

ENTERPRISING MANAGEMENT IN THE AGRARIAN SECTOR OF BULGARIA

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The social and economic reforms in the agricultural sector in Bulgaria had a great impact on the development of agricultural entrepreneurship in Bulgaria at the end of the 20th century. At the beginning of the 21st century the entrepreneurial management in the agricultural sector is characterized by its high-risk nature as “few of the entrepreneurs really know what they are doing”. There is a lack of “methodology, sufficient professional experience and knowledge” about the specificity of agribusiness and its management. The number of Bulgarian agricultural entrepreneurs with previous experience in the field and awareness of the risk factors before starting their own business is relatively small. At the same time, Bulgarian plant and animal production need to possess quality and meet the existing European standards for realization on the European market. Bulgaria’s successful integration in EU demands a timely fulfillment of the pre-set requirements for compatibility in the agricultural sector. The aim of the current paper is to study and analyze the process of formation, establishment and development of the entrepreneurial management in the agricultural sector in Bulgaria. To achieve successfully the above objective and in correspondence with the essence of the agricultural entrepreneurship, the following methods are applied: questionnaire and interviews with entrepreneurs who have been involved in agribusiness for over five years. For a period of three years (2006–2008) 100 entrepreneurs were questioned to outline the problems hindering the successful management of agricultural farms that vary in size and legislative statute. Following the results of the empirical study and the determined managerial problems, we offer a system of methods for their effective solution.

Key words: entrepreneurship; management; agricultural; strategies; European integration

ПРЕТПРИЕМАЧКИ МЕНАЏМЕНТ ВО АГРАРНИОТ СЕКТОР ВО БУГАРИЈА

Социјалните и економските реформи во земјоделскиот сектор во Бугарија имаа големо влијание врз развојот на земјоделското претприемништво во Бугарија на крајот на XX век. На почетокот на XXI век за претприемачкиот менаџмент во земјоделскиот сектор е карактеристична неговата високоризична природа бидејќи „малку претприемачи навистина знаат што прават“. Постои недостиг на „методологија, на доволно професионално искуство и знаење“ за специфичности на агробизнисот и неговиот менаџмент. Бројот на бугарски земјоделски претприемачи кои имаат претходно искуство во полето и кои се свесни за ризик-факторите пред стартувањето на нивните сопствени бизниси, е релативно мал. Истовремено, потребно е бугарското растително и сточарско производство да има квалитет и да ги пресретне постојните европски стандарди за реализација на европскиот пазар. Бугарската успешна интеграција во ЕУ бара навремено исполнување на претпристапните барања за компатибилност во земјоделскиот сектор.

Клучни зборови: претприемништво; менаџмент; земјоделство; стратегии; европска интеграција

INTRODUCTION

The social and economical reform on the agrarian sector in Bulgaria influenced strongly the construction and development of the agrarian enterprising at the end of the 20thc. In the beginning of the 21stc. the enterprising management in the

agrarian sector is distinguished with its exceptionally risky features, as “few of the entrepreneurs know what they are exactly doing”. They lack professional experience, knowledge on the specificity of the agrarian business and the management there of. The successful integration of Bulgaria on the EU imposes timely performance of the require-

ments set forth for the competitive agrarian Production.

The purpose of the present research work is to examine and analyze the process for occurrence, establishment and development of the enterprising and enterprising management in the agrarian sector in Bulgaria.

For the realization of the purpose set forth, basing on the systematic nature of the agrarian enterprising the questionnaire method is implemented combined with the programmed interviews of entrepreneurs operating agrarian business for more than five years.

MATERIAL AND METHODS

100 entrepreneurs have been questioned for the period of three years (2006–2008) and the problems are being established which obstruct the successful management of by them established various in terms of amount and legal status agrarian companies.

“The welfare of the rest social groups and the prosperity of the Bulgaria state, both at the end of the 19th c. and the beginning of the 20th c., as well as in the beginning of the 21st c. shall depend again on the welfare of the ones who occupy themselves with agriculture and produce agricultural Production” [2]. I share the understanding of Valchev, and consider that the basic role in that process occupies the image of the entrepreneur in the sphere of agrarian business. He undertakes the risk to occupy himself with a Production of plant and/or animal Production, to use significantly more energy, than the entrepreneurs in the other spheres of Production, so that to propose on the market Products from life significance for the society.

