

# GAZDASÁG & TÁRSADALOM

Journal of Economy & Society

## A TARTALOMBÓL:

Duray Miklós

A gazdaság és a pénz nem öncél, hanem a boldogulás eszköze

Kiss Danuta

A szellemi tőke szerepe a posztindusztriális társadalomban

Juhász Zita

A nonprofit szektor: szerepeltérések a világban

Závecz Szilvia

Die Untersuchung des ungarischen Familienförderungssystems  
aus der Sicht der aktuellen demographischen Trends

Clauss-Siegfried Grommek

Ansprüche an eine zeitgemäße Führung

Soós Balázs

A vezető magyarországi cégek pénzügyi helyzetének alakulása 2003 és 2012 között

Daniel Madarász - Katarína Škriniarová – Anna Bandlerova

Agricultural Cooperatives and Their Impact  
on the Regional Development in the Nitra Region

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# Gazdaság & Társadalom

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## TARTALOM

Table of Contents and Abstracts in English: See page 137

### TANULMÁNYOK

<b>A gazdaság és a pénz nem öncél, hanem a boldogulás eszköze – Magyarország, Szlovákia, Ukrajna és Románia közötti államhatárral kettészelt természetes régiók gazdasági állapota, terepvizsgálati lehetőségek és fejlesztési kilátások.</b> <i>Duray Miklós</i> .....	3
<b>A szellemi tőke szerepe a posztindusztriális társadalomban</b> <i>Kiss Danuta</i> .....	15
<b>A nonprofit szektor: szerepeltérések a világban</b> <i>Juhász Zita</i> .....	39
<b>Die Untersuchung des ungarischen Familienförderungssystems aus der Sicht der aktuellen demographischen Trends</b> <i>Závecz Szilvia</i> .....	59
<b>Ansprüche an eine zeitgemäße Führung: Führungswissenschaftliche Merkmale und Ziele mit taktischer und strategischer Ausrichtung im Sinne wertebewusster Führung</b> <i>Clauss-Siegfried Grommek</i> .....	77
<b>A vezető magyarországi cégek pénzügyi helyzetének alakulása 2003 és 2012 között</b> <i>Soós Balázs</i> .....	93
<b>Agricultural Cooperatives and Their Impact on the Regional Development in the Nitra Region</b> <i>Daniel Madarász - Katarína Škriniarová – Anna Bandlerova</i> .....	115
<b>KÖNYVISMERTETÉS</b> .....	127
<b>A helyi szociális ellátórendszer</b> [Bódi Ferenc szerk.: Helyi szociális ellátórendszer. MTA PTI Budapest, 2008. 384 oldal. ISBN 9789637373575] <i>Resperger Richárd</i>	
<b>A vasfüggöny két oldalán</b> [Molnár Csilla: A vasfüggöny két oldalán - élettörténeti elbeszélések a magyar-osztrák határvidéken - Nyugat-magyarországi Egyetem Kiadó Sopron 2013. ISBN 978-963-334-122-3] <i>Frang Gizella</i>	
<b>Table of Contents/Abstracts</b> .....	137

## **Agricultural Cooperatives and Their Impact on the Regional Development in the Nitra Region**

*Daniel Madarász*<sup>38</sup>

*Katarína Škriniarová*

*Anna Bandlerová*

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**ABSTRACT** The paper is stressing out the impact of agricultural cooperatives on the regional development in the Nitriansky Region. The presence of an agricultural cooperative can influence the region in several possible ways. The paper focuses mainly on the impact on the local population, local development in terms of local employment, on providing of social benefits for employees and members of cooperatives, providing of agricultural services and other benefits to the local inhabitants as well as to the local self-government and on providing support for the local community. The analysis showed that the most significant influence of agricultural cooperatives on the local development can be seen mainly in the sphere of public utility services, cooperation with the local self-government, support for sport and cultural events and local employment. Despite of general expectations, less significant influence can be seen in the area of agrotourism and rural tourism as well as in support for the regional branding. Research proved that even twenty years after the change of the political regime, the agricultural cooperatives are important stakeholders within the rural development in Nitriansky Region.

