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Economic Situation and Structural Changes in Slovakian Agriculture*

1. Introduction

The aim of this paper is to give an insight into the process of agricultural adjustment during the early period of the transition to a market economy in Slovakia. Two particular topics will be examined, namely (a) changes of farm income and profitability, and (b) developments in farm re-structuring.

In the former Czechoslovakia, after the political upheaval in autumn 1989, a radical economic reform was under way by January 1991. The main policies implemented under the frame of the reform, were price and trade liberalization, fiscal and financial restriction, currency devaluation and privatization. The overall objective was to improve economic relations which had been seriously distorted under the command economy, and to set up a new balance led by market forces.

From the very beginning, it was clear that agriculture had to cope with a significant contraction of output and with the necessity to raise efficiency in the utilization of resources. Privatization and the structural change were considered as significant pre-requisites for the efficiency gains to come. In spite of the fact that private ownership rights have been re-established, individuals have been confirmed in their rights, legal instruments have been implemented to promote new patterns in agricultural production, the inherited agricultural structure has shown a notable sustainability. (Blaas, 1993)

The question is, whether this effect has been due to a specific conservatism of social actors, lack of alternative models, or lack of incentives. It might be quite an appropriate assumption, that low returns, which are to be attained from agriculture under current policy, do not encourage structural innovation. Low returns may result from various factors, such as low efficiency of farm management, unfavourable terms of trade, financial

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strain, constrained demand and overcapacity, scarce governmental subsidy, etc. The first part of this paper analyses several of those elements.

In the second part we present a view on developments related to the structural change. Our point is to stress what has been specific for the country in this process and to give some explanatory facts and remarks.

2. Development of Agricultural Income

2.1. BRIEF REMARKS ON METHODOLOGY

Several factors were influencing agricultural income in the period between 1990 and 1995. First, the newly introduced market factors led to a rapid deterioration of the so called terms of trade (i.e. widening of the gap between input and output prices, shrinking consumer demand, increasing financial costs due to money supply restrictions, etc.). Second, a declining productivity could be witnessed. This was partially due to the impairment of farm management capacity and partially due to a reduced use of production inputs. Third, there were less countable factors such as the collapse of former marketing and supply networks. In addition, cuts in government subsidy at the start of transformation and the impaired access of farms to financial sources had a detrimental impact upon agricultural income.

Timewise, we can distinguish three periods in the evolution of the income level in the agricultural sector in Slovakia: (a) The "big bang" between 1990 and 1992; (b) the adaptation period from 1993 to 1994; and (c) the beginning of stabilization from 1995 onwards.

In recent years, it has become difficult to make medium to long-term assessments of corporate economic data, which rely upon complete time series. The methodology of statistical reporting and the scope of access to farm business data has changed. Until 1992, aggregate data drawn from profit and loss accounts and balance sheets of all agricultural entities were available. However, economic analyses carried out in later years could rely only on sample surveys that have been organized by the state administration. Unfortunately, they have some shortages which limit their purpose. Uncontrolled samples neither meet representativity criteria, nor do they guarantee the year to year compatibility of the collected data. They do not cover economic data of farms run by "physical" persons ("private or family farms"). Nevertheless, we consider them reliable enough to indicate sectoral trends. It should just be mentioned at this stage that a farm accounting data network, compatible with one of the EU member countries, is currently under preparation.

2.2. THE "BIG BANG" PERIOD (1990—1992)

Due to the sharp decline in demand caused by price liberalization (launched 1 January 1991) as well as by phasing out consumer subsidies in

summer 1990, nominal revenues in agriculture decreased fairly dramatically. While in 1990 they declined by a relatively modest 2.8% on a year-to-year basis, they fell sharply in 1991 by 31.7% and in 1992 more gradually by 6.5%. This brought the volume of nominal revenues down to 62.3% of the 1989 level. The decline in real terms was even steeper if we consider the inflation rate of 61.2% in 1991 and 10% in 1992. Besides these factors, the decline in total revenues is also attributable to the cessation of off-farm activities, formerly often pursued by cooperatives.

In reaction to this, farming entities dramatically restricted their operational input and labour investments. At the same time, consumption of industrial fertilizers in pure nutrients decreased from 239.7 kilograms per hectare in 1989 to 123.1 kilograms in 1990. In 1991 and 1992, it fell to 63.9 and 41.2 kgs respectively. Between 1989 and 1992, the number of people employed in the farming sector fell by 32.4%. However, due to the rise in prices on the input side, they managed to reduce their expenses in monetary terms only marginally. In 1991, total expenses decreased by 12.2% compared to 1990 and in 1992 by 7.1%. Input costs and labour expenses per hectare of agricultural land in 1992 were 6.5% and 10.3% lower than in 1990, respectively.

