

PROPERTY MANAGEMENT OF SOME AGRICULTURAL COMPANIES IN SOUTH GREAT PLAIN REGION

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ABSTRACT

As it is a well-known fact, the capital requirement of agriculture is high. In addition, its suitability for quick change of activity is significantly limited. The share of agriculture in total investment was remarkably smaller than its contribution to gross domestic product, especially in the nineties. According to a study of Central Statistical Office in 2008 the value of the cancelled investments approaches 129 million Euros from which almost 80% is the loss of the three dominantly agricultural regions (South Great Plain, North Great Plain, and South Transdanubia). Due to the cancelled developments the technical level of agricultural property did not improve significantly contributing to the decrease of the economic significance of the sector. Moreover, the usage of outdated machines and equipment reduces the competitiveness of agriculture.

During the investigation 265 questionnaires were filled in mostly by large-scale agricultural companies in South Great Plain and some of them were interviewed as well. The examination of existing capacities and technologies showed that 60% of the firms have a medium-term plan and 70% of them have an investment plan. This is extremely positive, although most of the investments are based on loans and subsidies. This kind of attitude indicates a certain level of ability for taking risk. In most of the cases the examined investment means technology improvement as well, machinery and building investments were carried out characteristically from subsidies. Developing their own breeds and innovation are generally not typical in the sector, but according to our data their proportion has been increasing. It is interesting that there is not any significant difference between small-scale and large-scale enterprises in connection with innovation activity that is smaller firms at least as innovative as bigger ones.

1. INTRODUCTION

Innovation and its spreading in a certain sector or technology mean some advantage in competitiveness. There can be several barriers of changing the activity or introduction of new breeds or technologies. For instance despite of generally good profitability of wheat production it could not be cultivated profitably in worse soil conditions or a barn is suitable for keeping only certain farm animals in it.

Andrew et al (2010) say that after a pause in 2009 that reflected companies' growing concerns about the economy, innovation is once again a top priority for most companies. At the same time the situation analysis of New Hungarian Rural Development Program highlights the fact that due to the lack of capital most of agricultural enterprises are not able to establish the technological background of competitive production by their own source (Hungarian Ministry

of Agriculture and Rural Development, 2007). According to Udovecz and his co-authors' opinion (2009) there are just few enterprises owned by Hungarians which could not expand their activity especially because of lack of capital, application of outmoded technologies and a remarkably low level of innovation. Therefore, besides other important aspects innovation is necessary for gaining the capability of adaptation.

2. MATERIALS AND METHODS

During the investigation 265 questionnaires were filled in mostly by large-scale agricultural companies in South Great Plain and some of them were interviewed as well. The enterprises investigated cultivate 160 thousand hectare in total and have approximately 5700 employees in South Great Plain. The sample is not representative, bigger firms are intentionally overrepresented because principally large-scale companies can do innovation activities. Of course none of the smaller enterprises have been excluded from the survey since their general attitude (how they can accept or refuse innovation) is important very much in respect of agricultural market.

Data processing was made with MS Excel and OpenOffice statistic programmes. During the data processing in general averages and standard deviation have been considered for the whole sample. Later the differences between the answers of different groups have been measured with Welch-test according to the samples established by revenue and enterprise type.

3. DEFINITIONS

According to OECD-Eurostat (2005) the process-innovation is the realization of the new or significantly renewed way of production or transportation. It includes the important changes in technology, equipment or software. It means purchasing of technological advanced machines, equipment, computer hardware and software, land and buildings (including significant repair, modification and development of existing ones), which requires product- or production-innovation. A lot of activities can be considered innovation when they raise effectiveness and competitiveness by their impact of the given firm. The spread of robot technology is possible in labour-intensive enterprises in the far future (nowadays home lawn mover robots can already be bought).

It cannot be counted on the appearance of fruit picking or weeding robots yet. When they will appear they could remake entirely the plant protection technologies, ecological farming and labour intensive and still competitive enterprises consisting of simple work passes. The currently available technologies have already been suitable for on-line continuous observation and regulation of livestock of an animal husbandry farm through web-camera systems. In addition, remote sensing technologies and regulations through the Internet practically could be realized at a low price.

