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## ASSESSMENT OF THE DEVELOPMENT AND COMPETITIVE FORCE OF AGRARIAN SECTOR IN BULGARIA FOR THE PERIOD OF 2014 – 2018

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### ABSTRACT

The focus of this study is the assessment of the development of the sector by tracking the value of selected indicators and statistics. The paper will analyze and discuss their dynamic changes during the years of regarded period in order to obtain a clear overview of the Economic situation. We are witnesses of the dynamic growth of the sector within the context of the economic recovery during the major part of the observed period. There has been a transformation to economic downturn characterized by deceleration of overall economic growth in 2018 and 2019 and pronounced economic difficulties in 2020.

The approach of the study is diachronic as the principal aim is to perceive changes during the years by comparison of a larger period which matches of the last stage of policy of the Common Agrarian Policy in Bulgaria. The aim is not to support or refute conducted CAP in Bulgaria, but to have it in mind and use it as a time frame.

**Key words:** Agrarian Sector of Bulgaria, economic growth, competitiveness

### INTRODUCTION

Charts are exposed by three types of data: absolute values, relative values in percentage and index values. The base year taken for consideration is 2013 as it is part of the previous programming period. Comparative charts are expressed in terms of 100 points.

The selected methodology will make it possible to determine in which moment the Bulgarian Agrarian sector is influenced by external and internal factors and which one is more prevalent.

Timelapse of this study has been selected to cope with the frame of the Common Agricultural Policy (CAP), 2014-2020 which encompasses a range of financial instruments which generate a multifunctional support system. During the history of CAP, the subsidization of the sector has lead both to a stimulus of farmers and to a detachment of the producers from the market and to a generation

of surpluses. There have been five majors reforms and the last one occurred in 2013 generating the outline of the public support for Agrarian Sector in Bulgaria.

### AIMS AND TASKS OF THE STUDY

The principal aim of the study is focused on selected economic indicators and their study in time. This study should serve as a fundament for other comparative studies, which would focus on topics such as the study of the competitive force of Bulgarian Agro products, the influence of lead policy or the significance of determining factor, such as the assurance of Fixed Tangible Assets, or the level of mechanization of the production process. Our contribution lays over the fact of gathering and systematization of statistical information and it's exposition in the article in the most objective way possible

The principal main of the paper is to discover strengths and weaknesses within the Agrarian sector by applying a scope “from above”. It will help to determine when external problems or internal problems have more influence.

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By proposing a wider overview of the sector and the economic situation we are looking for to obtain a better general understanding of how socioeconomic and specific processes characteristic for the Agrarian Sector in Bulgaria to develop.

**OVERALL ECONOMIC GROWTH WITHIN THE EUROPEAN UNION**

This study covers the dynamics of economic data on three levels, European, Bulgarian, and on a sector level.

As already mentioned last six years economies in Europe live a stable period of economic recovery characterized by a steady growth of GDP which is valid until 2017 and after that it slowly starts to slow down. (Table 1)

*Table 1. GDP growth at market prices for European Union 27*

	2013	2014	2015	2016	2017	2018
EU 27 GDP At market prices	26000	26560	27470	28160	29250	30190
Annual growth		2.15%	3.43%	2.51%	3.87%	3.21%
Index 2013 growth	100	102.153	105.653	108.307	112.5	116.115
Real GDP Annual Growth	0%	1.6%	2.4%	2%	2.8%	2.1%

We have introduced dynamics of growth of GDP of European countries both on market prices and deflated values of Real GDP

aggregate. Further, we will introduce the development of overall Agricultural Output for European Union for the same period. (Table 2)

*Table 2. Overall Agricultural Output European Union 27*

	2013	2014	2015	2016	2017	2018
Agricultural Output EU 27	397574.93	390629.22	384568.74	379375	402214.91	404717.58
Index 2013	100	98.252	96.728	95.422	101.1670	101.796

We are witnesses that in previous tables there were bad economics figures for 2013 showing that the European economy had slowed down. The slowdown within agrarian production happens with a lag of three years and levels of production of 2013 are achieved in 2017. It looks like that Agrarian Sector in Europe is more sensitive to turbulences. It has taken three years for the sector to recover the production level of 2013. There are other factors influencing, such as the differenced amount of support or loss of competitiveness. We shall not forget that the big difference between the values of GDP at

market prices and Real GDP is a clear indicator for a rise of overall prices and therefore there might be an impact upon the general competitiveness and operation costs. Other factors that could affect in a different extent are linked to climate instability due to climate change.

On the following table are presented Community members which possess from 1% to 2% share of the overall Agricultural Output. (Own calculations based upon Eurostat data)

**Table 3.**

*Table 3. Community members' share of overall Agricultural Output in UE.*

Number of Range	Country	Share of Community members production into EU 27				
		2013	2014	2015	2016	2017
13	PORTUGAL	1.73%	1.77%	1.89%	1.87%	1.90%
14	AUSTRIA	1.77%	1.80%	1.79%	1.83%	1.82%
15	SWEDEN	1.61%	1.59%	1.60%	1.57%	1.61%
16	CZECH R.	1.24%	1.27%	1.23%	1.30%	1.26%
17	FINLAND	1.22%	1.19%	1.12%	1.14%	1.07%
18	BULGARIA	1.11%	1.10%	1.05%	1.06%	1.05%

Source: Eurostat, Own calculations.

We can see the dynamics of growth are different for Portugal, Austria, and Sweden which increase their share steadily but without big changes in their range order. Only Austria surpasses Portugal in 2014. The share of the Czech Republic remains steady but, the share of production of Finland and Bulgaria is shrinking slowly. We use this approach to see

if competitive force of countries with similar share in Overall Agrarian Production is getting stronger or weaker.

