



AGRARIAN BUSINESS MANAGEMENT, INTEGRATED WITH THE RURAL AREA'S DEVELOPMENT

T. Atanasova-Kalaydzhieva*

Trakia University, Stara Zagora, Bulgaria

ABSTRACT

The aim of the present treatment is to investigate and analyze potential and factors influencing effectiveness of the management of agricultural business with integrated rural areas development. The main conclusions of the done enquiry and research analysis were: The agrarian business, never the less the done structural changes have serious difficulties, connected with not enough developed producing capacity, what practically block its prosperity and limit the possibilities for waken up the region where it is positioned. To achieve management department effectiveness on a local stage it should be spoken at whole developed system of connections between all realized activities on a rural region territory and not only about agrarian business. At achievement of that level of correspondence among economical, social and nature resources in a particular given territorial administrative unit in which the employed population is enlarged, the migration to towns will be left and the quality of living standard will raise.

Key words Agrarian business management, potential for developing, Bulgarian agrarian business, rural areas.

INTRODUCTION

The main aim of each business, as well as the agrarian [1] one could be compared with the "heart", beating and motivating contractor's developing. In accordance to the hearts rhythm it is possible to specify the business condition together with its problems prevented its development from defining the measures and stabilizing its activity.

The way of realization of the main management's functions in the business could be compared to the 'nerve system' functioning in the living organism. 'Brain' of the effectively working business is the man or a team of people solving management decisions, realizing control over its implementation and analyzing feedback received through the 'nerves' of the organism.

The agrarian business is not only an independent organized unit but also vital system which can change and adapt. As the doctor examines whole patient's condition because of the particular sick organ, it is the same with agrarian business's aim to examine established negative symptoms (negative

productive and economic results) which have to be analyzed not as separate side but as a whole. That means to be integrated with the surrounding environmental development [2]. The living system's development of the 'agrarian business' is determined not only by the contractor-manager's skills to take decisions but also by the rural areas' development where it is positioned.

The national definition for 'rural area' municipality is a place where about 30 000 residents live. This definition meets the country's 231 municipalities; covering 81% of the territory and 42% of population has basic kind of employment in the agrarian production and its service.

The aim of the present treatment is to investigate and analyze potential and factors of agricultural business with integrated rural areas development.

Potential for Developing of the Bulgarian Agrarian Business in the Rural Areas

Finding answers of some basic questions: "What are the restraints that make business vulnerable, prevent effectively and reduce its economic performance? What are the imbalances of business? What the threats to this business – and how can it be used as an opportunity?" – According to P. Drucker reveal the potential of a business.[3]

*Correspondence to: *Todorka Atanasova-Kalaydzhieva, Stara Zagora Trakia University*

To give answers, connected with the development of the Bulgarian agrarian business at decentralization of its management have developed two research schemes. In the first scheme were randomly interviewed in July – August 2009, 41 farmers. In the second one, 40 representatives of regional administration (village majors and experts from the municipal agricultural offices) within five rural municipalities – Maglish, Pavel Banya, Chirpan, Bratya Daskalovi and Opan,

including three towns and 38 villages (representing 41,2% from Stara Zagora district) (**Table 1.**) These municipalities comprise 43% of the area of the region and 44,1% of farmland and lived there 18,6% of the population. Municipalities have mainly rural way of living and the main occupation of the working age of the population is agrarian production. Only municipality Chirpan realize and different type of services and light industry development.

Table 1. Indicators characterizing the surveyed rural municipalities

Indicators/ Municipality	Total		Agricultural areas		Number settlements	Cities	Villages	Population*		
	Thousands of km ²	%	Thousands of km ²	%	Number	Number	Number	under w. age	working age	over w. age
								Thousand numbers	Thousand numbers	Thousand numbers
Bratya Daskalovi	526,3	10,2	328,1	11,3	23	-	23	1,4	4,3	5,1
Maglish	388,9	7,5	143,8	4,9	15	1	14	2,4	6,7	3,5
Opan	257,5	5,0	220,3	7,6	13	-	13	0,31	1,4	2,3
Pavel Banya	518,7	10,1	188,4	6,5	13	1	12	2,8	8,2	4,5
Chirpan	522,8	10,1	400,4	13,8	21	1	20	4,1	13,3	8,4
Stara Zagora district	5151,1	100	2907,4	56,4	206	10	196	60,6	215,3	92,9

Source: RSO Stara Zagora, 2008; *to 01/01/2002 – last census in the district.