At the same time new or rather the best and effective possible technologies and machines the most expensive requiring professional skills. Under certain enterprise-size neither capital

available nor expertness are able to draw up with developments. Preferably, bigger companies can operate the well mechanized enterprises properly such as pig, poultry or dairy sectors or crop production where cost-efficiency rather does matter. Contrarily, there are more labour-intensive enterprises (bee keeping, fruit, vegetables and spice plants production, or keeping of furred animals), which are suitable for rentable activity in smaller scale as well.

It can be surely stated that firms having small capital will not be able to follow and utilize certain innovations in the long run because some of them are efficient only on larger areas (due to the economy of scale) or need significant investment. Continuous adaptation is needed to achieve technological development.

4. RESULTS

The condition No. 6 has got the highest rate. It means that the half of respondents would definitely, 26% of them likely develop in the case of stable and reliable market conditions. The other non surprising conditions are the financial ones. In the case of decrease of costs, increase of revenue or subsidy possibilities the likelihood of development is significantly higher as well. The difference between the first and the second condition can be clearly detected. Producers would undertake development when technology or breed has already been spread. The technology, which has not been spread is risky, uncertain and has not been proven.

Table 1. The main conditions of innovation at the surveyed companies (%)

Conditions	ND	0	1	2	3	4	5
1. The technology/breed/process already has been spread	11,3	4,2	5,7	5,7	35,1	24,9	13,2
2. The technology/breed/process hasn't been spread yet	12,8	13,2	15,5	22,3	21,9	10,2	4,2
3. The technology/breed is demonstrably better than the current one	8,7	1,5	3,4	3	17	37,4	29,1
4. I can get subsidy for innovation	5,7	1,9	1,5	2,3	15,5	31,7	41,5
5. I can take out a loan for innovation	9,1	9,1	5,7	8,7	25,7	25,3	16,6
6. The market is stable and reliable	7,5	1,1	0,4	0,4	14,3	26	50,2
7. The market forces upon it	9,4	4,9	2,3	4,9	27,9	30,9	19,6
8. The legal environment forces upon it	9,1	7,2	3	7,2	23,4	31,3	18,9
9. I have enough own source for innovation	9,8	2,6	2,3	3,8	21,5	26,4	33,6
10. I gain new market with the innovation	8,3	1,5	1,1	3,8	13,6	30,9	40,8
11. My costs decrease by innovation	5,7	0,8	1,5	2,3	13,6	30,6	45,7
12. My revenue increases by innovation	5,3	0,8	1,9	1,9	11,3	27,5	51,3

Note: ND = no data, 0 =, rather change of activity 1 = innovation in no way, 2 = likely not, 3 = perhaps, 4 = likely yes, 5 = definitely yes

The third question also refers to effort for safety and not to taking risk. Most of the companies can be characterised by this attitude. They apply follower or early follower business strategy, the innovator or pioneer attitude come out at 4-5%. The fourth, fifth and ninth questions indicate the problems – the lack of capital – which are typical in agriculture and small and medium sized enterprises. Among equity, credit and subsidy the most popular is use of subsidy, of course. According to statistical data the reliable market seems to be prominently the most important condition. That is absolutely not surprising because almost all parameters are unpredictable, farmers look for reliability in general.

The next question group tried to identify the lacks. Statements contain both external and internal characteristics and factors to which scale answers can be given. The answer “0” represents that the given factor does not impede technological development at all, the answer “5” represents that the given factor impedes it most of all.

