

MULTIFUNCTIONALITY AND REGIONAL ECONOMY MANAGEMENT IN KOPANICIARSKY REGION OF THE SLOVAK REPUBLIC

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Abstract: The multifunctionality is one of the most important aspects of the sustainable development in the regional economy management. There are essentially two approaches to the analysis of multifunctionality. One is to interpret multifunctionality as a characteristic of an economic activity. The second way of interpreting multifunctionality is in terms of multiple roles assigned to agriculture. In this view, agriculture as an activity is entrusted with fulfilling certain functions in society. Social functions are linked to employment and income generation in rural areas and hence sustaining the viability of rural communities and maintaining rural society. The study evaluates the influence of external and internal factors on development of social capital in the selected region and authors will focus mainly on the impact of local stakeholders and policy measures. The interaction between relevant stakeholders as public sector, civil society, local business sector and primary sector is expected to be beneficial for development of social capital.

Key words: regional economy management, multifunctionality, sustainable development, Kopaniciarsky region, interaction

Introduction

The heterogeneity of rural areas is a precondition for simultaneous appearance of various functions – economic, social and environmental (Kopeva, 2011). Horvath and Nagy (2011) as well as Nowak and Ulfik (2014) describe the relationship between agriculture and rural development by the term multifunctionality. The multifunctionality of agriculture refers to (new) farm-related activities (Roman, 2015), (new) markets (private and public) and processes of change in activities and markets. Multifunctional agriculture is characterized by a common focus on the production functions of agriculture apart from food and fibre, often consisting of non-commodity (and non-marketed) goods and services (Randall, 2002). The concept of multifunctionality of agriculture is based on the insight that agriculture is not limited to the sole function of producing food and fibres.

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As for the aspect of managing the regional economy development and regional development the multifunctionality of rural areas is important particularly from the social and local development point of view. The business successfulness of enterprises situated in rural areas is dependent not only on economic factors, but also on the active management of the enterprise in relation to the business environment. Business management should focus on diversifying of the entrepreneurship, which would contribute not only to the development of multifunctionality but also to the reallocation of the business risk. The EU started to develop and introduce the multifunctional paradigm in the 1990s, when it was an implicit part of various EU legal contracts. Although the term 'multifunctionality' itself is not used, the 1996 Cork Declaration is considered to be the starting point of the EU's multifunctional agricultural policies (Molders, 2013). Later, the term 'multifunctional agriculture' was coined at the Earth Summit in Rio de Janeiro in 1992. It was meant to refer to various developments and changes in agriculture worldwide, and to provide a consistent framework for understanding and addressing these developments and changes. After 2003 the emphasis is placed on the need to invest in the broader rural economy and rural communities, in order to increase the attractiveness of rural areas, to promote sustainable growth and to generate new employment and, finally, to encourage multifunctional agriculture; but emphasis is also placed on the competitiveness of the farming sector (to be addressed through diversification, innovation and high added value products), that is key for the role of agriculture in the development of rural areas (Henke and Storti, 2004). Agenda 2000 introduced a clear separation between the expenditure for market and first pillar support on the one hand and the rural development measures of the second pillar. In order to discuss the role of agricultural multifunctionality in the rural development, it becomes imperative to discuss its three main dimensions, namely economic, social and environmental (Dirimanova, 2011). Social functions are linked to employment and income generation in rural areas and hence sustaining the viability of rural communities and maintaining rural society (FAO, 2000). The realization of a multifunctional farming concept is a result of changes resulting from social needs (Czyżewski and Kulyk, 2011). Within the EU, the concept of multifunctionality has consequently experienced an increasing relevancy with regard to diversification strategies while describing the various private and public use potentials of land for farmers, for rural areas and for society in general (Maier and Shobayashi, 2001). According to the above mentioned citations it is important to stress the multifunctionality of rural areas in relation to management of regional economy and regional development.

Methodology

The paper is based on the research evaluating the relation between the multifunctional farms located in the western part of Slovak Republic and internal and external environment influencing their performance and development of the region. The impact of the multifunctional farms on the development of social

capital will be demonstrated and evaluated as well. Lack of available data related to unemployment rate in analyzed villages of the Kopaniciarsky region has caused the limitation of the scope of the analysis and obstacles in finding a relationship between positive effects of the multifunctional farm and development of the region. *The object of the research:* there are two main objects of the research – 3 farms and the Kopaniciarsky region. Kopaniciarsky region is located in western part of Slovakia close to borders with the Czech Republic (composed by 23 villages and population of 43 116 people. The region has suitable conditions for agri- tourism because of its nature, cultural heritage, history and specific dispersed settlement. Since the analyzed farms did not agree with publishing their names we identify them in the paper such as: the Farm A, the Farm B and the Farm C.

