
Support for Farmers' Cooperatives

Country Report Slovakia

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Preface and acknowledgements

In order to foster the competitiveness of the food supply chain, the European Commission is committed to promote and facilitate the restructuring and consolidation of the agricultural sector by encouraging the creation of voluntary agricultural producer organisations. To support the policy making process DG Agriculture and Rural Development has launched a large study, “Support for Farmers’ Cooperatives (SFC)”, that will provide insights on successful cooperatives and producer organisations as well as on effective support measures for these organisations. These insights can be used by farmers themselves, in setting up and strengthening their collective organisation, and by the European Commission in its effort to encourage the creation of agricultural producer organisations in the EU.

Within the framework of the SFC project this country report on the evolution of agricultural cooperatives in Slovakia has been written.

Data collection for this report has been done in the summer of 2011.

In addition to this report, the project has delivered 26 other country reports, 8 sector reports, 33 case studies, 6 EU synthesis reports, a report on cluster analysis, a study on the development of agricultural cooperatives in other OECD countries, and a final report.

The Country Report of Slovakia is one of the country reports that have been coordinated by Konrad Hagedorn and Renate Judis, Humboldt Universität zu Berlin. The following figure shows the five regional coordinators of the “Support for Farmers’ Cooperatives” project.

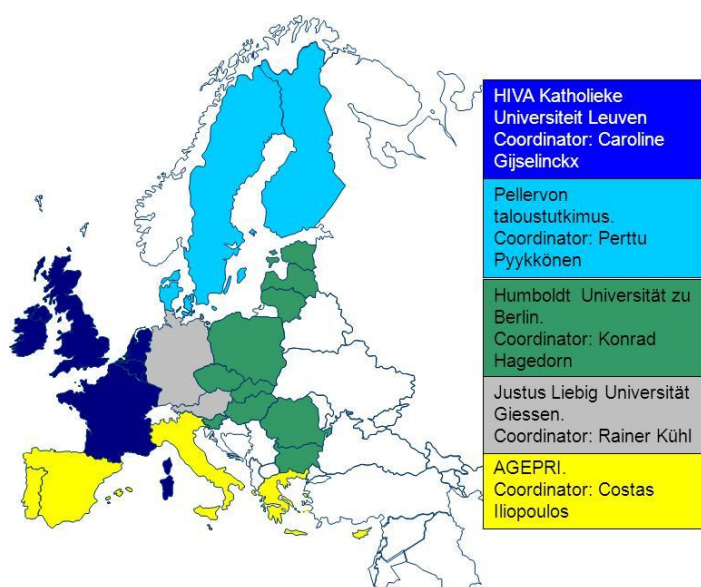


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1 Introduction

The objective of this chapter is to give an introduction to the project and the report. We also provide definitions for cooperatives (including producer organisations) that rule this study. For efficiency reasons we have provided a basic text.

1.1 Objective of the study

The imbalances in bargaining power between the contracting parties in the food supply chain have drawn much attention, also from policy makers. The European Commission is committed to facilitate the restructuring of the sector by encouraging the creation of voluntary agricultural producer organisations. DG Agriculture and Rural Development has launched a large study, “Support for Farmers' Cooperatives”, that will provide the background knowledge that will help farmers organise themselves in cooperatives as a tool to consolidate their market orientation and so generate a solid market income. In the framework of this study, this report provides the relevant knowledge from Slovakia.

In this context, the specific objectives of the project, and this country report, are the following:

First, to provide a comprehensive description of the current level of development of cooperatives and other forms of producer organisations in Slovakia. The description presented in this report will pay special attention to the following drivers and constraints for the development of cooperatives:

- Economic and fiscal incentives or disincentives and other public support measures at regional and national;
- Legal aspects, including those related to competition law and tax law;
- Historical, cultural and sociologically relevant aspects;
- The relationship between cooperatives/POs and the actors of the food chain;
- Internal governance of the cooperatives/POs.

Second, identify laws and regulations that enable or constrain cooperative development and third, to identify specific support measures and initiatives which have proved to be effective and efficient for promoting cooperatives and other forms of producer organisations in the agricultural sector in Slovakia.

1.2 Analytical framework

There are at least three main factors that determine the success of cooperatives in current food chains. These factors relate to (a) position in the food supply chain, (b) internal governance, and (c) the institutional environment. The position of the cooperative in the food supply chain refers to the competitiveness of the cooperative vis-à-vis its customers, such as processors, wholesalers and retailers. The internal governance refers to its decision-making processes, the role of the different governing bodies, and the allocation of control rights to the management (and the agency problems that goes with delegation of decision rights). The institutional environment refers to the social, cultural, political and legal context in which the cooperative is operating, and which may have a supporting or constraining effect on the performance of the cooperative. Those three factors constitute the three building blocks of the analytical framework applied in this study (Figure 1).

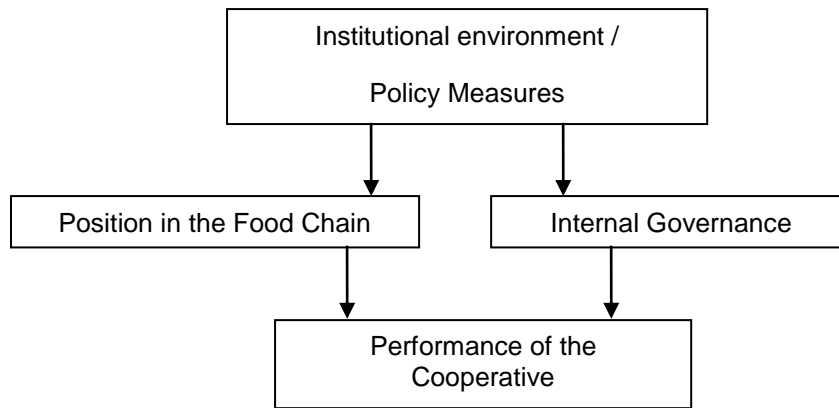


Figure 1. The core concepts of the study and their interrelatedness

1.3 Definition of the cooperative

In this study on cooperatives and policy measures we have used the following definition of cooperatives and Producer Organisations (POs). A cooperative/PO is an enterprise characterized by user-ownership, user-control and user-benefit:

- It is user-owned because the users of the services of the cooperative/PO also own the cooperative organisation; ownership means that the users are the main providers of the equity capital in the organisation;
- It is user-controlled because the users of the services of the cooperative/PO are also the ones that decide on the strategies and policies of the organisation;
- It is for user-benefit, because all the benefits of the cooperative are distributed to its users on the basis of their use; thus, individual benefit is in proportion to individual use.

This definition of cooperatives and POs (from now on shortened in the text as cooperatives) includes cooperatives of cooperatives and associations of producer organisation (often called federated or secondary cooperatives).

1.4 Method of data collection

Multiple sources of information have been used, such as databases, interviews, corporate documents, academic and trade journal articles. The databases used are Amadeus, FADN, Eurostat and a database from DG Agri on the producer organisations in the fruit and vegetable sector. Also data provided by Copa-Cogeca has been used. In addition, information on individual cooperatives has been collected by studying annual reports, other corporate publications and websites. Interviews have been conducted with representatives of national associations of cooperatives, managers and board members of individual cooperatives, and academic or professional experts on cooperatives.

1.5 Period under study

This report covers the period from 2000 to 2010 and presents the most up-to-date information. This refers to both the factual data that has been collected and the literature that has been reviewed.

2 Facts and figures on agriculture

This chapter provides general information about agricultural sector in Slovakia. This part report on share of agriculture in the economy, output per sector, farm structure and specialization, size of farms, age structure of farmers, farm specialization and economic indicators of farms.

2.1 Share of agriculture in the economy

The share of agriculture in the economy has been declined over time. In 2003 the share of agriculture in economy reached 4.5% of GDP compared with the year 2007 it was nearly 4% of GDP (Figure 2). According to Eurostat 2011 the share of agriculture in the Slovak economy in 2010 received less than 3% of GDP.

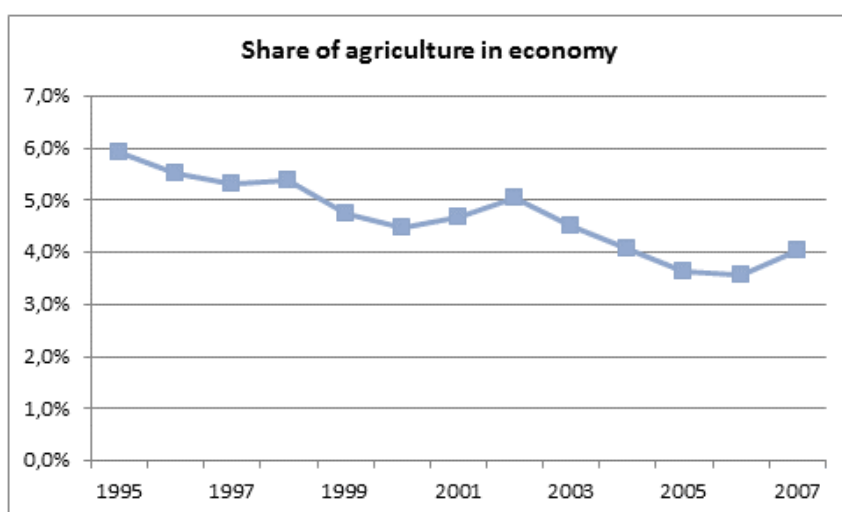


Figure 2 Share of agriculture in GDP. Source: Eurostat Nat. Accounts

2.2 Agricultural output per sector

Figure 3 provides information on the main agricultural sectors in Slovakia. As can be seen, Cereals, Pig meat, Dairy and Fruit and vegetables are significant sectors in Slovak agriculture. Development of output per sectors have been increased in Cereals and Dairy, stable in Fruit and vegetables and significantly decreased in Pig meat between the year 2004 and 2010.

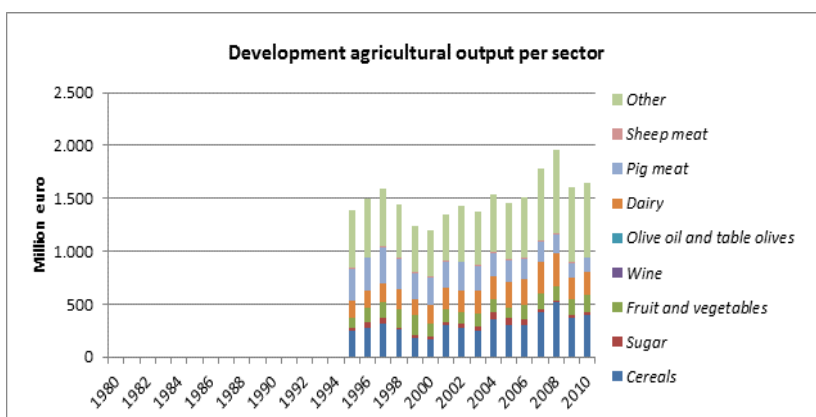


Figure 3 Development of the different sectors in agriculture, value of production at producer prices, in millions of Euro. Source: Agriculture Economic Accounts, Eurostat

Figure 4 below shows the development in output for the period 2001-2009, calculated on a 3-year average around 2001 and around 2009 (so 2008, 2009, 2010). As can be seen for all agricultural sectors, the output showed a positive trend with the exception of Pigs. The output increased the most for Cattle and Cereals.

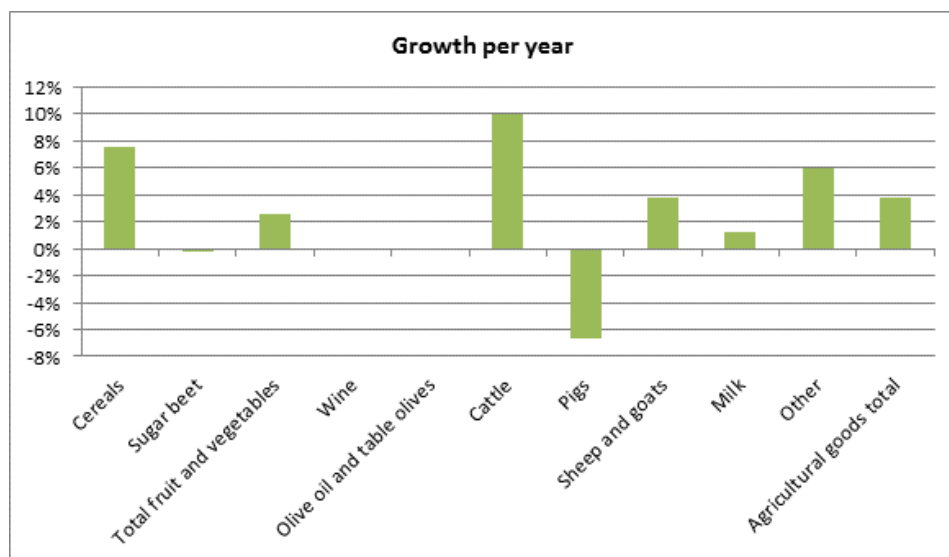


Figure 4 Trend in output per sector "2001" - "2009". Source: Economic Accounts of Agriculture, Eurostat

2.3 Development in the number of farms

The number of farms in Slovakia is given in Table 1 and Figure 5. Table 1 gives the number of farms in total and for the main types (the mapping between sectors and specialist farm types are the numbers in the table), for 2000 and 2007, as well as the development. As can be seen there were different trends between the sectors in the number of farms. The percentage change of farms increased the most for the Wine and Total fruits and vegetables sectors and decreased in the Beef, Dairy and Pig meat ones. Graph 4 below provides the data in graphical format.

Table 1 Number of farms

	2000	2007	% change per year
Cereals	5 770	7 930	4.65
Sugar	6 890	8 140	2.41
Pig meat	3 610	2 900	-3.08
Sheep meat	2 360	3 330	5.04
Total fruits and vegetables	480	790	7.38
Horticulture	120	270	
fruit and citrus fruit	360	520	
Olive oil and table olives	0	0	
Wine	1 040	3 700	19.88
Dairy	9 280	6 740	-4.47
Beef	890	400	-10.80

Source: Eurostat, Farm Structure Survey

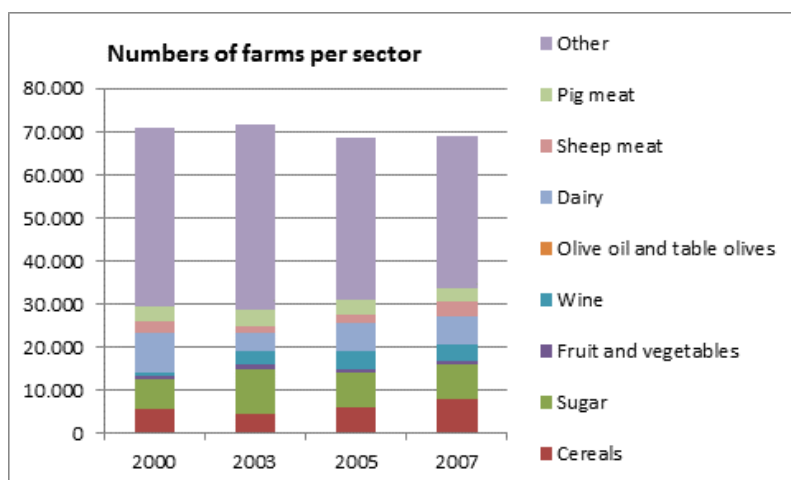


Figure 5 Number of farms 2000 - 2007 with data per specialist type of farming. Source: Eurostat, Farm Structure Survey

2.4 Size of farms

Farms differ in size ranging from small part-time farms to large enterprises. Figure 6 shows the distribution of farms per size class, measured in European Size Units (ESU). For the different types of farming, Graph 5 gives the number of farms per size class.

As can be seen there is a difference between types of farming and especially on sectors having large as well as small farms. Farm heterogeneity might have an influence on decision making in cooperatives. The heterogeneity of farms based on ESU size class is small in the Pig meat, Sugar, Dairy sectors, while it is more predominant in the Cereals, Horticulture and Fruits sectors.

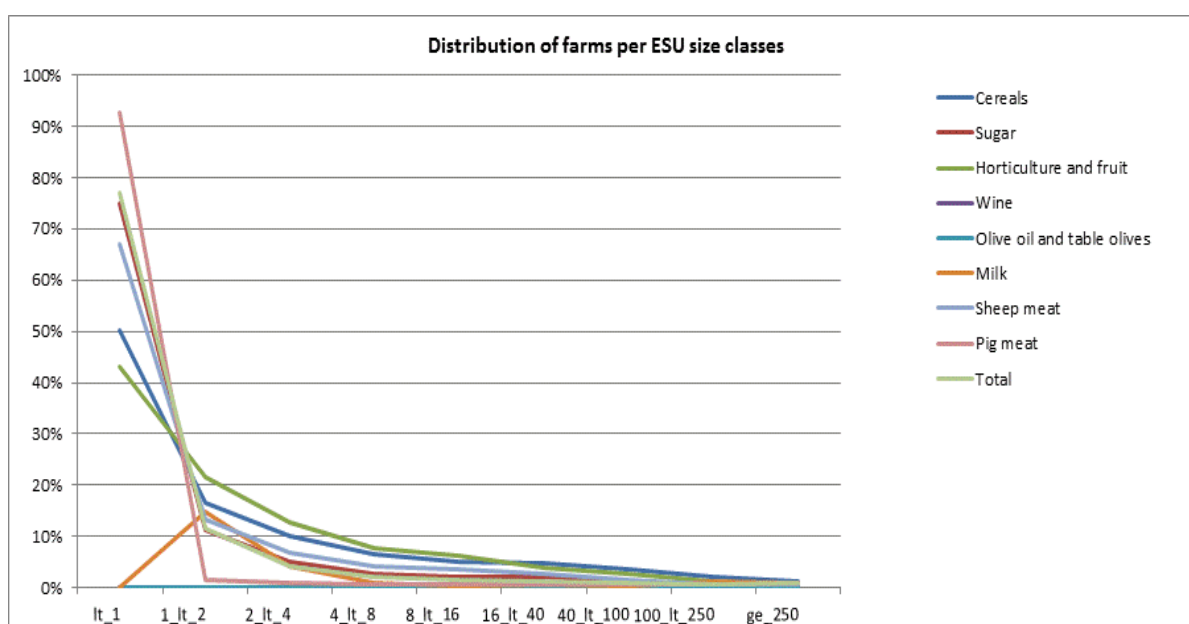


Figure 6 Number of farms per size class, measured in ESU, per specialist type of farming. Source: Eurostat, Farm Structure Survey

2.5 Age of farmers: distribution of farms to age classes

The age of farmers differs. Figure 7 shows the distribution of farmers per age classes in EU27. The number of farms per age class differs between member states. Slovakia belongs to the

counties where more than half of the farmers are more than 55 years old. Slovakia is ranked as country with a lower percentage of young farmers. Farmers with the age under 35 years represent less than half of EU27 average. This age heterogeneity may affect the horizontal decision making process in cooperatives (e.g. inovative development of coops).

