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Influence of cash flows from the Common Agricultural Policy on liquidity of Slovak trading companies in agriculture in the period 2000-2009

Abstract

Slovak agriculture is constantly dynamically changing. Accession process to the EU of this sector is important for Slovak agriculture harmonization of agricultural policy related to the Common Agricultural Policy.

Integration into the European Union and as well as using the funds of the Common Agricultural Policy significantly affect financial ratios and others indicators as liquidity, solvency and cash flow, which was evaluated the financial statements of assessed financial management.

Financial situation of entity is a mirror through which the enterprise is perceived by its surroundings. The situation of liquidity is a determinant, which influences the opinion of external subjects about entity and its financial health.

The paper compared the period before and after accession to the European Union (EU), it means the period from 2000 to 2009 with the aim to find the answer if the financial liquidity of Slovak enterprises in agriculture have had a positive or negative development trend.

Introduction

Agricultural enterprises are characterized by many features, which are differ from enterprises of other sectors of national economy, such as: seasonality, continuity, long-term periodical and biological character of production, fixed of physical capital, as well as dependence process and results of production processes to climatic conditions and riskiness of the final production. These features of agricultural production depend on time of dependence financial means in individual forms of property within the production process as well as the time of payment of their claims¹.

Situation of the Slovak Republic after accession to the EU

Slovakia's accession to the EU was accepted by the Slovak farmers and brought them many positives. Long time planned accession of the Slovak Republic was

¹ SERENČEŠ, P. - MAJERNÍK, M. 2009. Investičná činnosť poľnohospodárskych podnikov a jej financovanie nástrojmi kapitálového trhu, 1.vyd. Nitra: SPU, 95 s., ISBN 978-80-552-0271,

welcomed by agrarian producers with the expectation of improving the business environment, expansion of missing of financial resources through support by means of the EU and with the hope of opening the single European market. In 2004, EU accession became a reality, but all expectations were not met. Support resources, although they have increased, while lagging behind the level of the EU countries, we will equal to 2013².

Main instrument for funding has become the European Agricultural Guidance and Guarantee Fund (EAGGF) and co-financing from the state budget. Financing of the agriculture after entry has been significantly changed and is influenced by macroeconomic and microeconomic factors. Influence of finance-economic tools is constantly in motion and reacts to changes of environment in agri-food industry³.

Common Agricultural Policy (CAP)

During the existence of CAP many changes have happened. The Common Agricultural Policy (CAP) was the most important and the most influential policy for the agricultural sector and the agricultural areas in the EU. In 1980 it was founded that up to date sectoral interest of the Common Agricultural Policy was inadequate to the necessities of European agriculture and to the changing necessities of society. Thus began a series of reforms, which led to the formation of second pillar of the Common Agricultural Policy⁴.

The basis of all these reforms was a transfer from price-distorting policy of prices support to less distorting direct payments policy. Altogether was to reduce the administrative prices and farmers' income shortfall were offset by direct payments from the EU budget⁵.

Cash flows and liquidity

In a market economy underestimation of cash flow problems involve in the financial management of an inability of large sections of the enterprises to pay its obligations to suppliers. It is caused by high fixation of stocks of all kinds and a large part of uncollectible debts. It causes failures of financial flows in the enterprise, especially the expressive problems in the management of liquidity⁶.

² GRZNÁR, M.. 2008. Efektívnosť slovenského poľnohospodárstva po vstupe do Európskej únie. In: *Ekonomika poľnohospodárstva*. Bratislava: Výskumný ústav ekonomiky poľnohospodárstva a potravinárstva, 2008. roč. 8, č. 1, s. 13-19, ISSN 1335-6186,

³SZOVICS, P. 2006. Úverová politika v poľnohospodárstve po vstupe SR do EÚ, In: *Zborník príspevkov z medzinárodnej vedeckej konferencie – Medzinárodné vedecké dni 2006: Konkurencieschopnosť v EÚ, výzva pre krajiny V4*. Nitra: SPU, 1169 – 1176 s., ISBN: 80-8069-704-3,