**KEYWORDS** Agriculture cooperatives, local employment, cooperation with local self-government, rural development

### **Introduction and Objective Formulation**

In Slovak conditions, agricultural cooperatives (hereinafter referred as AC) are playing an important role in the rural areas, even these days, as they cultivate approximately 40% of agricultural land (Census 2010). Regarding the cultivated area, one cooperative in average operates on 1 267 hectares of agricultural land (Green Report, 2012). Situation in Slovakia regarding the number of ACs and their impact cannot be seen in any other EU member state and that is why they have a special position. It can be seen as an important fact, that „the ACs play an important social role in the rural areas as in many of them, they represent the only possible

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employer or one of the few employers and therefore, they positively influence the emigration of local populations from these regions (BANDLEROVÁ, LAZÍK-OVA, 2006). That is mainly the historical context, when ACs were inseparably placed in the rural areas, together with their specific role in the past, what creates the basis for the assumption, that ACs will keep their influence on the location also in the future.

The objective of the paper is to identify and evaluate selected areas, where the ACs have significant influence on the rural development in the Nitriansky Region. The emphasis is put mainly on the influence of the ACs on the local population and local development, where following areas were observed in more details: local employment, providing of social benefits for local population and cooperative employees, providing of agricultural services and other benefits for local population, cooperation with local self-government, support for local community, support for sport and cultural events, support for the regional branding of agricultural products as well as support for non- agricultural activities such as agrotourism and rural tourism.

### **Material and Methods**

The analysis presented in this paper was based on a questionnaire survey that was conducted in selected agricultural cooperatives actively operating on agricultural land in the Nitriansky Region. There were used also other secondary data gained from a regional database, structural census of farms and scientific literature.

When evaluating the influence of AC on local employment we focused on gaining the information about rural employment in the Nitriansky Region in percentage. The questions used for getting data about the influence of AC on local population were mainly oriented on the fact whether the AC offers own product for discounted prices for its employees and members, whether it offers social benefits for them, but also whether the AC offers its product for discounted prices to the local inhabitants.

The impact of the AC on the local development was analysed mainly through the cooperation of the AC with local self-government, support for sport and cultural events, providing of community service jobs, support for regional branding, cooperation with local action group as well as on the diversification of activities into non-agricultural ones such as agrotourism and rural tourism.

Percentage share of preferences for all criteria in the analysed areas were evaluated based on the Likert scale from 1 to 5 (where 1 represented the smallest influence and 5 the biggest influence).

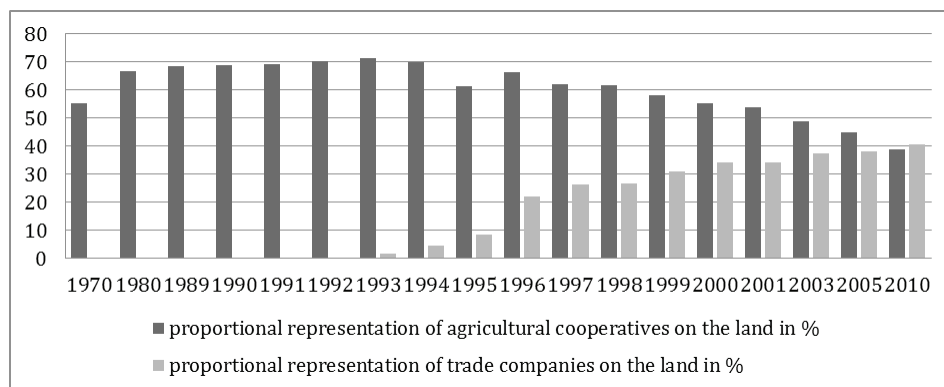
The questionnaire survey was conducted among the management of agricultural cooperatives in Nitriansky Region via email. When assessing the number of agricultural cooperatives in Slovakia and in particular in Nitriansky Region, three

main sources of information were used: from the registry from the Agricultural Paying Agency (APA) from 2012, from the data of Business Register of the SR (BR SR) from 2012 and from the Farm Census from 2010.

## Results and Discussion

Agricultural cooperatives in Slovakia operate on 740 080,77 ha of agricultural land what forms 39,05% from the total agricultural land in Slovakia (Green Report, 2012). Therefore, the ACs as the legal form, still operate on the largest area of agricultural land among all the legal forms of businesses what means, that ACs keep their important position and with no doubts they play an important role in agricultural sector. On the other hand, as the Graph 1 shows, from the year 1996 the share of other legal forms has been increasing and from the year 2010, after 16 years long competition, other business companies took over larger area of agricultural land.

