SLOVAK FOOD PROCESSING INDUSTRY IN THE CONTEXT OF GLOBALISATION AND INTEGRATION TENDENCIES

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Abstract: The aim of this article is to evaluate the position of the food processing industry in the Slovak Republic in the context of the globalization and integration tendencies. Integration with the Western European markets has brought many advantages and opportunities for Slovak businesses on the one hand and increased competition on the other hand. The interest of the Slovak Republic is to maintain efficient agriculture in the conditions of the growing world economy globalization. Agri-food sector is reasonable priority of the economic policy according to its specific position and importance by nutrition providing, by natural resources managing and by realization of the socially important non-production functions.

Key words: food processing industry, position, Slovak Republic, globalization, integration.

Introduction

Effective globalization and internationalisation process starts with knowledge of key variables in the global business environment. In any industry, in any country, managers must have an overall knowledge of the wheres, whats, whys, and hows of the countries and regions of the world (Ubrežiová, 2012; Dima et al., 2012). Globalization of the national economies creates new priorities in the businesses management. It is a strategic management and innovations, effective organization structures creation, business culture and business ethics formation.

The effectiveness of the company depends on the quality of work of its employees. The crucial factors influencing the company's prosperity are as follows: employee's abilities, education, skills, experience, goals and values, attitudes and behaviors, personality traits and motivations (Ślusarczyk and Glosik, 2014). Present development of the world economy depends mostly on the globalization and on the integration processes. In the strong competitive action, so significant for present business environment, business subjects seek for a stable position with the perspective of the further development. They direct their development also out of their home business environment with the aim to increase the volume of the trade and subsequently their profit, to gain the competitive advantage and a growth. Agri-food complex has passed through complicated restructuralization in their development. There is a new structure of the business base in Slovak Republic, where the companies have a significant position. Internationalization has affected all branches of the national economy, food industry not excluding (Horská et al., 2008).

Internationalization deals with expansion across space and time. Researchers have framed internationalization as market growth and expansion through foreign direct

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investment (FDI) Competing space–time conceptions in consumers', authors' and societies' stories interact with managerial narratives to affect international product and task environments (Haley and Boje, 2014). Internationalization involves the expansion of global markets, institutions, and certain norms, a process progressively reducing the purely domestic sphere of politics (Solingen, 2015). Foreign trade is the reflection of economic relationships among the individual economies and represents the part of the country foreign relationships, which include trade exchange of a part of the production. In the simplifies balance understanding, it is usually presupposed that the object of this exchange is such a part of the production, which exceeds the home consumers demand and thus is the object of export, or, vice versa, that part of the home demand which is not satisfied by the home production and thus has to be covered by import (Jeníček and Krepl, 2009).

Deepening international interdependency, world globalization and integration processes have caused that single business subjects are more and more participants of the international trade and they have to face growing competition force. Business praxis shows that business subjects have significantly more difficult position in the competitive fight without internationalization of the business activity (Mura and Löster, 2011).

Globalization is a reality and it is impossible to escape it or to ignore it. Firstly, business subjects have to respect it and identify how to deal with this situation:

– to monitor carefully all impacts of the globalization and from time to time modify their strategy and behaviour according them,
– to participate actively on the globalization happening (Nagyová and Maďarová, 2004).

Problem how to pass on the globalizating food market has in production dimension basically two solving variants:

– to stay in tradition concept of the agriculture and its historically developed production structure based mainly on the different natural conditions, or
– to look for positive solutions in the context of the knowledge-based economy that accept agriculture as a part of agri-business (Bečvařová, 2005).

Methodology and data

The aim of this article is to evaluate the position of the food processing industry in the Slovak Republic in the context of the globalization and integration tendencies. This aim has been gained by evaluation of the chosen indicators. Material used for the elaboration represents primary and secondary sources. Primary sources are the data gained by questionnaire survey. The target group was the largest companies of the food processing industry in the Slovak Republic in the year 2012 (see Table 2). 70% of addressed companies participated in the research. The questionnaire was formed from the viewpoint of the company strategy, internationalization forms, sale of their products in foreign markets and the identification of reasons of their foreign business activities. The secondary information stems from the Customs Statistics of the SR, the Green Report of the Ministry of Agriculture of the SR and the Research Institute of Agriculture and Food Economics of the SR. In reference to the analysis and presentation of primary and secondary data, we used the following methods: in general, the logic methods of analysis, synthesis, comparison and deduction.