The Farm A is one of the few agricultural farms providing additional activities beyond the agricultural production. The company was founded in 1998 as a small family farm with 2 employees in a village of Podkylava (Kopaniciarsky region). The farm started with crop production on 17 hectares of agricultural land. In 2007 the farm extended its crop production and the cultivated area and operated on 1200 hectares of agricultural land in Podkylava and close villages. In this time the farm started with livestock production: cattle Charolais (calves) and horses. Nowadays, the farm operates on 300 hectares of agricultural land, out of them 282 hectares are rented. The farm continues with livestock production and provides following services: agricultural product processing, yard sale, producing, processing, marketing and sale of traditional products, machinery lease, land and environmental protection, agri-tourism, organization of events related to preservation of traditions of Kopaniciarsky region and social services.

The Farm B is located in the village Lubina (Kopaniciarsky region). It has 17 employees and its economic activity is composed by plant and animal production. It operates on 1300 hectares; out of them 60% are meadows and pastures. The animal production is oriented on the cattle breeding. The cooperative does not develop additional multifunctional activities, such as agri-tourism or traditional product producing. The “Farm C” is a self-employed farmer in the village Rudnik (Kopaniciarsky region). The farm is dealing mainly with crop production cultivated on 42 hectares. Additionally the farm serves as a provider of horse riding opportunities for various purposes.

Results

Relations between the Multifunctional Farm and the Region

Rural development is not the marginal activity of marginal people in a marginal sector. Rural development is, instead, a solid process that especially involves the stronger and more viable farms. Rural development activities are strengthening the economies of these farms while at the same time they are strengthening and revitalizing the nature, structure, and dynamics of regional rural economies as a whole (Ploeg and Roep, 2003). Every company is an organic part of the country's

economy. The business environment is a part of the environment which includes all factors that exist outside the company and they mutually interact to each other. All companies are limited by the environment they operate in and these companies retrospectively affect the environment. The interaction between multifunctional farm and the environment (other stakeholders) where the farm operates in is described in the Figure 1.

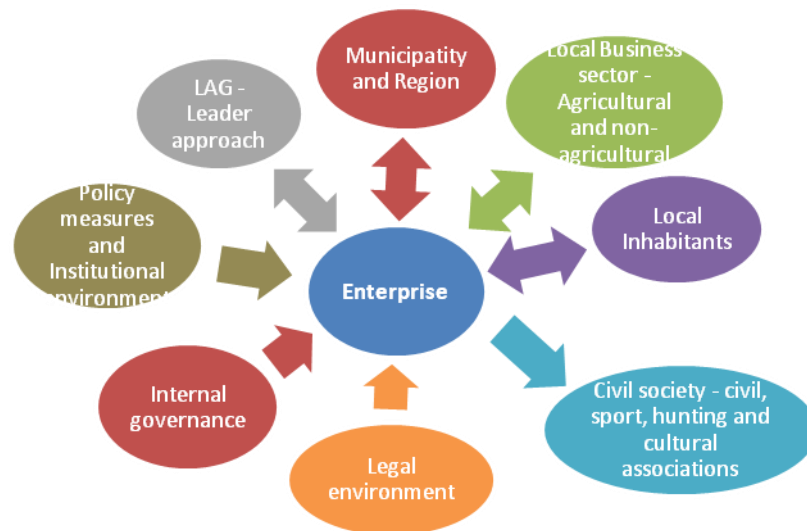


Figure 1: Interaction between the multifunctional-farm and its environment

In the part 'Internal governance' the paper analyses the internal governance of the indicated farms in order to understand the functioning and the mission of the companies. In the part 'External relations' the paper focuses on factors which influence the companies and the development of the social capital and environmental protection of the Kopaniarsky region.

Internal governance

Farm A: Even the legal status of the farm is joint stock company as for the ownership structure it acts as a family farm. The farm employs mainly members of the main shareholder family and people from the village Podkylava and Kopaniarsky region. Internal governance and principles of work organization are based on the Ishikawa diagrams (also called fishbone diagram, created by Kaoru Ishikawa in 1968). The diagram is a visualization tool for categorizing the potential causes of a problem in order to identify its root causes.