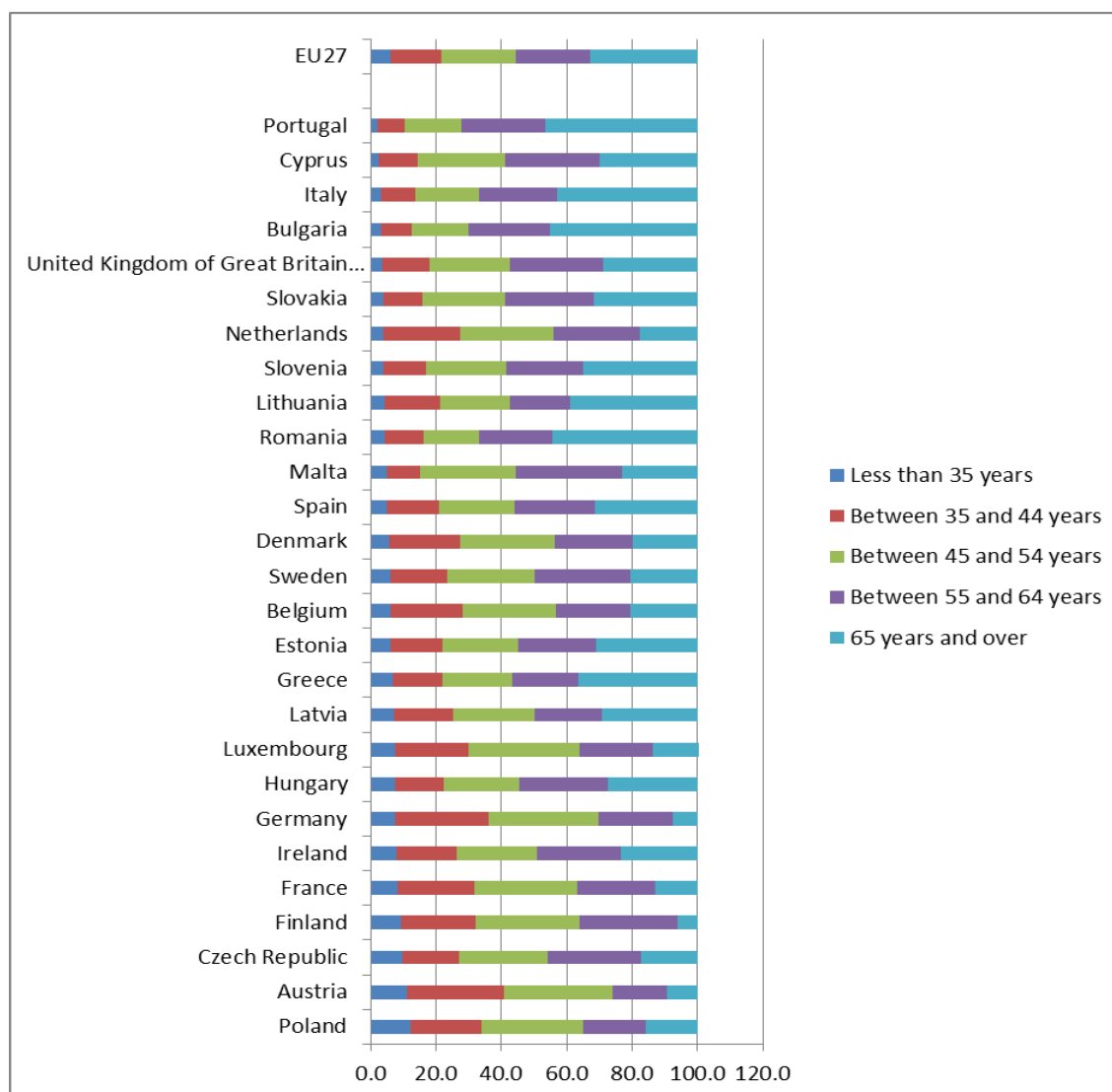


Figure 7 Percentage of farmers per age class, per Member State and EU27, 2007 (ranked with countries with the lowest percentage of young farmers on top). Source: Eurostat, Farm Structure Survey.

2.6 Specialisation of farm production

Cooperatives may have member-farmers of different farm sizes or different ages. Farms also have a different composition of their production and their input. This is even true for specialist farms, where e.g. some so-called specialst dairy farmers also have beef or sheep or sell hay. In addition to that, a lot of mixed (non-specialized) farms exist. The heterogeneity of farming in terms of specialisation is estimated by the share that specialized farms have in the total production. As can be seen in Figures 8A and 8B, the farm specialization increased between 2000 and 2007 both in plant and animal production. The highest specialization of farm production is in the Sheep, Wine and

Cereal sectors where the share of specialized farms amounts to about 45-50% in the total production.

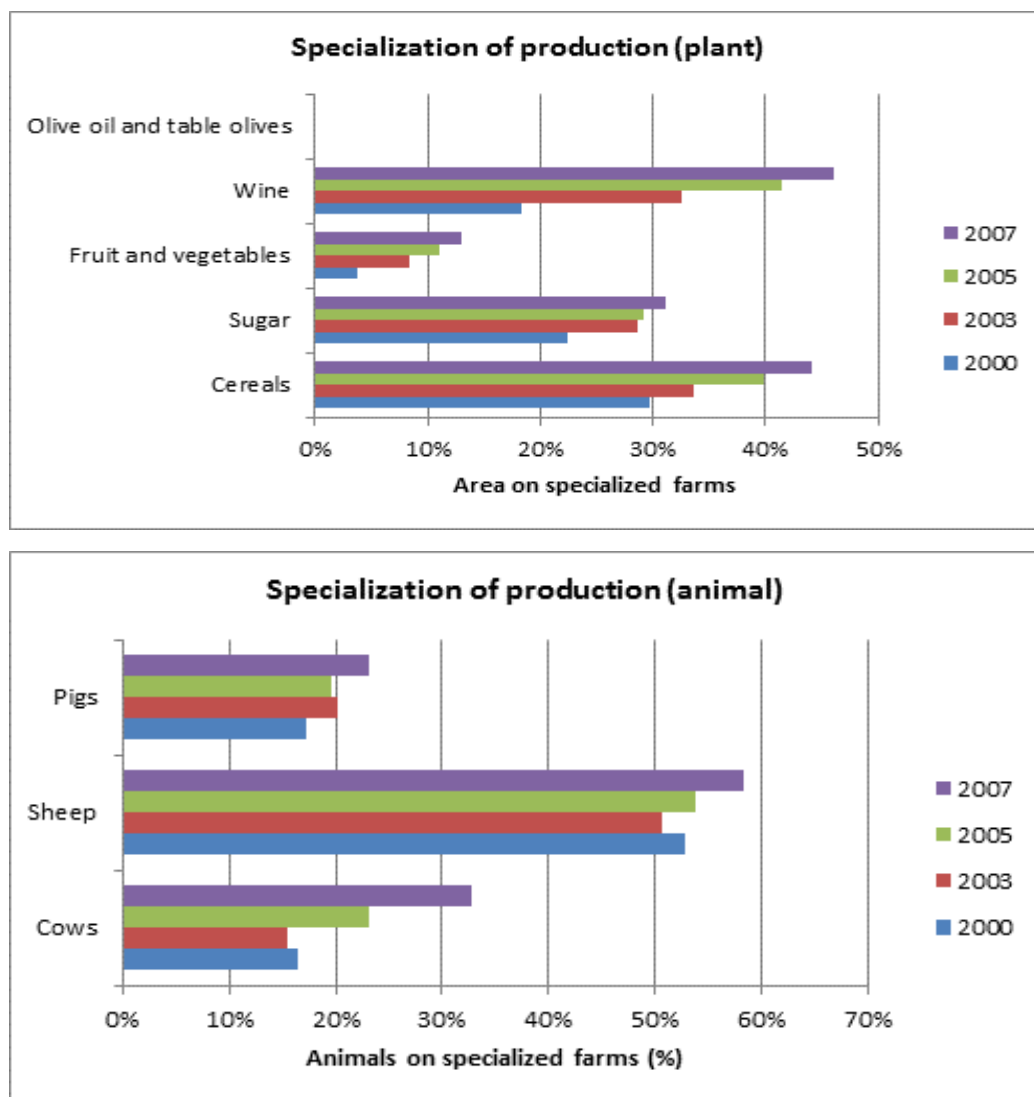


Figure 8A & 8B Heterogeneity in farm production: the share of specialist farm types in total production. Source: Eurostat, Farm Structure Survey

2.7 Economic indicators of farms

Data from the Farm Accountancy Data Network (FADN) are available for the three-year average of 2007-2009. The description of agriculture is concluded with some economic indicators (Table 2). These indicators focus on the net value added and income from farming for farmers as well as the level of their investment. The economic size of farms is larger in animal production (Dairy and Sheep meat sectors) than in plant production (Cereals and Sugar sectors). The labour input is, on average, higher in labour-intensive animal production sectors than machine-intensive crops production. Average Farm Net Income and Net Investment per farm are positive for the Cereal sector and negative in the Dairy, Sheep meat and Sugar sector. Some of the investment might be in equity of the cooperatives, but far the most will be in farm assets.

Table 2 Economic indicators for farms

Economic indicators average per farm (2006 - 2008)

	Cereals	Sugar	Fruit and vegetables	Dairy	Wine	Pig meat	Sheep meat
Economic size-ESU	79,67	64,10	-	168,93	-	-	81,10
Total labour input-AWU	7,55	7,54	-	29,90	-	-	16,25
Total Utilised Agricult. Area-ha	423,30	197,45	-	821,42	-	-	590,63
Total output €	272539	194361	-	631769	-	-	299093
Farm Net Value Added €	74841	45005	-	138510	-	-	83708
Family Farm Income €	17639	-1584	-	-84757	-	-	-22282
Total assets €	470782	329686	-	1849242	-	-	1035484
Net worth €	411646	282993	-	1696437	-	-	953901
Gross Investment €	55063	35783	-	84443	-	-	77977
Net Investment €	3109	-4446	-	-134135	-	-	-38266
Total subsidies-excl.investm. €	76835	44081	-	242288	-	-	169683
Farms represented	1387	750	15	313	13	27	310

note: - less than 3 years available

Source: DG Agri, FADN

3 Evolution, position and performance of cooperatives

Chapter 3 builds up the know-how on cooperatives in a number of steps, in different sections. It starts with a section on the types of cooperatives that exist in Slovakia (3.1). Section 3.2 describes farmers' cooperatives in the food chain, which provides data on the market share of the farmer cooperatives and the main eight sectors. In section 3.3 there is a list of the 50 largest cooperatives in the food chain. The section 3.4 provides the list of transnational cooperatives active in Slovakia.

3.1 Types of cooperatives

The purpose of this section is to inform the reader to which extent cooperatives are an important phenomenon in Slovakia. This is not restricted to cooperatives in the food chain, or even in agriculture. This section provides information to which extent cooperatives are active in the economy.

In the literature, there is a large number of typologies and classifications to describe cooperatives. Based on a literature review and a discussion with the European Commission we choose the following classifications of cooperatives to describe the agricultural cooperatives in Slovakia:

- Sector
- Main functions
- Diversity of function and products
- Position and function in the food chain
- Type of members
- Geographical scope
- Financial/ownership structure
- Legal form

According to data from Statistical Office of Slovak republic, there are 1580 cooperatives registered up to 31.12.2010

Table 3 Number of cooperatives

Year	1993	2004	2005	2006	2007	2008	2009	2010	Index 2010-1993	Index 2010-2004
number of coop.	1922	1564	1542	1501	1492	1535	1553	1580	0.82	1.01

Source: Statistical Office

The largest group are cooperatives active in the agricultural sector - farmers (597 in 2009) and cooperatives providing agricultural services (34 in 2009). Agricultural cooperatives produce on an area of 52% of the agricultural land in Slovakia, i.e. app. 1,268,000 ha. Most of cooperatives are members of Union of agricultural cooperatives and companies in SR.

From other types of cooperatives there are mainly following:

- a) Manufacturing
- b) Housing
- c) Consumption

About 50% of cooperatives are members of national cooperative associations and the Cooperative Union of SR.

In present time, farmers are being associated in the new form of cooperatives, so called “producer groups”. These groups were established to facilitate the role of farmers in the market. They help to:

- fit the amount of production to market demand,
- common introduction of products in the market,
- increase added value of common production and its valorisation,
- set the common rules for information on production in respect to harvesting and disponibility of production.

History of traditional cooperatives

Agricultural cooperatives as a form of business in Slovakia have a long tradition. The first cooperative was established in Slovakia in 1845. It played an important role in the early 20th century for small producers in the growing market economy. Its dominant position was kept in addition to state farms during the period of centrally planned economy 1948-1989, even though the idea of cooperative greatly distorted. In 1990 the process of transforming the national economy to a market economy started, which has significantly affected the agriculture and entrepreneurship in this sector. Agricultural cooperatives embarked on a long journey of the transformation process. Result of cooperative transformation was approved transformation project, part of which was the decision on the further existence of the cooperative. They could have been changed into a commercial company (joint stock company, limited liability company, public company, limited partnership), or adapt to new legislation of cooperatives under the new Commercial Code. The bulk of the cooperatives decided to continue the cooperative form of business. Above mentioned cooperatives operate in almost all the sectors except olive oil and table olives. Their production is usually oriented to more sectors.

In the following part of the report, we will focus on **cooperatives as „producer organisations“** as the main object of the report. Producer organisations started to be established in order to increase economic power of its members in the market. In Slovakia, only several of the producer organizations were established before entering into EU. It was partly caused by insufficient knowledge of their meaning, structure, benefits and practicality. An important barrier was also the non-existence of stimulus for them before EU accession. The situation has changed after EU accession in 2004. Sixteen producer organisations were established in the year 2004. In 2010, there were 74 functioning in practise. All of them are supported from EU funds through programmes for rural development. The remarkable point is that they are oriented to only one sector and their members can be members of only one such kind of organisation per sector.

Table 4 Sectoral orientation of producer organisations

Dairy	Potatoes
Beef	Cereals
Pig meat	Oils seeds and leguminous plants
Poultry and eggs	Hops
Sheep	grapes
Goats	medicinal, aromatic and spice plants
Bee products	Fruit and Vegetable

Source: Statistical Office

Main functions of producer organisations are mainly as follows:

- Joint sale of products
- Providing farm inputs for members
- Providing farm machinery services
- Marketing of products

Diversity of functions and products

Producer organisations do not diversify their activities. Their economic activities are connected to sale and marketing of a single product.

Position and function of the coop/PO in the food chain.

The main task of producer organisations is collective bargaining on product sale on the market. Their position depends on the sector they represent. With the view to the total turnover of the sectors, the market share of producer organisations is highest in the Dairy (24.5%), Potatoes (17.9%), and Cereals (15.9%) sectors. Their position is quite dominant since they represent only several cooperatives (5-7 producer organisations) in comparison to the overall number of cooperatives in various sectors. Mainly large cooperatives are involved as members in producer organisations. There is quite low share of other legal forms and individual farmers.

Classification based on the types of members

Producer organisations can be classified as secondary cooperatives. They combine economic functions with lobbying functions, which is relevant from a supporting policies perspective.

Geographical scope of the membership

- Local (e.g. municipality) – not applicable in Slovakia
- Regional - principally cooperatives enter into producer organisations in the particular region of their establishment and the place of their entrepreneurship. Distribution of producer organisations is not proportional within the country as demonstrated in Table 5.

Table 5 Regional distribution of producer organisations

County/Region	Number of approved projects	
	number	%
Bratislavsky	0	0
Trnavsky	27	42.86
Trenciansky	8	12.7
Nitriansky	8	12.7
Zilinsky	7	11.11
Banskobystricky	5	7.94
Presovsky	3	4.76
Kosicky	5	7.94
SK total	63	100

Source: RIAFE

More than half of the producer organisations (35) is situated in the western part of Slovakia (they associate 203 members).

- Interregional - not applicable in Slovakia
- National - not applicable in Slovakia
- Transnational - not applicable in Slovakia

Financial/ownership structure

- traditional cooperatives

The producer organisations represent the traditional co-operative model, where collective ownership and governance is predominating. The strength is that it promotes low costs for the buying inputs (e.g. seeds, fertilizers, pesticides) and selling agricultural commodities of very large quantities (for relatively higher prices than individually sold).

Legal form

- cooperative
- limited liability company (Ltd.)

Legal form of majority of producer organisations is cooperative. Their members are also mainly cooperatives.