Slovak food processing industry

The Slovak food processing industry is one of the most dynamically developing industries. The food processing industry in the Slovak Republic is at present entirely in the private sector after difficult transformation processes. A thorough restructuring of this industry took place in recent years, while its main objectives were as follows:

- to decrease excess capacities which had no perspectives for withstanding a competitive or international market,
- to modernise the production process, mainly in order to achieve higher productivity of labour and to improve hygiene of foodstuff production,
- to increase the competitiveness of the food processing industry (MPSR, 2014a).

Slovak food industry has priority status by the provision of the health nutrition for the inhabitants. According to the SO SR, food industry (production of the food, beverages and tobacco products) gained in 2012 net profit of 195 mil. €. In 2011 food industry (production of the food, beverages and tobacco products) gained positive net profit of 40.50 mil. € (see Table 1) (MPSR, 2014b).

Table 1. Development of the profit or loss in the production of food, beverage and tobacco products (in mil. €, index in %)

Indicator	2010	2011	2012	Index 2012/11	Difference 2012-11
Revenues	3 817.14	4 338.02	4 613	106.3	275.0
Costs	3 791.31	4 297.52	4 418	102.8	120.0
Profit	25.83	40.50	195.5	482.7	155.0

Totally 365 companies belonging according to their production to the food processing industry acted in the Slovak Republic in 2012. Table 2 states overview of the 20 largest companies of the food processing industry with given chosen indicators for the year. Almost 70% of these companies are companies owned by foreign investors. Implementation of new managerial systems in the conditions of the Slovak republic is often conditional by relations with organizations and business partners (Dubravská and Kotulič, 2014). The environment is characterized by a competitive struggle. There is the importance of networks and networking as a means of increasing the competitiveness (Mura and Rozsa, 2014). The economic policy of many states, including Slovakia, is inclined to the active support of the investors through the investment incentives (Kotulič and Adamišin, 2012).

The agricultural products fulfil one of the primary human necessities – food, at a global scale. The level of knowledge achieved by science and technique has not discovered, yet, the alternative to agricultural products for human consumption (Vasile and Grabara, 2014).

Table 2. The largest companies of the food industry in SR

Number	Company	Sales 2012 (k €)	Sales 2011 (k €)	Change 2012 / 2011 (%)	Net profit 2012 (k €)	Net profit 2011 (k €)	Change 2012 / 2011 (%)
1.	Heineken Slovensko, a.s., Hurbanovo	222 497	203 219	9,5	n	n	n
2.	Amylum Slovakia, s.r.o., Boleráz	217 424	199 779	8,8	18 961	17 100	10,9
3.	Mondelez Slovakia, a.s., Bratislava	205 410	230 814	-11,0	6 762	10 063	-32,8
4.	Považský cukor, a.s., Trenčianska Teplá	202 495	95 002	113,1	22 913	12 239	87,2
5.	Nestlé Slovensko, s.r.o., Prievidza	156 584	153 135	2,3	7 656	6 185	23,8
6.	Rajo, a.s., Bratislava	152 423	139 159	9,5	326	-1 452	n
7.	Slovenské cukrovary, s.r.o., Sereď	116 239	79 761	45,7	10 381	12 652	-17,9
8.	I.D.C. Holding, a.s., Bratislava	97 965	88 595	10,6	4 447	4 407	0,9
9.	Hyza, a.s., Topoľčany	88 394	86 509	2,2	13	-2 779	n
10.	Púchovský mäsový priemysel, a.s., Púchov	77 087	62 908	22,5	330	412	-19,9
11.	Penam Slovakia, a.s., Nitra	68 339	76 225	-10,3	-2 771	-2 133	n
12.	Syráreň Bel Slovensko, a.s., Michalovce	67 966	58 380	16,4	2 879	2 281	26,2
13.	Kofola, a.s., Rajecká Lesná	64 522	61 769	4,5	3 033	1 723	76,0
14.	Agro Tami, a.s., Nitra	64 026	62 787	2,0	304	273	11,4
15.	Tatranská mliekareň, a.s., Kežmarok	63 064	59 940	5,2	103	11	836,4
16.	Tauris, a.s., Rimavská Sobota	44 892	39 285	14,3	-116	-2 217	n
17.	Slovenské pramene a žriedla, a.s., Budiš	36 454	29 347	24,2	612	54	1033,3
18.	JAV – AKC, s.r.o., Vlčany	34 957	28 775	21,5	178	146	21,9
19.	Hubert J.E., s.r.o., Sereď	29 159	26 923	8,3	3 281	3 452	-5,0
20.	Baliarne obchodu, a.s., Poprad	27 513	27 111	1,5	2 556	3 004	-14,9