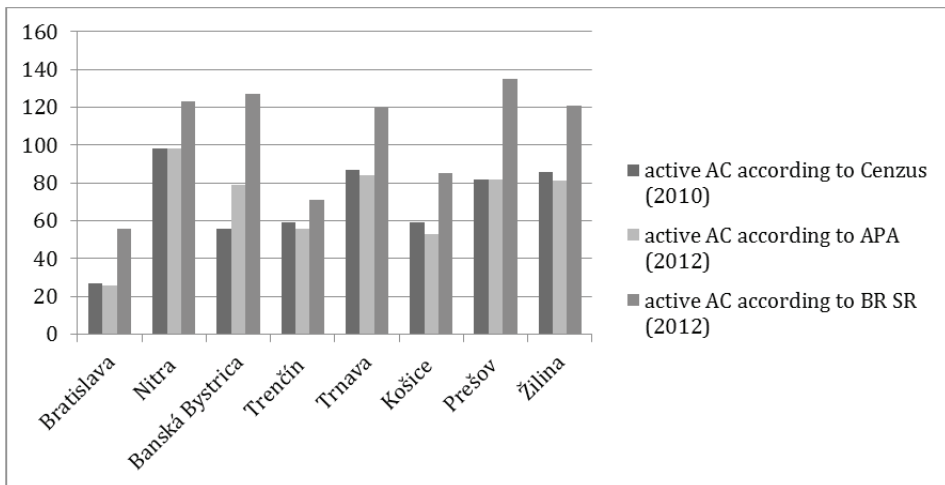
**Graph 1: Percentage Share of ACs Operating on Agricultural Land**



*Source: Green Report MA SR, 1993 – 2005, Structural Farm Census 2010*

For the purposes of this research, active cooperatives were considered those, which are beneficiaries of direct payments (beneficiaries of support from the European Agricultural Guidance and Guarantee Fund – EAGGF and from the European Agricultural Fund for Rural Development – EAFRD). According to the Agricultural Paying Agency (from 2012), the total number of active agricultural cooperatives is 559. Data from the Structural Farm Census from 2010 talk about 584 active ACs.

**Graph 2: Comparison of Active ACs According to the Regions of the SR in 2012**



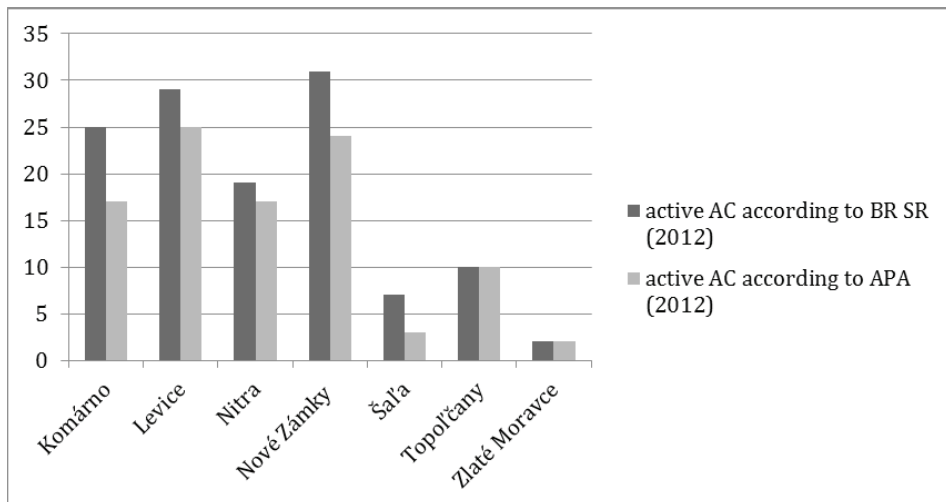
Source: BR SR, APA, Structural Farm Census 2010, own processing, 2012

Nitra Region covers an area of 6343,412 km<sup>2</sup><sup>39</sup> what represents 12,9% of the total area of the Slovak Republic. It belongs to the regions with the conditions most suitable for agriculture as it has the best conditions for agricultural production in the whole country. In this region, there is also the biggest area of the agricultural land among all the Slovak regions and it represents 469.826 ha (Table 2). The total number of ACs in the Nitriansky Region according to the data from the Business Register of the SR was 163 on July 1<sup>st</sup> 2012 (Table 1), while out of that number 11 ACs (6,74 %) were in liquidation and 28 of them in bankruptcy proceedings (17,79 %). The highest number of ACs (more than a half of the analysed sample) is situated in the Levice district (42 ACs, out of what 4 ACs in liquidation and 9 in bankruptcy proceeding) and in Nové Zámky district (42, 4 in liquidation and 7 in bankruptcy). There is a difference in the number of ACs according to the Business Register of the SR and according to the APA and this difference is 25.