Despite the sharp reduction in applying inputs, the aggregate profit of 2.1 billion crowns posted by all farms in 1990 (based on full-cost calculation), turned into aggregate losses of 11.6 billion in 1991 and 10.3 billion in 1992. This, in practice, brought capital investments and replacement of assets to a halt and diminished repair and maintenance investments in buildings and equipment. More than 90% of farms reported losses in 1991 and 1992. This was also a period of substantial cuts in government subsidies. The volume of direct payments in 1992 was only half of the amount disbursed in 1990.

The "income shock" suffered by the agricultural sector was primarily attributable to the developments in prices.

While operational expenses (i.e. costs of energy, fuels, fertilizers and pesticides) approximately doubled, the prices of agricultural products just rose by 10 per cent. Meat and dairy revenues decreased and an oversupply occurred. Their steep rise for the consumers created a demand barrier that hindered price adjustments of these products on the farm level. In 1991 the most remarkable price drop was recorded for beef. Farm gate prices of bulls for slaughter fell to 79.4% of the 1989 level. The decline continued through 1992 (75.9% of the 1989 level).

Farmers' response to the price squeeze was to cut their loss-making operations. The output of milk shrank from 1,995 million litres (in 1989) to 1,330 million litres (in 1992), the number of dairy cows decreased by 18.3% and the annual milk yield by 21%. Output of beef fell from 110,700 tons in 1990 to 89,800 tons in 1992. Similarly, pork output went down from 304,200 to 253,800 tons over the same period. The output of poultry and eggs also declined.

Gross agricultural output (at constant prices) in 1992 only reached 74% of the 1989 level, i.e. 38.5 billion SK compared with more than 52 billion SK at that time. Gross plant production contracted to 80% of its former level (i.e. from 23 billion to 18.3 billion SK) while gross animal production output fell to 69.3% of the 1989 level (i.e. from 29 billion to 20 billion SK).

However, this decline in agricultural production helped to bring supply and demand on the market into a balance within a short period. In 1993, demand even exceeded supply, which contributed to the recovery of prices and improved the income relations in the following years.

2.3. PERIOD OF ADAPTATION

For the first time after the system change, agricultural production units in Slovakia reported an annual growth in revenues in 1993 although production volumes decreased due to an extraordinary drought that year. Gross agricultural output, measured in current prices, rose by 24%. Annual growth in revenues of the agricultural production units increased by 18.0% from 1992 to 1993 and by another 8.7% from 1993 to 1994. The growth in revenues was accompanied by slower growth in expenses, which increased by 8.0% from 1992 to 1993 and just another 2.5% from 1993 to 1994. Physical input even started to rise slightly (i.e. utilization of materials and energy in 1994 rose by 10%). However, the farm managers continued reducing their labour costs. This, in 1993, brought employment further down by 10 percentage points.

Problems with financing investments further deepened. More than 50% of all farms reported higher outstanding payments than their own debts.

Therefore, the main reason for the revenue growth in 1993 was the disposal of assets. The volume of current assets in 1993 dropped by 10.7%, of which livestock and inventories fell by 20%. The equity ratio of corporate farms decreased by 15%. Their total equity value fell to 87.4% of the previous year. Developments in 1994 were more favourable, with the total value of equity falling by only 7% (or half of that value recorded in 1993). At the same time, reductions in the volume of current assets were brought almost to a halt with a moderate increase in stocks and inventories. The value of fixed assets slipped by only 2.6%.

Over the two years, aggregate losses of the agricultural production units went down 6.8 billion SK in 1993, and 3.4 billion SK in 1994 (compared with the 10.3 billion SK loss in 1992). In 1994, as many as 40% of all farming entities again reported a profit.

In 1994, a distinctive differentiation between particular legal types of farming entities had been occurring. Companies recorded an almost 400% increase in profits. Unlike in transformed cooperatives, the value of fixed and current assets and of equity in these companies had been growing. The amount of bank credits extended to this dynamic group of farms rose by 15%, while lending to other types of entities stagnated.

In 1994, investments in the sector started to revive modestly and reached 4,489 million SK, i.e. an increase of about 9% compared to 1993.

During this period of economic decline affecting the agricultural sector the government tried to balance their repercussions in providing financial support and subsidies. However, due to severe budget constraints the volume of direct subsidies in absolute terms stagnated and thus fell in real terms. In 1993, direct-support payments accounted for 10.6% of all farmers' revenues in 1993 and 9.1% in 1994. Comparing this with previous years, direct support payments represented 13.6% of revenues in 1991 and 10.5% in 1992.

