

THE POSITION OF SELF-EMPLOYED FARMERS IN THE BUSINESS ENVIRONMENT

POSTAVENIE SAMOSTATNE HOSPODÁRIACICH ROĽNÍKOV V PODNIKATEĽSKOM PROSTREDÍ

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I Introduction

Agriculture plays a significant role not only in food production but also as an important source of employment, particularly in rural areas. However, interest in working in this sector has been declining each year, leading to a long-term reduction in agricultural jobs. One opportunity to increase employment potential in agriculture and promote rural development lies with self-employed farmers.

Self-employed farmers represent one form of entrepreneurial activity for individuals in Slovakia, classified as self-employed persons. They are individual

entrepreneurs who engage in agricultural production under their own name, at their own expense, and at their own responsibility. Their legal status is governed by a specific law, Act No. 105/1990 Coll. on Private Enterprise by Citizens, which aims to facilitate agricultural activities for individuals. Self-employed farmers should not be confused with sole proprietors, whose activities are regulated by the Trade Licensing Act. Over time, this group of entrepreneurs has become an integral part of the agri-food sector.

Self-employed farmers can significantly contribute to rural development through sustainable farming

Abstract (EN)

The position of self-employed farmers (SEF) in the business environment is a topical issue, as self-employed farmers play a key role in the agricultural sector and in rural development as well. Independent farmers often operate as small and family farms, contributing to the economic stability and food security of the regions in which they operate. However, their position in the business environment is influenced by factors such as legislative conditions, access to financial resources, the number of market opportunities, and support mechanisms from the state or the European Union. The main goal of the paper is to describe the position of the self-employed farmer and his role in rural development. In the contribution, we are devoted to the legislative definition of the legal form of independent farming of a farmer, which defines the main advantages and disadvantages of this type of business. In the next part of the post, we are devoted to the development of the number of SEF in Slovakia, where we record the number of these entities over a long period of time. In the end, we provide an overview of financial support options for self-employed farmers. For the future of the Slovak countryside and agriculture, it is crucial to constantly support young and small farmers and create conditions for their growth and development

Abstrakt (SK)

Postavenie samostatne hospodáriacich roľníkov (SHR) v podnikateľskom prostredí je aktuálnou témou, keďže samostatne hospodáriaci roľníci zohrávajú kľúčovú úlohu v poľnohospodárskom sektore, ako aj v rozvoji vidieka. Samostatne hospodáriaci roľníci často fungujú ako malé alebo rodinné farmy, ktoré prispievajú k ekonomickej stabilite a potravinovej bezpečnosti regiónov, v ktorých pôsobia. Ich postavenie v podnikateľskom prostredí však ovplyvňujú faktory, ako sú legislatívne podmienky, prístup k finančným zdrojom, množstvo trhových príležitostí a podporné mechanizmy zo strany štátu alebo Európskej únie. Hlavným cieľom príspevku je opísať postavenie samostatne hospodáriaceho roľníka a jeho úlohu v rozvoji vidieka. V príspevku sa venujeme legislatívnemu vymedzeniu právnej formy samostatne hospodáriaceho roľníka, pričom definujeme hlavné výhody a nevýhody tohto typu podnikania. V ďalšej časti príspevku sa zaoberáme vývojom počtu SHR na Slovensku, kde dlhodobo zaznamenávame počet týchto subjektov. Na záver poskytujeme prehľad možností finančnej podpory pre samostatne hospodáriacich roľníkov. Pre budúcnosť slovenského vidieka a poľnohospodárstva je kľúčové neustále podporovať mladých a malých farmárov a vytvárať podmienky pre ich rast a rozvoj

Keywords (EN)

employment in agriculture, self-employed farmer, financial support for self-employed farmers

Kľúčové slová (SK)

zamestnanie v poľnohospodárstve, samostatne hospodáriaci roľník, finančná podpora samostatne hospodáriacich roľníkov

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and local initiatives. Thanks to their flexibility and independence, they can help diversify the local economy, support ecological agriculture, create job opportunities, and preserve traditional agricultural practices. They can also act as drivers of innovation in agricultural technologies and production organization, thereby supporting local communities and improving living conditions in the regions.