**Table 1: Number of Agricultural Cooperatives in the Nitra Region**

Districts	AC according to BR SR	Out of them: AC in liquidation (BR SR)	Out of them: AC in bankruptcy (BR SR)	AC according to APA	Creation of new AC from 2005
Komárno	32	1	6	17	0
Levice	42	4	9	25	0
Nitra	26	2	5	17	2
Nové Zámky	42	4	7	24	1
Šaľa	7	0	0	3	0
Topoľčany	11	0	1	10	0
Zlaté Moravce	3	0	1	2	0
Total	163	11	29	98	3

Source: BR of the SR, own processing, 2013

**Graph 3: Comparison of the active ACs according to the districts in the Nitra Region**

Source: BR of the SR, APA, own processing, 2012



Within the questionnaire survey there were 88 active ACs contacted, while the return rate of the questionnaires was 54,5%. Active cooperatives were considered those, which are beneficiaries of the direct payments (beneficiaries of support from the European Agricultural Guidance and Guarantee Fund – EAGGF and from the European Agricultural Fund for Rural Development – EAFRD). The research was conducted from the February 15<sup>th</sup> to March 15<sup>th</sup> 2013.

**Table 2: Area of Land in the Regions of the Slovak Republic**

	Agricultural land (ha) y. 2000	Agricultural land (ha) y. 2011	Decrease/increase of land	Non-agricultural land (ha) y. 2000	Non-agricultural land (ha) y. 2011	Decrease/increase of land
Bratislava Region	96 062	92 118	-4%	109 194	113 150	4%
Trnava Region	294 406	289 762	-2%	120 344	124 899	4%
Trenčín Region	186 983	184 081	-2%	263 212	266 116	1%
Nitra Region	469 826	467 248	-1%	164 547	167 131	2%
Žilina Region	248 364	244 896	-1%	430 473	435 969	1%
Banská Bystrica Region	419 781	414 669	-1%	525 724	530 768	1%
Prešov Region	386 515	381 988	-1%	512 749	515 368	1%
Košice Region	329 480	336 025	2%	321 427	339 423	6%

*Source: Regional Statistic Database, 2012, own processing*

Based on the data gained from the Structural Farm Census 2010, the ACs in comparison with other legal forms still operate on the largest area of the agricultural land in the Nitriansky Region (42, 42%).

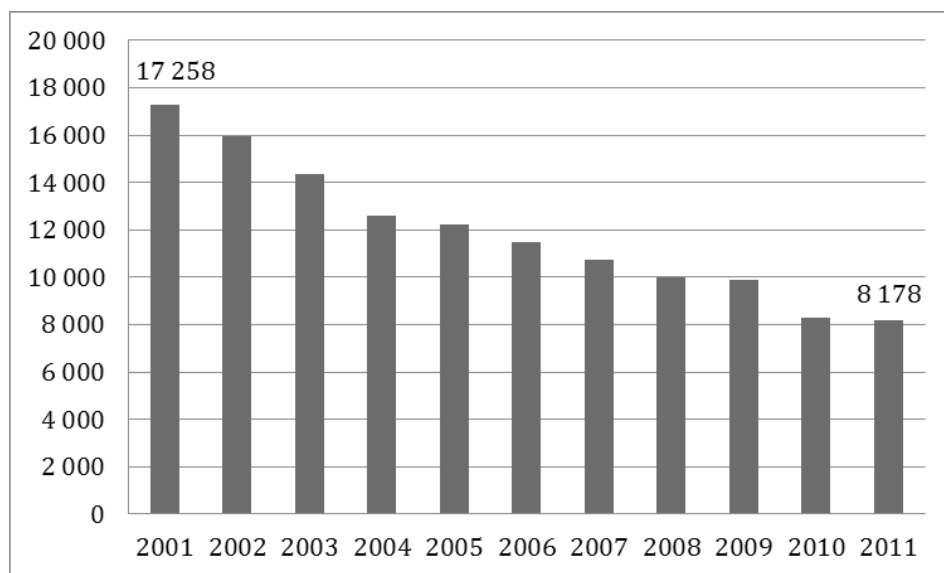
**Table 3: Area of Cultivated Land in the Nitra Region in hectares**

Total area of cultivated ag. land in Nitriansky Region	414 908,40	
Individual farmers	38 133,63	9,19%
Share holding companies	26 490,41	6,38%
Agricultural cooperatives	176 017,39	42,42%
Limited liability companies	124 976,32	30,12%

*Source: Structural Farm Census 2010, own processing*

Graph 4 shows the development of the number of employees in the agriculture from 2001 to 2011. It can be seen, that the employment in Nitriansky Region same as in other Slovak regions is decreasing.