⁴ ENRIGHT, P. 2008. The EU's Common Agricultural Policy rural development pillar: ana appraisal. In: *Medzinárodné vedecké dni 2008: Konkurencieschopnosť a ekonomický rast: Európske a národné perspektívy*. Nitra: SPU, 2008, s. 26, ISBN 978-80-552-0061-3,

⁵ POKRIVČÁK, J. – CIAIAN, P. 2004. Agricultural Reforms In Slovakia. *Finance a Úver/Czech Journal of Economics and Finance*, roč. 54, 2004, č. 9 -10, 420-435 s., ISSN 0015-1920,

⁶ BELICA, M. 2002. Podnikové financie. Nitra: SPU, 2002, 42, 58-69 s., ISBN 80-8069-006-5,

The liquidity of trading partners is the soundness of enterprise during creating contacts. Degree of liquidity is related with other areas of management of enterprise and therefore for the reliable evaluation of the success of business there must be at least consideration even profitability, as well as other indicators of enterprise's management⁷.

Aim of liquidity's indicators is formulated a potential ability of enterprise to pay debts at the moment. Solvency ratios derived enterprise's liquidity from ratio between current assets as the group the most liquid assets and short-term debt as obligations paid in the near future⁸.

Payment solvency and Slovak agricultural enterprises

Enterprises have inadequately secured the sale of products, protection against unwanted price's movements, production quality and also disposal with costs. This are reasons the primary payment insolvency for enterprise's subject. A secondary insolvency consists in the overdue accounts in specified time and value for customers⁹.

The agrosector in present time must respond to declines in sale prices of vegetable and animal products, sales are decreasing and gets worse liquidity of agri-food enterprises¹⁰.

At the enterprise's survival needs there is a need of real money and not only yield on paper, which is presented in double-entry bookkeeping. Permanent payment ability and liquidity became a short-term enterprise's aim. The basis for their management is just the cash flow statement¹¹.

Financial measures from the European funds to support agriculture can be obtained only by producing successful projects oriented on support of productive agriculture and support of sustainable rural development. Risk is connected with their design¹².

Payments from the CAP

Slovakia has the possibility of taking non-refundable financial means from the EU structural funds, from the 1st of January 2004. Time mismatch between demand of finance and actual payout of subsidies from state causes considerable problems to farmers. Downward payment of subsidies means that money for farmers on this year,

⁷ KOŠČO, T. et al. 2006. Podnikové financie. Nitra: SPU, 2006, 147 s., ISBN 80-8069-725-6

⁸ GRÜNWALD, R et al. 1992. Finanční analýzy a plánování. Praha: Nad zlato, 1992. 110 s., ISBN 80-900383-8-7,

⁹ SERENČEŠ, P. 2005. Faktory podnikovej úspešnosti v podmienkach európskeho agrárneho trhu. In: Zborník z vedeckého seminára, Nitra: SPU, 2005, 44-47 s., ISBN 80-8069-615-2,

¹⁰ VEREŠPEJOVÁ, A. 2009. Slovenskí farmári, už vás melie hospodárska kríza. In: Farmár, č. 9, 2009, 8-11 s., ISSN 1337-740X,

¹¹ FICZOVÁ, I. 2000. Vykazovanie Cash flow. In: Finančný manažér, roč. 1, 2000, č. 1, s. 15-19, ISSN 1335-5813,

¹² KOŠČO, T. – TÓTH, M. 2005. Východiská a pozície poisťovacieho trhu na území Slovenskej a Rakúskej republiky. In Zborník z vedeckého seminára s medzinárodnou účasťou (CD) "Faktory podnikovej úspešnosti v podmienkach európskeho agrárneho trhu". Nitra : SPU, 2005, 305-311s., ISBN 80-8069-615-2,

they receive until December and in the worse case Agricultural Paying Agency is authorized to transfer money until June next year, when is late for agriculture because of seasonality. Banks actively support projects financed from the EU structural funds to resolve this issue and cover a yearlong demand of finance in agricultural basic industry. Banks provide to farmers bridge loans on frontload support, which can be obtained mainly through direct payments from EU funds and state budget¹³.

One of the priorities of the CAP for the 21st century is that payments from the CAP distributed fairly and insists that the distribution was fair for farmers in the old and new Member States, too. The team of authors agreed on the fact that all farmers of the EU should be given a direct payments based on area acreage which is financing of EU and they refuse any additional financing, which would undermine fair economic competition in the EU single market¹⁴.