II Material and Methods

The main goal of the paper is to present the position of self-employed farmers in the business environment and their role in rural development. To achieve this goal, it was necessary to examine the concept of self-employed farmers from a legislative perspective, emphasizing their essence, scope of activities, and legislative context. Subsequently, partial objectives were defined to complement the main goal.

Partial Objectives:

- trends in agricultural employment in Slovakia,
- characteristics of self-employed individuals,
- legislative definition of the legal form of self-employed farmers,
- advantages and disadvantages of this form of entrepreneurship,
- development of the number of self-employed farmers in Slovakia,
- financial support opportunities for self-employed farmers.

To achieve these objectives, it was essential to work with scientific literature as well as legislation regulating this specific form of entrepreneurship. By analyzing various domestic and international expert sources, as well as statistical data, a comprehensive picture of the status of self-employed farmers in Slovakia was created.

III Results and Discussion

3.1 Trends in Agricultural Employment in Slovakia

The agricultural sector is an important part of the economy, not only in terms of agricultural production but also in terms of employment, particularly in rural areas. Interest in engaging in agricultural activities has been declining year by year. This sector has long experienced a decrease in employment due to technological advancements, mechanization, and changes in the structure of the economy, with more people transitioning into industry or the service sector. However, the share of the workforce in agriculture continues to decline due to several factors, such as

market demands, the economic interests of society, the growth of technological equipment, innovations, and increased pressure on worker qualifications⁽¹⁾. Buchta⁽²⁾ considers the reduction in the agricultural workforce as one of the accompanying phenomena of the continuous restructuring of the agricultural sector. The development of agricultural employment in Slovakia is characterized not only by a decrease in the number of workers but also by proportional changes in employment status, the representation of professional categories, and the structure of the workforce in terms of gender, age, and education. Additionally, there is an increase in the number of unemployed workers with previous employment in agriculture, referred to as agricultural unemployment⁽³⁾.

The Slovak Republic's entry into the European Union did not halt the decline in employment in agriculture, which continues despite the efforts of the Common Agricultural Policy (CAP). The CAP aims to support employment in this sector through various tools, such as subsidies for young farmers. However, low wages and the general unattractiveness of the agricultural sector do not contribute to its growth⁽⁴⁾.

Figure 1 illustrates the situation in agricultural employment from 2012 to 2022, showing an annual decline. In 2012, there were 28,835 permanently employed workers recorded, while in 2022, the number of permanently employed workers in agriculture had decreased to just 18,874.

Self-employed farmers (SEFs) have the potential to increase employment in agriculture, particularly in small rural areas. By often operating smaller farms and agricultural businesses, SEFs can create new jobs, such as in seasonal work, processing local products, or providing rural services. Zoborský⁽⁵⁾ identifies self-employed farmers as the most numerous group of entities engaged in agricultural business. The majority of self-employed farmers conducting agricultural activities are simultaneously employed in other jobs.

Self-employed farmers occupy a unique position within the business environment, requiring adherence to specific activities and procedures. Over time, this group of entrepreneurs has become an integral part of the agri-food sector⁽⁶⁾. A self-employed farmer is classified as a self-employed person (SEP). A self-employed person is an individual who engages in independent economic activity.

¹ Szabo, Grznár (2015).

² Buchta (2013).

³ Jamborová, Masára (2015).

⁴ Věžník et. al. (2017).

⁵ Zoborský (2006).

⁶ Žieriková (2013).