Farm B: The legal status of the Farm B is the cooperative and the farm operates as a traditional agricultural company. The Farm B employs people mostly from

the village Lubina. The farm does not use any official principles on internal governance and work organization what can be considered as a negative aspect. The development of a structure of principles and internal governance could help the farm to work more effectively.

Farm C is a small family farm in the form of the “self-employed farmer.” The farm employs just members of the farmer’s family. This farm does not use any principles on internal governance and work organization. Since the Farm C is a small farm, these missing principles can be not considered as a negative aspect which could influence the work organization and effectiveness of the company.

External Relations

Village Podkylava

The multifunctional Farm A operates in the village Podkylava with a population of 227 inhabitants. The strong position of the farm in local development is based on the role of the major employer in the village (further analyzed in the part “Development of the social capital”). As for the cooperation with the village the farm helps the village development mainly by providing stakeholders with financial support for projects related to the development of the village infrastructure. The farm provides loans for pre-financing or co-financing of the EU projects, for which the internal budget of the municipality is not sufficient. The farm is also one of the main contributors of the municipality budget - from accommodation tax and tax on land. From the part of municipality the village helps to increase the security of tourists and property by installing the camera system in the company’s object, so the company is constantly monitored.

Mutual cooperation between the municipality and the farm is based on the confidential and well working relations. The representatives of the municipality and the farm feel the importance of good relations and cooperation as one of the main factors influencing the local development.

Village Lubina:

Farm B operates in the village Lubina with population of 1348 inhabitants. Relations between the farm and the village Lubina are not as strong as in the case of the Farm A. The Farm B pays taxes for agricultural land and this contribution can be considered as the only financial contribution to the village budget. The Farm B does not support the village Lubina by any other financial or not financial way. When talking about cooperation and relation between the farm and the village, we can highlight the Farm B as an important employer in the village. The cooperative employs mainly people from Lubina and thus it contributes to the reduction of unemployment rate in the village.

Village Rudnik:

The Farm C operates in the village Rudnik. The village Rudnik has 798 inhabitants and it is scattered across many settlements that lie at the foot of hills and valleys of Myjavská upland. 36 companies operate in the village Lubina, out of them 10 are legal entities and 26 are physical persons. The main benefit of the farm for the village Rudnik is its contribution to the municipality budget, because the Farm C pays taxes for agricultural land.

Local Business Sector

Agriculture plays an important role in the employment rate of the Kopaniarsky region and thus also in the village of Podkylava. In Podkylava there are 7 agricultural entities operating: 4 individual farmers, 1 cooperative, 1 limited liability company and 1 joint stock company.

The multifunctional farm "Farm A" is the largest employer in the village, it employs 40 people, 22 of them are directly from the village. The rest of employees come from the Kopaniarsky region. The farm also provides services for other farmers and local inhabitants, e.g. mowing, straw packing and transport.

The Farm B operates in the village Lubina where there are in total 22 companies, out of them 3 are agricultural ones. The Farm B employs 17 people, majority of them (76%) from the village Lubina. The rest of employees come from close villages in the Kopaniarsky region. The farm does not provide any services for other companies or local inhabitants.

The Farm C operates in the village Rudnik. 7% of its inhabitants are employed in the primary sector, 46% of inhabitants work in the secondary sector and 38% of people work in tertiary sector. The Farm C employs just 2 people, members of a family. This farm does not provide services for the village, other companies or local inhabitants.

Local Inhabitants

Farm A: Except of providing local people with opportunities of employment, the company also provides services for elder people: the company in cooperation with the municipality organizes cultural and social events for retirees.

Farm B: As in the previous case, the Farm B also provides local people with opportunities of employment. The farm also organizes social event for its members and local people have opportunity to purchase farms commodities for more convenient price.

Farm C: Since the Farm C is a small family farm it does not provide any opportunity of employment for other people. The company does not organize any events and does not offer its commodities to local people.

Civil Society

Civil society is represented mainly by the Local Action Group Kopaniarsky region based on public – private partnership of all significant stakeholders from the region. There are 27 municipalities (representing public sector) and 35 of private sector members involved in the Local Action Group. The Farm A is one of the private sector members. The common activities of the Farm A and the LAG are focused on organization of common events, marketing and preservation of traditions of the region. As for the promotion of region and its tradition, culture and opportunities for spending leisure time - an electronic information desk in the Farm A was installed. The Farms B and C are not members of the Local Action Group Kopaniarsky region and the do not develop any common activities with the LAG.