The survey was conducted with a questionnaire in the period of August 2013 up to November 2013. The target group was 20 largest food processing companies in

Slovakia. The development of business activities aims at achieving the basic motivation of all enterprises with effort how to entry the foreign market. A key element of the internationalization process concerns where and how a company chooses to do business outside its own country (Ubrežiová et al., 2009). Figure 1 presents some forms of international activity in the searched companies.

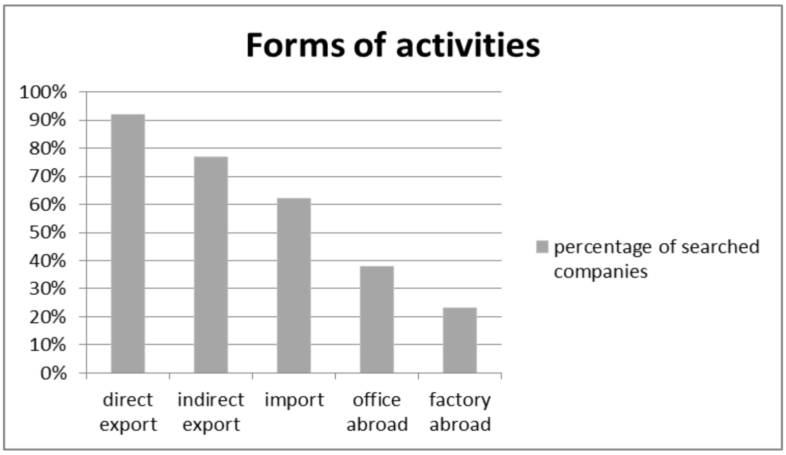

Figure 1. Forms of internationalization activities in the chosen companies in the Slovak Republic

By internationalization process companies seek to increase the share in the foreign markets. From the viewpoint of forms of entrance into foreign markets the direct export 92%, indirect export 24%, import 62%, office abroad 38% and factory aborad 23% were used.

Employment

About 2.06 % of all employees in the Slovak Republic have been employed in the food processing industry. The number of employees in food processing industry has declined in 2012. It has decreased about 0.4 thousand employees (1.8 %) to 48 500 employees (see Table 3). We can see the downward trend in the number of employees in the Slovak food processing industry during the whole period 2009-2012.

Table 3. Number of employees in the Slovak food processing industry

Employees	Year				Year change (%)		
	2009	2010	2011	2012	2010/09	2011/10	2012/11
Food processing industry	60.1	55.3	48.9	48.5	-8.0	-11.6	0.8

Average wage in slovak food processing industry has increased about 3.4% year on and has gained level of 725 € (MPSR, 2014b).