Farmland is the main producing factor, determined the amount of the accomplish agricultural business and it is taken care of as such of 93,5% by the inquired people. The biggest percentage of 32,3% of farmers cultivating 10 to 100 dca land, followed the group of 25,8% having 100-500 dca. Comparatively less is the percentage of 19,4% keeping over 1000 dca land in a solidity over which a modern technology is used for its cultivation and it is supposed to give higher productive and economic results.

More than decade has passed since the time the land reform was done at home. Undersized and scattered lands are still a serious problem for farmers wanting to realize modern and effective business, which reflects over the region’s development and the living standard of the population. The profitability coming and the social status of employed people in the

plant-growing production are comparatively low. That circumstance limits the consumption and the investors in the business in the region, blocks the establishment of the modern regional infrastructure.

The picture in the livestock breeding is worse. In the table 2 is shown the percentage of those, who own food-productive animals. Only 3% of all livestock farmers grow over 100 pieces. More of the breeders own under 10 pieces cattle. A small amount of the breeding animals have unsatisfactory productivity which don’t cover the done expenses for their breeding, caring and prophylaxis as there as no outer agent for the expenses and thus it is “executed the principle of user” [4]. The received money from realized animal product is not enough for modernization if the necessary equipment for mechanization of the producing processes. All these reasons retain productivity on a low level and restrict possibility to increasing the life status of employees in this sector.

Table 2. Relative part of the agricultural producers breeding farm animals

Kinds of Animals	≤ 10 pieces	From 11 to 50 pieces	From 51 to 100 pieces	≥ 100 pieces
Cattle	24,2%	24,2%	6,1%	3%
Sheep	9,1%	3,0%	-	-
Goats	3%	9,1%	3%	-
Pigs	3%	-	-	-
Birds	-	3%	-	-

It is unfavorable the age structure of employed people working in the agrarian business. The biggest relative part is 32% of the employed people on the age of 51 to 60. Only 6% of them are on an age of 30 and 12% - 31 to 40 year-old. The explanation of the given results have been received by joining several factors: the labour by itself is unattractive, the regaining of the put expenses is low, the character of the production is very risky and all these have inadequate compensation at home comparing to the rest European countries.

Tendency in the agrarian business is remained from the 90s, to work people with a low educational qualification [5] -16% of them are with a primary school, 22.6% have a secondary school, secondary specialized agricultural education have only 9,7% and hardly 9,7% have educated university level. That unfavorable tendency is difficult to avoid as a small amount of people educated specialized secondary or university education start their own agrarian business and hardly return to rural areas to continue the family tradition.

The reason again is the low income of the agrarian labour and the lack of conditions (mainly technical and social infrastructure) for life in the mentioned regions where a standard of living for young experts is hardly provided incomparably similar to that in bigger cities. In this way unfavorable tendency keeps on and the depopulation in rural areas is obvious. The process has started since the last twenty years from the previous century. If there are not taken necessary steps it will go on.

In accordance to the last census during 2001 – 76,1% of rural areas inhabitants are identified as Bulgarians, 14,8% as Turks , 7% as Romans, the rest are from other ethnic groups. With the given information the low education in the rural areas in Bulgaria can be explained. Illiteracy in the rural municipalities is twice as big as in towns. Almost ½ of the population in the rural areas have no secondary education in compare to that with 20% in towns. Significant differences are laid down in the population share with the university education – 5,5% in rural areas while in the towns they are 20,6%. Relative deal of the population is on age of 25-64 in villages and the educational programs are not useful for them- during the last 5 years there is only 1,3% and in some separate cases it is under 1%.

The question: "How do you estimate the development of the region you live in during the last 10 years?" – 51,6% of the enquired people answered with "*unsatisfied*" and 6,5% with "*good*". The main problems limited the municipalities' development are pointed as follows: 23,8% said "*the lack of financial means*" and "*no interest from the government institutions*". 14,2% pointed "*bureaucracy in spreading financial help*"; 14,2%- "*bad infrastructure*" and "*weak local management*", 7,2%- "*high unemployment and low qualification of workers*" , 4,8%- "*depopulation of the region*" and others.

These answers are confirmed by the official statistics. The population in rural regions in Bulgaria has become smaller with 1 million in compare with the beginning of the economical reforms. Its thickness is twice less than the average for the country (35,8 against 69,9 residents per square kilometer). Its average number is 13,8 thousand people, even there are some differences. Almost rural municipalities have a population under 10 thousand, as ½ of them live below 5 thousand residents. Such example is the Opan municipality consisted by 13 villages with 3994 residents that mainly breeding farm animals and do farming.