Legal Environment

Activities of the analyzed farms are in accordance with the actual EU and Slovak legislation valid for all beneficiaries of the Common Agricultural Policy (hereinafter such as CAP; Kotulič-Dúbravská, 2015). Since the farm A is operating in the system of ecological production (producing organic products) it has to keep not only the criteria of cross-compliance but also the criteria for certification of ecological production. In case of incomplete compliance with criteria of EU legislation the amount of subsidies is being reduced accordingly.

Policy Measures

Farm A is the beneficiary of both 1st and 2nd pillar of the Common Agricultural Policy. In frame of the 1st pillar the basic payment (SAPS) is the main support instrument together with additional direct payments from state budget (however the share of additional payments has been decreasing). As for the 2nd pillar the farm was involved in the 5 year commitment for agri-environmental payments. As for the project support the farm has been active from the pre-accession fund SAPARD as well as Sectoral operational programme Agriculture and Rural development (2004-2006) and Rural Development Programme (2007-2013). Projects were focusing on modernization of equipment and technologies in primary production and processing as well as building of agro hotel, congress halls and agri-tourism facilities (guest houses, stables, multifunctional playground). Direct payments and investments from both 1st and 2nd pillar of the Common Agricultural Policy represent app. 10% of total farm incomes.

Farm B is the beneficiary of the 1st and the 2nd pillar of the Common Agricultural Policy. The farm is not involved in the 5 year commitment for agri-environmental payments. As for the 2nd pillar, in the programming period 2007-2013, the farm purchased technologies for plant and animal production. The farm used sources from the Rural development programme of the SR, Measure 1.1. Modernization of agricultural holdings. Direct payments and investments from both 1st and 2nd

pillar of the Common Agricultural Policy represent almost 3% of total farm incomes.

Farm C is the beneficiary only of the 1st pillar of the Common Agricultural Policy. Since the Farm C is a small family farm with limited financial sources it did not apply for any project support from the Rural Development Programme of the SR. Activities and services which are not possible to cover by using own technologies are provided by external suppliers.

Development of the Social Capital

Table 1. Farms employees in period 1998-2015

Farm	Farm A			Farm B			Farm C		
	1998	2004	2015	1998	2004	2015	1998	2004	2015
Farm	2	5	5	20	18	17	2	2	2
Guest house	0	6	19	-	-	-	-	-	-
Private secondary	0	12	12	-	-	-	-	-	-
Agritourism	0	1	4	-	-	-	-	-	1
Total	2	24	40	20	18	17	2	2	3

The Farm A is the largest employer in the village Podkylava (it employs 21% of economically active population in the village). Remarkable is the age structure of its employees which differ from the age structure in agricultural sector in Slovakia and in the EU: while the average age of employees is more than 50 years old, in the Farm A young generation dominates. The number of employees has significantly increased after the accession to the EU. Reason for this was the diversification into non-agricultural activities (rural tourism, secondary school). While at the beginning a larger share of employed were allocated to the farm, gradually the share of employed increased in the secondary school facilities as well as in the agri-tourism activities. The large difference in the number of employees at the foundation of the company in 1998 and at the present reflects the development of the company's multifunctional activities. The increasing tendency can be observed in the amount of employed in the agri-tourism field. As an integral part of the Farm A, there is a strong intention to support and enhance the education within the private secondary school focusing on vocational education in the field of tourism. Majority of graduates are employed in the Farm A or accommodation facilities of Kopaniciarsky region. As for the structure of employees from regional perspective 85% of employees are inhabitants of Podkylava and Kopaniciarsky region.

The Farm B is oriented on the plant and animal production only and its activities do not include any additional multifunctional activities. The number of employees was 20 in 1998. Nowadays, the number of employees decreased, the actual number of employees in the Farm B (in 2015) is 17.

In case of the Farm C there is just a slight increase of employees leading to the total amount of 3 employees in 2015. Since the Farm B and the Farm C do not

intend to develop new activities, we do not suppose that the number of employees will increase and influence the development of the social capital in analyzed villages and in Kopaniciarsky region.