The transformation process of the Slovak economy from the centrally planned economy into the market economy was not completed and left its marks in the form of ineffective allocation of production factors in the sphere of the agricultural basic industry. The achievement of the optimal allocation of production resources would be reached by the monitored group only in case of decreased number of employees and increased intensification factors in production (Kotulič and Pavelková, 2014).
Slovak agrifood complex has considered the entry into the EU as necessary even though it has not brought only positives. The most negative features of the integration are considered to be a fall in prices of many first core agrarian products caused by the entry into the open market. The low production quotes and the change of the subsidy system from the continuous to the payment at the end of the year have also had unfavourable impact. Though the mentioned handicaps, the entry into the EU has brought also the positive effects for the entrepreneurs in the food industry. There is wider posibility of the economic expansion; on the other hand, the competitive pressures have increased (Dubravská, 2013).

Competitiveness

Competitiveness of the agri-food comodities is the basic assumption to secure sufficient supply of quality and affordable Slovak foodstuff to satisfy domestic demand to provide the food security of the country.

Table 4. Share of Slovak food-stuffs at domestic market in 2002-2011

Sector/Year	2002	2007	2008	2009	2010	2011
Milk	90,7	60,4	58,9	58,0	47,9	52,9
Meat	85,4	57,9	53,4	49,3	42,6	42,3
Poultry	86,9	51,1	56,3	50,8	32,9	35,2
Mill	86,2	78,9	72,7	66,0	36,1	50,7
Bakery-comfectionary	59,3	45,0	52,2	48,2	46,0	43,3
Brewing-malt	91,7	85,8	85,1	84,3	83,4	79,5
Alcohol	69,3	34,5	18,0	31,1	18,9	21,4
Starch	92,7	69,9	88,6	64,6	75,6	64,7
Fat	47,7	46,2	38,0	30,5	28,8	27,1
Sugar	77,4	42,6	35,9	33,6	29,0	27,4
Sweet-pastries	43,3	20,1	21,7	22,3	23,5	27,6
Non alcoholic beverages	75,2	54,4	59,9	57,4	53,6	51,2
Wine	75,9	51,5	51,1	30,8	43,0	43,4
Canning	54,9	28,7	37,8	42,6	41,0	28,0
Freezing	52,3	32,8	28,6	26,0	13,3	17,8
Fish	30,7	40,3	29,1	37,7	29,2	17,3

Slovak small food market is stocked in sufficient quantities not only in terms of quality but also in terms of diversity. It is important to sell the most Slovak products via network of retail chains to maintain the prosperity of the Slovak

agrarian countryside, respectively of the sustainable development of the agrarian countryside and food processing industry. Table 4 presents share of Slovak food-stuffs at domestic market in 2002-2011 (Matošková and Gálik, 2013). We can see declining trend in the share of the Slovak food-stuffs at domestic market during the searched period comparing the year 2011 to 2002. The best position has Brewing – malt sector with the 79.5% domestic share and the worst position has Fish sector with 17.3% domestic share.
92% of searched companies declared that their volume of sales in the foreign markets has increased during the searched period (years 2010-2013). 77% of searched sample declared their satisfaction with their foreign business activities. All companies stated that they operate in foreign markets mostly regularly. Trade liberalizing has influence the situation at the domestic markets. There are less domestic products of the chosen industry on the market in the Slovak republic. Particularly, opening markets and import have brought strong price competition and Slovak producers have not been prepared on it. 23% of all searched companies declared the extreme impact, 61% declared medium impact, 8% low impact and 8% minimum impact of growing competitiveness in the domestic market as the most important factor by influening their foreign business activities.
Competitiveness started to be solved in the era of Slovak economy transformation and preparation on the entry into the EU. By the entry into the EU advantages related with liberalisation of mutual business exchange and application of the supportive systems (CAP) started to pass (Bujňáková, 2010).

Table 5. Count of Customs Tarrif Book items pursuant to RCA index

Indicator	**2002**	**2007**	**2008**	**2009**	**2010**	**2011**
Number of Custom Tarrif Book items with comparative advantages	75	56	56	56	52	51
Number of Custom Tarrif Book items with comparative disadvantages	121	134	133	132	133	136
Number of non-tradable Custom Tarrif Book items	4	10	11	12	15	13
Total number of Custom Tarrif Book items	200	200	200	200	200	200

Number of Custom Tarrif Book items with comparative advantages has declined about 32% in the period 2002-2011. On the other hand, number of Custom Tarrif Book items with comparative disadvantages has increased about 12% in the period 2002-2011.