The relatively faster growth of revenues compared to the rise of expenses between 1993–1994 leading to improved farm incomes were possible due to accelerated price development of agricultural products in a flexible reaction to market demand. Table 1 below shows absolute differences between annual price indices compared to the basic price-level of 1989.

Table 1

Price indices, 1990–1994 (1989 = 100)

prices of:	1990		1991		1992		1993		1994	
	Index	Index	%	Index	%	Index	%	Index	%	
Agricult. products, total	100.4	104.8	4.4	111.6	6.8	127.9	16.3	141.7	13.8	
— Crop products	102.4	107.7	5.3	113.2	5.5	135.7	22.5	142.6	6.9	
— Animal products	98.9	102.7	3.8	110.5	7.8	122.2	11.7	141.0	18.8	
Supplies to agriculture	106.9	180.6	73.7	193.4	12.8	236.9	43.5	255.1	18.2	
Industrial products	105.2	177.7	72.5	187.1	9.4	219.3	32.2	241.2	21.9	

Source: Green Report, MoA 1995

However, the influence of these price developments on the level of agricultural incomes was considerably damped by the ongoing increase of input costs, particularly of agricultural origin (e.g. the cost of seeds between 1993 and 1994 rose by 35.6% and compound feedingstuffs by 16.7%)

2.4. FROM 1995 ONWARDS — THE BEGINNING OF STABILIZATION

In 1995, macroeconomic developments were favourable, with GDP growing by 6.5% following a 4.8% increase in 1994. Agricultural output increased by 2.1% in 1995, with crop production rising by 2% and livestock production by 2.2%. However, the gap between input and output prices

widened, again. Nevertheless, revenues continued to grow faster (by 5.1%) than expenses (by 4.7%) which led to a 4% reduction in the aggregate loss for the entire farming sector. However, the growth in total revenues was attributable to the increase in proceeds from the sale of fixed assets (up by 14.2%) and subsidies (up by 15.8%) rather than to the increase in proceeds from sales of products (up by just 2.6%). In 1995, more than half of all farms made a profit and aggregate losses were reduced to about 2.8 billion SK.

The income situation varied among the major types of organizations in agricultural production. Differences between agricultural producer cooperatives and companies were still quite sharp. While after-tax profit per hectare of agricultural land of companies fell to about one third of the 1994 level (i.e. from 657 to 216 SK), losses of the agricultural producer cooperatives declined by about 3.4% (i.e. from 1,059 to 1,023 SK).

In 1995, government subsidies contributed to the agricultural income more substantially than in the previous years. The absolute amount of direct-support payments rose by 1 billion SK (up 19%) and accounted for 10.4% of total revenues in the sector. Both the input subsidies and milk premiums increased in particular and thereby reduced the aggregate loss in the sector.

Despite the still unfavourable state of farm accounts and the increasing share of subsidies in farm incomes, the growth of capital investments in 1995 could be viewed as a promising sign of stabilization. Annual growth of capital investments came up to 20%. While the cooperatives increased their investments by 17.8%, companies expanded theirs' by even 30.8%. The highest growth amounting to an increase of 30.8% was recorded for investments in machinery and equipment. Bank credits as a financing source of investments almost doubled which was certainly a positive sign. Investment grants to transformed cooperatives increased by 22%. The use of own funds rose by 10%. Companies primarily used bank credits for investment sources, which more or less tripled. The revival of loan financing of capital investments can probably be credited to the State Support Fund for Agriculture and Food Industries which, in 1995, extended more than 810 million SK in soft loans and issued loan guarantees worth about 300 million SK.

Recent developments show that the agricultural policy pursued by the current government is giving less priority to the growth of farm income through increased sales revenues which would incur price rises. The government appears to be rather in favour of public transfers. There is an attempt to provide minimum necessary funds by budgetary means, which support the access of the farms to operational and investment inputs in order to keep agricultural production on just such a level to ensure the food security of the country.

III. Structural change

In this chapter some sociological implications of the structural change which has been taking place in the Czech and Slovak Republics since the early 1990s will be discussed. The fact, that a single legal system had formed the transformation of the agricultural production units in both states until 1993 when the Czechoslovak Federation split into two successor states, gives a unique opportunity to compare local responses to one uniform institutional system. That is why we try to elaborate on some ideas and facts, which may explain the sometimes divergent behaviour of social actors in one or another republic, which could be observed during the transformation process.

3.1. TRANSFORMATION OF COOPERATIVES

The land area under operation of transformed cooperatives has declined in both the Czech and Slovak Republics and the number of cooperatives increased. The contraction of land used by the transformed cooperatives was more remarkable in the Czech Republic (decline by 22.8%) than in Slovakia (decline by 5.4% only, based on 1995 figures).

