.).

Approximately 50% of the analysed private farmers evaluate their incomes as sufficient only for the bare necessities of life. 7% of farmers state that their incomes are under this level, thus their incomes are not sufficient for the bare necessities of life. Other farmers say that their incomes are sufficient for a decent living, but they cannot afford buying more expensive things (37%) and a small group of farmers consider their level of incomes enough high to buy everything they need, without any restrictions (4%). These data are shown in the Table 6.

Table 7 illustrates the total amount of money normally spent in the household each month. Expenditures of most households range from 5 000 to 20 000 SKK per month.

When we compared the economic situation of households in the year 1999 with the previous years, we came to the conclusion that about half of respondents (51%) judge their situation as worse than in the year 1995 and 5% of them think that their situation is much worse than

Table 7. Total amount of money normally spent in the household each month

Categories according to expenditures	Less than 5 000 SKK	5 001– 10 000 SKK	10 001– 15 000 SKK	15 001 20 000 SKK	– 20 001 25 000 SKK	–25 001 30 000 SKK	– 30 001 and more SKK	Does not know	Total
Total monthly expenditures (proportion %)	10	20	23	15	4	2	1	24	100
Expenditures on food, beverages and cigarettes (proportion %)	22	45	7	0	0	0	0	25	100
Total monthly expenditures (number)	41	84	96	63	16	7	5	100	412
Expenditures on food, beverages and cigarettes (number)	92	186	28	1	0	0	1	104	412

Table 8. Opportunities to increase incomes

Category	1	2	3	4	6	7	8	9	10	X	N	Together
Proportion (%)	26	15	4	6	4	1	22	5	3	7	7	100
Number of farmers	106	63	15	25	18	4	89	22	12	29	29	412

1 – production on own farm (crops), 2 – production on own farm (livestock), 3 – production in a non-farm company, 4 – wage employment in state sector, 5 – wage employment in co-operative or agricultural company, 6 – wage employment in private sector, 7 – wage employment in other part of the country, 8 – wage employment abroad, 9 – start a non-agricultural business, 10 – other, X – does not know, N – not applicable

Table 9. Problems or constraints to increase the household activities

Category	1	2	3	4	5	6	7	8	9	11	13	15	16	17	X	Total
Proportion (%)	8	10	20	3	0	3	25	4	12	0	1	1	1	6	3	100
Number of farmers	17	22	44	7	1	7	54	9	26	1	3	3	3	13	6	216

1 – cannot obtain more land, 2 – cannot obtain loans, credits, 3 – cannot find labour, 4 – cannot sell products, 5 – cannot hire workers, 6 – cannot find workers in own family, 7 – prices of products are too low, 8 – delayed payments from buyers, 9 – prices of inputs are too high, 10. cannot find suppliers of inputs, 11 – cannot obtain my land from co-operative, 12 – land is located in nature reserve, 13 – difficulties of dealing with state, 14 – difficulties in dealing with co-operative, 15 – agricultural production is less profitable than other household activities, 16 – other constraints, 17 – no constraints, X – does not know

Table 10. Main sources of money to cover investments

Category	1	2	5	9	10	Total
Proportion (%)	90	1	5	1	1	100
Number of farmers	66	1	4	1	1	73

1 – own funds, 2 – relatives, 5 – bank or other credit institution, 9 – subsidies, 10 – hire purchase

it was in 1995. 42% of rural households state, that their financial situation is worse in the year 1999 in comparison to the year 1989.

Opportunities resulting from the entry to the EU are connected with exploiting free population movement within the EU, interconnection with multinational capital and receiving direct payments and subsidies directed to agricultural production, conservancy of environment and countryside. These opportunities are attainable only for farmers who know about their existence and who are prepared to use it. On the other side, there are also some constraints obstructing the development of private farms. It is for example the shortage of own finance, present price policy, price disharmony to farmer's disadvantage and the lower rate of subsidising agricultural activities in comparison to agricultural producers in the

EU. Problematic is also to obtain credits because of their costliness as well as required guaranties.

Private farmers have to be acquainted intimately with the rules of competition in the European markets, to learn how to evaluate realistically their position in these markets, to be able to identify signals about future development of given market and to use high expertise to gain competitive advantage before their rivals.

CONCLUSION

Micro-economic analysis of farming households restructuring in the conditions of the Slovak Republic in the pre-accession period points at fact that the situation and farmer's opinion level is differentiated. It is influenced by supposed both opportunities and threats that could be connected with the EU's Common Agricultural Policy. We evaluate positively that majority of respondents supposes the positive effects following from foreign capital and investment inflows that would influence expressively the growth of farmer's performance and production factors productivity. Apprehension are connected with competitiveness and allocation of domestic production at the EU's market. SWOT analysis points both at future opportunities and threats that deal with the apprehension from free sale of land, present low farmer's profit and income level, low marketing strategy, etc. Education level we consider for comparative advantage of our farmers.

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Contact address:

Prof. Ing. Peter Bielik, PhD., Slovenská poľnohospodárska univerzita v Nitre, Tr. A. Hlinku 2, 949 01 Nitra, Slovenská republika
e-mail: Peter.Bielik@fem.uniag.sk