Material and methods

The aim of the paper is to calculate liquidity ratios in order to assess influence of cash flows from the Common Agricultural Policy on liquidity of Slovak trading companies in agriculture in the period 2000-2009.

Liquidity indicators, as part of an analysis overall financial situation of entity, allow to formulate ability of an entity to pay obligations on time. In this paper, there were used ratio indicators of liquidity formulated in the book by Zalai et al. (1998)¹⁵: The financial-economic analysis of enterprise.

L1 cash ratio (liquidity 1st degree) = $\frac{\text{short term financial assets}}{\text{current liabilities}}$

L2 current ratio (liquidity 2nd degree) = $\frac{\text{short term financial assets} + \text{short-term debt}}{\text{current liabilities}}$

L3 total liquidity (liquidity 3rd degree) = $\frac{\text{short term financial assets} + \text{short-term debt} + \text{stock}}{\text{current liabilities}}$

We have set aside for purposes of calculating only trade companies, so joint stock companies and limited liability companies (code in database 55) from a database of agricultural enterprises of the Slovak Republic. Their quantity was 722 before applying the statistical measurement.

The region of SR was not taken into account in the calculation. The data are taken globally for the whole of Slovakia in the period 2000-2009, so 10 years, with an emphasis on assessing whether the financial flows from the CAP contributed to improving the liquidity or liquidity deteriorated.

¹³ BALOGHOVÁ, B. – RÁBEK, T. 2006. Bankový úver ako dôležitá zložka cudzích zdrojov. In: Medzinárodné vedecké dni 2006 „Konkurencieschopnosť v EÚ – výzva pre krajiny V4“. [Zborník na CD ROM]. Nitra: SPU, 2006, 1009-1015 s., ISBN 80-8069-704-3,

¹⁴ SERENČEŠ et al. 2010. Financie v poľnohospodárstve, 1.vyd. Nitra: SPU, 167- 168 s., ISBN 978-80-552-0438-3,

¹⁵ ZALAI, K. et al. 1998.: Finančno-ekonomická analýza podniku. Bratislava: SPRINT, ISBN 80-88848-18-0,

The inconclusive values (smaller and equal to 0) and extreme values (5% of the lowest and 5% of the highest entities per year) of the statistical measurement were automatically retired. Calculated values of indicators were analyzed using statistical software Statgraphics.

To assess the trend of liquidity, there were used Box-plot and descriptive characteristics: count, average, median, standard deviation, coefficient of variation, minimum, maximum, range, lower quantile, upper quantile. On this basis, the results were presented through a spreadsheet and graphical representations of figures, box-plot analysis and development figures.

The primary source of information was the individual anonymous data coming from Information sheets of Slovak Ministry of Agriculture (MP SR). This is a departmental database of agricultural enterprises in the Slovak Republic. The period 2000-2008, the Slovak currency, the Slovak crown data are presented in thousands of SKK. Therefore, it would not be appropriate to recalculate the indicators for the euro, because the rate of exchange was changed during the reporting period and until 2009 there was a fixed exchange rate 30.126 SKK / 1 EUR fixed at 1.1. 2009, when Slovakia adopted the euro currency.

Secondary sources of information were scientific publications of domestic and foreign authors, scientific papers, Green Report from 2000 to 2009, Statistical Yearbook from 2000 to 2009, Research Reports of the Research Institute of Agriculture and Food Economy. There was also used information from the Farm Structure Census from the period 2001-2009, whereas the data for the period 2001-2011 will be published in 2012.

Results

The structural census farms (FSC) within the agricultural statistics is carried out in the European Union at intervals of 10 years. This finding is a part of the European agricultural statistics project, which is managed by the Statistical Office of the European Union - EUROSTAT.

According to the structural farms census of 2001 there were 6995 registered farms which average area was 349 ha. In the country, there are three types of entity. Legal enterprises, cooperative farms, joint stock companies and limited companies managed to 77% of agricultural land. Enterprises of self-employed farmers are much smaller and their part of agricultural land area is only 9%. The third category enterprises are unregistered small and subsistence farms, which use only about 14% of total agricultural land area (see Table 1)¹⁶.