However, not all cases of fragmentation of cooperatives into smaller units stemmed from the transformation procedure. The political climate, especially in 1990–1991 encouraged rural communities to restore collective farms in their original boundaries as they used to be before the mergers in the 1970s. These movements had been in line with efforts of municipalities to attain self-government. Very often mayors were the initiators or strong supporters of such divisions only because they wanted to have their “own” collective farm, which was expected to sponsor the municipality according to the same pattern as the (socialist) cooperatives. In fact, expectations of this sort proved to be false later, when the economic decline of co-operatives began.

Newly emerged local leaders easily persuaded cooperative members, that the only right way was to cut themselves off from the neighbouring village, or villages and to go on independently. Decisions of this sort had not been economically founded and later developments revealed this sufficiently. Many current economic problems of individual farming cooperatives that stem from overdue debts, overcapacity of assets, etc. refer to that fever of divisionalization. The growth rate in the number of cooperatives in Slovakia (59%) was higher than in the Czech Republic (39%). It is difficult to find a unanimous explanation, without more familiar knowledge of the Czech situation, but two facts must be taken into account: In general, with respect to the rural settlement structure in the Czech Republic the high number of very small villages is typical. Many of those are not more viable from the demographic or the economic point of view, so it would not be sensible to expect these villages to start initiatives towards separate farming. On the other hand, efforts for launching individual farm businesses had been more

significant in the Czech Republic, which might have led to a higher portion of collective farms being dissolved during transformation.

In this connection the question arises, why people in Slovakia stick more intensively to their cooperatives than people in the Czech Republic? The most general explanation refers to the fact that the rural population is more dependent on this economic entity. This dependence can be broken down into two components:

- When looking at statistics, the share of the population dependent on agriculture in rural communities is higher in Slovakia.
- For those who earn a living from agriculture, the probability of finding an alternative source of subsistence off the cooperative is minimal. This is true especially for marginal segments of the population like unskilled, elderly or handicapped people.

Of course, alternatives are different for those, who own land and in the course of transformation attained a large allotment of the property shares from the cooperative, and for those, who have either received nothing or only a few property shares. The number of those, who got nothing is surprisingly high, especially among active members. Over 60% of the members entered transformation without land and for this reason attained a very scarce share on property. For those people (with the exception of a few individuals with higher education, who may find another job, either as a capitalist farm manager, or start a business of their own) there hardly exists any other employment opportunity off a corporate farm. In this connection, it may be worth noting that under the former regime the generous subsidization of farming provided jobs for everybody in a village.

The other group (i.e. the owners of land) does not have better prospects, either. In Slovakia, the occurrence of those, who own (or would own by heritage) land of a size allowing meaningful farming is very limited among local dwellers. The crucial point of the Czech-Slovak cleavage in the transformation story, which is rooted in the legacy of history, may be just here. In Bohemia, Moravia and Silesia, well-heeled big peasants who held large fully equipped farmsteads belonged to the common picture in the pre-collectivization period, but not in Slovakia, where such cases were quite a rare phenomenon. The core social problem of Slovak agriculture was, and still is, the extreme fragmentation of land ownership. The current operators of such big holdings (and of former capitalist estates, "residual estates"¹) represent the core of emerging individual farming in both Slovakia and the Czech Republic. Thus, the pre-socialist legacy of the holding structure is much more beneficial to newly emerging private farming in the Czech

¹ The first land reform limited the size of holdings at 150 hectares of agricultural and 250 hectares of any other land. Residual estates were holdings, which had been left after the detailing of feudal estates. Residual estates were allotted mostly to the political and bureaucratic elite of the first republic and their friends.

Republic than in Slovakia. Czech statistics show approximately ten times more individual farmers than Slovak statistics. Of course, this number comprises ten thousand smallholders, but also a significant number of individuals operating lands over 1000 hectares, who are probably tenants farming land belonging to former state farms.² Since the most frequent peasant holding in Slovakia during the pre-war period accounted for approximately 5 hectares, which, at present, simply restored could not be bigger, but smaller. The estimated number of landowners in Slovakia is one million and the multitude of individual plots, seven million.

The situation may vary from village to village, but currently the best option for owners is to let their land and property operated by the cooperative. For those who work there, this is the best legitimization for retaining their workplace. For those owners not working for the cooperative (and in most cases having non-agricultural jobs and living outside the village) this is the cheapest way of preserving their property for the future without any additional cost, since property tax is paid by the tenant. This is not an economic decision — the reward for this lease is usually small (since rents are generally poor and dividends non-existent), but a decision which stems from the lack of an alternative opportunity. However, many cooperatives try to compensate owners by rendering them benefits in kind, which are of great value for the rural population of any profession and social status.