Table 6 Legal form of producing organisations supported through Rural Development Programme of SR for years 2007-2013

Legal form	Approved projects	
	amount	%
Cooperative	60	95.24
Ltd.	3	4.76

Source: RIAFE

3.2 Market share of farmers' cooperatives in the food chain

Table 7 Market Share of Cooperatives

	"2004"		"2010"		Comments
Sector	Number of members	Market Share (%)	Number of members	Market Share (%)	
Cereals	5	3	32	15.9	6.4 fold increase in number of members/5.3 fold increase in market share
Sugar	0	0	0	0	
Pig meat	2	2	4	11.1	2 fold increase in number of members/5.55 fold increase in market share
Sheep meat	1	1	0	0	
Fruit and vegetables	6	n.a.	7	10.2	
Dairy	6	9	18	24.5	3 fold increase in number of members/2.72 fold increase in market share
Wine	0	0	0	0	
Poultry and eggs	0	0	3	13.9	
Tobacco	1	86.5	0	0	
Potatoes	1	11.2	3	17.9	
Beef meat	0	0	1	1.7	
Oilseeds and pulses	0	0	11	11.3	

Source: Agricultural Paying Agency

3.3 List of top 50 largest farmers' cooperatives

This section details the list above and provides the reader with information of the names of the 50 largest (in terms of sales) cooperatives in the food chain. This excludes cooperatives in (agricultural) banking, insurance, flowers, energy, (machine) services, etc. It includes cooperatives that are input suppliers (feed, breeding) and cooperatives in sectors that are not studied in detail in this project.

Table 8 The 50 largest farmers' cooperatives (according to turnover) in the food chain of Slovakia

	Name of the Cooperative (producer organisations)	Sector involved in:
1	Odbytové družstvo mlieka Levice, družstvo	Milk
2	Odbytové družstvo Bebrava	Pigs
3	Odbytové družstvo Jevišovice	Oilseeds and pulses
4	Odbytové družstvo Ponitrie	Poultry and eggs
5	Výrobno odbytové družstvo Mliečny východ	Milk
6	NOVOMILK Slovakia, a.s.	Milk
7	SAVYN, odbytové družstvo	Milk
8	ODO - Odbytové družstvo obilnín Trnava	Cereals
9	Ovocinárske družstvo BONUM	Fruit and Vegetable
10	Odbytové družstvo mlieko BEBRAVA	Milk
11	Liptovské odbytové družstvo	Milk
12	Odbytové družstvo obilniny Hordeum Agro	Cereals
13	Zemiakarské obchodné družstvo	potatoes
14	Odbytová organizácia výrobcov - družstvo Šamorín	cereals
15	Odbytové družstvo Dvory, družstvo	Pigs
16	GEMILK družstvo	Milk
17	Odbytové družstvo obilniny KOSTRIN	Cereals
18	EGGS VAN - Odbytová organizácia prvovýrobcov hydiny a	Poultry and eggs
19	Odbytové družstvo obilniny BEBRAVA	Cereals
20	Odbytové družstvo olejnin BEBRAVA	Oilseeds and pulses
21	AGROMA družstvo, družstvo	Cereals
22	Odbytové družstvo mlieko KOSTRIN	Milk
23	Odbytové družstvo producentov ovocia SK FRUIT	Fruit and Vegetable
24	GreenCoop družstvo	Fruit and Vegetable
25	ČILIZMILK, odbytové družstvo, družstvo	Milk
26	Výrobno odbytové družstvo Čergov	Milk
27	Odbytové družstvo GEMER, družstvo	Cereals
28	Odbytová organizácia výrobcov - družstvo Horná	Cereals
29	OOV Zempol - družstvo	oilseeds and pulses
30	Mlieko Považie OOV-družstvo	Milk
31	CORNEA, odbytové družstvo	Cereals
32	Odbytové družstvo olejnin Heliantus Agro	Oilseeds and pulses
33	Odbytové družstvo Kysuca, družstvo	Poultry and eggs
34	MilkContract, odbytové družstvo	Milk
35	Odbytové družstvo BI	Cereals
36	Odbytová organizácia výrobcov - družstvo Michal	Cereals
37	Odbytová organizácia výrobcov - družstvo Jurová	Cereals
38	Odbytová organizácia výrobcov - družstvo AGRO	Cereals

39	Odbytová organizácia výrobcov - družstvo Hradská	Cereals
40	DRUTOMA družstvo	Fruit and Vegetable
41	OILAGRO, odbytové družstvo	Oilseeds and pulses
42	Odbytová organizácia výrobcov - družstvo Blahovo	Cereals
43	Odbytové družstvo Dunaj	Cereals
44	Odbytové družstvo producentov rajčín	Fruit and Vegetable
45	Odbytové družstvo Kráľová	Oilseeds and pulses
46	Odbytové družstvo KK	Oilseeds and pulses
47	Odbytová organizácia výrobcov - družstvo Gabčíkovo	Cereals
48	Odbytové družstvo ARVUM	Milk
49	Výrobno odbytové družstvo AGROPRODUCT	Cereals
50	Výrobno odbytové družstvo olejní Šariš	Oilseeds and pulses

Source: Agricultural Payment Agency

3.4 List of top 5 largest farmers' cooperatives per sector

In this study we focus on relevant sectors. This section provides the reader with the names of the 5 largest cooperatives per food sector. Most of the names are in the list above, but it is possible that in some sectors the cooperatives (or producer organisations) are rather small, and are not in the Top-50.

Table 9 Most important cooperatives in the sectors studied in this project

Sector		Name of Cooperative
Cereals	1	ODO - Odbytové družstvo obilnín Trnava
	2	Odbytové družstvo obilniny Hordeum Agro
	3	Odbytová organizácia výrobcov - družstvo Šamorín
	4	Odbytové družstvo obilniny KOSTRIN
	5	Odbytové družstvo obilniny BEBRAVA
Dairy	1	Odbytové družstvo mlieka Levice, družstvo
	2	Výrobno odbytové družstvo Mliečny východ
	3	NOVOMILK Slovakia, a.s.
	4	SAVYN, odbytové družstvo
	5	Odbytové družstvo mlieko BEBRAVA
Pig meat	1	Odbytové družstvo Bebrava
	2	Odbytové družstvo Dvory, družstvo
	3	ČILIZMÄSO, odbytové družstvo, družstvo
	4	Odbytové družstvo HB
Fruit and Vegetable	1	Ovocinárske družstvo BONUM
	2	DRUTOMA družstvo
	3	Odbytové družstvo producentov ovocia SK FRUIT
	4	GreenCoop družstvo
	5	Odbytové družstvo producentov rajčín
Oil seeds and leguminous	1	Odbytové družstvo Jevišovice
	2	Odbytové družstvo olejní BEBRAVA
	3	OOV Zempol - družstvo
	4	Odbytové družstvo olejní Heliantus Agro
	5	OILAGRO, odbytové družstvo
Potatoes	1	Zemiakarské obchodné družstvo
	2	OOV - DRUŽSTVO MALINOVO, družstvo

	3	Slovsolanum - Družstvo pestovateľov a spracovateľov zemiakov
	4	Zeleninárska spoločnosť - Kráľová pri Senci, družstvo
Poultry and eggs	1	Odbytové družstvo Ponitrie
	2	EGGS VAN - Odbytová organizácia prvovýrobcov hydiny a vajec, s.r.o.
	3	Odbytové družstvo Kysuca, družstvo
Slaughter cattle	1	Odbytové družstvo HD BEBRAVA

Source: APA

3.5 Transnational cooperatives

Not applicable in Slovakia

4 Description of the evolution and position of individual cooperatives.

This chapter is dealing with the description and analysis of annual reports of the cooperatives, contacting them and discussing with experts at national associations of cooperatives.

4.1 Data gathering per cooperative

Data for the questionnaire were gathered through e-mails, publications, websites, telephone and personal interviews. Interviews have been conducted with representatives of national associations of cooperatives, managers and board members of individual cooperatives, and professional experts on cooperatives.

4.2 Position in the food chain

In this section there are observations on the state and development of the position of the different cooperatives/POS in the food chain, which strategies do cooperatives use, and how has that changed over the last time.

Producer organisations in Slovakia are oriented to 7 sectors as described above. These sectors are not identical with the 8 sectors monitored in report (Cereals, Sugar, Fruit and vegetables, Olive oil and table olives, Wine, Dairy, Sheep meat, Pig meat). Out of these sectors, our farmers are associated in the following sectors: Cereals, Dairy, Pig meat and Oil seeds and leguminous plants.

Cereals cooperatives

The state and development of the position of the cooperatives in the food chain does not vary between the observed cereal cooperatives. They were established and supported due to measures of the rural development program and their strategies and performance show no great differences between each other. Since they started to run their business mainly during 2005-2008 driven by the policy support, their strategies are mainly focusing on: collective bargaining and in some cases collecting farm products. However, the cooperatives have not yet engaged in other major activities to strengthen their position in the supply food chain, such as providing a market (e.g. auction), collecting farm products, transport and storage, primary processing (producing intermediary products for the food industry), secondary processing (producing final consumer products), marketing commodities (bulk products; private label products), marketing branded products, wholesaling (selling both member products and non-member products), and retailing (i.e. directly selling to consumers). This could be facilitated by a policy that supports producer organizations according to the amount of production to market demand, common introduction of products in the market and set the common rules for information on production in respect to harvesting and accessibility of production.

The competitiveness of producer organizations has been raised by the common negotiation and realization of production and increased sales rates through common product marketing and propagation. In 2010, the market share of cereal producer organisations was 15.9% in the total turnover of the sector. The competitiveness of the cereal producer organizations in the food supply chain increased more than 5-fold in 2010 as compared with 2004. The marketing strategy of cereal cooperatives emphasises on low cost (cost leadership). The coops have formal groupings of members mainly per product. The members with large volumes of trade with the coop do not get any premium. The coops do not apply a differentiated cost policy between small and large members. The scope of products purchase assortment of the cooperative is narrow. The members are medium specialized farmers and have multiple crops production. In comparison with the national average, the members of the Cereals coops are more specialized.

The coops have all equity capital as individual shares of members. Only members can provide equity capital in the coops. They cannot have non-member investors directly in the cooperative or in one of its subsidiaries. Liability of members is partial for the losses of the cooperative. According to the membership policy there are medium requirements (product quality) to become a member of a coop. Membership policy on capital contribution requires only entrance fee for the new members. The cooperatives do not have members and farmer-suppliers in other EU-member states and also do not have source from foreign farmers. The coop is legally a single organization where the members represent several companies that have a different legal form.

Dairy cooperatives

The state and development of the position of the cooperatives in the food chain does not vary between observed dairy cooperatives. They were established and supported due to measures of the rural development program and their strategies and performance not differ between each other. Since they started to run their business between 2006 and 2008, they are driven by the policy support. The strategies of dairy cooperatives are mainly focusing on: providing a market, collective bargaining, integration of supplying inputs and marketing farm products and in some cases collecting farm products.

However, the activities as transport and storage, primary processing (producing intermediary products for the food industry), secondary processing (producing final consumer products), marketing branded products, wholesaling (selling both member products and non-member products), retailing (i.e. directly selling to consumers) have not yet been performed by the dairy cooperatives to strengthen their position in the supply food chain. It could be caused by the policy that supports producer organizations according to the amount of production to market demand, common introduction of products in the market and set the common rules for information on production in respect to accessibility of production. The competitiveness of dairy producer organizations has increased by common negotiation and realization of production and increased sales through common product marketing (e.g. milk machines, milk for schools policy measure). The coops have formal groupings of members mainly per product and region. The members with large volumes of trade with the coop do not get any premium. The coops do not apply a differentiated cost policy between small and large members. The scope of the purchase assortment of the cooperatives is narrow (only milk).

Coops have all equity capital as individual shares of members. Only members can provide equity capital in coops. They cannot have non-member investors directly in the cooperative or in one of its subsidiaries. Liability of members is partial for the losses of the cooperative. According to membership policy there are medium requirements (geographical, volume of delivery and product quality) to become a member of coops. Membership policy on capital contribution requires only an entrance fee for the new members. The coops do not have members and farmer-suppliers in other EU member states and also do not have sources from foreign farmers. The coops are legally one organization where the members represent several companies that have a different legal form.

The market share of all dairy producer organisations in 2010 was 24.5% of the total turnover in the sector. The competitiveness of the dairy producer organizations in the food supply chain increased almost 3-fold in 2010 as compared with 2004. The marketing strategy of dairy cooperatives emphasises on low cost (cost leadership). The members are medium specialized farmers; they have multiple crops and animal production. In comparison with the national average, the members of these coops are more specialized.

Pig meat cooperatives

The state and development of the position of the cooperatives in the food chain does not vary between the observed pig meat cooperatives. They were established and supported due to measures of the rural development program and their strategies and performance are similar.

Since they have started to run their business in 2006-2008 they are influenced by the policy measure. The strategies of pig meat cooperatives are mainly focusing on: collective bargaining and marketing of products.

To strengthen their position in the supply food chain, the pig meat cooperatives have not yet performed activities, such as transport and storage, primary processing, secondary processing, marketing branded products, wholesaling and retailing. This could be assisted by policy support goals as described for the other sectors.

The competitiveness of pig meat producer organizations has improved by common negotiation and market realization of production. The market share of all pig meat producer organisations in 2010 went up to 11.1% of the total turnover in the sector. The competitiveness of the pig meat producer organizations in the food supply chain slightly decreased in 2010 as compared with 2004. The members are medium specialized farmers growing multiple crops and having animal production. As compared with the national average, the members of these Coops are more specialized. The marketing strategy of pig meat cooperatives emphasises on low cost (cost leadership). The coops have formal groupings of member mainly per product and region. The members with large volumes of trade with the coop do not get any premium. The coops do not apply a differentiated cost policy between small and large members. The scope of products sold by the cooperative is narrow (only Pig meat).

Coops have all equity capital as individual shares of members. Only members can provide equity capital in Coops. They cannot have non-member investors directly in the cooperative or in one of its subsidiaries. Liability of members is partial for the losses of the cooperative. The membership policy puts medium requirements (geographical and product quality) to new members of the coops. Membership policy on capital contribution requires only entrance fee for the new members. The coops do not have members and farmer-suppliers in other EU member states and also do not have sources from foreign farmers. A coop is legally a single organization where the members represent several companies that have a different legal form.

Fruit and Vegetable

The members of POs in this sector are represented by individual farmers and business companies (primary cooperatives, LTD, joint-stock companies) on average with 9 members per PO. The state and development of the position of the cooperatives in the food chain does not vary between the observed cooperatives. They were supported due to the first pillar of CAP under the regulation EC 1234/2007 on single CMO and their strategies and performance are similar. The POs started to run their business between 2000 and 2008 and are driven by the policy support, their strategies are focusing on: collective bargaining, collecting farm products (including transport and storage), marketing branded products, wholesaling and retailing for the members. However, other activities, such as providing a market (e.g. auction), producing intermediary products for the food industry, producing final consumer products, have so far not been taken by the POs to strengthen their position in the supply food chain. It could be improved by a policy that supports producer organizations according to the amount of production to market demand, common introduction of products in the market and set the common rules for information on production in respect to harvesting and accessibility of production.

The competitiveness of POs have increased by common negotiation and realization of production and increased sales through common product marketing and propagation. The market share of Fruit and Vegetable POs in 2010 made 10.3% of the total turnover in the sector. The marketing strategy of Fruit and Vegetable POs emphasises on low cost (cost leadership). They have all equity capital as individual shares of members. Only members can provide equity capital in coops. They cannot have non-member investors directly in the cooperative or in one of its subsidiaries. Liability of members is partial for the losses of the cooperative. Membership policy on capital contribution requires only the entrance fee for the new members. The coops do

not have members and farmer-suppliers in other EU member states and also do not have sources from foreign farmers. The coops are legally a single organization where the members represent several companies that have a different legal form. The coops have formal groupings of members mainly per product. The members with large volumes of trade with the coops do not get a premium. The coops do not apply a differentiated cost policy between small and large members. The scope of the product assortment of the POs is narrow.

Oil seeds and leguminous plants

The members of POs in this sector are represented by individual farmers and corporate farms (primary cooperatives, LTD, joint-stock companies), on average, with the higher number of members per POs. The state and development of the position of the cooperatives in the food chain does not vary between the observed cooperatives. They were established and supported due to measures of rural development program, their strategies and performance being similar. cooperatives/POs started to run the business during 2006-2008 and are driven by policy support, their strategies are focusing on: collective bargaining and providing the inputs (e.g. seeds, fertilizers) for the members. Other activities, such as providing a market (e.g. auction), collecting farm products, transport and storage, primary processing (producing intermediary products for the food industry), secondary processing (producing final consumer products), marketing commodities (bulk products; private label products), marketing branded products, wholesaling (selling both member products and non-member products), retailing (i.e. directly selling to consumers), have not yet been taken by the cooperatives to strengthen their position in the supply food chain. It could be facilitated by a policy that supports producer organizations according to the amount of production to market demand, common introduction of products in the market and set the common rules for information on production in respect to harvesting and disponibility of production. Other offered services to the members next to marketing are production and supply of farm inputs.

The competitiveness of producer organizations has improved by common negotiation and realization of production and increased sales through the common product marketing and propagation. In 2010, the market share of POs in Oil seeds and leguminous plants was 11.3% of the total turnover in the sector. The competitiveness of the cereal producer organizations in the food supply chain increased in 2010 as compared with 2004. The marketing strategy of cereal coops/POs emphasises on low cost (cost leadership). They have all equity capital as individual shares of members. Only members can provide equity capital in Coops. They cannot have non-member investors directly in the cooperative or in one of its subsidiaries. Liability of members is partial for the losses of the cooperative.

According to membership policy it is relatively easy to become a member of coops. Membership policy on capital contribution requires only entrance fee for the new members. The coops do not have members and farmer-suppliers in other EU member states and also do not have sources from foreign farmers. The coops are legally a single organization where the members represent several companies that have a different legal form. In one case, an Oilseed coop has 5% of non-active members but their influence on decision making is low. The coops have formal groupings of member mainly per product and region. The members with large volumes of trade with the coop do not get a premium. The coops do not apply a differentiated cost policy between small and large members. The scope of the product assortment of the cooperative is narrow (only oil seeds and leguminous plants).

According to M. Porter the source of sector competition includes: competition between well established businesses, competition entry, bargaining power and customer bargaining power with suppliers.