**Graph 4: Average Numbers of Employees in Agriculture  
from 2001 to 2011 in the Nitriansky Region.**



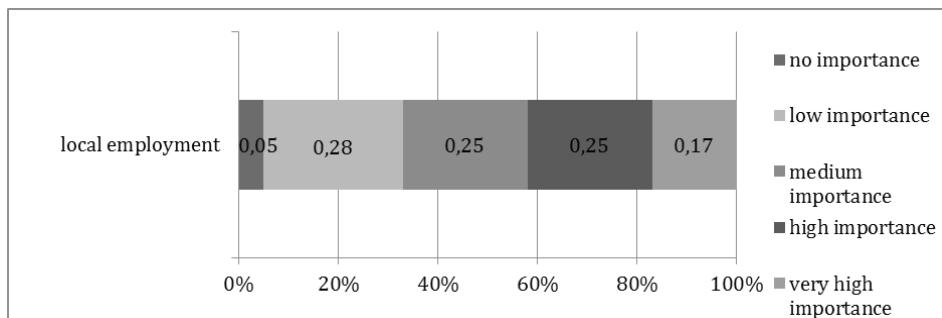
*Source: Statistical Office of the SR, Regional Database, 2013, own processing*

Despite the decreasing tendency in agricultural employment, in comparison with the other legal forms, ACs in the analysed region still represent the biggest share on the employment in the agricultural sector (62% from the total number of people employed in agriculture) (NÉMETHOVÁ, 2009).

**Table 4: Structure of the ACs Actively Participated in the Research**

<i>Structure of the ACs Actively Participated in the Research</i>					
Number of employees					
scale	till 50	51-100	101-200	201-250	250 and more
number	30	10	7	1	0
%	<b>62,50%</b>	<b>20,83%</b>	<b>14,58%</b>	<b>2,08%</b>	<b>0,00%</b>
area in ha					
scale	till 250	251-500	501-1000	1001-2000	2001 and more
number	4	3	5	20	16
%	<b>8,33%</b>	<b>6,25%</b>	<b>10,42%</b>	<b>41,67%</b>	<b>33,33%</b>
Number of cooperative's members					
scale	till 10	11 till 20	21 till 40	41-60	61 and more
number	8	5	7	5	23
%	<b>16,67%</b>	<b>10,42%</b>	<b>14,58%</b>	<b>10,42%</b>	<b>47,92%</b>
transformation					
	yes	no			
number	37	11			
%	<b>77,08%</b>	<b>22,92%</b>			

Source: Questionnaire survey, own processing 2013

**Graph 5: Impact of the ACs on the Local Employment in %**

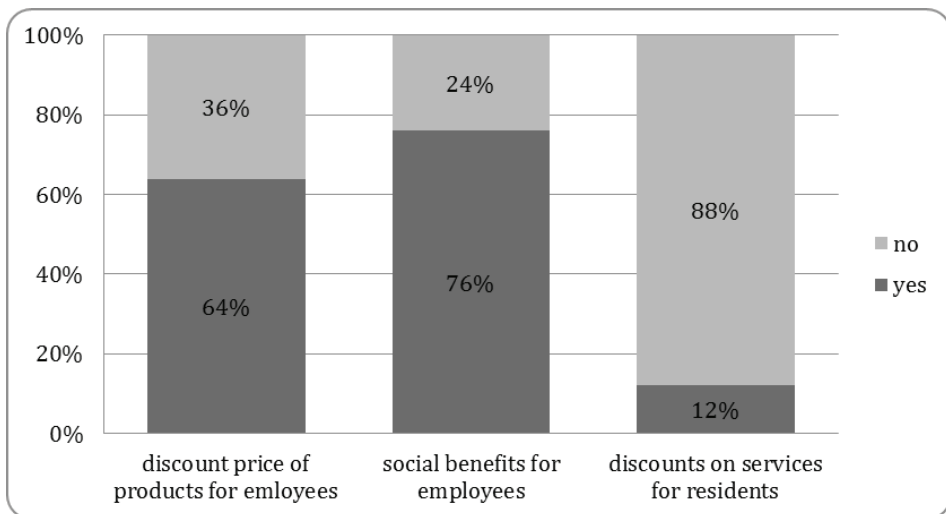
Source: Questionnaire survey, own processing 2013