The survival of cooperatives is a typical transition phenomenon that will last as long as significant amounts of capital will not be invested in agriculture, enabling the concentration of land and assets in few private hands to pursue profitable farming. In other words, strong interest groups are needed, which would feel confident to enter leasing contracts on land, to conduct investments and organize highly commercial profit-making ventures. Currently, most cooperatives, having undergone the transformation as formally as possible, behave very similarly to family farms: In spite of low income and negative returns they keep on working due to social necessity.³

On the other hand, it can be observed that a number of cooperatives rented their land and inventory to private individuals and companies. In general, the members soon realized the disadvantages of these contracts. Several case studies (Buchta, 1996) give excellent evidence of spontaneous collective resistance against this attempt of the systemic drain of cooperative equity in favour of private holders. In the understanding of the members this approach is regarded as an illegitimate "expropriation" of the property

² The issue of state farms will be discussed later.

³ Agricultural production co-operatives never had been established in order to attain profits, but for protecting the poor against the mighty. It is interesting to observe, especially today, how differently a community based venture acts compared to a merely profit oriented capitalist enterprise.

shared by them. This realization gives them the strength and social justification to fight for survival and the sustainability of transformed cooperatives. That is why their role in the transition may be worth analysing and re-thinking, which is a challenging task.

The impact of the amendment to the Transformation Law 42/1992⁴ on further development of cooperatives is controversial from the view of what has been said above. On the one hand, it lifted the menacing drain of working assets, which would appear if previous legal provisions on release of property shares to their holders were applied. Thus the amended law improved the future survival prospects of the transformed cooperatives. On the other hand, by implementing equity bonds it introduced a twofold equity sharing. Besides members' shares, linked with classical cooperative rules of voting, equity bonds were introduced, which may yield for their holders rights equal to shareholders' rights in capital companies. Thus a significant move has been made towards converting cooperatives into a sort of capital company. Cooperatives may render in their statutes voting rights proportional to the value of bonds held by the individual investor. Bonds can be traded at capital markets. At this stage, it may be premature to draw conclusions, since there is no experience with the turnover of these bonds yet. Nevertheless, fears from this step have already been expressed in the media, claiming that speculative buy-outs can easily occur. These might be eased by the current market price of bonds, which is rather low. Controversial to principles of cooperatives is also the provision of the amendment, mandating cooperatives to admit bondholders as members if they apply.⁵

In 1996, 977 transformed cooperatives were still registered in Slovakia, operating 60% of the total farm land area, sized on average 1474 hectares of land.

3.2. COMPANIES

The dynamic evolution of companies is the most typical feature of the restructuring process in agriculture. As a result of the legal transformation of (socialist) cooperatives, nine limited liability companies and twelve joint stock companies were established at the beginning of 1993. Since then, the number of companies has been continuously increasing. Data (based on the statistical census of 1995) show 98 limited liability companies and 29 joint

⁴ In November 1995 the "Law of the National Council of the SR No 264: 1995 by which the Law No 42: 1992 shall be amended" was adopted. This Law mandates transformed cooperatives with issuing negotiable securities, called "cooperative equity bonds" which will replace equity shares attributed to non-members. The amended law also gives members the option to receive equity bonds up to that value of their property share which exceeds their mandatory (minimum) membership deposit. At the same time, equity bond owners have been legitimated by law to join the cooperative and attain membership rights.

⁵ The Constitutional Court ruled, in a row in 1997, that this provision was unconstitutional.

stock companies. The average acreage of limited liability companies has been 650 hectares of farmland while that of joint stock companies stood at 1270 hectares⁶. Nevertheless, the total area operated by these companies is five per cent of the total farmland (but 6.5% of arable land), although it must be admitted that the development during the last two years seems to indicate a higher percentage. Their share in the overall production is significantly higher, since many of them specialize in animal production, which, especially in the case of pork and poultry enterprises, does not require much land.