The main factor for decreasing the rural population is the negative natural growth (-8,2% in compare – 3,7% in towns). Rural and town regions have registered the same birthrate (about 8,7%) but the mortality in villages is higher – average 16,8% in compare to 12,4% in towns (NSI, 2004). The reason for that is the more unfavorable age structure of the rural population in compare to that from the towns, because of the low relative deal of people in a labour active age. The situation in researched municipalities is the almost the same (see table 1). In the same time migration from villages to cities do not stop.

By the agrarian business potential is influenced not only the development, but also that of the rural areas, where it is positioned. That is why the answer of the question: "How do you estimate your business development?" 3,2% by the farm producers was "*very good*", another 3,2% as "*good*", while 45,2% answered "*satisfactory*" and 48,4% - "*unsatisfactory*".

The main factors given influence to the mentioned estimate, in accordance to 5,7% from the positive answers, are due to "a good

management during the last ten years". For 2,9% the result is due to 'higher average yields', for another 2,9% - "increase number of animals and their productivity" and for the third group of answers - 2,9% - "personal motivation and realized investments".

Negative respondents argue their responses with a number of exogenous factors as "low measures of the subsidies given for agriculture" - 22,9%; 21,4% with "unfavorable market juncture during the last years", 2,9% with "disunion farming agricultural land", and 2,9% with "bad forage quality" etc.

In accordance to 40% from regional administrative representatives (mayors and experts) the regional development and the field farming during the last 10 years is "unsatisfied", and for 25% is "satisfied" while 30% estimate it as "good" and only 5% as "very good". In accordance to their estimate for the development in the farming direction in the region after accepting the country as a UC member for ½ of them "there is no difference", and for 45% there are positive changes. 5% are firm that the condition of the area and conditions for doing agrarian production even gets worst.

The main argument for unsatisfied mark is "undeveloped infrastructure"- pointed in 70% of the answers. Other 26% from the enquired people confirm all that is due to "little farming subsidies" and add that they "disincentive farming producers to modernize and establish their own business". 13% explain that "disunion of the farm land and the necessity of its co-unite" as well as "big migration of the rural population to cities"-8,6%. Other 8,6% point as a factor "inefficient farm production", caused by "extensive character of the done producing technologies".

The respondents estimated the regional farm developing in a positive way consider that the reason for it is the existed possibility for "leas of farm land"- 18,7% consolidate farming lands and apply new modern technology decisions for its management. For 15% this is a result from "availability of financing programs for purchase equipment" and "pursuit of individual farmers to invest in agrarian production"- 4,3%

Comparing the two categories opinions of the enquired people – farmers and producers and managers it was settled that they are almost the same. In separate cases the producers are more critical to understanding the role of the local administration in solving the problems and meeting them the government institutions. Even the subjectivity of the farmers' opinion I agree with their understanding the local administration's role is not consciously accessed in the country governing decentralization to start the changes of the business conditions and developing of the backward regions.

The reason for such statement is the ascertain fact during the research, that 68% of enquired managers and experts see their role in solving appeared problems mainly in giving information and consultations and only 4% from them can help the farmers and producers in developing and managing investments and infrastructures in projects. Only 3,8% of all enquired people point they owe and participate as members of the created "Council for the steady economical municipality development". All authorities and experts point the necessity of their additional education in questions connected with the regional development after country acceptance for the member of the EU.

The main conclusions of the done enquiry and research analysis were:

- The agrarian business, never the less the done structural changes have serious difficulties, connected with not enough developed producing capacity, what practically block its prosperity and limit the possibilities for waken up the region where it is positioned.
- From the agrarian business developing stage is influenced demographic and social-economical development of the rural regions.
- It is not needed a level and local manager administrative capacity for agrarian business, but rural municipalities to be by themselves.
- Thus the informing will increase as well as the educational level employed in farming people, contractors, workers and local municipality administration.

Possibilities for increasing potential of the agrarian business by integration with developed rural regions

The development of the rural regions policy is the main part of the Common agricultural policy (CAP) in Europe, directed to solving economical, social, ecological and institutional problems. More than 1/2 of the population in EU live in rural regions, forming 90% of the community territory.

“LEADER” is an innovatory method of approach for mobilizing local communities. It started in 1991 with the aim to improve rural region potential as well as to rely on local initiative and to stimulate and adopt Know-how in local rule and regional development. With the creating meetings among various activities in undeveloped rural regions, CAP reports difference in integration race in these villages and at the same time the increasing sense given by the society for keeping reproduction of the unique nature resources.