Several basic preconditions influence the image of the agrarian enterprising in Bulgaria:

First, this is the land reform, covering a period of more than ten years, being garnished with many contradictions. The positive effect however coming out of this process is related to the restoration of the property over land and the stimulating of the private initiative. As a result thereof, in 2004, 73% from the agricultural land is already private, 22% is municipal and 5% is state owned. The arable land is 3.3 mln hectares (61.8% from the IZP) and 70% from it is concentrated in three regions: Northeastern, Northern Central and the

Southern Central, however, due to the large number of owners it is highly fragmented. (Table 1). The average amount of the agricultural land plot is 0.6 ha [3]. The fragmentation of the property over land creates difficulties before the investors, improvement of the soil fertility, and the effective utilization of agricultural machinery. The need of enlargement of land is apparent. The fragmentation of land property preconditions renting, and that is why 79% of the used agricultural land in the country is taken under rent or leasing.

Table 1

Distribution of the enterprising business in the agrarian sector upon IZP and occupation

Interval groups	Agrarian producers (natural and legal entities)		Used agricultural area		Work force – (occupied people)	
	Number (thousands)	%	Hectares (thousands)	%	Number (thousands)	%
Without land	10.7	1.6	–	–	21.2	1.6
< 1 ha	501.7	75.4	192.6	6.6	944.9	70.1
1 to 5 ha	131.8	19.8	241.9	8.3	290.7	21.6
5 to 50 ha	16.1	2.4	191.1	6.6	41.9	3.1
> 50 ha	5.1	0.8	2278.9	78.5	49.3	3.7
Totally	665.5	100	2904.5	100	1 348.1	100

Source: Directorate Agrostistics, MAF, 2004.

A very considerable role over the status and development of the agrarian enterprising makes the executed within the period from 1992 to 1993 liquidation of the former Production entities. This is the manner how the transformation of the former Production structures was put into new ones. Conditions are created though not so favorable¹, to start diversify in regard to the legal status of enterprising business in the agrarian sector.

The legal status, under which the interviewed agrarian entrepreneurs realize their activity, is as follows: 14% agricultural producers – non commercial; 28.4% individual traders; 38.1% – Limited liability companies; 9.4% – joint stock companies; 6.3% – Collecting Stock Companies; 3.8% – Agrarian Cooperatives. On Table 2 one can see the enterprising business in the agrarian sector in

¹ NSI, Sofia (2000): According to the data by the National Institute of Statistics. The result for the period 1990–1999.

Bulgaria at the end of 2007. The results received from the study, show that in the bigger part from the forms of enterprises indicated, they are referred to as “micro-enterprises”. (with average number of staff under 10 people) and small enterprise (with average number of staff up to 50 peo-

ple). The number of the entrepreneurs occupying with agriculture and the servicing thereof is insignificant who can be classified as “middle sized enterprise” (with average number of staff up to 250 people).

Table 2

Forms of enterprising business in the Bulgarian agriculture in accordance with the law and organization institute

Law-organization institute of the agricultural farms	Parameters			Inclusive		Agricultural farms possessing animals					
	Number	Relative Used land		Own land %	Rented land %	Cattle			Sheep		
		share %	area Hectares			Number thousands	Number animals thousands	Average number	Number thousands	Number animals thousands	Average number
1. Natural entities – non traders	529 097	98.97	914 739	52.2	47.8	166.2	535.8	3.2	175.6	1375.8	7.8
2. Cooperatives	1 532	0.28	890 870	6.6	93.4	0.182	22.6	124	0.092	19.4	211.2
3. Trade companies and individual traders	3 748	0.71	877 156	11.2	88.8	0.722	38.5	53.4	0.424	43.4	102.4
4. Civil companies etc.	236	0.04	46 625	62.2	37.8	0.06	4.3	71.5	0.04	10.5	261
5. Total	534 618	100	2 729 390	24.3	75.7	167.2	601.2	3.6	176.2	1449.1	8.2

Continuation of Table 2

Agricultural farms possessing animals

N	Dairy cattle			Goats		
	Number thousands	Number of animals thousands	Average number	Number thousands.	Number of animals thousands	Average number
1	150.8	319.2	2.1	162.8	496.5	3.04
2	0.175	12.2	69.5	0.003	0.24	81
3	0.641	19.9	40	0.226	2.84	12.5
4	0.057	2.1	35.5	0.012	0.5	41.8
5	151.7	353.2	2.3	163.1	500.1	3.1

Sources: NSI, 2007 and own calculations

A very important role for the appearance and development of the agrarian enterprising also plays the *liberalization of the trade* in the country. The beginning of that process is set with the signing of the association agreement of Bulgaria unto the EU. The trade agreements come into force on 01.01.1994. In regards of the agricultural products, the liberalization is conditional that is for most of the Bulgarian agrarian products the EU implemented quotas. The next important step is the agreement with the European Association of Free Trade in 1993, and three years later, the country is being admitted in the World Trade organization. In 1998 Bulgaria is admitted in the Central European

Free Trade Association. This is the manner how 80% of the customs duties industrial goods have been removed, and for the remaining 20% this process continues to 2001, and since 01.01.2007 Bulgaria is a full right EU member.