Limited liability companies operate, with small exceptions, rented land only. 96.7 % of the agricultural and 98.2 % of the arable land cultivated by them is rented. Only a few of them are green field establishments. The majority of these newly formed companies in agricultural production make use of assets (including land) of privatized state farms and of transformed cooperatives. In general, four different categories with respect to the access to assets can be distinguished:

- Purchase under terms of privatization of state farms. This type was not very frequent until the second half of 1995 due to the slackening pace of privatization of state farms. A significant speeding up took place towards the end of 1995 and in 1996.
- Lease of assets from transformed cooperatives. Legally, there have been contracts between the owners of the newly formed company and the management of the cooperative. In reality, the relationship between these two groups seems to be very close. Actually, the managers and the owners of these newly formed companies often happen to be the same persons. In some cases, lease contracts were combined with contracts on sales of fixed assets and inventory on instalments.
- Provision of assets by a transformed cooperative to a newly formed company as material equity contribution, i.e. the cooperative owns (at least a part of) the company.
- Withdrawal of assets from the cooperatives by individuals or groups of individuals in compliance with the legal provisions of restitution and transformation. These persons establish the new company. They prefer this type of organization due to specific (e.g. taxation) reasons.

In several cases the new entities have been a follow up of former profit centres in the agricultural production cooperatives which were set up during the late 1980s in compliance with the internal self-accounting system.

We had informal access to some data on farm conversions that took place during the first 6 months of 1996. They represent an uncontrolled sample, so generalizations are made cautiously. Nevertheless, this information can give an idea about the most recent trends in structural changes. The sample

⁶ Figures on land represent information on land use only, but not on land ownership. Companies mostly rent their land under operation, with some exceptions of those individual owners who prefer to run a business rather than a private personal company for specific (e.g. taxation) reasons.

comprises 25 transformed cooperatives, 5 state farms and one company. They have all undergone changes, like conversion to another business form, shifts in size of land use or splitting up into several independent business entities during the observed period.⁷ Along with cases of mere land consolidation, i.e. the settlement of land withdrawn from the cooperatives by individual owners (7 cases) or land use associations (1 case), 23 cases comprised an inception of new farming entities. Two of them were split off cooperatives and all other companies. There was one case of a private farmer operating 110 hectares of land among the new entities. Five limited liability companies arose from the privatization of five state farms. All the other limited liability companies split away from existing cooperatives or even replaced cooperatives by taking over their property. In addition, some limited liability companies have been set up due to a split-up of already existing companies. The developments described above indicate several trends:

- When transformed cooperatives convert to another form of agricultural production they generally opt for a limited liability company.
- Entities which split away from transformed cooperatives can be both cooperatives and companies. Private farms will be established in exceptional cases.
- Already established companies are subject to further splits or other changes.

The economic results of these companies are strikingly good. Their profit is several times higher than the profit of transformed cooperatives, they invest more and are more likely to be served by bank credits⁸. Aggregated statistical data do not distinguish between specific types of companies. So there may be quite a significant divergence between companies established in line with the Transformation Law 42/1992 and those established later on singled-out assets or production units. The success of the latter is obvious, when taking into account, that they generally operate the most productive assets, the simplified management incurs lower overhead costs and their recruitment of labour does not need to obey social considerations as is still the case with many transformed cooperatives.

The motivation of the management of transformed cooperatives to switch over to the legal entity of a company may be different. The strong and well-motivated top management discovered in the early stages of the social turn-around, that the producer cooperative — which in fact operates on principles of functional hierarchy of executive power and hired labour — comprises an

⁷ Those cases are registered which require an official redefinition of their land tenure in terms of size and value.

⁸ As was shown in the second section of this paper, the turn-over of companies fluctuates from year to year. The reason for this may be, among others, the varying composition of the observed sample.

internal contradiction to stated cooperative rules and declared rights of members. Their assumption, that the restoration of landownership rights will enhance this contradiction — which proved to be true — led them to try to switch to another business form, which would allow less interference of owner's governance with executive management. We know of a few cases of this type of conversion that had already taken place before the inception of the economic reform and transformation. The establishment of shareholders' companies has been urged by innovative, successful, partially authoritarian, but efficient management. They also had a strong professional attachment to large-scale farming and the motivation to keep it working. They managed to overcome particularistic interests of the larger landowners — if any occurred — who gained power by the transformation. In general, they enjoyed the benefit of low intervention by the working members⁹.

The major reasons why the management of transformed cooperatives wanted to set up satellite limited liability companies (Hungarians would call them "holdings"¹⁰) can be summarized as follows:

- Top management realized that the continuation of a centralized system of management is beyond their capacity. Therefore, they tried to provide for a consistent decentralization of the various production activities in establishing genuine economic units among middle and bottom line managers. This concept has often been forced through from the top, against the will of those involved.
- The division of the transformed cooperatives into economic independent sub-units had been realized as a rescue operation to allow the economic survival of viable parts of the property, to continue operations and to keep employment. This approach has been adopted in a situation when cooperatives had been squeezed by overdue debts, their inability to pay and/or by excessive claims of landowners and property shareholders.
- Hypothetically, it can be assumed that some managers realized the opportunity to privatize a part of the property of the cooperative by channelling it step by step into their personal accounts or business through advantageous contracts.