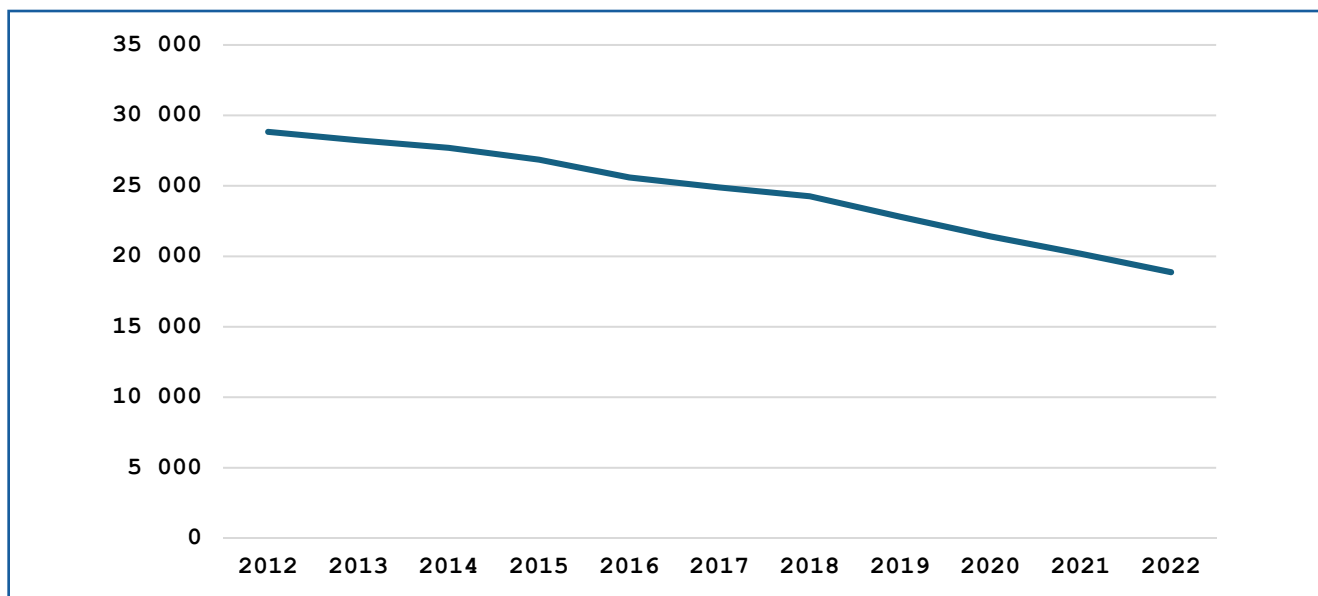


Figure 1 Development of Employment in Agriculture in Slovakia, Permanently Active Employees
Source: Datacube, 2024

For example, this includes individuals who:

- operates a trade, meaning they conduct business based on a trade license,
- practices a liberal profession,
- and engages in agricultural production, commonly referred to as a self-employed farmer.

A self-employed person is not only an individual operating as a sole trader under a trade license but also a person conducting business based on other forms of authorization under special regulations, as well as those engaged in agricultural production. A self-employed farmer is an individual entrepreneur who carries out agricultural activities in their own name, on their own account, and assumes full responsibility for their operations. The legal status of this individual is defined in Act No. 105/1990 Coll. on Private Enterprise by Citizens as amended. The purpose of this act is to facilitate agricultural activities for individuals and simplify their entrepreneurial efforts within the agricultural sector.

The law defines agricultural production carried out by an entrepreneur, whose activities consist of performing agricultural production, including management of forests and water areas, as the activity of a natural person who, personally or with the help of other persons, produces agricultural products to obtain a permanent source of income, primarily through their sale, or performs processing or other modifications of their agricultural production. If the activity requires consent under special regulations, it can only be conducted with such consent. It also includes the occasional provision of services or activities related to agricultural production, utilizing

resources and equipment designated for agricultural production, typically during periods when these are not fully utilized for production, or the extraction of non-reserved minerals⁷. A self-employed farmer, often referred to as a farmer or agricultural producer, can encompass various professions, such as beekeeping, vegetable and fruit cultivation, or animal husbandry, for example, sheep farming.

An entrepreneur engaged in agricultural activities is registered as a self-employed farmer. After registering with the respective city or municipal office, they carry out agricultural activities in their name, on their account, and under their responsibility. The registry includes personal data of the SEF, such as their full name, permanent residence, personal identification number, and other necessary information as required by specific regulations. In the event of changes in data or termination of agricultural activities, the SEF is obligated to notify the relevant authority within 15 days. The competent authority issues a certificate of registration to the self-employed farmer and informs the authorities responsible for tax administration, insurance, state statistics, and social security.