¹⁶ <http://portal.statistics.sk/showdoc.do?docid=33787>.

Table 1 Structure of agricultural enterprises in the Slovak Republic in 2001

Type agricultural enterprises	Farms	Area agricultural soil in thousand hectares	Average area in ha	Part of overall area agricultural soil in %
Cooperative farm	715	1131	1582	46,4
Trading company	722	723	1002	29,6
- limited companies.	627	550	877	22,5
- joint stock companies	94	173	1842	7,1
Σ trading companies and cooperative farms	1522	1890	1241	77,4
SEF ¹	5473	215	39,2	8,8
Other soil*		335		13,7
Total	6995	2439	349	100

Source: Structural census farms SR (FSC) 2001

* include unregistered small farm, subsistence farms, parcels of home, gardens

¹SEF - self-employed farmer

Development of individual items of liquidity, which make the basis for the calculation of liquidity, is described in Table 2. The value of the numerator was in the period before accession to the EU less than the denominator and after integration into the EU in 2004 there occurred the opposite trend. Development of liquidity began to have an upward trend, while the best value for ten years have been reached limited companies and joint stock companies in 2009, when there was a transition to the single currency euro and enlarge opportunities to get financial resource not only from EU funds, but also from public resources of the Slovak Republic.

Table 2 Development of liquidity items in the period 2000–2009 in Euros

Item	Stock	Current claims	Short term financial assets	Current liabilities
Rok				
2000	6497939	3546168	1158313	6470713
2001	7299867	3903633	1203058	7418141
2002	7877737	4093133	1174885	7726975
2003	7961873	5039261	1251525	9267926
2004	8095333	5358888	1698819	8468647
2005	8952824	6294388	2389709	9646407
2006	8228252	6449681	2090975	8307829
2007	9441033	8226507	2612831	11275766
2008	10125596	7953004	2160311	10556548
2009	307500041	292740864	62099535	402388005

Source: Information sheets Ministry of Agriculture, own processing (authors)

The analysis of three degree of liquidity was performed in accordance with the procedures described in the methodology. Key of examination of ability to pay obligations is cash ratio, followed by current ratio and total liquidity in the next step.

1 Cash ratio (L1)

As it can be seen in Table 3 for descriptive characteristics of the cash ratio in the period 2000-2009 there was analyzed a total number of 6286 enterprises from a total of Slovak agricultural subjects. This number does not match the number of trading companies in Table 1, because of companies with inconclusive value of liquidity (negative and zero) were excluded from the analysis. In individual years there were achieved optimal values, the relative values were most stable in the years 2000 to 2003 as it is described by the average and median values in Table 3.

Next years were typical expressive increase in liquidity by the year 2007, when a stagnation of growth happened and then in 2008 a expressive decrease in liquidity took place. This condition was associated with the economic situation in the country and paying subsidies by the end of the year. For example in year 2006, the payment period ran from 01.12.2006 to 31.6.2007. The situation has again slightly improved in 2009, but did not receive values years 2003-2007. The reason was the influence of a higher debt ratio of property trading companies because they are more worthless in term of the profit and return loans, and therefore they have better access to loans and the banks give them loans to a greater rate than cooperative farms.

Position and development of indicator L1 is also possible to assess upon the value of the minimum, maximum and margins range. While in 2000-2003 it ranged from 1.36864 to 1.70655, from 2004, this value step by step increased to a value of 5.39385 in 2006, when after that period, alternately risen and fallen, and achieved a value of 4.09383 in 2009, which means the difference between the maximum and minimum value of liquidity in the group of trading companies. Last two columns display the fact that 50% of enterprises with non-extreme conditions is in the interval from 0.0435304 to 0.459014