Summary

The interest of the Slovak Republic is to maintain efficient agriculture in the conditions of the growing world economy globalization. Agri-food sector is reasonable priority of the economic policy according to its specific position and importance by nutrition providing, by natural resources managing and by realization of the socially important non-production functions (Matošíková a Gálik, 2013). One of the relevant globalization processes consequences is competitive environment sharpening and subsequent pressure on the business efficiency (Závarská and Dubravská, 2010). Totally 365 companies belonging according to their production to the food processing industry acted in the Slovak Republic in 2012. 69% of all companies were profitable. About 2.06% of all employees in the Slovak Republic have been employed in the food processing industry. Competitiveness of the agri-food comodities is the basic assumption to secure sufficient supply of quality and affordable Slovak foodstuff to satisfy domestic demand a to provide the food security of the country. We can see declining trend in the share of the Slovak food-stuffs at domestic market during the searched period comparing the year 2011 to 2002. We can state also declining number of Custom Tarrif Book items with comparative advantage pursuantto RCA index in the Slovak food processing industry. By wider questionning, the largest food industry enterprises in the SR were searched from the viewpoint of company strategy, internationalization forms, sale of their products in foreign markets as the identification of reasons of their foreign business activities. All searched companies realize internationalization activites and they perfom them mainly regularly. The most realized activities are export and indirect export. The sales volume abroad has grown almost by all companies during the last 3 years. 77% of all companies are satisfied with their internationalization activites. We have found out that the most important factors influencing the internationalization of the entrepreneurship of the searched companies are management interest about the teritorial expansion and an effort to build perspective market position abroad. The less important factor seems to be the lack of subcontractors in the domestic market

There is a great opportunity for Slovak food processing industry – foreign investments. There is significant difference between the milk industry (with foreign investors) that is profitable and only local meat industry that is non-profit-making. Investments'impact on the Slovak food industry is considerable even from the viewpoint of their positive effects on the primary production (Dubravská, 2013).

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SŁOWACKI PRZEMYSŁ PRZETWÓRSTWA SPOŻYWCZEGO W KONTEKŚCIE TENDENCJI GLOBALIZACJI I INTEGRACJI

Streszczenie: Celem niniejszego artykułu jest ocena pozycji przemysłu przetwórstwa spożywczego w Republice Słowackiej w kontekście tendencji globalizacji i integracji. Integracja z rynkami Europy Zachodniej przyniosła dla słowackich przedsiębiorstw z jednej strony wiele korzyści i możliwości, z drugiej strony wzrost konkurencji. Republika Słowacka zainteresowana jest utrzymaniem wydajnego rolnictwa w warunkach rosnącej globalizacji gospodarki światowej. Sektor rolno-spożywczy jest racjonalnym priorytetem polityki gospodarczej zgodnie z jego specyficzną pozycją i znaczeniem poprzez zapewnienie żywienia, zarządzanie zasobami naturalnymi i realizację ważnych społecznie funkcji niezwiązanych z produkcją.
Słowa kluczowe: przemysł przetwórstwa spożywczego, pozycja, Republika Słowacka, globalizacja, integracja.

斯洛伐克食品加工業在全球化和一體化趨勢的背景

摘要：這篇文章的目的是評估在全球化和一體化趨勢的背景下，食品加工業在斯洛伐克共和國的立場。與西歐市場一體化帶來了許多好處和機會，斯洛伐克的企業，一方面，加重了另一方面的競爭。斯洛伐克共和國的利益是保持高效農業發展中的世界經濟全球化的條件。農業食品部門是根據其通過提供營養，由自然資源管理和實現社會重要的非生產函數的具體位置和重要性合理的經濟政策優先
關鍵詞：食品加工行業，職位，斯洛伐克共和國，全球化，一體化