Table 2. Distribution of the main barriers of technological innovation

Barriers	ND	0	1	2	3	4	5
1. Lack of investors	11,7%	32,1%	9,8%	10,2%	16,6%	7,9%	11,7%
2. Lack of bank credits	9,8%	17,4%	5,3%	17,0%	20,4%	14,0%	16,2%
3. Lack of subsidies	5,7%	4,9%	1,5%	7,5%	18,5%	25,3%	36,6%
4. Lack of market	7,5%	4,2%	1,9%	3,4%	13,2%	26,0%	43,8%
5. Lack of reliable economic environment	6,8%	1,5%	0,4%	3,4%	10,2%	17,7%	60,0%
6. Lack of education and training	9,2%	18,7%	10,4%	18,3%	31,5%	9,2%	2,8%
7. Bureaucratic or regulations barriers	7,9%	5,3%	1,1%	8,3%	19,2%	19,6%	38,5%
8. Weak efficiency	10,7%	10,3%	4,0%	13,1%	34,9%	16,7%	10,3%
9. Lack of profitability	6,0%	2,4%	0,8%	5,2%	24,6%	20,6%	40,5%
10. Uncertain and risky return	6,3%	1,6%	3,2%	4,8%	16,3%	25,8%	42,1%
11. Lack of plans or planning	7,9%	21,0%	12,3%	15,5%	26,6%	9,9%	6,7%
12. Lack of innovation supporting institutions	9,5%	16,3%	11,9%	15,9%	25,4%	12,3%	8,7%
13. Lack of vertical co-operations	7,9%	17,9%	7,9%	13,9%	25,4%	14,7%	12,3%
14. Lack of proper methodology	10,6%	20,4%	9,8%	15,1%	31,3%	8,3%	4,5%
15. Lack of equity	7,9%	3,8%	3,0%	8,7%	15,1%	23,4%	38,1%
16. Lack of expertise	9,4%	26,8%	13,2%	14,7%	14,7%	12,5%	8,7%
17. Effect of competitors	10,2%	14,7%	7,2%	17,4%	29,4%	15,1%	6,0%
18. Lack of skilled labour	9,4%	20,0%	12,5%	18,1%	20,4%	13,6%	6,0%
19. Lack of manual workers	8,7%	25,7%	9,8%	14,7%	17,7%	12,5%	10,9%
20. Legal barriers	10,2%	19,6%	5,7%	12,5%	25,7%	14,0%	12,5%
21. Lack of innovation readiness	8,7%	17,5%	11,5%	15,5%	32,5%	10,3%	4,0%
22. Lack of taking risk	8,7%	16,3%	9,9%	13,5%	32,9%	13,1%	5,6%
23. Lack of good ideas	8,3%	23,0%	13,5%	14,7%	23,0%	10,3%	7,1%

24. Lack of good examples and practices	7,9%	21,4%	11,1%	17,5%	25,0%	8,7%	8,3%
25. Lack of adequate infrastructure	9,1%	14,7%	8,7%	13,9%	24,6%	17,9%	11,1%

Note: ND: no data, 0: the factor does not impede it at all, 5: the factor impedes it most of all
Presently, the first answer is surprising. Only 11% of respondent states that lack of investors is one of the reasons of development defaults. At the same time the answer is not surprising because agricultural companies characteristically do not count on external investors due to their closed proprietary structure. Moreover, the lack of equity is a serious restrictive factor so normal capital movement can be restricted in the agriculture.

Production methodology, professional knowledge and innovation skills as deficiency factors also have got high scores, but those are not the most important ones. Seeing well the factors investigated, those can be classified into two groups:

- externals, namely factors are independent or dependent to a smaller extent from farmers and
- internals, namely factors can be influenced directly by agricultural companies.

5. CONCLUSIONS

Our main experiences can be concluded as follows:

Lack of reliable economic environment (5)

Most of the characteristics of economic environment (taxes and affixes, bureaucracy, black economy, monetary policy, etc.) can be considered as independent variable in the respect of agricultural companies. This means that influence possibilities made by companies are restricted. In this way adaptation determined but at least influenced by other external and internal factors should remain. So in this point of view a more or less stable regulation environment definitely would be desirable, which could increase reliability, provide better conditions for planning, strengthen the confidence in politicians as well as conduce to the improvement of competitiveness.

Lack of market (4)

In general sense competitiveness means those capabilities of companies, which indicate how they can keep step in different markets with their products and services. Today, import products represent more and more amount in production of agricultural commodity hereby increasing the proportion of internal market get into foreigners' ownership. This fact shows the weak adaptability and competitiveness of agricultural enterprises. Entrance into market is essential because profit gaining requires the gratification of consumer's demand.

Lack of equity (15)

The enterprises being in the red eat up their equity in shorter or longer run they are not able to pay their debts. Their property cannot finance the production or getting loan so they must give up their activities. One of the crucial conditions of sustainable and stable operation of enterprises is availability of adequate amount of equity. Equity is an important source of

assets. The yearly rentable operation increases, which allows technological development and long run prosperity on the basis of owners' decision.

Uncertain and risky return (10)

One of the important indices of return analysis of investment is the time of return. This shows in which year the capital invested can return. Consequently, the time of return is one of the very important indicators of economic rationalism and viability. Uncertainty, risks, unreliable economic environment and doubtful profitability outlook warn agricultural companies. They are forced to cut down or postpone their developments, which put back the improvement their technological development, efficiency and competitiveness.

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