Table 3 Descriptive characteristics of indicator L1 for each year

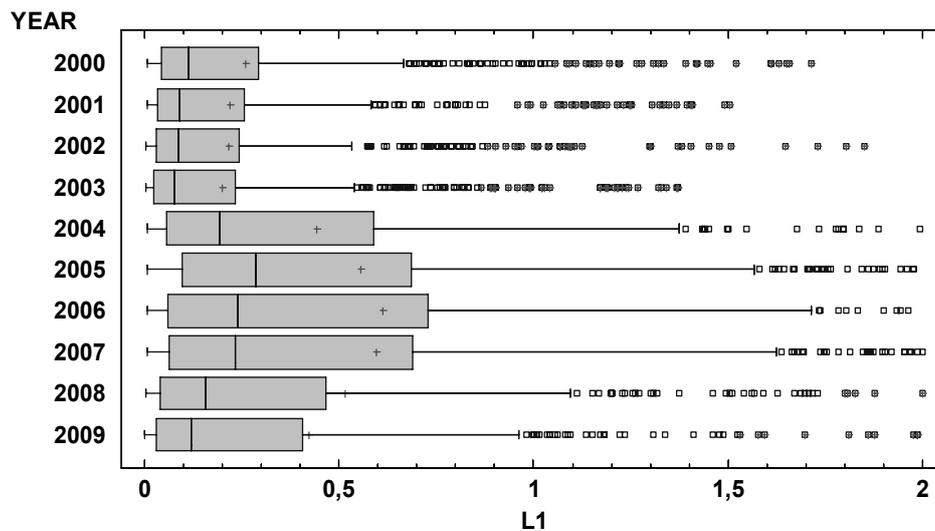
<i>Year</i>	<i>Count</i>	<i>Average</i>	<i>Median</i>	<i>Standard deviation</i>	<i>Coeff. of variation</i>	<i>Minimum</i>	<i>Maximum</i>	<i>Range</i>	<i>Lower quartile</i>	<i>Upper quartile</i>
2000	539	0,26059	0,112708	0,347362	133,298%	0,00781024	1,71436	1,70655	0,044286	0,294023
2001	570	0,220731	0,0903755	0,305934	138,6%	0,00677296	1,50286	1,49608	0,0339945	0,256399
2002	583	0,218789	0,0868956	0,316619	144,714%	0,00435199	1,84781	1,84346	0,0306102	0,243013
2003	660	0,199622	0,0780103	0,287922	144,234%	0,00295058	1,37159	1,36864	0,0249396	0,233512
2004	624	0,44189	0,192601	0,589576	133,421%	0,00666414	2,95842	2,95175	0,0570909	0,587976
2005	689	0,555495	0,285809	0,709345	127,696%	0,00923904	3,86957	3,86033	0,0977151	0,687245
2006	673	0,612188	0,240336	0,910335	148,702%	0,0078155	5,39385	5,38603	0,062037	0,730166
2007	697	0,597166	0,234938	0,881094	147,546%	0,00667736	5,00148	4,99481	0,0643736	0,6904
2008	619	0,515331	0,157506	0,904527	175,524%	0,00352755	5,32258	5,31905	0,0401646	0,465909
2009	632	0,424132	0,120156	0,75832	178,793%	0,00266058	4,09649	4,09383	0,0308902	0,405033
Total	6286	0,41351	0,145303	0,68122	164,741%	0,00266058	5,39385	5,39119	0,0435304	0,459014

Source: own processing (authors)

Following Boxplot analysis (Figure 1) it can be stated that from 2000 to 2003 there was achieved a low level of liquidity L1 and its process was sluggish character. In

the year 2004 the change in the level of liquidity occurred, when the average value of the indicator rose more than doubled and this trend was maintained until 2007. Except an increase of average value there was also an increase in range of more than 50%, but a minimum value of liquidity has remained the same. The change occurred in year 2008 and not even in year 2009 the level of liquidity did not increase.

Fig. 1 Boxplot for cash ratio



Source: own processing (authors)

2 Current ratio (L2)

Indicator of cash ratio is closely connected with indicator L2, so current ratio, which is extended about short-term debt in the numerator. This also related with results of higher values of descriptive characteristics of the L2.

As shown in Table 4 about current ratio, the number of companies analyzed in the period 2000-2009 has not changed. Average and median describe in the period 2000–2003, that there reached slow upthrow of value current ratio. Since 2004 there has been expressive increase in liquidity. Consequently in 2007 there has been stagnation of growth of liquidity and then in 2008 and 2009 slight decrease L2.