The evaluation results of RIAFE (2010) show that association of producers reduced bargaining power of customers who have less ability to set conditions for purchases (reported by 50.77% of

cooperatives), but also reduced bargaining power of suppliers that have a lower ability to increase input prices or reduce their quality (mentioned by 27.69% cooperatives). According to 10.77% of producer organizations, the rivalry of well established businesses was reduced due to the higher concentration of producer cooperatives.

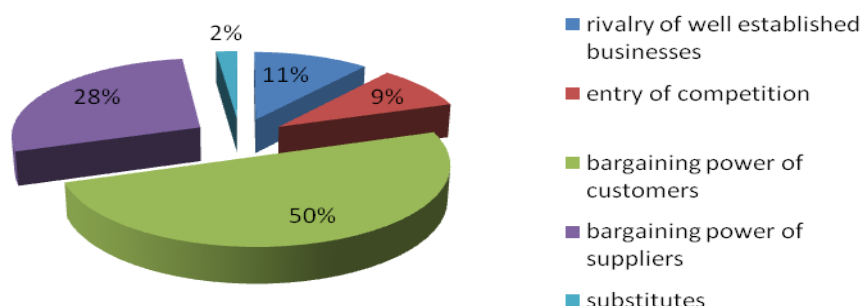


Figure 9 Evaluation of competitive forces in supported producer organizations. Source: APA

According to the results, the vast majority of supported enterprises has the opinion that the producer organizations do not create added value. Their main role is primarily to ensure the purchase and sale of commodities from its members and not making profit.

4.3 Institutional environment

Producer organizations started to be established in order to increase the economic power of its members in the market. Only several of the producer organizations were established before entering into the EU. It was partly caused by insufficient knowledge of their meaning, structure, benefits and practicality. An important barrier was also the non-existence of stimulus for them before the EU accession. The situation changed after EU accession in 2004. To counteract the concentration of agricultural processors, the government decided to support the association of primary producers into collective producer organizations to improve their bargaining position on the markets. In 2004, sixteen producer organizations were established and, in 2010, there were 74 producer organizations active. All of them are supported from EU funds through programmes for rural development. The membership in a producer organization was more advantageous for corporate farms than for individual farmers.

The institutional environment of the cooperatives in Slovakia from sociological point of view is somehow socially supportive in traditional cooperatives but in new producer organizations it was merely business-oriented. One of the explanations could be that the producer organizations are mostly established by corporate farms and the participation of small individual farmers in producer organization is rare.

4.4 Internal Governance

This section describes the internal governance of cooperatives in Slovakia based on the more detailed knowledge gained in gathering data on the individual cooperatives.

The legal structure of the producer organization is a single legal organization (in most cases cooperative). Cooperatives associate combination of at least 5 corporate or individual farmers.

Decision-making processes

The Board of Directors (BoD) is the main decision-making body of the cooperative. In the case of Slovakia it consists of farmer/members, who have been elected by the General Assembly of Member and does not consist of non-member professionals (such as academics, retired managers, politicians, etc.). The number of people in the BoD varies between 3-7 members. The number of people in BoD represents the majority of members involved in all producer organizations. The number of BoD representatives does not significantly differ from sectorial point of view. The decision-making power is in the hand of the members with the highest share in the cooperative.

According to the Slovakian business law, it is possible for cooperatives with less than 50 members to have a one or two tier board structure. Cooperative that have more than 50 members have to apply a two-tier board structure. All selected cooperatives have one-tier board structure where the Supervisory Committee is represented by the General Assembly of the Members.

Election rules for the members of BoD are based on the market power in terms of production of individual members, while taking into account the product group representation and personal expertise.

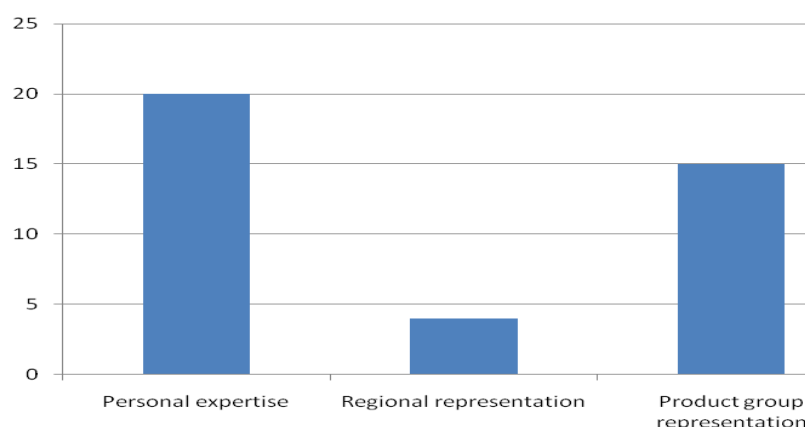


Figure 10. Election rules for members of BoD. Source: Country survey

According to the Slovak business law, the length of BoD membership is not limited by maximum number of years. Despite of this there were cooperatives with the length of BoD memberships limited by maximum of 3 years. Looking at the length of BoD memberships from sectorial point of view there were not differences. The BoD is only in charge of operational management of the cooperative.

Distribution of votes among members is fully proportional and depends on the amount of membership contribution. The members have proportional voting rights to their equity capital contribution and it does not represent the volume or value of trade with the cooperative.

Although the members of cooperatives represent their primary farms, the secondary cooperatives (producer organizations) do not have direct ownership shares in subsidiaries.

According to the results from the questionnaire, the cooperatives do not have any non-active members.

The role of governing bodies

The scope of the general assembly includes:

- a) amendment of the statutes
- b) to elect and dismiss members of the Board of Directors and Supervisors Committee,
- c) to approve the regular individual financial statements and extraordinary financial statements,
- d) to decide on the distribution and use of profits or losses
- e) to decide on an increase or reduction of registered capital (equity)
- f) to decide on substantive issues and concepts of cooperative development
- g) to decide on the fusion, merger, division and termination of a cooperative, or conversion of legal form.

The BoD is a statutory body of the cooperative. It governs the activities of cooperative and decides on all matters of cooperative. The BoD fulfills resolutions of the General Assembly and it is responsible for its actions. If the Statutes do not provide otherwise, the President or Vice President act in the name of Board. The BoD elects among its members the President of cooperative (the Board Meeting), or he/she is elected by the General Assembly. The President of the cooperative organizes and manages the Board Meetings and depending on the statutes he organizes and manages the routine operations of cooperative.

4.5 Performance of the cooperatives

In this section are shared observations on the performance of the cooperatives (e.g. in market share and in the growth of market share, or in member satisfaction, or in relative prices paid), based on the more detailed knowledge gained in gathering data on the individual cooperatives.

Market share and growth of the market share

The market share of producer organisations in all sectors varied in 2010 between 1.7% and 24.5%. In comparison with 2004 there was, on average, a growth in market shares for most of sectors (Cereals, Pig meat, Dairy, Poultry and eggs, Potatoes, Beef meat and Oil seeds and leguminous plants). Significant positions in terms of market shares have Dairy, Potatoes, Cereals and Poultry and eggs (between 24.5% and 13.9%).

The majority of the farmers (members) associated in a single producer organization are from oilseeds and leguminous plants sectors, on average, 8.44 members per one cooperative and dairy sector represented, on average, 7.81 members per one cooperative.

Distribution of producer organisations within the country is not proportional. More than half of the producer organizations were established in the western part of Slovakia and only 21% in eastern part of the country. From the sectoral point of view, most farmers were involved in Cereals producer organizations (40.3%), followed by Dairy producer organizations (29.9%) and Oil seeds (18.18%) producer organizations.

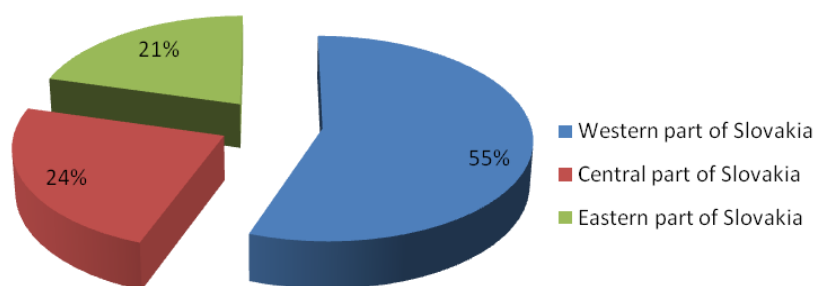


Figure 11 Distribution of producer organisations in Slovakia. Source: Agricultural Paying Agency

5 Sector analysis

5.1 Introduction

In this chapter we discuss the developments in the eight sectors that are central in this study. We report on trends in the markets and important changes in (agricultural) policy and we try to link this to the strategies and performance of the investor-owned firms and cooperatives in the sector. The period of observation is 2004 – 2010. This part describes the markets (e.g. price trends, competitive position of the sector, mergers in the upstream and downstream chain) and changes in policies.

5.2 Cereals

Trend in markets

Trend in markets of cereals are described in the tables below.

Table 10 Production of cereals in Slovakia

Economic year for cereals (1st July of current year – 30th June of next year)	Cereals in thousand tons	Wheat in thousand tons	Barley in thousand tons	Maize in thousand tons	Rye in thousand tons	Oats in thousand tons	Other cereals in thousand tons
2009/2010	3330.0	1537.9	675.5	988.1	56.9	34.6	37.0
2008/2009	4136.9	1819.5	891.3	1260.6	80.3	35.0	50.2
2007/2008	2793.2	1379.6	659.6	623.9	54.4	37.4	38.3
2006/2007	2928.8	1342.7	641.8	838.3	30.2	41.4	34.4
2005/2006	3585.2	1607.9	739.3	1074.0	68.6	38.2	57.2
2004/2005	3793.1	1764.8	915.9	862.4	124.3	55.6	70.1

Source: RIAFE, 2010

Table 11 Import, Export and consumption of cereals in Slovakia

Economic year for cereals	Import of cereals in thousand tons	Export of cereals in thousand tons	Consumption in thousand tons
2009/2010	258.8	1134.9	2302.5
2008/2009	371.6	964.2	2888.9
2007/2008	565.9	826.1	2483.2
2006/2007	507.2	1455.1	2473.4
2005/2006	59.5	1070.6	2526.4
2004/2005	72.6	367.2	2948.2

Source: RIAFE, 2010

Table 12 Purchase prices of cereals in Slovakia in EUR/t

Year/ Cereals	2004	2005	2006	2007	2008	2009	2010
Food wheat	167.23	124.38	129.42	181.60	188.87	115.12	106.71
Industrial wheat	134.63	105.42	109.27	147.31	140.31	93.13	99.51
Maize	158.04	119.23	124.38	188.61	154.95	97.7	113.81
Malting barley	166.73	140.54	137.19	183.43	213.27	152.61	130.10
Food barley	150.57	135.03	126.73	157.21	182.43	128.82	110.38
Feed barley	131.61	107.52	108.11	138.45	137.52	94.25	92.80
Food rye	144.53	125.24	132.78	178.88	175.56	116.83	100.69
Feed rye	128.13	103.37	108.54	140.87	141.97	96.46	89.69
Food oats	171.88	148.48	144.63	168.53	214.43	175.36	153.78
Feed oats	129.56	111.70	115.68	140.05	153.95	115.31	109.52

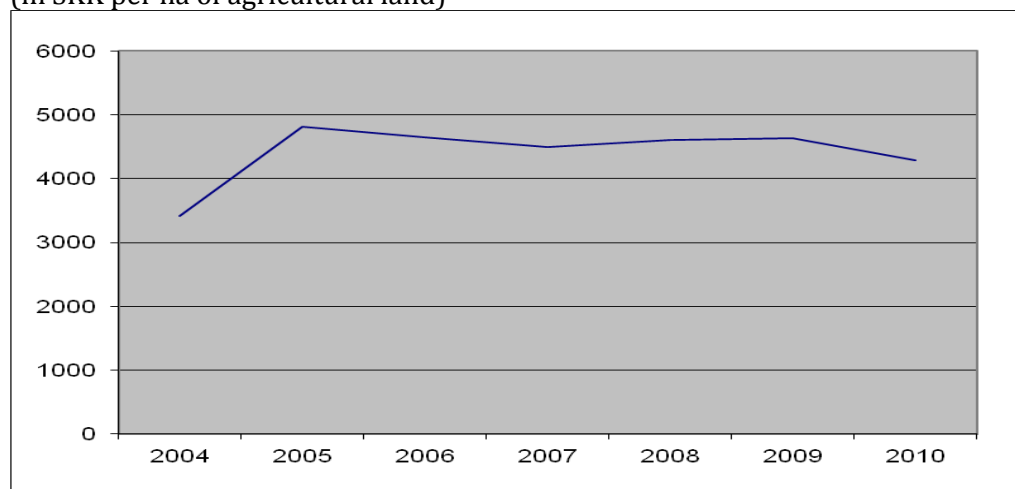
Source: VUEPP, 2010

Important changes in policy

Because of the economic crisis, the Slovak agriculture got in a loss for the first time from the 2004 (from its access in the EU). There was not adopted any system measure for elimination of natural and market impacts on the sales and prices. The purchase prices of cereals decreased considerably. Despite increasing subsidies from the EU and decreasing prices of agricultural commodities 44 per cent of agricultural enterprises operated at a loss. The direct payments from the EU are used as a guarantee for the bridge loans from the commercial banks. In spite of the direct payment, the agricultural companies have a better chance to get a loan than the agricultural cooperatives. The main reason rests in a fact that at the process of formation of the agricultural companies (during the 90th years) they took over a valuable property of agricultural cooperatives and their effective business activities without any obligations or debt of agricultural cooperatives.

Farmers are eligible for support from EAGF through single area payment which is being paid for each hectare of agricultural land. By complementary national direct payments – payment for arable crops – farmers were supported in the period from 2004 to 2008. Since 2009, they have been eligible for support through complementary national area direct payments. The difference is that almost the total area of agricultural land in SR is eligible for this payment, while previous support was oriented only to arable land. Single area payments (SAPS) per hectare had an upward trend in period from 2004-2010 in contrast to national direct payments which show a downward trend (Figure 12).

Figure 12. Development of direct payments (SAPS + additional direct payments) to agriculture (in SKK per ha of agricultural land)



Source: APA, own calculations

Producer organisations in the sector are being supported in addition to above mentioned payments through EAFRD in frame of Rural development programme of SR for period from 2007-2013. In total 29 of them (associating 169 of producers) get support through measure "Producer group", amount of which depend on revenues for production placed at market. During previous programming period, 12 producer organisations were supported. According to the mid-term evaluation of the Rural Development Programme, supporting of producer groups contributes to the quality and quantity of production and its improved placement in the market. For the short period of support it has not been possible to evaluate the improvement of economic indicators in supported producer organisations (gross and net added value).

Table 13 Trading income according to the legal forms of business in Slovak agriculture in EUR/hectare

Year/ Legal form of business	2004	2005	2006	2007	2008	2009	2010
Agricultural cooperatives	*	-17.9	-9.3	32.1	21.2	-99.6	*
Agricultural companies	*	39.9	48.6	78.1	70.1	-23.0	*
Individual farmers	*	2.1	33.3	26.6	-1.6	-20.5	*

Source: Green report of the Ministry of Agriculture and rural development, 2010

*not available

Prices

The inputs prices of agriculture were decreased about 15.4 % in 2009 relative to 2008. It was the vastest decrease in a history of Slovak agriculture (Green report, 2010, p. 12). It was caused by the decreasing of fuelling prices, feed prices, fertilizer prices and the price of some agricultural services for plant production. It was accompanied by the decreasing of the prices of agricultural products, such as oilseeds (35.5 %) and cereals (33.9 %). The decreasing of the cereals prices were markedly along the whole production vertical line (Green report, 2010, p. 12).

About 71 agricultural cooperatives are joined into the system of organic farming. It is about 15.5 % of all organic producers in Slovakia. Cereals have a dominant position in the organic plant production (6 575 383 kg cereals in 2009).

The biggest sales problems consist in the aggressive policy of retail chains. They together with the strong foreign competition threaten the existence of the food producer and agricultural enterprises.

Cereals POs

The state and development of the position of the cooperatives in the food chain does not vary between the observed cereal cooperatives. Being established and supported due to measures of rural development program, their strategies and performance do not differ between each other. Their strategies are mainly focusing on: collective bargaining and in some cases collecting farm products. The market share of cereal producer organisations in 2010 was 15.9% in the total turnover of the sector. The competitiveness of the cereal producer organizations in the food supply chain increased more than 5-fold in 2010 as compared with 2004. There is no statistical evidence that POs are paid a significantly higher price than IOFs. However, one explanation of the strong market share of POs could be a better liquidity and a better cash flow of POs (faster and better repayment terms). According to survey and discussions the POs are better off in terms of financial issues as compared to IOF.

5.3 Sugar

Trend in markets

In the marketing year 2009/10, according to the Statistical Office of the Slovak Republic data the sugar beet was grown at the area of 15.95 thousand hectares. It was produced 898.81 thousand tons of sugar beet and the average hectare yield reached 56.34 tons per hectare. Sugar beet was grown by 180 farmers, their number increased by 30 in comparison with the previous year.

According to the Slovak Sugar Union data, it was produced 135303 tons of sugar from domestic sugar beet production in the 2009/10 campaign in Slovakia. The total sugar beet production reached 140365 tons, the remaining part was produced from imported sugar beet. Quota for sugar production in 2009/10 was defined at the level of 112319.5 tons and it was exceeded by 28045.5 tons. The average yield of polarization sugar reached the value of 9.62 tons per hectare. The average white sugar production reached 8.52 tons per hectare and the average processor recovery amounted 88.56 %.

Minimum price of standard quality sugar beet (sugar content of 16 %) was defined by the article No 49 of the EC Council Regulation No 1234/2007. For the marketing year 2008/09 the minimal sugar beet price was established at the level of € 27.83 per ton, for the marketing year 2009/10 it was established at the level of € 26.29.

Reference price of white sugar is listed in the article No 8 of the EC Council Regulation No 1234/2007 and for the marketing year 2009/10 it is established at the level of € 404.4 per ton. The level of the mentioned price will be unchanged up to 2014/15.