The *financial policy* has also a role for the development of the agrarian enterprising in the sphere of agriculture. The credit access is one of the major problems, hindering the modernization of the agriculture in Bulgaria. With the acceptance of the law for the assistance of the agricultural producers the fund “Zemedelie” (“Agriculture”) is being established. Part of the given grants, the funds give in the form of subsidies. The other part

is given under the form of target credits, covering that manner entirely or partially the interest percentages, gives guarantees, and undertakes the security in front of the financial institutions [art. 12, par. 2 of the law for assistance of agricultural producers]. The finances given under the said fund are insufficient – considerably under the level of the ones received by the agrarian producers from the EU, but under the conditions of the Monetary Board, and imposed strict restrictions in the country; they are a major instrument for financial support of agriculture.

RESULTS AND DISCUSSION

The occurrence of enterprising in the agrarian sector in Bulgaria is motivated with several basic objective and subjective preconditions². according to 43.8% of the entrepreneurs the starting of own business is a good opportunity for “realization of ideas”; and 43.8% consider that this is a precondition for “proving the abilities”; hardly 24% are the ones given answers that there are suitable conditions for starting agrarian business in the country. From all the questioned, only 30.6% consider that the enterprising activity in the sphere of agrarian Production shall give them “ability for better profit”. It is a small relative share – hardly 12.6% of the ones, who have started their own business, because they disposed with saving. For 6.1% the starting of enterprising business in the agrarian sector is related to the unemployment and the forthcoming economical enforcing.

A characteristic feature for starting agrarian business is the restricted ensuring with capital, land, machinery, and work force. Only 16.7% of the questioned have owned enough capital, 22.2% from them have had the necessary land, 25% – own machinery, and 41.7% enough work power. In order to start their own business ½ of the entrepreneurs have used credit. With 44.4% of them, (2006), 47.1% (2007), and 58.8% (2008) the credits are from trade banks. The amount of the credit is from 5 thousand to 50 thousand of BGN for the questioned in 2006, and for the ones from 2007 and 2008 from 5 thousand to 100 thousand BGN. Only 8.3%; 11.7%, 11.8% from the questioned during the analyzed three years period of time

have used over 200 hundred thousand BGN. Preferential financing through the fund “Agriculture” has received hardly 8.4% from the questioned.

The enterprising management in the agrarian sector is distinguished with its risky character. According to 16.7% (2006) and 23.5% (2007; 2008) „the entrepreneur is not a professional and has uncoordinated scattered approach in business”. As for 27.8% (2006) and 23.5% (2007; 2008) from the replied ones “everything unto which the entrepreneur is addressed, and needs is the money”. Only 19.4% (2006) from them express the opinion, that the agriculture entrepreneur “manages to open opportunity for business there, where, the others see only chaos, contradictions and lack of conditions for economical prosperity”. This is also the opinion of 41.7% from the replied in 2007, as well as 42% in 2008.

The ground for the said answers is the lack of professional experience and knowledge for the specificity of the agrarian business and the management thereof. Hardly 16.7% in 2006 and 11.8% in 2007 and only two in 2008 from the agrarian enterprisers before starting their own business have worked in the agrarian sphere before. The relative share is the same of the former officials from the state administration, institutions, companies. It is hopeful, that 11% (2006) and 17% (2007) from the entrepreneurs are young people, who increase their professional qualification in the sphere of agrarian business and the management thereof and the processing of the produced production. Averagely about 23% (2006–2008) from the present agrarian entrepreneurs have also worked in other sectors of economy before starting agrarian business.

An inseparable part from the specifics of enterprising management in the agrarian business the enterprising strategies come to be. The questioned entrepreneurs consider as possible several strategies for the development of the agrarian business in Bulgaria within the EU, with which they can comply the requirements of the European market: 27.8% accentuate the modernization of the production technologies; 30.6% shall invest in the direction of expansion of the Production and increase the volume of sales, etc.

The question “What type of management is necessary today for the Bulgarian entrepreneur, so that his business to succeed?” The following answer is given – 68.3% from the questioned say that those entrepreneurs shall be successful, who man-

² Results from questionnaire study held in February 2006, 2007 and 2008, during international Exhibition AGRA, Plovdiv

age to ensure enough capital and have good business ideas, and do not save work and energy. The combinations of various in their nature factors show, that the repliers understand well the fact, that it is “not easy to manage a business under the existing economical conditions”.