State and development of the indicator L2 is also possible to assess upon the value of the range. While in 2000-2003 there was range from 3.47594 to 4.3202, since 2004, this value step by step increased to the value 9.89902 in 2007 and second best value was achieved in 2009. Upper and lower quartile deal that 50% of enterprises with nonextreme conditions is in the range from 0.397258 to 1.43886.

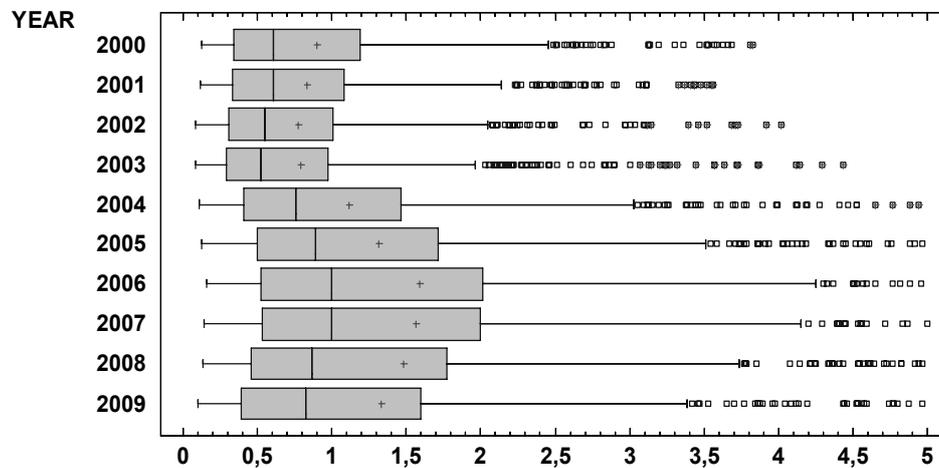
Table 4 Descriptive characteristics of indicator L2 for each year

Year	Count	Average	Median	Standard deviation	Coeff. of variation	Minimum	Maximum	Range	Lower quartile	Upper quartile
2000	539	0,883636	0,606813	0,750998	84,9895%	0,125843	3,65578	3,52993	0,339903	1,19459
2001	570	0,829104	0,605413	0,710774	85,728%	0,120559	3,82699	3,70643	0,33726	1,08365
2002	583	0,758214	0,545772	0,651324	85,9024%	0,0855742	3,56151	3,47594	0,306136	1,00867
2003	660	0,759773	0,523409	0,704645	92,7442%	0,085584	4,01647	3,93089	0,290113	0,973616
2004	624	1,06335	0,756021	0,912109	85,7769%	0,110286	4,43049	4,3202	0,41015	1,4672
2005	689	1,24176	0,882829	1,06906	86,0917%	0,129648	5,568	5,43835	0,502048	1,71232
2006	673	1,44669	0,98434	1,26868	87,6951%	0,162909	6,06829	5,90538	0,525895	2,01686
2007	697	1,57557	0,990129	1,63256	103,617%	0,146431	10,0455	9,89902	0,538484	1,99454
2008	619	1,4222	0,855305	1,52206	107,022%	0,133699	7,34096	7,20726	0,459437	1,77657
2009	632	1,35339	0,819854	1,55786	115,108%	0,0998277	8,01538	7,91556	0,389424	1,59971
Total	6286	1,14842	0,741159	1,1916	103,761%	0,0855742	10,0455	9,95988	0,397258	1,43886

Source: own processing (authors)

On the base of Boxplot analysis (Figure 2) it can be concluded that the process of current ratio was similar to the process of L1 in the individual years 2000-2008. The difference between the years 2000 to 2003 and 2008 and 2009 was not as expressive as in L1.

Fig. 2 Box-and Whisker Plot of the current ratio



Source: authors

3 Total liquidity (L3)

Analysis of liquidity is completed with the total liquidity, where the numerator includes stocks that have compared to other items of numerator lower liquidity.

Table 5 presents total liquidity on the basic of descriptive characteristics. Number of analyzed enterprises in the period 2000-2009 remained unchanged. As the average describes for the period 2000-2003 there was step by step decrease in the value of the degree of liquidity. Since 2004, the value of average gradually increased until 2007, but value of median in the column slightly falled, the reason is the increasing number of analyzed enterprises in different years of measurement.