The same procedure applies in the event of any changes or deletion of data in the registry, as well as the termination of agricultural production. Based on this information, the relevant state statistics authority assigns an identification number to the self-employed farmer, which is subsequently added to the registry. Individuals previously registered as

⁷ Act No. 105/1990 Coll. on Private Entrepreneurship of Citizens as amended.

farmers at the municipal office are, as of the effective date of the Act on Private Entrepreneurship of Citizens, considered self-employed farmers, thereby acquiring the rights and obligations established by the mentioned act. The self-employed farmer purchases exclusively for the needs of their farms at prices exempt from turnover tax, adhering to specific regulations. This system of registration and record-keeping is crucial for ensuring transparency and the proper functioning of the agricultural sector in Slovakia⁽⁸⁾.

The self-employed farmer is an institution established for the purpose of generating income, and although it is not subject to business licensing, it has similar tax and social security obligations as a sole trader. For tax and social security purposes, there is no distinction between different types of self-employed persons, i.e., between a sole trader and an SEF. The income of a taxpayer as an SEF engaged in agricultural production in accordance with the issued certificate is subject to income tax under the Income Tax Act, specifically as income from business, namely from agricultural production, forestry, and water management. For tax purposes, these are considered active income⁽⁹⁾.

The legal form of business as a self-employed farmer brings a range of advantages and disadvantages. Proper evaluation of these advantages and disadvantages is an important factor when deciding on the legal form of business. One of the advantages of being an SEF is the simplicity of starting and potentially ending business activities. Unlike other legal forms, establishing an SEF is relatively simple, with lower administrative and financial costs. Another advantage, which is practiced by most self-employed farmers, is the possibility of carrying out agricultural activities alongside a main job. An SEF has full control over their business, which allows them to quickly adapt decisions to market conditions and their own needs. Self-employed farmers often keep tax records in a simpler form, reducing the administrative burden associated with maintaining double-entry accounting. From a tax perspective, SEF has certain tax advantages, such as reduced tax liability on income from agricultural activities or lower social and health insurance contributions compared to other forms of business. This form of business allows for greater freedom in organizing working hours and seasonal work, which is especially advantageous in agriculture, where tasks are often tied to seasonal periods.

This form of business also carries several disadvantages. One of them is limited legal protection, meaning that an SEF does not have a separate legal

personality. This means that the farmer is personally liable for their obligations with all of their assets. If they encounter financial problems, this can affect their personal finances and living conditions. Another disadvantage is the relatively limited access to finance. Financial institutions and banks often do not consider SEFs as full-fledged entrepreneurs, which can complicate access to loans and financing. Additionally, SEFs have fewer opportunities to attract capital investments compared to legal entities, such as limited liability companies or joint-stock companies. Due to these factors, an SEF is largely dependent on state subsidies⁽¹⁰⁾.

This form of business is also associated with administrative burdens, even though an SEF is not a sole trader. The same administrative obligations apply, such as keeping accounting records and fulfilling tax and social security duties. The registration of land and the management of related paperwork can also be challenging for the farmer. Since the SEF operates primarily as an individual entrepreneur, its ability to employ workers is limited. This can negatively affect efficiency and restrict the farmer's ability to take advantage of economies of scale, such as discounts on materials or equipment purchased in larger quantities. In the event of the farmer's death, the transfer of assets and continuation of the business can be complicated, as the business is often closely tied to the property and the person of the farmer. This situation may lead to various complications, such as family disputes or uncertainties about who will continue the business.

The number of self-employed farmers in Slovakia has been decreasing for several decades. After the transformation of the economy following 1989, the number of SEFs significantly increased. However, with Slovakia's entry into the EU in 2004 and the subsequent adoption of the Common Agricultural Policy, the agricultural sector began to modernize, which led to a decline in the number of SEFs. The following decades brought increased demands for efficiency, linked to the expansion of large-scale production systems and higher input costs, which caused smaller SEFs to struggle and often discontinue their activities.

The development of the number of self-employed farmers in Slovakia can be seen in Figure 2, which illustrates the continuously decreasing number of SEFs.