As it can be seen from the Graph 5, the evaluation of the impact of ACs on the local employment, as the key element of the preserving of the rural employment, is significantly differentiated. Up to 42% of all surveyed subjects did not consider the impact of the ACs on the local employment as significant, contrary, they attributed very low or no importance to the local employment. On the other hand, approximately 42% of respondents attributed high or very high impact of the ACs on the local employment.

### **Influence of the ACs on the Employees and Local Population**

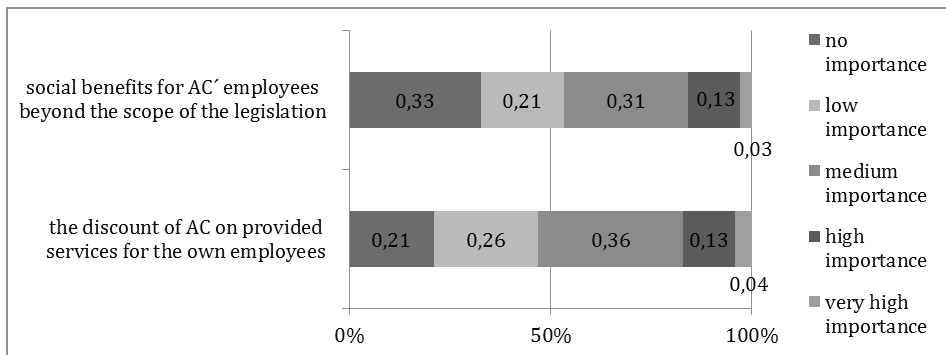
The research showed that 64% of the ACs sell the production to their employees for discounted prices. High number of cooperatives (76%) offers social benefits for their employees, while the most common benefits are: contribution for food, transportation and culture. Wellness stays, weekend houses, insurance of the pensions or loans with no interest belong to the less common forms of social benefits. On the other hand, 88% of the ACs stated that they do not provide any discounts for the offered services for the local population. The impact of the ACs on the local population is showed on the Graph 6.

**Graph 6: Providing of the Benefits by the ACs  
for They Employees and Local Population**



Source: Own processing, 2012

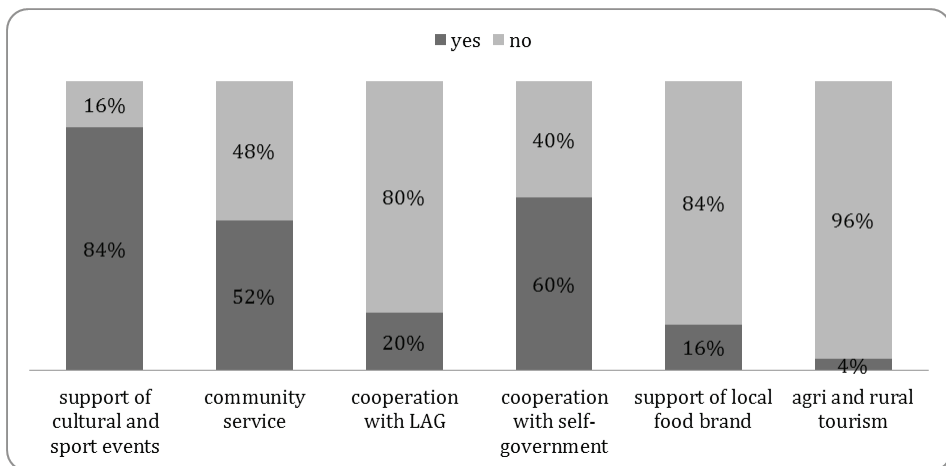
**Graph 7: Impact of the ACs on their Employees from the Point of View of the Cooperative Management**



Source: Questionnaire survey, own processing, 2013

Graph 7 represents the point of view of management of the ACs on evaluation of the selected criteria that influence the employees. Discounted prices for the provided services for the employees are seen as non-important criterion when assessing the impact on local population by 45% of respondents. Only 17% of respondents attributed high or very high importance to the mentioned criterion. Similar situation can be seen in case of „Social benefits for employees beyond the legislative framework“, where more than 52% of managers consider the criterion as non-important. Contrary, only 15% of respondents consider this criterion of a high or very high importance when assessing the impact of the AC on its employees.