Now focusing upon Bulgarian Economy we study the development of Bulgarian GDP aggregate both on market prices and real GDP values. (Table 4)

**Table 4. Annual GDP growth of Bulgarian Economy. Source. Eurostat.**

	2013	2014	2015	2016	2017	2018
GDP (m of euro)	5770	5940	6360	6820	7390	7980
GDP growth At market prices		2.95%	7.07%	7.23%	8.36%	7.98%
Real GDP growth	0.3%	1.9%	4%	3.8%	3.5%	3.1%

We can observe that there is sensitive difference between growth of GDP based on market prices and Real GDP growth. This is a sign for high levels of inflation that could lead to a loss of competitiveness and problems within many sectors as the production costs rise up but the real GDP actually slows down its growth after 2016.

steadily with a good pace until 2016 after that moment it reduces the strength of its growth.

This disparity is even larger than the values for European Union and could lead into difficulties for real economy. Real GDP grows

Taking a look within the statistical data of the Agrarian Sector in Bulgaria we could see if it is under influence of external or internal factors as we focus on the way it behaves compared with the general economic situation within Bulgaria. Observed data is the number of Enterprises, Persons employed, Investment in Fix Tangible Assets, Revenues and Expenditure of main activity. (Table 5)

**Table 5. Agrarian Sector in Bulgaria. Source. Infostat Service.**

Agrarian Sector in Bulgaria		2013	2014	2015	2016	2017	2018
Enterprises	number	17325	17583	19055	19908	19880	19923
Persons employed	number	85011	84890	85988	87768	86888	86615
Tangible fixed assets	thousands of leva	5994731	6508855	7341910	7554021	8054367	8671389
Revenues	thousands of leva	8819668	8935319	9177321	9606161	9877052	10414587
Expenditure	thousands of leva	7904350	7929851	8335823	8660032	8629663	9192001

**Table 5. Agrarian Sector in Bulgaria Index of physical value base 2013.**

Agrarian Sector in Bulgaria Index of physical value of 2013	2013	2014	2015	2016	2017	2018
Enterprises	100	101.4891775	109.98557	114.9090909	114.7474747	114.995671
Persons employed	100	99.85766548	101.149263	103.2431097	102.2079496	101.8868146
Tangible fixed assets	100	108.5762647	122.4727181	126.0110087	134.3574382	144.650177
Revenues	100	101.3112852	104.0551753	108.9174899	111.988932	118.0836626
Expenditure	100	100.3226198	105.4586778	109.5603307	109.1761245	116.2904097

Figures indicate that there is a development of selected indicators in a positive way but the

dynamics of different indicators is different. More precisely the number of enterprises grows

until 2016 and after that it stops growing, but Investment in Tangible Fix Assets grows steadily that is an indicator that fewer companies accumulate larger investments in TFA, which is direct reference to internal factors of disparity of sizes of companies and farms. Unfortunately this approach is unable to give a specific transverse incision of the sector and can evaluate only the differences in dynamics of growth on a larger scale.

Persons employed also reduce their number after 2016. Revenues and Expenditures seems to have steady growth but it is rather limited after 2016.

### **EXOGENOUS AND ENDOGENOUS FACTORS INFLUENCING AGRARIAN COMPANIES IN BULGARIA.**

Competitive force is defined as an internal capability (potential, incentives) to sustain competitive advantage of (specific) market/s, leading to high economic performance through constant improvements and adaptation to evolving market, natural and institutional environment. (Koteva, Bachev, 2011).

The capability to adapt to the environment and to add value and reach more clients is a focus of this study. In this process, there is both exogenous and endogenous factor that influence upon the force of competitiveness of the Bulgarian Agrarian Companies. All companies are submerged into an environment that changes its shape during the years and offer more possibilities or more challenges in different moments. Selected study is trying to determine which are in first place external factors that influence companies behaviour in order to be able to exclude their influence and focus better into the internal factors.

External factors of Agrarian Companies are: General development of economy, which shapes intention for investment and the labour force market; Inflation and general level of prices, which creates the membrane of environment and directs production costs and gross profit of companies; Mobilization of capitals, goods and workforce after the entrance in European Union is each year more tangible.

Internal factors which are involved to competitiveness force are: Size of companies, transfer of knowledge, innovation and modernization of the farms, use of Assets in a most effective way, being able to attract and retaining enough as number and qualification labour force, being able to sell and obtain higher income for its production to a local and exterior markets complying with all standards of quality and safety to consumers.

Disparity between subsectors of Agrarian sector also has great influence over the competitive force of single companies.

According to Sectorial Reports, Bulgarian Agrarian companies suffer of difficulty of attract and retain personnel, because of social disparities between the cities and villages. Social and demographic environment plays a huge role upon the development of Agrarian companies in Bulgaria.

### **MAIN CONCLUSIONS**

Agricultural Sector in Bulgaria follows to a great extent the dynamics of Economy of European countries, but changes are more pronounced and negative influences both external and internal factors affect the development of the sector. Stronger are the internal factors as the dynamic of Agrarian Sector is more pronounced and it happens earlier than deceleration of overall economy.

We couldn't perceive the steady development of the general output according to the overall economic output. It seems that the deterioration of European Economy struck harder Bulgaria and it took to our country more time to recover on previous levels and the Agrarian Sector accused these difficulties in a dramatic shrink of the pace of growth.

We assume there are underlying internal problems that weaken the whole sector and it shrinks faster and earlier than the general trends. This problem has a specific nature and it is due to internal factors in greater extent such as difficulty to attract and retain labour force and the internal disparity of subsectors in the Agrarian Sectors.

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