According to data from the Statistical Office of the Slovak Republic and the Ministry of Agriculture and Rural Development of the Slovak Republic, the decline in the number of SHR in Slovakia is also caused by

⁸ Ministry of Transport of SR, Ministry of Economy SR (2020).

⁹ Širá, Dúbravská (2021).

¹⁰ Pohorelá (2020).

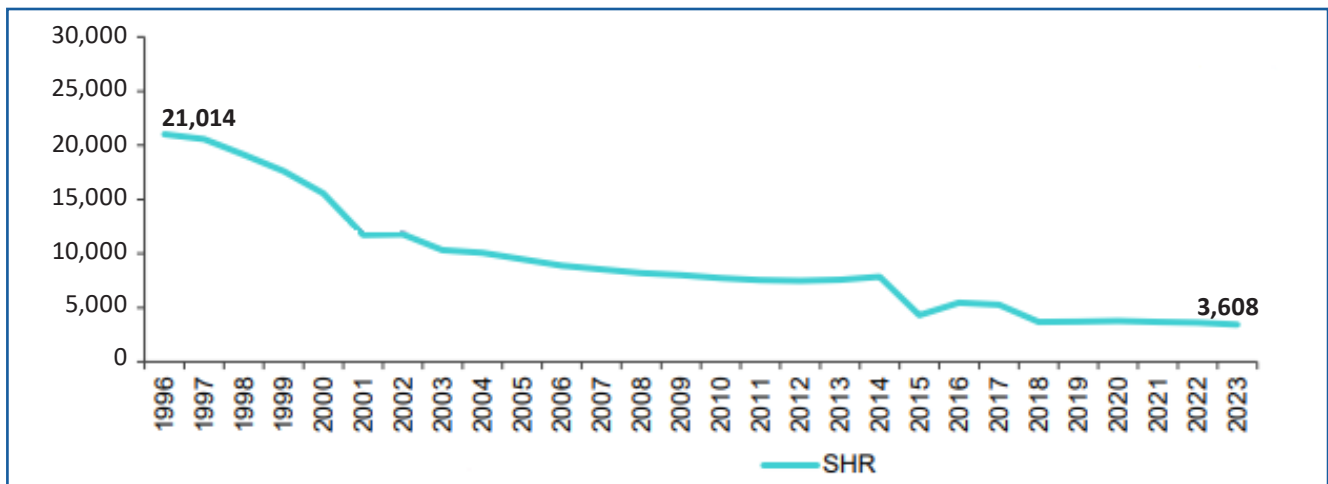


Figure 2 Development of the Number of SHR in Slovakia
Source: Small and Medium Enterprises in Numbers in 2023, 2024, Slovak Business Agency (2024)

the gradual aging of the rural population and the lack of young people willing to take over family farms. In recent years, the number of SEFs has stabilized but remains relatively low compared to the past. In 2023, the number of entrepreneurs in this legal form slightly decreased, falling by 173 entities to a total of 3,608. After a significant decline in the number of SEF in 2018 (by 30.0%), caused by the deactivation of active SEF in the Register of Organizations, recent developments in the last three years indicate a stabilization of the number of SEF in Slovakia. However, given the long-term trend of SEF decline and insufficient support for small farms, further reductions in their numbers can be expected in the future. Over the past decade, the number of SEFs has decreased by more than half⁽¹¹⁾.

3.2 Financial Support Opportunities for Self-employed Farmers

The conditions for obtaining subsidies for self-employed farmers in Slovakia are set by the Agricultural Paying Agency and outlined in the rules and guidelines for agricultural subsidies and direct payments. Self-employed farmers primarily receive support in the form of land subsidies. To be eligible for subsidies, their land must be at least 1 hectare in size, although this land does not have to be contiguous; it can be divided into smaller sections with a minimum size of 0.3 hectares. These subsidies provide SEF with the necessary funding, as agriculture is a sector with low return on investment, and thus, SEFs are heavily reliant on these funds. Almost all subsidies come from the EU's agricultural policy, which is divided into two pillars. SEF can apply for direct support, which is

paid from the state budget of the Slovak Republic and subsequently reimbursed from the EU budget. Direct support for farmers is primarily formed by a system of so-called direct payments from the European Agricultural Guarantee Fund and support related to measures under the Rural Development Programme, which are financed by the European Agricultural Fund for Rural Development. In addition to direct payments and support related to measures under the Rural Development Programme, you can also receive support from the state budget of the Slovak Republic through supplementary national payments.