Till the beginning of 90s the ways put into the management and development of the rural regions in the EU are mainly branched, directed to farmers help with aim to encourage structure changes in agrarian productivity. Inherit tenet of the rule “up-down” with schemes for financial support was determined on a national and local level. Local acting people have passive role as “executers” and “trained” to gain skills needed in adopting the agrarian department to required by EU market without having the possibility to project the development of own regions.

In the beginning of 1991 for the first time was done a new approach “down-up” implied by local communities added a value to available resources as a result of a local initiative. Little by little this regional management tenet gained popularity and came back to create new working places and new creative activities in villages. In that way “LEADER” started as an “experiment” for idea integration, people having interest in and resources on a regional level developed projects which were confirmed as a successful instrument for enlarging possibilities for rural development.

“LEADER” appeared as a “community initiative”, having finance by structured funds of the EU (Table 3). Till now its implication passed three developing periods: “LEADER 1” (1991-1993), “LEADER 2” (1994-1999) and “LEADER + (2000-2006). In that way it gave the opportunity to different rural communities of the EU a system of instruments for active participation in establishing their own future in unison with the rest regulations of the CAP. The main idea of that way was regional strategies to be as a mean of more effective changes, because of the big differences in the rural areas in Europe, in case they are well done and applied by the local actors (physical person and a legal entity) on a transparent procedures, helped by local administrative.[6]

Table 3. Development approach “LEADER” in the EU

“LEADER” Initiatives	Number of established Local Action Groups	Area LAG thousand km ²	EU funding Millions of EUR
“LEADER I”	217	367	442
“LEADER II”	906	1 375,1	1 755
“LEADER +”	1 893	11 577,4	2 105
TOTAL	3 016	13 319,5	4 302

Resource: EU Newsletter, 2007.

The difference between “LEADER” and other traditional political methods of approach for rural development is determined in pointing “how” to act by the seventh base instruments which could be watched as a “system whose composed elements are subsystems”. Their subordination in applying gives long term effect over the raising of the developing potential in rural regions to avoid or get over the problems. (Figure 1)

Instruments (subsystems) of “LEADER” approach:

1. Strategy for rural areas developing

Strategy covers homogeneous, socially connected territory, characterized with common traditions and local identity. The region has to be coherent as well as a critical mass on a matter of humans, financial and natural resources. The amount of the population has to be 10 thousand to 100 thousand inhabitants. Such region formation easily shows strong and weak points-sides, threatens and possibilities, potentials and identifying problems as a base for researching developing, realization of the strategy.



Figure 1

2. Management on the principle “down-up”

This is a representative participation of national and social interests at strategy treatments for rural area development. Execution of the managing principle “down-up” has an aim to create a “social capacity” by local population’s participation for identifying strong and weak sides in the area; increasing the educational level; participation at strategy developing and creating regional projects for its realization.

1. Local active groups

Developing of local partnerships under so called “Local active group” (LAG) is a base for carrying into effect of the “LEADER” approach. LAG can create ad hoc, to guarantee access to EU financial structural funds or to found in advance developed partnership.[7] It is a team consists of different experts, taking decisions, about creating and managing, payment and control over the projects for local strategy development realization. LAG partners in a local area could be: professional organizations and associations, representing farming producers; owners of big and small companies; regional inhabitants together with their local organizations; local political representatives; ecological organizations; cultural and educational institutions etc.

2. Innovations

Innovations in rural areas could be a transfer of good practices and

technological suggestions, proved its result in other countries of the EU or new decisions given to difficult solved problems in the region, which couldn’t be solved successfully by others.

3. Integrated multi-sector activities

“LEADER” is not a single sector program for developing, but *multi-sector* (many sectors) *policy* for local developing integration and projects, what help local strategies should be included in different departments not only in the agrarian field, but also in the industry, tourism, infrastructure, cultural and historical inheritance etc., developing in the same time.

4. Networks

Developed net’s role is to help for exchanging experience between LAG, administrations and organizations in villages, never the less they are beneficiaries in accordance to “LEADER”. They could help to recover isolation, in front of which are standing some of the rural municipalities. From 2007 there are built so called *institutional networks* as European nets for rural areas developing (ruled by EC) and National nets with the same aim. In this connection Regulation 1698/2005 of the EC is said: “Each country, a member of the EU should create a National network of the rural regions to combine all organizations and administrative bodies working for the rural areas developing.” Similar net is being done in our country. Nets could be established on informal principle – local,

regional or national level as for instance is the Ireland LAG net or as the European “LEADER” association for village areas developing – ELARD etc.