The availability of capital is a condition for starting a business enterprising inclusive in the agrarian sector but not the only one. In order to establish and develop one also needs good ideas and leaders features, as 25% and 6.3% from the answers show. It is by no means unimportant the presence of the good partners, as 87.5% from the questioned say. The availability of managers – professionals in the management staff of the enterprise is the proper and successful approach for 6.3%. When their own funds are not enough for the realization of a good business idea, the external sources of financing, also matter for the entrepreneur, as 6.3% of the questioned say and underline, that this is the manner every business idea to be tuned into reality.

CONCLUSIONS

In order to establish and develop the competitive agrarian enterprising and its effective management, the basic role in the country has the pro-

gram for the development of the rural regions in the Republic of Bulgaria 2007–2013 (Fig. 1), which execution starts in 2008 with stage starting of 22 measures, the bigger part of which shall be realized up to 31.12.2013. The measures for the support of the competitiveness of the agricultural and forestry sector (axis 1) shall be applied on the territory of the whole of Bulgaria and shall be united by thematically three groups: increase of the knowledge and improvement of the human potential; restructuring and modernization of the technological base and promotion of the innovations and support for adaptation of the structure of the agrarian business and for the cooperation thereof. As the major purpose of the Program is to support the development of the rural regions, part of the measures (mainly from priorities from axis 3 and 4) shall be applied only in the rural areas, covering 231 municipalities on the territory of the Republic of Bulgaria. The promotion of various opportunities for occupation and improvement of the quality in the rural regions are from two thematic groups, uniting the measures under axis 3 from the Program. They shall be performed in 178 rural municipalities, which are not funded by the Program “Regional Development”. The measures from axis 3, directed unto employment shall be applied with few exceptions on the territory of all the rural regions of Bulgaria.

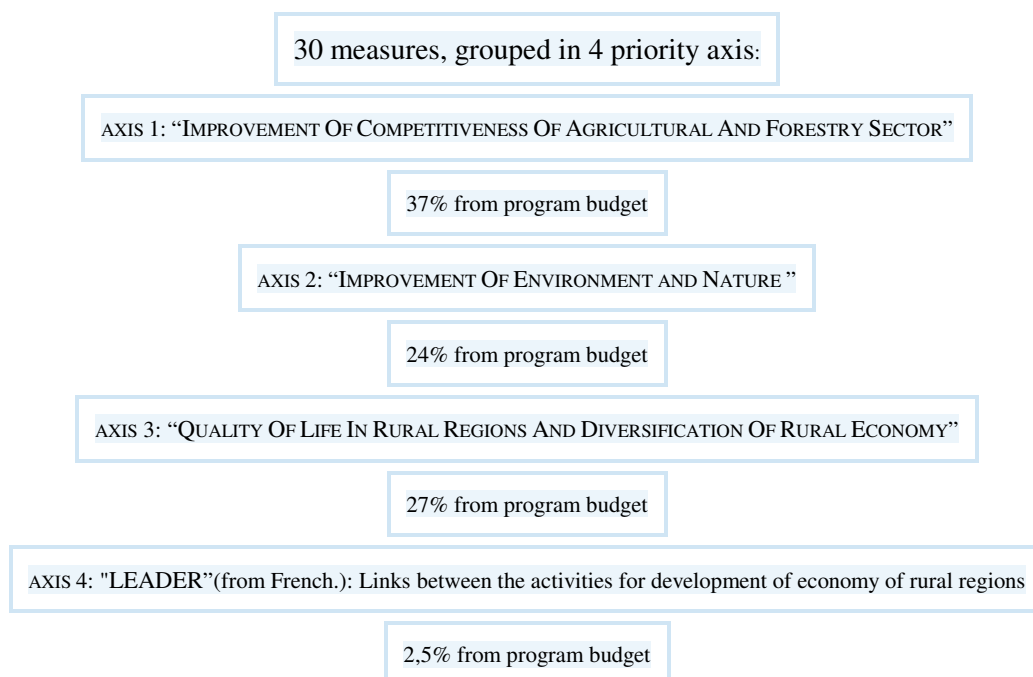


Fig. 1. Structure of the Program for Rural Regions Development

The measures from priority axis 4 are directed unto the so called approach "LEADER". It is applied on the territorial principle in all the rural municipalities and assists for the creation and operation of the local initiative groups and public and private partnerships, covering a territory with minimum 10 thousand and maximum 100 thousand inhabitants (inclusive cities in rural area) which assists financially the realization of the strategies for local development. Along with that the Program shall also support other spheres such as power efficiency, conformity of agrarian business, with European standards, assistance of young agrarian

entrepreneurs, starting alternative tourism, opening new work places.

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