**Graph 8: Impact of the ACs on the Local Development**



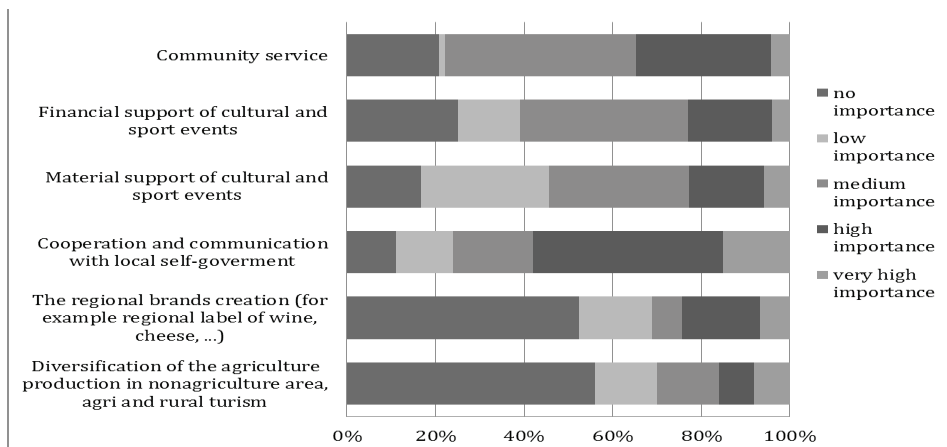
Source: Dissertation thesis, Madarász, D., 2013

As it can be seen from the graph 8, the individual criteria of the impact of the ACs on the local development were evaluated differently. The best evaluation was attributed in case of cooperation and communication with the local self-government, where up to 60% of surveyed ACs consider this criterion as highly important and they see this criterion as one with the highest positive impact on the local development. Contrary, the criterion with the worst evaluation was „diversification of the production to non-agricultural activities as agrotourism and rural tourism“, where only 4% expressed their opinion that it has importance for the cooperative. Based on this fact, it can be assumed that the ACs do not influence on the local development in this area.

### Impact of the Agricultural Cooperatives on the Local Development

Up to 84% of the ACs actively support sport and cultural events in their municipality. The support has usually form of providing physical and technical equipment and less frequently form of financial support. Based on the survey results, up to 52% of the ACs provide community service jobs mainly in form of seasonal cleaning and maintenance of local roads but also participating in activities such as maintenance of public green areas and help in case of catastrophes. Survey results showed that only 20% of ACs cooperate with local action groups (LAGs). This situation can be caused by the fact that location of LAGs in the Nitra Region is uneven. 60% of cooperative expressed their active support for cooperation with local self-government mainly by active participation in the municipal council and its commissions. Only 16% of the surveyed ACs stated that they support regional brands of agricultural products (those were own shops with meat, dairy and wine products).

**Graph 8: Share of the Preferences for Individual Criterion  
of the Importance of the ACs' Impact on the Local Development (in%)**



Source: Questionnaire survey, own processing, 2013

## Conclusion

Several positive conclusions could be derived from the research results obtained so far. In the Nitriansky Region, the agricultural cooperatives still play an important role for the rural areas and for the rural population. The positive impact can be seen mainly in the following areas: providing of the social benefits for their employees (76%), discounted prices of their products for their employees (64%), providing of the community service jobs (52%), cooperation with local self-government (60%), but also in supporting of the sport and cultural events (84%). Contrary, based on the results it can be said that the role of agricultural cooperatives does not seem to be significant in case of supporting of regional branding (16%) and diversification of activities into agrotourism and rural tourism (4%). The evaluation of the individual criterion of ACs' importance of the impact on selected areas of rural development and development of rural areas showed that local employment in the ACs was perceived as an important or very important element when maintaining the rural employment (42%). Cooperation and communication of the ACs with the local self-government was evaluated as an important element in 60% of cases. These facts only support the important position of the agricultural cooperatives in the local development, despite of the complicated processes, which currently take place in the agricultural sector.