5. *Partnership (cooperation)*

It is realized in accordance to a common project establishment by one LAG together with others, having a similar approach. There are two main “LEADER” partnerships applying: inter-territorial means among different village areas in one country member’s frame and trans-national what means among “LEADER” groups consists of two member countries or groups in third countries.

During the current period (2007 to 2013) “Leader” is not an independent program any more, but a separate axis (mainstreaming, translated as “predominate direction in a base direction”) in all national and regional operative Programs for rural areas developing (PRAD) for EU countries.[8] Thus it is given new possibilities for method applying on a base of a lot more activities to develop backward village areas, than it was done in the previous three stages.[9] Funding for the “LEADER” axis from 2007 comes by the common financial transfers, received from each EU member country in accordance to new European rural fund for rural regions development (ERFRRD) to help their developing.

In the current period of time to overcome agrarian business problems and coming along differences in the way of living between rural and town municipalities, a National strategic plan is currently available for rural regions developing (2007-2013). On its base starts a Program for rural areas development (PRAD). Its budget is 3,242 milliard EUR, as 80,5% of the amount are given by the ERFRRD. The National PRAD measurements are structured in four axes: **Axis 1** is directed to raising the competitive ability of the agrarian business by necessary equipment modernization, investments to achieve correspondence with European standards and increasing the qualification of working people in the department; **Axis 2** is connected with the eco

accordingly methods for realization of the agrarian production; **Axis 3** is directed to life quality improvement and increasing the employment possibilities for the rural population; **Axis 4** is implementation “LEADER” approach.

Till the end of September 2009 there were approved 71 projects on a worth of 11,8 million leva in Bulgaria. There were submitted 91 all together (in accordance to data of MAF) to start establishment of LAG and attach the strategy for local development, aiming steady rural areas development. The minimal budget for its realization is one similar strategy of 1 million EUR and the maximum is 2 million EUR, permitting additional financing of the same one valued not more than 2,5 million EUR for the period of operative program acting.

Fulfilling the predicting measurements in the “LEADER” axis for the period 2007-2013 and the introduced means and terms for starting are shown in **Table 4**.

CONCLUSION

From the done agrarian business analyze and the chosen territory as well as rural areas it is obviously that great number of problems exist and block its successful developing. Not much different are the problems of the current business in the rest parts in the country. As it was said by P. Druckur “*each business has a hidden potential and it could reverse weaknesses into possibilities...*”[10] Firmly this is what could be confirmed for the Bulgarian agrarian business, but it should be changed the approach to its management.

To achieve management department effectiveness on a local stage it should be spoken at whole developed system of connections between all realized activities on a rural region territory and not only about agrarian business. At achievement of that level of correspondence among economical, social and nature resources in a particular given territorial administrative unit in which the employed population is enlarged, the migration to towns will be left and the quality of living standard will raise.

Table 4. Application accepted, approved projects and payment of Axis 4 of PRAD on 21.09.2009

Measure	General budget of the measure under PRAD 2007-2013 /Public expenditure millions leva/	Accepted applications		Projects with contracts		
		Number	Amount of subsidy requested	Number contracts	Approved acceptable and costs millions leva	Approved subsidy millions leva
Axis 4	150,6	91				
41 "Implementation of local development strategies"	105,4	Measure started in 2009				
421 "Between territorial and transnational cooperation"	10,03	Measure started in 2010				
431-1 "Management of the LAG, acquiring skills and achieving public activity of relevant area of selected LAG (implementing local development strategies)"	21,08	Measure started in 2009				
431-2 "Acquiring skills and achieving public activity of relevant area for potential LAG in the rural areas"	14,1	91		71	11,8	11,8

Overcoming the current differences between villages and towns now at home could be a reality. For this aim the agrarian business should be integrated with the rural regions where it is done and to create better conditions for local employed people. Still there is a lack of a needed administrative capacity not only because of an effective agrarian business development, but also because of the rural municipalities by themselves. The quicker is the better need to change the department method in the agrarian business management. To accept possibilities suggested by the Program for rural agrarian development and mainly by the "LEADER" approach or its fourth axis. Its realization will enforce decentralization as a form of an effective regional management on a base of a local initiative in a combination with integrative territorial approach corresponding to potential and needs of each region.

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