In 2008, the sugar consumption totalled 186 803 tons in Slovakia, i.e. an inter-annual increase by 25845 tons (+16.1 %). The average consumption of sugar and products with sugar increased to 34.5 kilograms per year in 2008.

Since 2005, the average consumer price of sugar has permanently decreased in Slovakia. In 2009, the average price declined by 16.7% as compared to the previous year. In August 2010, the consumer price of sugar was by 10.5% lower than in the same period of the year before.

In the marketing year 2008/2009, Slovakia reached the negative foreign trade balance with sugar beet. The natural volume of export and import of sugar was almost the same. It imported 95 054 tons and exported 95 838 tons of sugar. However, in financial terms this made a negative foreign trade balance.

In the 2009/10 marketing year, sugar beet was grown in Slovakia on an area of 15.95 thousand hectares, with the average harvest of 56.34 tons per hectare. As a result, the sugar beet production amounted to 898.81 thousand tons. Augmentation of area by 4.83 thousand hectares (+43.4%) as compared with the previous year was due to the low production of beet to meet the quota in 2008/09, increased sugar prices and adverse price developments of the other commodities in the EU market.

Table 14 Development of Sugar Beet Growing

Indicator	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
Sowing area (thousand ha)	35.2	33.1	27.69	18.87	10.9	15.94
Harvesting area (thousand ha)	35.5	33.2	27.72	18.85	11.12	15.95
Yield (t ha ⁻¹)	45.03	52.16	49.46	44.89	61.07	56.34
Production (thousand tons)	1 598.80	1 732.61	1 370.91	846.5	678.92	898.81
* The sugar content (%)	17.36	16.27	17.2	16.19	17.51	16.89

* Data Slovak Sugar Association

Source: Statistical Office of the Slovak Republic

In 2010, the sugar beet acreage was 17.72 thousands hectares. The production of sugar beet amounted to 901.73 thousand tons yielding 50.9 tons per hectare. Sugar beet was cultivated by 180 producers and, compared with the previous year, their number increased by 30. During the campaign, sugar beet was processed in two sugar factories: Trenčianska Teplá and Sereď.

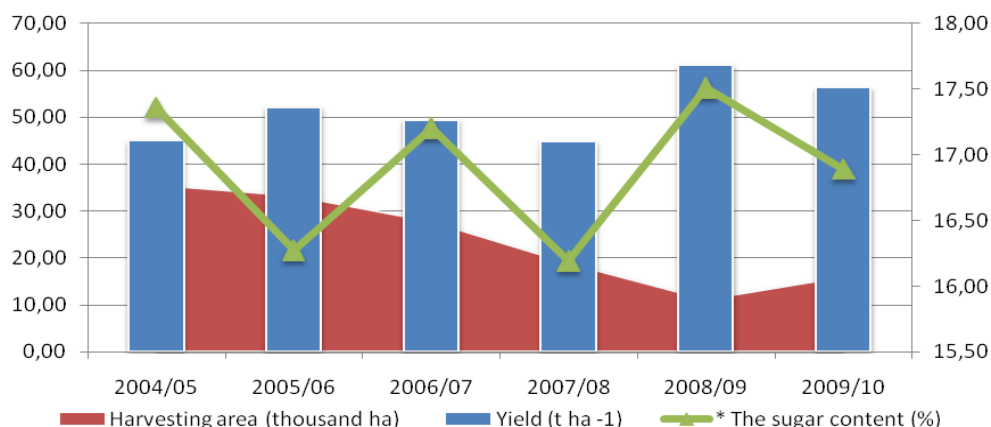


Figure 13. Development of sugar beet growing indicators. Source: Data Slovak Sugar Association

In recent years, sugar beet growing has shifted into the optimal conditions and almost 97% of it has grown in western Slovakia. This fact has been reflected in a significant reduction of cultivated area required for the production of 1 ton of white sugar. While in 2000 there were 0.24 hectares needed for the production of 1 ton of white sugar it was only 0.12 hectares in 2009. Intensification of sugar beet cultivation has led to an increase in the average harvest of root yield per hectare by almost 50%, a slight increase in sugar content and increase by 75% the harvest of white sugar from 1 ha.

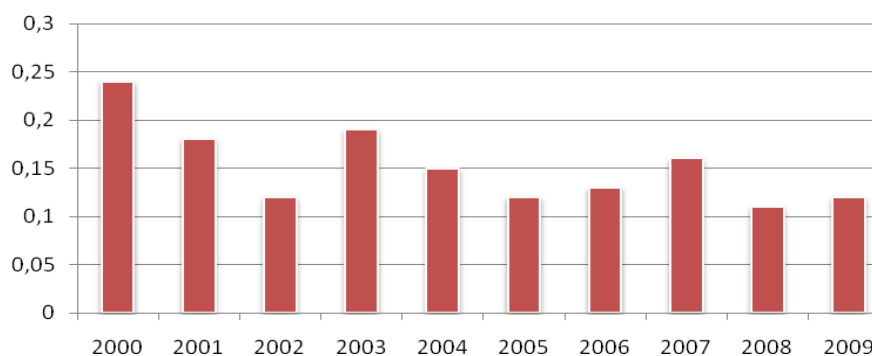


Figure 14. Sugar Beet Area Development Needed for Production of 1 t of White Sugar in hectares. Source: Data Slovak Sugar Association

Prices and costs of sugar beet producers

The minimum price for sugar of standard quality (16% sugar content) is given by (EC). 1234/2007 Art. 49. For the marketing year 2008/09, it was set to 27.83 €/ t, for the year 2009/10 to 26.29 €.

According to the Regulation of Government of the Slovak Republic no. 347/2009 of 19 August 2009 concerning the provision of temporary aid to sugar beet growers, they may get temporary public aid in the amount of 5.243€ per ton of sugar beet of standard quality, 2009/10.



Figure 15. Development of Sugar Beet Producer Prices. Source: Data Slovak Sugar Association

Development of sugar prices

The reference price for white sugar was listed in Art. 8 (EC). 1234/2007 and for the year 2009/10 was set to 404.4€ per ton. This price will be maintained until 2014/15. In relation with this fact, producer prices of sugar declined from 2006 by an annual rate of 11.0%. From 2006 to 2009, the decrease totalled 25.7%.

Table 15 Development of sugar prices

Indicator	2003	2004	2005	2006	2007	2008	*2008	*2009
Costs per hectare	47 562	50 158	54 918	57 093	55 072	58 710	1 949	1 833
Costs per ton	1 268	1 098	992	1 108	1 159	882	29	30
Yield in t / hectares	36.95	45.5	54.96	51	46.77	66.93	66.93	61.49
Number of enterprises	35	36	29	29	21	12	12	14

Source: RIAFE

* price in €; (1€ = 30,1260SKK)

Policy and support in sugar sector

Separate sugar payment is a support tool that was introduced in SR in 2006. It is the result of the sugar reform aiming at a gradual reduction of the price of sugar in the common market. Separate sugar payment compensates farmers for their loss of income due to reduced prices. The payment is granted annually to the area of agricultural land on which sugar beet was grown in 2005.

Sugar POs

In Slovakia, there are no producer organisations in the sugar sector. The reason is decline in the number of producers due to decrease of sugar beet refineries and replacement of sugar beet quotas.

5.4 Fruit and vegetables

Area and production.

In 2009, according to data of the Central and Testing Institute in Agriculture, the area of orchards reached 5658.5 hectares. In comparison with 2003, it had decreased by more than 15%. The decrease was noted mainly for the following fruit types – apples, peaches, ringlets, chestnuts and cultivated raspberries. An increase was noticed for walnuts, cherries and plums.

Table 16 Area of orchards (ha)

Fruit type	2003	2004	2005	2006	2007	2008	2009
Apples	3 519	3 281	3 198	3 345	3 244	3 426	2 745
Pears	143	138	148	154	134	141	138
Peaches	787	778	684	751	718	710	669
Apricot	272	196	229	241	209	202	221
Plums	525	499	533	596	574	581	605
Cherries	139	94	97	152	155	156	208
Sour cherries	185	137	115	223	115	93	123
Ringlet	37	13	13	13	13	13	14
Gooseberries	21	25	26	27	20	21	21
Currants	853	741	823	714	655	652	682
Walnuts	32	18	20	19	32	24	88
Chestnuts	29	24	10	10	10	7	11
Cultivated raspberries	67	71	58	58	49	52	33
Other fruit	128	110	99	101	82	113	100
Total	6 672	6 056	5 995	6 241	6 011	6 190	5 658

Source: RIAFE

By the average hectare yield of 12.01 tons, fruit production in orchards reached 46 264 tons. According to the estimation of the Statistical Office of the Slovak Republic, self suppliers produced 22 882 tons of fruits in their gardens. The total fruit production reached 69 086 tons in Slovakia.

Table 17 Average Hectare Yield in the Wearing Fruit Orchards (tons/ha)

Fruit type	2003	2004	2005	2006	2007	2008	2009
Apples	9.68	9.47	11.34	9.2	5.46	12.2	13.73
Pears	2.69	2.54	2.49	3.41	2.33	2.75	5.2
Peaches	3.45	4.56	3.63	4.21	1.59	4.04	4.8
Apricot	1.14	0.98	0.63	1.72	0.7	2.05	2.85
Plums	2.64	4.51	2.9	4.54	4	3.9	4.81
Cherries	1.67	2.26	1.66	1.82	2.5	3.95	2.11
Sour cherries	2.1	2.45	1.89	1.88	1.18	1.51	1.16
Ringlet	6.66	-	-	0.01	0.02	0.12	0.76
Gooseberries	2.2	2.87	0.63	0.77	-	0	0.93
Currants	0.43	0.46	0.34	0.29	0.27	0.38	0.45
Walnuts	3.76	0.08	0.07	0.04	0.04	0.05	0.05
Chestnuts	0.07	0.02	0.02	0.11	0.05	0.4	0.11
Cultivated raspberries	0.05	0.11	0.46	0.6	0.32	0.26	0.17

Source: RIAFE

In 2009, according to the SO SR data, the total sown area covered 1 351.8 thousand hectares, out of which the arable land used for vegetables growing represented 7 547 hectares – 0.6 % of the total sown area. The total harvested area of vegetables (including the estimate of self-suppliers) was 28 547 hectares.

Table 18 Area of land utilized for vegetable growing (ha)

Vegetable	2003	2004	2005	2006	2007	2008	2009
white cabbage	5 786	4 557	4 521	4 448	3911	3 827	3718
red cabbage	347	214	366	423	429	420	420
chinese cabbage	22	21	22	23	23	23	4
cauliflower	974	946	974	990	906	873	849
broccoli	143	132	87	114	129	125	121
savoy cabbage	748	1 119	846	917	879	882	876
brussels sprouts	18	22	46	78	108	108	108
kohlrabi	809	936	988	1127	1 144	1 177	1 179
celery	272	265	221	241	245	242	233
carrots and carrot	3 128	3 045	2 720	2 792	2 568	2 562	2 494
parsley	1 393	1 421	1 179	1 155	1 052	1 022	1 016
red beet	225	210	227	278	298	285	288
radish	127	173	195	197	157	152	161
gherkins	1 537	1 372	1 381	1 355	1 243	1 213	1 198
cucumbers	954	937	957	992	1 006	978	981
melon	172	170	201	191	146	126	106
defi red	659	688	672	502	393	334	339
pepper	2 438	2 301	2 296	2219	2 119	2 067	2 084
consumerist tomatoes	2 537	2 535	2 441	2 431	2331	2 321	2 321
industrial tomatoes	1 105	1 000	908	871	780	617	601
onion	2 981	3 175	2 434	2 421	2 402	2 346	2 188
garlic	981	972	603	614	625	529	526
leek	22	19	18	18	15	14	14
lettuce	248	236	286	288	296	310	310
spinach	150	54	59	65	112	229	246
beans teat	202	191	181	216	222	220	220
peas teat	2 492	1 842	1 749	959	894	1 032	2 006
asparagus	173	240	247	304	304	304	358
sweet corn	2 602	1 465	1 473	1 919	2 135	2 264	1 503
zucchini	572	712	613	755	761	832	837
pumpkin	560	941	1 211	761	1 052	894	1094
eggplant	-	-	-	14	18	18	18
other vegetables	161	107	119	114	95	80	132
vegetables total	34 538	32 017	30 241	29 795	28 870	28 426	28 547

Source: RIAFE

In 2009, the yield per hectare averaged 11.09 tons, the total production came up to 312 084 tons of vegetables. As compared with the previous year, the production declined by 6.3 % which was the second lowest yield since 1993 (after that of 2007). The production of all vegetables types decreased with the exemption of legumes. The production amounts were as follows: fruits vegetables - 144 812 tons, cabbage vegetables - 85 813 tons, root vegetables-50 701 tons, bulb vegetables - 28 601 tons, legumes - 6 432 tons and leaf vegetables - 4 904 tons.

Table 19 Average Hectare Yield of vegetable (tons/ha)

Vegetable	2003	2004	2005	2006	2007	2008	2009
white cabbage	14.09	17.74	12.91	13.63	13.01	13.06	12.2
red cabbage	11.49	17.73	10.60	10.30	10.51	10.22	10.55
chinese cabbage	44.60	28.65	32.32	24.29	24.29	24.29	20.93
cauliflower	12.18	13.14	10.12	11.40	11.31	11.03	11.14
broccoli	7.82	8.55	9.30	8.36	9.31	9.09	9.29
savoy cabbage	15.25	17.38	10.10	9.84	9.78	9.51	9.69
brussels sprouts	13.06	9.57	7.77	7.37	7.580	7.50	7.50
kohlrabi	12.42	11.81	11.41	11.15	10.83	11.64	11.65
celery	8.13	10.32	8.58	9.72	9.48	9.63	9.22
carrots and carrot	13.69	13.65	13.84	13.55	12.39	14.50	14.29
parsley	7.20	8.44	8.94	10.94	7.85	9.55	8.50
red beet	12.04	14.09	14.00	11.70	11.55	11.70	11.66
radish	4.93	8.33	6.80	6.36	5.56	5.70	5.69
gherkins	8.47	7.16	11.21	11.13	10.36	9.99	10.11
cucumbers	14.01	14.66	17.69	17.07	14.67	15.57	16.10
melon	7.95	11.10	10.61	10.81	7.52	6.80	9.26
defi red	21.221	16.54	15.85	14.99	14.31	12.23	13.21
pepper	10.77	11.72	12.51	12.90	12.58	11.91	12.59
consumerist tomatoes	14.86	17.39	18.22	19.07	14.94	15.06	14.38
industrial tomatoes	17.79	27.52	25.97	28.65	24.71	35.04	30.79
onion	8.82	11.63	11.15	11.11	9.44	12.17	12.06
garlic	5.02	4.36	4.07	4.25	4.43	4.02	4.03
leek	5.94	5.23	8.31	7.14	6.76	6.15	6.32
lettuce	8.71	8.62	8.45	8.64	8.80	9.37	9.26
spinach	7.19	14.56	6.96	8.52	9.27	10.47	8.24
beans teat	4.98	4.09	5.67	4.91	5.06	5.08	5.08
peas teat	2.07	2.72	2.48	3.00	3.15	2.71	2.65
asparagus	5.40	4.98	5.70	3.55	3.55	3.55	3.62
sweet corn	5.92	5.90	5.29	4.05	3.31	9.21	5.99
zucchini	15.39	14.70	13.55	13.14	12.03	11.58	11.33
pumpkin	6.57	5.30	11.92	6.61	4.85	6.10	5.17
eggplant	-	-	-	13.22	10.54	10.50	9.46
other vegetables	4.77	6.00	4.36	4.07	5.11	4.07	4.24

Source: RIAFE

Policy and support in sectors of fruit and vegetable

After the reform of the Common Market Organisation for fruit and vegetables, which took place in 2007, the sector has opened new areas of subsidy policy. In 2008, fruit and vegetables was one of the last sectors included in the Council Regulation (EC) 1234/2007 establishing a common organization of agricultural markets. 2008 was a transitional year for implementing the new arrangements arising from the reform. Specific payment for fruits and vegetables and tomatoes transitional payment was introduced and is being implemented yearly from 2008.

At the same time the importance of producer organizations increased in the sector by establishing of producer organizations or groups. Support depends on the value of production sold on market.

Fruit and Vegetable POs

The market share of Fruit and Vegetable POs in 2010 was 10.3% from the total turnover in the sector. Their strategies are focusing on: collective bargaining, collecting farm products (including transport and storage), marketing branded products, wholesaling and retailing for the members.

5.5 Olive oil and table olives

Not relevant for Slovakia

5.6 Wine

Area and production

In the year of accession of Slovak republic into EU, the area of vineyards covered 17551 hectares according to data of the Statistical Office of the Slovak Republic. Out of this 74.4% were covered by yielding vineyards. In 2003, in Slovakia were cropped 65 955 tons of grapes, out of which 65343 tons of must grapes (99.1% of the total production). The hectare yield reached 4.92 tons per hectare. In 2009, according to data of the Statistical Office of the Slovak Republic, the total acreage of vineyards had decreased to 14 876 hectares. The yielding vineyards covered 64.5 % of the total vineyards area. In 2009, Slovakia produced 42 131 tons of grapes, out of which 41 806 tons of must grapes (99.2 % of the total production). The grapes yield averaged 4.51 tons per hectare.

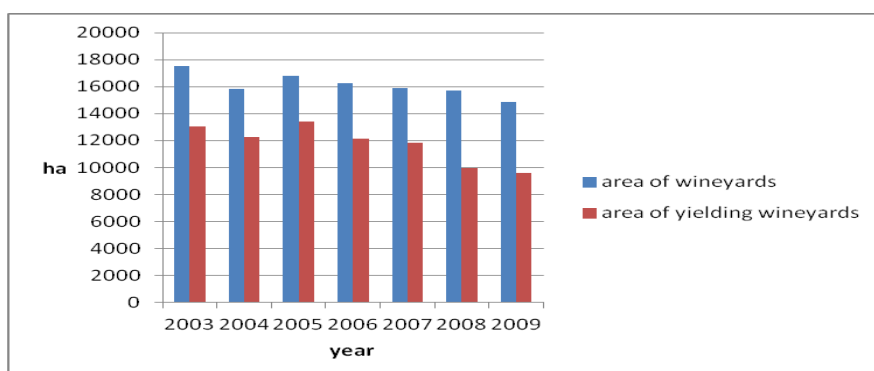


Figure 16. Vineyard area. Source: RIAFE

The area of vineyards has decreased and represented in 2009 only 85% of the area of 2003. In the same period, the hectare yield decreased from 4.92 tons per hectare to 4.51 tons per hectare.