Conclusion

The paper presented results of the study carried out in Kopaniciarsky region. The main focus was turned to the field of interactions between 3 farms and their direct environment. Specially external and internal factors in relation to the social capital development in villages of Podkylava, Lubina and Rudnik in the region – where the farms are allocated - were analyzed. Based on the primary research led in the region the following outcomes and observations can be demonstrated: there are two main categories of factors interacting the farm – internal and external ones. The significance of internal factor resides in the importance of internal governance of the farm and clearly formulated and clearly promoted mission as it is present in the case of the Farm A. The awareness of strong and unique corporate identity of this farm is made available for both – internal and external dimension of the enterprise. The performance of the farm A proved the theoretical statement that “the business successfulness of enterprises situated in rural areas is dependent not only on economic factors, but also on the active management of the enterprise in relation to the business environment. Business management should focus on diversifying of the entrepreneurship, which would contribute not only to the development of multifunctionality but also to the reallocation of the business risk”. The other 2 farms have not established the system of internal governance what is mainly in the case of Farm B a negative aspect. Since the Farm C acts as a small family farm it is evident that the lack of internal management and government is acceptable. The most important role of external relations was shown by the impact of these factors on farms – via influencing the social capital and maintaining the environmental protection of the whole Kopaniciarsky region. Not only the growing tendency of development of social capital of the multifunctional farm A was observed (from 1998-2015) in several layers of multifunctionality of this entity but the extending tendency of allocation of social capital from farm through secondary vocational education facilities towards to agri-tourism services is present as well. The trend of increasing number of employees is visible mainly in non-agricultural activities. At the same time the impact of the farm on the employment of inhabitants from the village or the region can be evaluated positively. Farm B and Farm C focus their activities mainly on the agricultural production what leads to the maintenance or slight decrease of number of employees. In this context it has been proved that the multifunctionality has significant impact on the employment and thus the building of social capital in the region.

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MULTIFUNKCJONALNOŚĆ ORAZ ZARZĄDZANIE GOSPODARKĄ REGIONALNĄ W REGIONIE KOPANICKIM REPUBLIKI SŁOWACKIEJ

Streszczenie: Multifunkcjonalność jest jednym z najważniejszych aspektów zrównoważonego rozwoju regionalnego zarządzania gospodarką. Zasadniczo istnieją dwa podejścia do analizy multifunkcjonalności. Jednym z nich jest interpretowanie multifunkcjonalności jako cechy działalności gospodarczej. Drugi sposób interpretacji multifunkcjonalności dotyczy się wielu ról przypisanych do rolnictwa. Z tego punktu widzenia, rolnictwu jako działalności powierzone jest pełnienie określonych funkcji w społeczeństwie. Funkcje społeczne powiązane są z zatrudnieniem i generowaniem dochodów na obszarach wiejskich, a tym samym z utrzymaniem rentowności społeczności wiejskich i utrzymywaniem społeczeństwa wiejskiego. Badanie ocenia wpływ czynników wewnętrznych i zewnętrznych na rozwój kapitału społecznego w wybranym regionie i autorzy skupią się przede wszystkim na wpływie lokalnych interesariuszy i środków politycznych. Oczekuje się, że interakcja pomiędzy zainteresowanymi podmiotami, jak sektor publiczny, społeczeństwo obywatelskie, lokalny sektor biznesu i sektor surowcowy będzie korzystna dla rozwoju kapitału społecznego.

Słowa kluczowe: zarządzanie gospodarką regionalną, multifunkcjonalność, zrównoważony rozwój, region kopanicki, interakcja.

多功能性與區域經濟管理工作的KOPANICIARSKY地區斯洛伐克共和國

摘要：多功能是在區域經濟管理可持續發展的最重要的方面之一。基本上有兩種方法多功能的分析。之一是解釋多功能作為經濟活動的特徵。解釋多功能的第二種方法是在分配給農業的多重作用方面。這種觀點認為，農業作為一項活動被賦予履行一定的職能在社會中。社會功能鏈接到就業和創收的農村地區，因此維持農村社區的活力，維護農村社會。該研究評估的外部部和內部因素對所選地區和作者發展社會資本的影響將主要集中在當地的利益相關者和政策措施的影響。利益相關者為公共部門，民間社會，當地工商部門和基層部門之間的相互作用預計將有利於社會資本的發展。

關鍵詞：區域經濟管理，多功能，可持續發展，Kopaniciarsky區，互動。