However, in some cases, cooperative members, particularly the owners of land and assets have started to realize that they have been deceived and an empty shell will be left behind for them. As a matter of fact, contracts established between the transformed cooperatives and companies have been mostly disadvantageous for the first, which only became obvious after a certain period of time. So far, court appeals remained unsuccessful, when

⁹ The traditional authoritarian relationship between the „boss” and the „worker” still persists.

¹⁰ We did not happen to find any single case of a genuine holding. All cases had been leaseings to legal entities established by private individuals (mostly by the managers of the cooperatives) without equity participation of the cooperative itself combined with contracts on sales of fixed assets and inventory in instalments.

the (newly elected) management boards of the cooperatives were trying to remedy the effects.

Here some recent figures can be added, which give some evidence about the expansion of companies during the period 1995–1997. The number of farming companies reached 405 in 1997. They operated nearly 20% of the total land and their size was 1191 hectares of farmland on average.

3.3. PRIVATE FARMERS

Who actually is a private farmer in Slovakia is still an open question. Family, or private farming became paradigmatic in the ideology and political practice of many Central and Eastern European countries immediately after the system change, as in Slovakia. Restitution, restoration of ownership rights and government support to fresh farm entrepreneurs had been believed to be sufficient for generating social sources necessary for putting this paradigm into reality. However, when considering the numerical occurrence of individual farmers, they are still more or less a marginal phenomenon in Slovakian agriculture. Obviously, the support proved to be insufficient. In summary, these are the main reasons: the fragmentation of land ownership, ownership titles to land mostly with the non-rural population, lack of skills among the agricultural labour force, lack of initial capital, sharp decline in consumer demand for food and so on.

While private farming is still of marginal importance, the statistical data on their number are confusing and controversial. Data drawn from statistical registers offer the following time series about their number, (as shown in Table 2).

Table 2

Number of farms run by private persons ("private farms")

1992	1993	1994	1995
13,728	17,840	19,972	21,700

Source: Statistical Yearbook of Slovakia, various years, Company Register of the Statistical Office of the SR

These figures deviate from data released by the same Statistical Office in 1995, referring to the Agricultural Census 1994. According to this source, the number of farmers is 7,581. Obviously, there is a lack of clear definition of individual and private farmers. Currently, the legal status of a private farmer can be achieved by simply reporting to the Municipal Office. The Census, which was conducted in cooperation with the municipalities used an operational definition of private farmer. This definition allowed the inclusion in this category of only those private farmers who were producing for the market

(for sale), but not just for self consumption. The implementation of this criterion might in practice have been quite loose.

In addition, it cannot be ignored that approximately 300,000 smallholders (with holdings under 0.5 hectares) exist in Slovakia as a permanent long-term phenomenon. The boundary between them and commercial farmers is quite flexible, especially in the case of high value added products like greenhouse vegetables, berries, orchards, etc. This group represents an optional source for expansion of commercial farming. In fact, many of these smallholders could extend their holdings (being heirs or potential owners of rented land) if they wished or were forced to do so.

The approximately 20,000 "official" private farmers are a very heterogeneous group. Using a modest assessment, about half of them can be regarded as subsistence farmers. Often, their registration has reasons stemming from transformation and restitution legislation.¹¹ About 7,500 private farmers covered by the Agricultural Census are more or less genuine farmers. On average, they operate 15 hectares of land. The share of leased land is considerably high. About two thirds (or 63.3% of agricultural and 65.5% of arable land) has been rented. This figure seems to imply that a large portion of private farms is not a simple continuation of traditional peasant farming (interrupted by 40 years of collective farming) based on family owned land and property, but a new business venture on a scale far exceeding the size of peasant holdings of the past.

The suggestion seems to be quite legitimate, that a certain proportion of these private farms are holdings (farm units) rented out by cooperatives to private persons under leasing contracts. The scale of these operations does not deviate too much from those run by limited liability companies. Only the legal status of the contractor makes a difference.

The size distribution of surveyed farmers is showing a highly heterogeneous picture. Approximately two thirds of farms (or 61.5%) operate an area of up to 5 hectares of land. This sub-group occupies about 7.6% of the total area farmed by private farmers. It is difficult to assess their socio-economic status, but it can be presumed that they are part-time and subsistence farmers who are just selling some surplus production for cash.