Prices

Table 20 Price of grapes (Euro/ton)

	2004	2005	2006	2007	2008	2009
wine grape	431.19	382.26	282.79	380.73	369.45	303.41
table grapes	565.33	573.49	586.04	568.41	573.36	540.07

Source: RIAFE

The price of wine grape decreased in 6 years period on average by 30% and the price of table wine by 5%. The price development refers to the deteriorating situation at the vineyards in relation to the profitability of grape production. Grape growers who do not own also processing capacity, receive the grapes grown at very low prices and it seems that the trend of reduction of the cultivated vineyards area will continue.

International Trade

External Markets

As to the total foreign trade of Slovakia with dessert grapes, the Slovak Republic reached the negative trade balance (€ 18.47 million) in the marketing year 2009/2010. The import value amounted to € 20.18 million (16479 tons), the export value to € 1.71 million (1618 tons). In comparison with 2004/2005, the import increased by 66.5% and export by 400%.

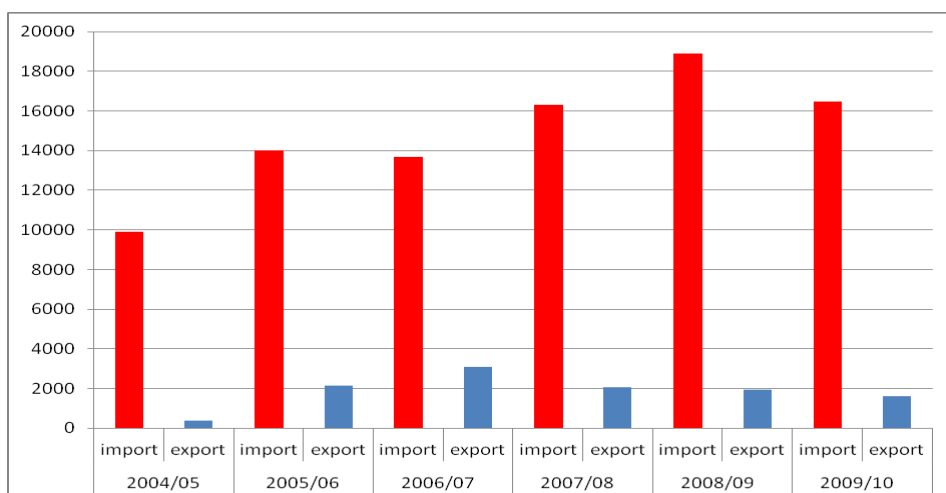


Figure 17. International trade with table grape (in tons). Source: RIAFE

The same results were reached in the trade with must grapes. The Slovak Republic arrived at a negative trade balance of € 1.49 million. Import value of must grapes amounted to € 1.52 million (1684 tons), export value amounted to € 0.03 million (45 tons).

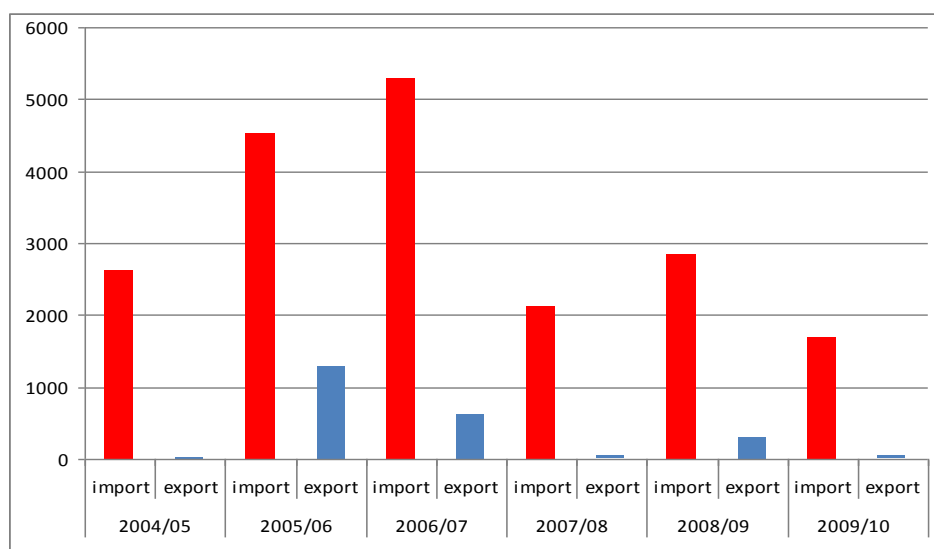


Figure 18. International trade with must grape (in tons). Source: RIAFE

Wine POs

In Slovakia there are no producer organisations in the wine sector.

5.7 Dairy

Production

In the year 2010 in comparison with 2004, the average number of milking cows decreased by 44.7 thousand heads (21.6 %) to 161.3 thousand heads in Slovakia.



Figure 19. Development of average number of milking cows in thousand heads (January - December). Source: RIAFE

The average milk yield in 2010 compare with 2004 was increased by 456.4 kilograms (8.7 %) to 5692 kilograms per milking cow.

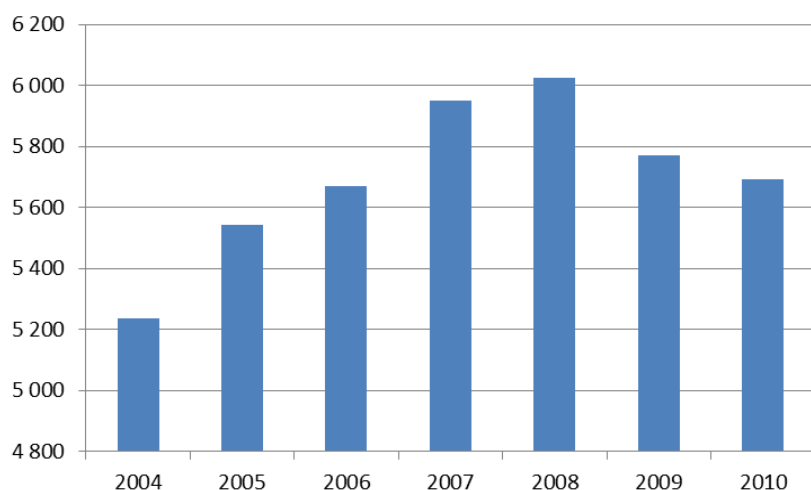


Figure 20. Development of milk yield per milking cow (in kilograms). Source: RIAFE

Milk production

In Slovakia in the year 2010, in comparison with the year 2004, the volume of cow milk production declined by 160.6 thousand tons (14.9 %) to 917.8 thousand tons due to a decrease of dairy cow numbers and their milk yield.

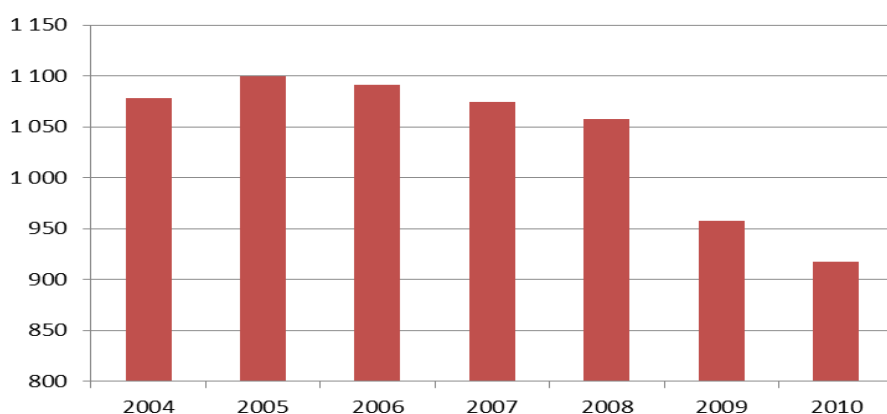


Figure 21. Development of Cow Milk Production in Million Kilograms. Source: RIAFE

In the year of 2010 compared with the same period of year 2004, the total volume of milk sale from primary production was decreased by 128.5 thousand tons (13.5 %) to 822 thousand tons.

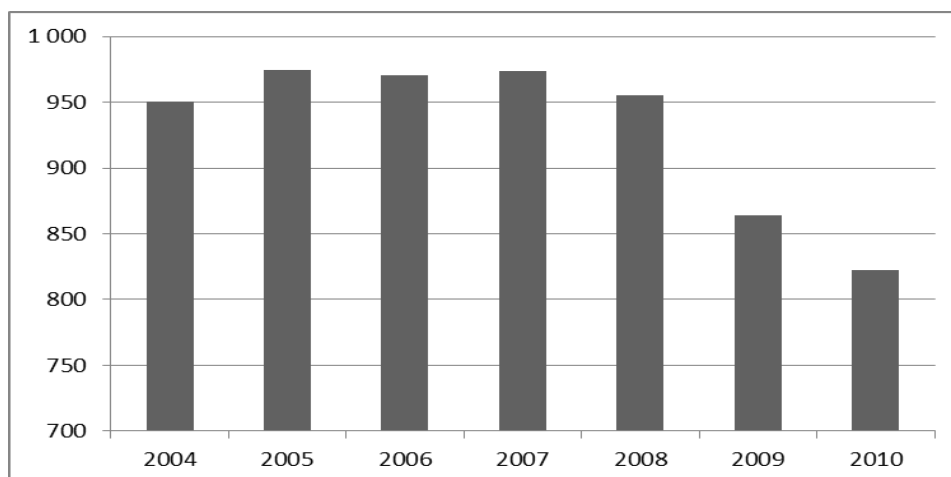


Figure 22. Development of Milk Sale from Farmers in Tons. Source: RIAFE

Prices

In 2010 the accredited purchasing agents paid for purchased cow milk EUR 26.09 per 100 kilograms, it means 9 % less than in the year 2004.

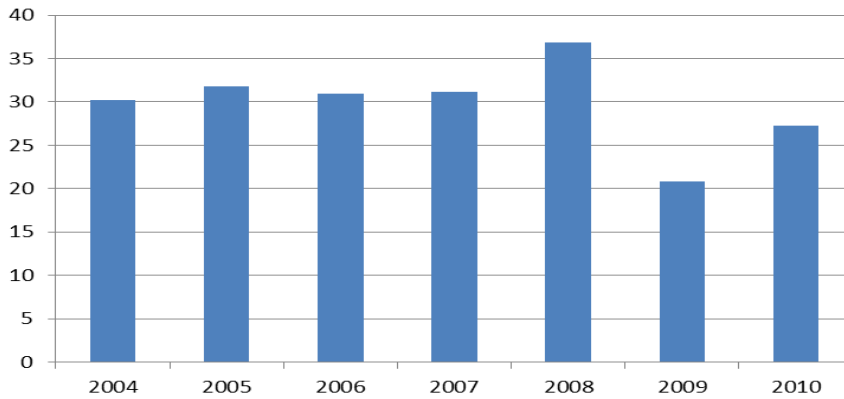


Figure 23. Raw milk prices (Euro/100 kg). Source: RIAFE

Since 2004 is the average consumption of milk per inhabitant (in kilograms) decreasing. In 2010 consumption of milk per inhabitant reached 85% of the year 2004.

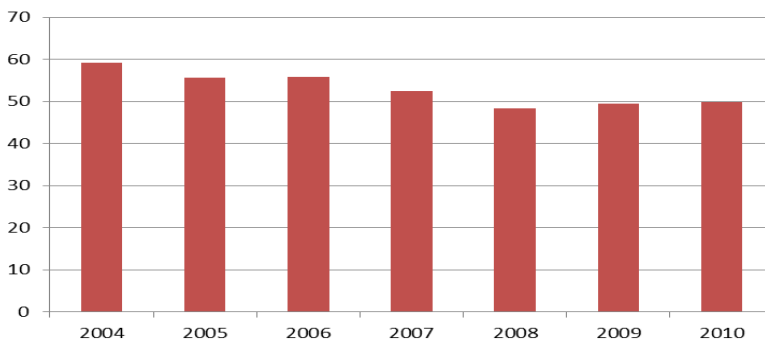


Figure 24. Average consumption of milk per inhabitant (in kilograms). Source: RIAFE

External Markets

As to the foreign trade with milk in 2010 reached negative trade balance with milk and milk products in the amount of -20 060 thousand EUR. Import of sold milk increased by 339% and export by 60% in 2010 compare with 2004. In the same time the production decreased by 15%.

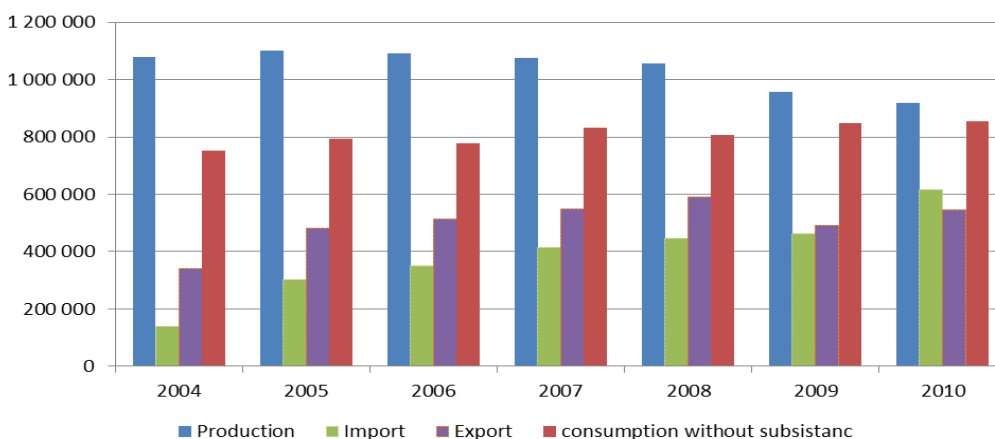


Figure 25. Balance of Sold Cow Milk in Tons. Source: RIAFE

Policy and support in dairy sector

Farmers are eligible for support from complementary national direct payments. It has been changed after EU accession several times. In years 2004-2006, it was paid as payment for breeding of dairy cows, during years 2007-2009 through payment for livestock units and after 2009 as payment for dairy. Producer organisations in the sector are being supported in addition to the above mentioned payments through EAFRD in frame of the Rural Development Programme of SR for the period of 2007-2013. In total, 16 of them (associating 125 of producers) get support through measure "Producer's group", amount of which depend on revenues for production placed at the market. During the previous programme period, 8 of the producer organisations were supported. According to the mid-term evaluation of Rural Development Programme, the support of producer groups contributes to the quality and quantity of production and its improved placement in the market. It was not possible to evaluate any improvements of economic indicators of the supported producer organisations (gross and net added value) due to the short period of support.

Dairy POs

The market share of all dairy producer organisations in 2010 was 24.5% in the total turnover of the sector. The competitiveness of the dairy producer organisations in the food supply chain increased almost 3-fold in 2010 as compared with 2004. Producer organisations in the dairy sector reach a higher market share in comparison to other sectors. According to the questionnaire results the associating of dairy farmers mainly help to decrease the risk related to lack of disponible financial capital and subsequently strenghten their liquidity. POs are specifically using factoring to ensure cashflow of the members. According to survey and discussion results, the POs are better off in terms of financial issues as compared with IOFs. The strategies of dairy cooperatives are mainly focusing on: providing a market, collective bargaining, integration of supplying inputs and marketing farm products and in some cases collecting farm products. The competitiveness of dairy producer organizations has increased by common negotiation and realization of production and increasing sales through common product marketing (e.g. milk machines, milk for schools policy measure). The members are medium specialized farmers and they have multiple crops and animals production. Comparison with the national average the members of this Coops are more specialized.

5.8 Sheep meat

Production

In Slovakia in 2010, the sheep numbers had increased by 19.7% and ewe numbers by 16% as compared with 2004. Vice versa, the sale of slaughter sheep in live weight had decreased by 8% and the sale of slaughter lambs in live weight by 8.5%. Total country consumption of sheep meat in kilograms per capita in 2010 decreased by 32% as compared with 2004. Although the consumption of sheep milk per capita was stable, the total sheep milk production decreased by 4.6% and the sale of sheep milk decreased by 3.3%. Wool production declined by 13.5%. The development of reproductive indicators was more negative than in the previous years. The number of born lambs per 100 ewes decreased in 2007 by 14.7%as compared with 2007. The lamb mortality increased.