Direct payments are divided into decoupled direct payments, which are not linked to specific forms of crop or livestock production, and coupled direct payments, which are associated with specific types of crop or livestock production. SEF can receive direct payments as a form of financial support for maintaining agricultural production and complying with environmental standards. Under decoupled direct payments, it is possible to apply for basic income support for sustainability, complementary redistributive income support for sustainability, complementary income support for young farmers, as well as schemes aimed at climate, environmental protection, and good animal welfare conditions. Coupled direct payments are linked to the cultivation of specific crops or the breeding of particular types of livestock. Coupled direct payments are used to support agricultural sectors that provide significant economic, environmental, or social benefits but are not sufficiently profitable⁽¹²⁾.

Support related to the measures of the Rural Development Programme, i.e., through the second pillar of the Common Agricultural Policy (CAP), provides

¹¹ Slovak Business Agency (2024).

¹² Ministry of Agriculture and Rural Development SR (2023).

the EU with 41 support schemes for the years 2023–2027, which can be divided into eight main groups:

- environmental, climate, and other commitments related to farm management;
- natural or other specific constraints of individual areas;
- specific disadvantages of individual areas arising from certain mandatory requirements;
- investments, including investments in irrigation;
- start-up activities for young farmers and new farmers, as well as the establishment of businesses in rural areas;
- risk management tools;
- cooperation;
- knowledge exchange and dissemination of information.

Through these funds, SEF can invest in farm modernization, increasing competitiveness, income diversification, or supporting employment in rural areas. The EU offers financial incentives for SEFs who commit to applying eco-friendly practices, such as reducing pesticide use, protecting biodiversity, or adopting sustainable methods. It also supports SEF with investment grants that allow them to modernize farms, introduce new technologies, and increase efficiency.

Innovative measures include support for digital agriculture, precision farming, and the use of drones and sensors. The CAP also funds training and advisory programs to help SEF improve business skills, adapt to new regulatory requirements, and access information about sustainable farming practices.

IV Conclusion

The position of self-employed farmers in the business environment represents an important and current topic, as these farmers play a key role in the development of agriculture and rural areas. Self-employed farmers often serve as bearers of traditions and cultural heritage within their communities, and their activities significantly impact not only economic stability but also the preservation of biodiversity and sustainable management of natural resources.

In addition, self-employed farmers are able to preserve and further develop traditional agricultural practices, which are an integral part of rural cultural heritage. Their activities can also serve as a source of innovation in agricultural technologies and production organization, enhancing the efficiency of farming and improving the competitiveness of small-scale farmers.

All these efforts contribute to strengthening local communities, improving living conditions, and advancing the development of rural regions. This

makes self-employed farmers vital players in the field of local and regional development. The significance of self-employed farmers in today's business environment is amplified by the challenges they face, such as climate change, market globalization, bureaucratic burdens, and limited access to financial and investment resources. Supporting SEFs and integrating them into rural development and agricultural policies is therefore essential to ensuring their long-term competitiveness and sustainability.

The main aim of this paper is to highlight the position of self-employed farmers in the business environment and their role in rural development. The paper focuses on the legislative definition of the legal form of self-employed farmers, presenting the key advantages and disadvantages of this type of business activity. In the subsequent section, attention is given to the trend in the number of SEFs in Slovakia, which has been steadily declining. The primary reasons for this decline can be attributed to the gradual aging of the rural population and the lack of young people willing to pursue careers in agriculture.

Agriculture is heavily subsidized by the European Union, and therefore, the concluding section outlines the financial support opportunities available for self-employed farmers. For the future of Slovak rural areas and agriculture, it is essential to continuously support young and small-scale farmers and create favorable conditions for their growth and development.

While running an agricultural business is challenging, it provides immense added value to society. Given the increasing average age of farmers in Slovakia, it is crucial for the agricultural sector to attract young and passionate individuals who can bring fresh knowledge and innovations to the industry.

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