Only 4.8% of all private farmers, as covered by the Agricultural Census, cultivate 50 hectares or more. However, these farmers occupy 59.2% of all land cultivated by private farmers. This sub-group comprises family farms as well as larger estates stemming from restitutions and leases from transformed cooperatives. Especially farms larger than 100 hectares can be suggested as based on lease, considering the high proportion of leased land in the entire sample of private farmers. Several of these large holdings still

¹¹ Provisions of Acts No 229/1991 and 42/1992 make property restitution claims depending on evidence about the intention to establish a private farm. Registration has been acknowledged by the authorities in these cases.

have links to the transformed cooperatives by enjoying specific services provided by the cooperative (e.g. accountancy, machinery services) and by leasing certain assets, e.g. buildings, animals, etc. It can be assumed that these ties will diminish step-by-step by either buying out the respective assets of the cooperative or replacing them with own investments. Operations of this size (i.e. 100 hectares or more) are technically the same as those owned by companies.

The share of private farmers in the total agricultural production has been increasing since 1990, as is shown in Table 3. Estimates by the Statistical Office give evidence about considerably high shares of privately grown products, like vegetables, fruit and potatoes. Nevertheless, figures provided by statistics include the output of household plots and subsistence farms too, so these data can hardly be considered as reflecting the true marketed output of commercial private farms.

Table 3

Share of private farms in specific farm products (%)

Commodity	1990	1991	1992	1993	1994
Cereals	3.0	3.9	6.6	10.6	13.1
Potatoes	8.6	25.6	42.7	54.7	66.6
Vegetables	44.9	46.7	72.0	78.1	75.0
Fruit	45.2	41.4	71.9	66.2	78.3
Milk	1.9	2.5	8.6	10.3	12.6
Eggs	24.5	25.0	43.1	48.7	54.9

Source: Statistical Yearbook, various years

The size distribution of private farms, which has already been discussed above, infers that private farms comprise a wide scope of farming patterns, which must inevitably be reflected by the production structure as well. Surprisingly, the specialization of farms is quite high. The majority of farms specialize in cropping (about 61%), particularly in growing cereals. Among those who specialize in animal production (about 26%), cattle breeding and sheep and goat rearing are most common. Mixed farms are not very frequent: only about 12 per cent of farms deal with both cropping and animal farming.

The majority of farms concentrate their production activities on cropping, especially cereals. Among those who specialize in animal production, two enterprises are of importance: cattle breeding and sheep and goat rearing. That means, that cereals, cattle and sheep are typical products of individual private farms in Slovakia.

The findings on production structure offer some more in-depth knowledge on the surveyed farms. However, farms covered by the Statistical Census are commercial farms and data reported on the type of produce presumably relate to marketed items. This suggests, that the former conclusion about the subsistence character of a part of covered farms, which was derived from the information on the size structure, must be corrected. Small sized farms may well represent vegetable and other, not land-based specialized farms.

In addition, it becomes obvious that the production volume generated by commercial private farms (covered by the Census) is not the same as the overall volume of agricultural production raised by the individual private sector. The difference is being grown and reared on household plots and by various smallholders. This "unofficial" produce is by volume going far beyond the production level recorded by commercial private farms. The following example can prove this conclusion: we have compared statistical data on livestock heads which were said to be reared by private farmers in 1994 (including households and smallholders) with census data on private farmers.

The data allow us to conclude, that the output of private commercial farms only represents a minor share of farm production that is produced by private households, non-commercial farming and private commercial farms together. In this respect, it can be doubted whether an overall move towards increased proportions of agricultural production generated by private farms can be considered as a positive indicator of the successful transformation of the organizations in agricultural production. As a matter of fact, it seems to indicate just the opposite, viz. a destruction process of farming structures. The annually increasing production share of private farms has been an outcome of the general deterioration of the social situation of the rural population due to increased living costs and high unemployment. During the recent 4-5 years production factors (i.e. land, capital or inventory) were being withdrawn from agricultural production units (particularly from the transformed cooperatives) producing for the market in favour of a type of farm aiming at meeting the subsistence needs of the farm families. This trend could be reinforced in the future, if financial and economic strains in agriculture continue and rural unemployment remains high. Evidently, this way does not lead to an efficient and competitive private farming sector.

IV. Conclusion

The farm re-structuring in Slovakia has so far been an open-ended process. The Soviet model of organizing agricultural production which was adopted by coercive means during the 1950s to a large extent still determines the organizational structure after 1990. The socio-economic situation of the main actors involved seems to represent the main factor responsible for the

current evolution. The present situation cannot be analysed without reaching to the specific historical development of Slovakia. There is nothing like paradigmatic guidance to serve as a conceptual target both among policymakers and social scientists. Nevertheless, the current situation is not optimal, yet. The on-going pressure for globalization and integration into the world-market system will push for further re-structuring. A market driven recovery of the farm economy is needed to keep the structural change on its immanent rail. Distorted policies will not be helpful.

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