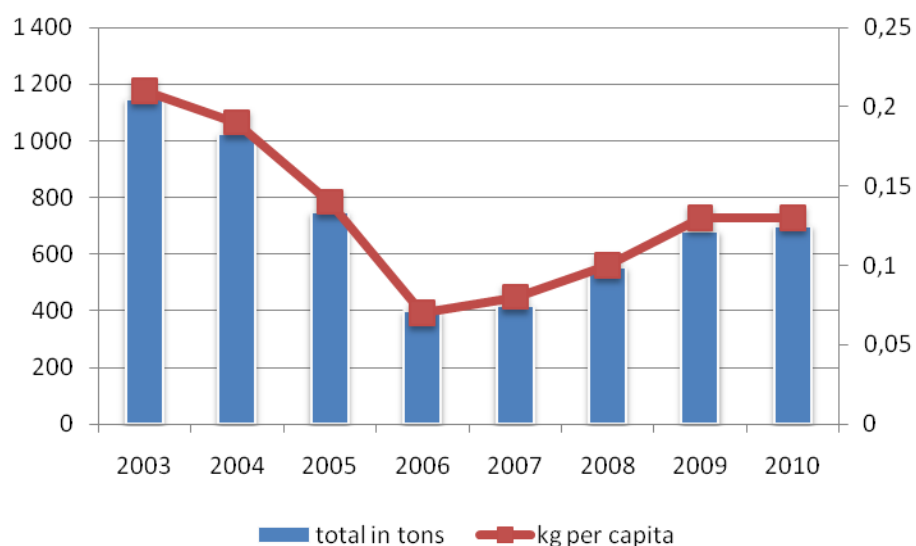


Figure 26. Consumption of sheep meat in Slovakia. Source: Statistical Office

Table 21 Number and yield of sheep in Slovakia

Period	Sheep				Ewes			
	2007	2008	2009	2010	2007	2008	2009	2010
	Thousand of heads							
31. 3.	4047	417	4575	445	2388	2508	265	273.8
30. 6.	3756	3864	3975	424	2356	2483	2609	272
30. 9.	3638	3689	3787	404	2364	2425	2544	268
31. 12.	3472	3616	3765	400	2311	2481	2542	267

Source: Statistical Office

On 30 June 2010, 424 thousand sheep were registered in Slovakia, which is 26.5 thousand (6.7%) more than in the previous year and 47.5 thousand (12.6%) more than at the end of 2009. The number of ewes in Slovakia on 30 June 2010 was 272.0 thousand, i.e. an annual increase by 11.1 thousand heads (4.3%) as well as an increase by 17.8 thousand kg (7.0%) as compared with the end of 2009.

Table 22 Number of sheep and ewes in Slovakia (as per December 31)

Year	Sheep			Ewes		
	thd.	compare with previous year		thd.	compare with previous year	
	heads	thd	%	heads	thd.	%
2002	316	-42.4	-11.8	211.4	-1.2	-0.6
2003	325.5	9.5	3	216.5	5.1	2.4
2004	321.2	-4.3	-1.3	224	7.6	3.5
2005	320.4	-0.8	-0.2	233.2	9.2	4.1
2006	332.6	12.1	3.8	229	-4.3	-1.8
2007	347.2	14.6	4.4	231.1	2.1	0.9
2008	361.6	14.5	4.2	248.1	17	7.4
2009	376.5	14.9	4.1	254.2	6.2	2.5
2010	400	23.5	6.2	267	12.8	5

Source: Statistical Office

The structure of sheep population in Slovakia by sector

In 2010, legal persons had the highest number of sheep than years before. In the same time the number of ewes increased likewise.

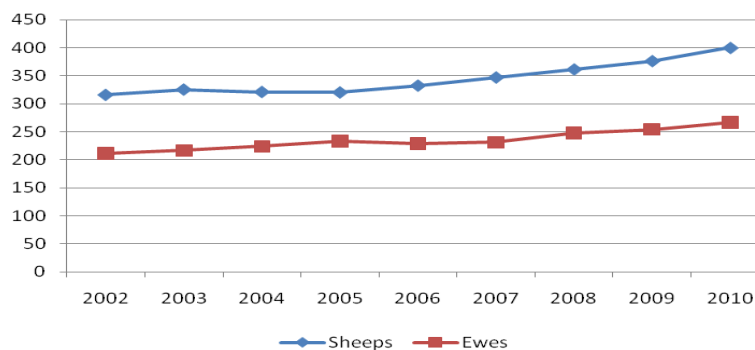


Figure 27. Number of s heep and ewes in Slovakia. Source: Statistical Office

Sale of slaughter sheep in the SR

In 2010, a total of 116.5 thousand lambs were sold, approximately 8% less than in 2004. The average live weight of slaughter lambs was 12.8 kg, and total slaughter weight increased to 46 tons.

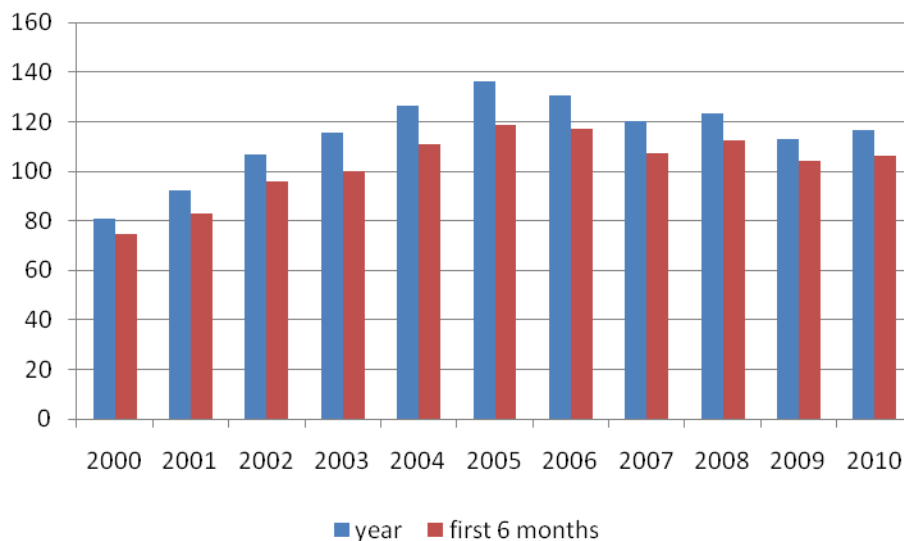


Figure 28. Sale of s laughter lambs in Slovakia. Source: Statistical Office

Table 23 Balance Sheet of Sheep Meat in Slovakia (tons of carcass weight)

Indicator	2005	2006	2007	2008	2009	2010
Domestic production	1 510	1 145	1 012	1 178	1 208	1 250
Imports	43	70	41	49	19	20
from the EU 25	30	23	25	28	8	10
Total supply	1554	1215	1053	1226	1227	1270
Export	827	918	752	788	502	550
within the EU-25	827	917	752	787	502	550
Consumption of meat	727	297	300	437	725	720

Source: Statistical Office

Policy and support in sheep sector

Farmers in the sector are eligible for support from national budget through additional national complementary payments that have been utilised only in period 2007-2009. Producer organizations are eligible for support through the RDP of the Slovak Republic, however, this opportunity has not been applied yet.

Sheep POs

According to agricultural paying agency data there were no producer organisations in the sheep sector in 2010 in Slovakia.

5.9 Pig meat

The situation of this sector turned considerably worse at the end of 2010 after a short period of stabilization. The significant increase in grain prices and stable low prices forced farmers to limit this type of farming. The total number of pigs and sows significantly decreased. Due to reduction of sows, some reproductive parameters worsened, such as the average daily gains for fattening decreased. In 2010, the domestic consumption of pork was covered only by 52.1% of own resources.

Production

The development of the pig market at the end of 2010 in the Slovak Republic showed the following trend:

- the total pigs number amounted to 687.3 thousand heads. As compared with 2004, this was a drop by 40%.
- the sale of slaughter pigs came up to 84 179 tons of live weight. In comparison with 2004, it decreased by 44%.

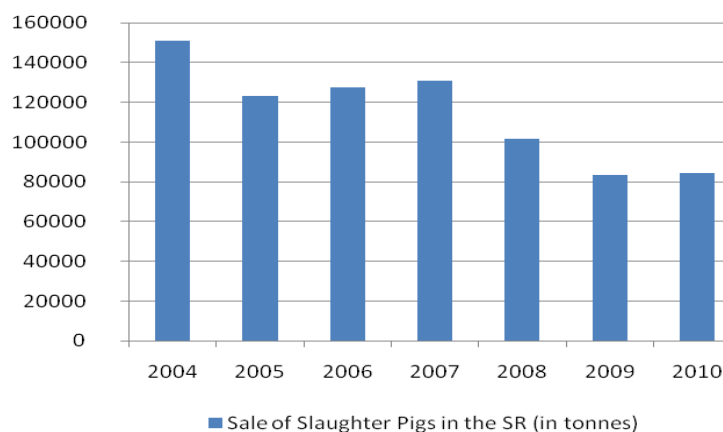


Figure 29. Sale of Slaughter Pigs. Source: RIAFE

The import of pigs and pig meat reached the level of 120.1 thousand tons and export 41.6 thousand tons of live weight in 2010. Since 2004 the export increased by 5.5 times while the import doubled in the same period.

External Markets

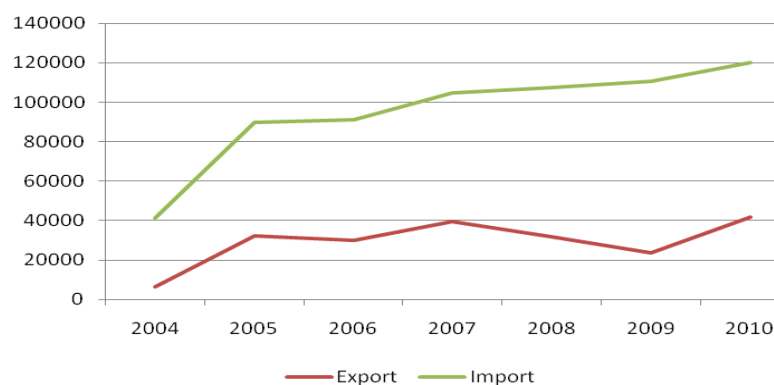


Figure 30. Foreign Trade in the Pig Sector (in thousand tons). Source: RIAFE

The total domestic consumption of pig meat and per capita was similar in 2010 than in 2004.

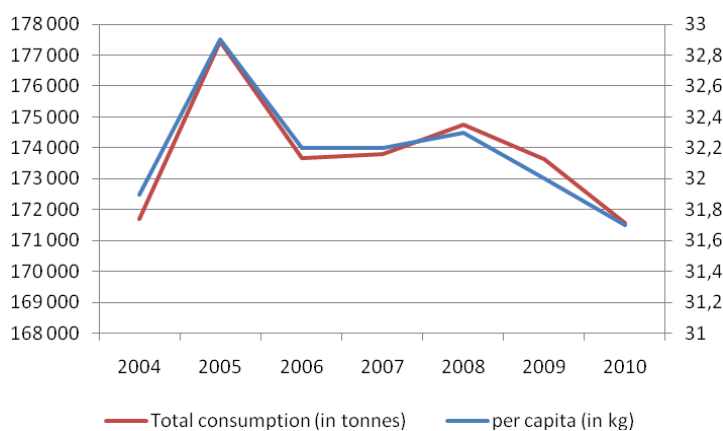


Figure 31. Annual Consumption of Pork in Slovakia (in the value with bone). Source: RIAFE

Since 2004, the gross domestic production of slaughter pigs has decreased. In 2010, it reached only half of the volume of 2004.



Figure 32. Total Slaughtering of Slaughter Pigs at Slaughter Houses. Source: RIAFE

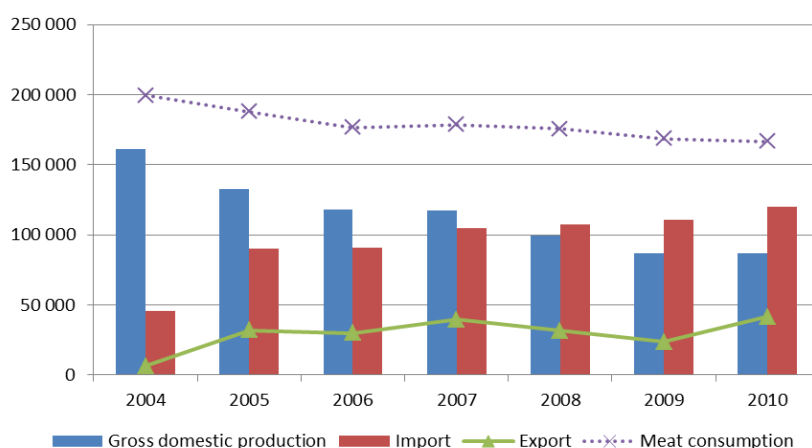


Figure 33. Balance Sheet of Market Indicators of Pork Meat. Source: RIAFE

Policy and support in pig meat sector

Farmers in the sector are not eligible for EU or national support. Only farmers joined in producer organisations can get additional support through EAFRD in the frame of the Rural development programme of SR for period from 2007-2013. A total of 3 POs (associating 15 of producers) get support through the “Producer Group” measure amount of which depends on the revenues for market production. During the previous programme period, 2 POs were supported.

Pig meat POs

The competitiveness of pig meat producer organizations has increased by common negotiation and market realization of production. The market share of all pig meat producer organisations in 2010 was 11.1% in the total turnover of the sector. The members are medium specialized farmers and they have multiple crops and animals production. As compared with the national average, the members of these coops are more specialized. The strategies of pig meat cooperatives are mainly focusing on: collective bargaining and marketing of products. There is not statistical evidence that POs are significantly paid by higher price compare to IOFs.

6 Overview of policy measures

6.1 Regulatory framework

The performance of cooperatives (including producer organisations) is influenced by the regulatory framework in a country. This framework is multi-level: EU regulations, national laws and even regional policies influence the way cooperatives can operate. In this chapter we look especially at the regulatory framework that influences the competitive position of the cooperative versus the investor-owned firm (IOF) or the competitive position of the cooperative versus other players in the food chain (e.g. the retail sector).

These competitive positions are influenced within the regulatory framework by much more than the law that establishes the rules for running a cooperative (business organisation law). Well known other examples include agricultural policy (e.g. the EU's common market organisation that deals with producer organisations in the fruit and vegetables sector), fiscal policies (at the level of the cooperative and the way returns on investments in cooperatives are taxed at farm level) and competition policies. There are different types of policy measures in the regulatory framework (McDonnell and Elmore (1987):

POLICY MEASURE TYPE	DEFINITION
Mandates	Rules governing the actions of individuals and agencies
Inducements	Transfer money to individuals in return for certain actions
Capacity Building	Spending of time and money for the purpose of investment in material, intellectual, or human resources (this includes research, speeches, extension, etc.)
System Changing	Transfer official authority (rather than money) among individuals and agencies in order to alter the system by which public goods and services are delivered

The objective of this project / report is to identify support measures that have proved to be useful to support farmers' cooperatives. In section 5.2 the relevant policy measures and their potential impact in Slovakia are identified. In section 5.3 a number of other legal issues are addressed.

6.2 Policy measures

The table below identifies the policy measures that influence the competitive position of the cooperative versus the investor-owned firm (IOF) or the competitive position of the cooperative versus other players in the food chain (e.g. the retail sector).

Table 24 Policy Measure Description

Policy Measure Name	Policy Measure Type	Regulatory Objective	Policy target	Expert comment on effects on development of the cooperative
(Official) name of the policy measures	Mandate e.g. - Cooperative legislation/incorporation law - Market regulation and competition	- Correction of market or regulatory failures - Attainment of equity or social	- Specific to cooperatives - Specific to an agricultural	Description on how the policy measure affects development of cooperatives, by reasoning through the building blocks: - Position in the food chain - Internal Governance

	<p>policies</p> <p>Inducement - Financial and other incentives</p> <p>Capacity Building Technical assistance System Changing Other</p>	goals	<p>sub-sector</p> <p>- Applicable to business in general</p>	- Institutional environment of the cooperative
Measure of Rural Development Program 1.5 Sales producer organization of producers	Inducement - Financial and other incentives	Support activities to improve efficiency of sales of producer organizations	<p>- Specific to cooperatives/ POs</p> <p>- Specific to an agricultural sub-sectors</p>	The policy measure affects establishment and development of cooperative/ POs through: - facilitate establishment - improve the quality of activities - improve the quality and quantity of production for better the position in the food market.
Common market organisation - temporary payment for tomatoes, - payment for fruit and vegetables, - payment on hops	<p>Mandate - Market regulation and competition policies</p> <p>Inducement - Financial and other incentives</p>	Strengthening market position	- Specific to an agricultural sub-sectors	<p>The policy affects development of selected agricultural sectors(e.g. Fruit and Vegetable, Hop):</p> <p>- Position in the food chain of the POs</p> <p>The policy is strengthening the position in the food chain of local farmers in relevant sectors.</p>
Cooperative's shares with entitles and ownership transformation of cooperatives	System Changing	Effort to concentrate dispersal structure of cooperative owners	<p>- Specific to cooperatives</p> <p>- Specific to an agricultural sector</p>	<p>The policy measure affect development of cooperatives</p> <p>- to improve management and decision making process of traditional cooperatives.</p> <p>- to improve the ownership structure of traditional cooperatives to endeavour ownership structure.</p> <p>Based on later observations and knowledge the profitable cooperatives have narrow ownership structure than loss making.</p>
Tax policy	<p>Market regulation and competition policies</p> <p>System Changing</p>	Attainment of equity	<p>- Specific to cooperatives</p> <p>- Specific to an agricultural sector</p> <p>- Applicable to business in general</p>	<p>Agriculture cooperatives paid advantaged income tax rate until 2003 (15% other companies 19%)</p> <p>Since 2003 there are arguments that cooperatives are tax burden with the higher 19% tax rate however they fulfill also non profit function in rural development.</p> <p>The Cooperatives are influenced by rised VAT on</p>

				<p>agricultural products from 19% to 20% in 2011.</p> <p>The tax rate for direct sale from farm increased in 2011 from 6% to 20%.</p> <p>Since 2005 the real estate taxes for agricultural land have been increased however it was decentralised under municipality domain.</p> <p>Rised consumption tax on Red diesel (equalisation with regular diesel) used only in agriculture.</p> <p>There is a government proposal to increase consumption tax on Wine (0,4€/l) which will have negative influence on local wine producers (POs).</p> <p>Mentioned tax changes equalized the position of cooperatives with the other companies but with the negative influence on their performance. The role of cooperatives is not only doing business but also the rural development. The corporation such as jointstock companies and limited liability companies are not taxed by the income tax if they are established for other purposes than doing business. The same possibillity should be given to the coop. The real estate tax as well as consumer taxes and VAT are too high for coop that should fulfilled also non investor function for rural areas.</p> <p>Dividends of coop members are not taxed that has positive influence on performance.</p>
Lower basic capital in comparison with business companies - limited liability company, share company	Mandate - Cooperative legislation/incorporation law		Target cooperatives in general	Basic capital - at least 1250 eur; indivisible fund - at least 10% of the basic capital in the phase of coop establishment.

6.3 Other legal issues

The Policy Measures and Legal Aspects relate to business organisational law (e.g. the laws and regulation on cooperatives as a business organisation), tax law and competition law.

Business organisational law aspects

The legal business forms available for farmers to organize themselves into producer organisations (POs) are cooperatives, business companies such as Limited Liability Company, Share Company, partnership, limited partnership. In case of Slovakia the most frequently used legal business forms are cooperatives and limited liability companies.

According to national law there are not explicitly preferences in legal forms that force incorporators to use specific legal business forms for cooperatives/POs but the market environment (mainly the banks by their loan commercial policy) influences the farmers to prefer the legal form of business companies. According to Agricultural Paying agency the legal form of subsidized Coops/POs have to be in compliance with the business law, with minimum 5 members per one Coop/PO. This indirectly fits according to business law for Cooperative. Also the basic capital of Cooperative requires the lowest level compare with the Limited Liability Company o, Share Company.

The national law does not stimulate the use of any legal business form, the national policy stipulate the same conditions for all corporations but the traditional cooperatives has a disadvantage because of old debts which are brought from the transformation process after the socialisms. The business companies are the new subjects on the market without old debt brought from the previous period of time. The most of cooperatives are transformed from agricultural socialistic cooperatives.

The relevant developments and changes of the regulation of cooperatives/POs since 1 January 2000 (2004) with regard to business organizational law related mainly to the implementation of EU commercial directives such as 68/151/EHS; 77/91/EHS; 78/855/EHS; 82/891/EHS; 89/666/EHS; 2003/58/ES; 2005/56/ES; 2006/46/ES; 2006/68/ES; 2007/36/ES; 2007/63/ES; 2009/102/ES.

Formation / establishment of Coops/POs

In generally Cooperatives can be formed for the purpose of doing business or satisfaction of the economic, social or other needs of its members. The cooperatives can be formed by at least 5 persons but if there are at least 2 legal entities (to receive support minimum 5 members per one Coop/POs), the minimum of 5 is not necessary. The minimum basic capital is 1250 eur; the minimum member's fee is not stipulated but it could not be zero. The conditions are usually defined in the Statutes of cooperative. The cooperative has to create an indivisible fund for loss covering. The minimum indivisible fund is 50% of basic capital of cooperative recorded in the business register and at least 10% of the basic capital in the phase of coop establishment. Most of legal requirements are dispositive, it means that the members of coop can stipulated other conditions in the statutes of cooperative.

The costs of maintaining the legal business form means that basic capital cannot decrease under the 1250 eur. Indivisible fund must be at least 50% of the recorded basic capital therefore it should be fulfilled at least by 10% of profit per year.

Membership structures

The national law ask to pay a member's fee but the high of it is stipulated in the coop Statutes. The law does not regulate any minimum high of member's fee. The Statutes can stipulate the different high of member's fee for natural and legal persons. The Statutes can stipulated that a

person become a member after the paying of entrance fee (a part of a member's fee). The rest should be paid till three years if the Statutes do not stipulate a shorter period for payment. The Statutes can stipulate also to pay other member's fees. The Statutes allow to depart from the principle of 'one man, one vote' e.g. through a differentiation in voting rights according to the volume of use of the cooperative/PO or according to the amount of capital provided.

There are no legal restrictions for foreigner from other member states to be a member of cooperative. The foreigners have the same conditions as the Slovak natural and legal entities.

Internal Governance

Internal governance is represented by three mandatory bodies: general assembly (assembly of all members); board of directors (if a coop is small, it means it has less than 50 members; the Statutes can stipulate that there will be only one director); control committee (at least three members; in a small coop, its function can fulfil general assembly if the Statutes so stipulates). The other bodies of coop are only facultative.

Each member of coop can file a claim at the court if the decision-making process is not compatible to the legal order or coop Statutes. Before the filing of claim it is necessary to make objections directly on the general assembly meeting or up to one month from the date of general assembly meeting at the board of directors. The claim at the court could be filed up to one month from the registration of the objectives.

The legal requirements on the composition of the board of directors are flexible enough. The members of board of directors are elected by the general assembly for maximum five years (Statutes can stipulate the shorter period). But the first members of board of directors can be elected for maximum three years. The members of board of director cannot be the members of control committee. In the small coop there is only one person as a director.

Only the Coop members can be elected to the internal governance bodies, if they are older than 18 years old or the natural persons which are members of a legal entity - member of coop. The Statute can stipulate also the restrictions for the members when they cannot be members of internal bodies of coop. The national law does not allow a composition of the board of directors by non-member professional managers. This is not considered to be an impediment for an effective composition of the board of directors. The members of coop are more interesting to be good managers than the third persons because there could be more disparities between the objectives of board of directors and members of cooperative.

The supervisory board (control committee) has at least three members, it can be composed of only the coop members. The legal requirements on the composition of the supervisory board are flexible enough.

The control committee is responsible only to the general assembly; it is responsible for the damage caused to the cooperative solidary. The agreement of damages limitation between coop and board of directors or control committee is null and void. The legal structure and rules on the supervision of the board of directors are effective with respect to the accountability of the board towards members. Only the coop members can be members of the control committee. The national law does not allow a composition of the supervisory board by non-members?

According to Business national law coop can establish some subsidiaries without any impediments. The subsidiaries should be enrolled in the business register. The coop can be divided into two or more cooperatives and the general assembly decides on the capital and membership distribution. The interests of each member are taken into account. There is possible to organise partial meetings of general assembly, but it must be stipulated in the coop Statute. The partial meetings cannot decide on the coop cancelation, change of the legal form of coop and in the other issues stipulated by the Statute.

The general assembly elects the members of the board of directors and control committee and they could be only the coop members. They are elected for maximum five years but the first members after the coop formation are elected only for a period of three years. About the dismissal the general assembly decides. The conditions are stipulated in the coop Statute. The national law does not explicitly stipulate rules on the appointment and dismissal of the board of directors and the supervisory board.

Financing

The general assembly can decide on the increasing and decreasing of the basic capital. The general assembly can delegate on the board of directors to make a decision on the basic capital increasing up to the limited high from the net income or other coop sources of equity.

The legal methods and instruments for raising equity are commonly used reservation of net proceeds in a general reserve, and member participation in equity raising connected to and proportional to the volume of economic transaction between the member and the cooperative/PO if the statutes does not stipulate otherwise.

The general assembly stipulates the profit distribution and the amount which should be distributed among the members. The statutes of coop can stipulate the rules on the distribution of profits. If this document does not include such as regulation, the share of a member is calculated as a rate of his/her member fee and fees of all members. Only the paid fees are taken into account. The rules on the distribution of profits to members are flexible because the members can stipulated in the coop Statute otherwise.

The national law does not allow non-member participation in the equity capital of the cooperative/PO, if a coop was formatted according to the Commercial Code after the 1992. But the coops created during the socialisms period have a special regime because they use also the equity of non-members or their heirs. They received the special share called cooperative's shares which entitled these non-members to have a share on the coop profit. Ususally all coops formatted before 1992 are financed with equity capital from non-members. New Coop/POs formatted after 1992 are not financed with equity capital from non-members. The legal rules do not influence the attractiveness of the profit distribution.

Exit provisions

The membership in coop finishes by the mutual agreement between coop and a member; secession; exclusion; bankruptcy on the property of a member. There are no legal restrictions for member secession of the cooperative. A member notices written secession to the board of directors and his/her membership finishes to the date stipulated by the Statute but at the very latest after the six months after the announcement. The exclusion of member is a consequence of the repeated interruption of the member's obligations or if a member (natural persons) was prosecuted for the intentional crime against the coop or some of its members or other consequences according to the Statute of the coop. According to the national law there are not specific unfair restrictions on exit of members?

Reorganisation

The national law provides sufficient tools for cooperatives/POs to reorganise. The national law allows to merge, fusion of coop but only with the other coops. The coop can be divided into two or more coops. The general assembly decides on it. The member who does not agree with the fusion or division can exit his/her membership to the date of fusion or division. Other rule are similar to the rules for companies fusion.

If an employee is not a member of coop, then according to the national law is not involved into the fusion or division projects. The successor is obligated to enter all rights and duties of former employer. Reorganisations of cooperatives/POs are not effected by rules of tax law.

Tax law aspects

The following tax law regime applies to the legal business form of the cooperative /PO: income tax of coop (19%); VAT (20%); consumer tax of beer, vine, alcohol, tobacco, oil, electricity, coal and gas; real estate tax of plots, buildings; tax of vehicles using for doing business.

There are not special provisions in tax law to foster or promote cooperatives/POs, only the dividends of coop members are not taxed.

Due to the history there are some implicit restrictions in tax law affecting the traditional cooperatives. The coop are more in debt than other agricultural business entities because of transformation process; the equal condition of taxation are more restrictive for coop, especially consumer tax of oil, electricity, real estate tax and tax from vehicles.

The members from other member states, in case of a transnational cooperative/PO, does not result in problems with regard to taxation.

The overall burden of the taxation of the cooperative/PO and its members are to some extent not reasonable and fair in comparison to the taxation of investor-owned firms. The role of traditional Cooperatives is not only doing business but also the rural development; the corporation such as jointstock companies and limited liability companies are not taxed by the income tax if they are established for other purposes than doing business. The same possibility should be given to the coop. The real estate tax as well as consumer taxes and VAT are relatively higher for coop that should fulfilled also non investor function for rural areas.

Since 1 January 2000 with regard to taxation law there have been relevant developments and changes of the regulation of cooperatives/POs? In the Slovakia, the new taxes were introduced such as consumer tax for electricity, coal and gas. The real estate taxes are in the hand of municipalities and so the coops are depended on the policy of a municipality and there are big differences among the regions. VAT was stipulated on the 19% and in the year 2011 it has increased on the 20%. Now there is the actual question to increase the consumer tax of vine.

Competition law aspects

Subject to competition law regulation cooperatives/POs on the same footing as investor-owned firms without any general exemptions especially formulated for cooperatives/POs. In case of Slovakia does not exist cooperatives/POs that have a dominant market share which has legal relevance for the application of EU or national competition law. Also there are not special restrictions imposed on members upon withdrawal of their membership from the cooperative/PO an infringement of competition law rules. There are no relevant changes in the competition law in relation to the cooperation policy.

7 Assessment of developments and role of policy measures

This chapter provides a concluding assessment on the developments of cooperatives in Slovakia. In chapter 2 the basic statistics on agriculture and farmers' cooperatives were provided. In chapter 3 data on individual cooperatives were reported, especially concerning their internal governance, their position in the food chain and the institutional environment in which they operate.

This lead to some first impressions in section 3.5 on the performance of cooperatives in Slovakia in relation to their internal governance, institutional environment and position in the food chain.

In chapter 4 the data gathering and analysis was broadened by looking at the differences between the sectors and the influence of sectoral issues on the performance of the cooperatives. Chapter 5 looked into much more detail on the how the regulatory framework influences the competitive position of the cooperatives in the food chain and vis-à-vis the investor-owned firms.

This final chapter assesses the (performance) developments of cooperatives and how they can be explained in terms of the building blocks (institutional environment, position in the food chain including sector specifics, and internal governance). Section 6.1 focusses on the explanation of the performance of cooperatives in terms of their internal governance, their position in the food chain (including sector specificities) and the institutional environment (including the regulatory framework). In section 6.2 an assessment is given on which policy measures in Slovakia seem to benefit cooperatives and which ones have a constraining influence.

7.1 Explaining the performance of cooperatives

Producer organizations started to be established in order to increase economic power of its members in the market. Only several of the producer organizations have been established before entering into EU. It was partly caused by insufficient knowledge of their meaning, structure, benefits and practicality. Important barrier was also non-existence of stimulus for them before EU accession. Situation has been changed after EU accession in 2004. As a contrary against the concentration of agricultural processors government decided to support association of primary producers into collective producer organizations to improve their bargaining position on the markets. In 2004 were established 16 of producer organizations and in 2010 there were 74 producer organizations active. All of them are supported from EU funds through programmes for rural development. Involvement into producer organization was more incentive for corporate farms than individual farmers. Institutional environment of the cooperatives in Slovakia from sociological point of view is somehow feasible in traditional cooperatives but in new producer organizations was not sociological aspect observed. One of the explanations could be that the producer organizations are mostly established by corporate farms and the participation of small individual farmers in producer organization is rare.

POs in relevant sectors are supported through measures of RDP and Market regulations (Fruit and Vegetable). Most of POs were established due to support from measure of rural development program that incentive POs to start the business between 2006-2008.

From the legal structure point of view producer organization is represented as one legal organization (in most cases cooperative). Cooperatives associate combination of at least 5 corporate or individual farmers. The Board of Directors (BoD) is the main decision-making body of the cooperative. In the case of Slovakia it consists of farmer who have been elected by the General Assembly of Member and does not consist of non-member professionals (such as academics, retired managers, politicians, etc.). The number of people in the BoD vary between 1-7 members. The number of people in BoD represents majority of members involved in all

producer organizations. The number of BoD representatives does not significantly differ from sectorial point of view. Decision making power is in hand of members with the highest share in cooperative. According to Business law there is possible in cooperative to have one or two tier board structure (cooperative with less than 50 members) or have to apply a two-tier board structure if cooperative has more than 50 members. In small POs with less members the one-tier board structure exists where the Supervisory Committee is represented by General Assembly of Member and vice versa. Election rules for members of BoD are based on the market power in terms of production of individual members while taking into account the product group representation and personal expertise.

According to Slovak business law the length of BoD memberships is not limited by maximum number of years. Despite of this there were POs with the length of BoD memberships limited by maximum of 3 years. Looking at the length of BoD memberships from sectorial point of view there are not differences. The BoD is only in charge of operational management of the cooperative.

Distribution of votes among members is fully proportional and depends on amount of membership contribution. The members have proportional Voting rights to their equity capital contribution and in some POs (Oil seeds and Leguminous plant, Fruit and Vegetable, Cereals) it represents the volume or value of trade with cooperative.

Although the members of cooperatives represent their primary farms, the secondary cooperatives (producer organizations) do not have direct ownership shares in subsidiaries.

The market share of producer organisations in all sectors varied in 2010 between 1,7% and 24,5%. In comparison with 2004 there was on average significant growth of market shares in most of sectors (Cereals, Pig meat, Dairy, Poultry and eggs, Potatos, Beef meat and Oil seeds and leguminous plants). Significant position in sense of market share has Dairy, Potatos, Cereals and Poultry and eggs. The most members per one POs are in Fruit and Vegetable, Oilseeds and leguminous plants, and Dairy sector. Distribution of producer organisations within the country is not proportional. More than half of the producer organization are situated in western part of Slovakia. From the sectoral point of view the most farmers were involved in Cereals POs then in Dairy and Fruit and Vegetable POs.

7.2 Effects of policy measures on the competitive position of cooperatives

The Policy Measures and Legal Aspects relate to business organisational law (e.g. the laws and regulation on cooperatives as a business organisation), tax law and competition law. In case of Slovakia the most frequently used legal business forms are cooperatives and limited liability companies. According to national law there are not explicitly preferences in legal forms that force incorporators to use specific legal business forms for POs. According to Agricultural Paying agency the legal form of subsidiezed POs have to be in compliance with the business law, with minimum 5 members per one PO. This indirectly fits according to business law for Cooperative. Also the basic capital of Cooperative requires the lowest level compare with the Limited Liability Company or Joint-stock Company. The national law does not stimulate the use of any legal business form, the national policy stipulate the same conditions for all corporations but the traditional cooperatives has a disadvantage because of old debts which are brouhgt from the transformation process after the socialisms. The business comapnies are the new subjects on the market without old debt brought from the previous period of time. The performance of cooperative is influenced mainly by tax policy, EU support policy and legal regulation. The tax law regime applies to the legal business form of the cooperative: income tax of coop, VAT, consumer tax of beer, vine, alcohol, tabacco, oil, electricity, coal and gas; real estate tax of plots, buildings; tax of vehicles using for doing business. There are not special provisions in tax law that foster or promote cooperatives, only the dividends of coop members are not taxed. Due to

the history there are some implicit restrictions in tax law affecting the traditional cooperatives. The coops are more in debt than other agricultural business entities because of transformation process. The equal condition of taxation are more restrictive for traditional cooperatives, especially consumer tax of oil, electricity, real estate tax and tax from vehicles. The overall burden of the taxation of the cooperative and its members are to some extent not reasonable and fair in comparison to the taxation of investor-owned firms. The role of traditional cooperatives is not only doing business but also the rural development. The corporation such as jointstock companies and limited liability companies are not taxed by the income tax if they are established for other purposes than doing business. The same possibility should be given to the cooperatives. The real estate tax as well as consumer taxes and VAT are relatively higher for cooperatives that should fulfilled also non investor function for rural areas. Since 1 January 2000 with regard to taxation law there have been relevant developments and changes of the regulation of cooperatives/POs? In the Slovakia, the new taxes were introduced such as consumer tax for electricity, coal and gas. The real estate taxes are in the hand of municipalities and so the coops are depended on the policy of a municipality and there are big differences among the regions. VAT was stipulated on the 19% and in the year 2011 it has increased on the 20%. Now there is the actual question to increase the consumer tax of wine. The EU support policy measures (RDP, CMO) affects establishment and development of POs through facilitate establishment, improve the quality of activities, the quality and quantity of production to ensure the better the position in the food market. The policy affects development of selected agricultural sectors (e.g. Fruit and Vegetable, Hop) by strengthening the position in the food chain of local farmers in relevant sectors. Subject to competition law regulation cooperatives on the same footing as investor-owned firms without any general exemptions especially formulated for cooperatives or POs. In case of Slovakia does not exist cooperatives or POs that have a dominant market share which has legal relevance for the application of EU or national competition law. Also there are not special restrictions imposed on members upon withdrawal of their membership from the cooperative an infringement of competition law rules. There are no relevant changes in the competition law in relation to the cooperation policy.

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