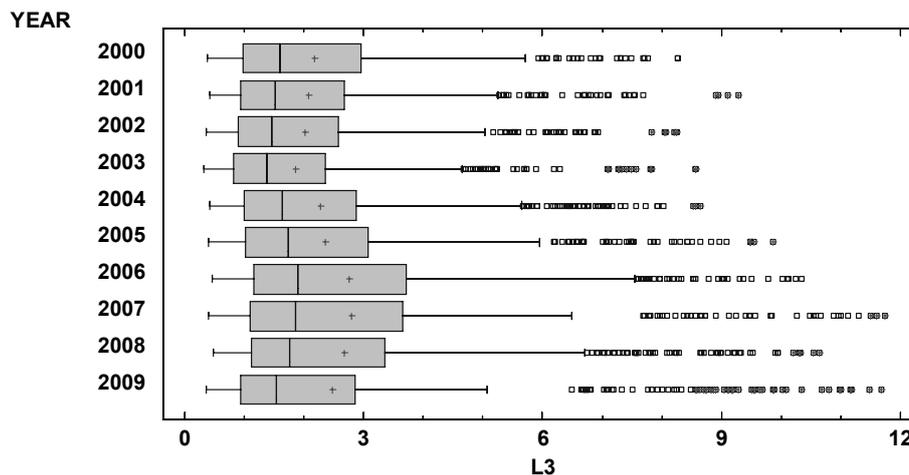
The value of liquidity by the upper and lower quartile presents that 50% of enterprises with nonextreme conditions is the range from 1.00944 to 3.06851.

Table 5 Descriptive characteristics of indicator L3 for each year

YEAR	Count	Average	Median	Standard deviation	Coeff. of variation	Minimum	Maximum	Range	Lower quartile	Upper quartile
2000	539	2,18716	1,61038	1,65292	75,5736%	0,378704	8,25978	7,88107	0,997774	2,98414
2001	570	2,08786	1,52278	1,63685	78,3985%	0,418619	9,27229	8,85367	0,949442	2,68574
2002	583	2,01173	1,46165	1,56614	77,8505%	0,374687	8,25305	7,87836	0,904405	2,62624
2003	660	1,85499	1,38929	1,47657	79,5997%	0,33385	8,56222	8,22837	0,829572	2,42153
2004	624	2,27455	1,64135	1,75521	77,1672%	0,42311	8,64164	8,21853	1,01528	2,94032
2005	689	2,3618	1,74495	1,86204	78,8399%	0,398353	9,85087	9,45251	1,03846	3,23256
2006	673	2,75638	1,90515	2,18639	79,321%	0,459298	10,3333	9,87404	1,16446	3,79774
2007	697	2,79627	1,86564	2,50834	89,703%	0,408594	14,5341	14,1255	1,10484	3,75994
2008	619	2,67049	1,77098	2,2388	83,8348%	0,490468	10,6469	10,1564	1,13176	3,55358
2009	632	2,48974	1,54117	2,55941	102,798%	0,361553	13,7576	13,396	0,957414	2,90115
Total	6286	2,36133	1,64224	2,01808	85,4637%	0,33385	14,5341	14,2002	1,00944	3,06851

Source: own processing (authors)

Fig. 3 Box-and Whisker Plot of the total liquidity



Source: authors

Figure 3 Box-plot analysis of the total liquidity shows that L3 compared with L1 had the smallest difference in values of 2000–2009.

Summary

The agriculture in the Member States of EU had an important role now and in will stay the same in the future. Therefore, a big part of the budget is currently directed to this sector. After joining the EU, transfers from the CAP in agriculture has increased. Slovakia opened to all countries in the group. Slovakia's accession to the EU took place during the approval of a comprehensive reform of the CAP, which was a response to continuing problems with overproduction of the European agriculture.

Disadvantage of the Slovak Republic was that it was discriminated in direct payments over the primal States of EU and direct payments were calculated the basis of actual yields of cereals in the reference period 2000-2002. This period represented a period when agriculture in the EU was the top of development and the Slovak agriculture was at its lowest level because of multiple restrictions¹⁷.

The next stage of reforming the costly agricultural system was the Agenda 2000, which was the EU budget for 2000 to 2006, too. Its aim was to increase the competitiveness of European agriculture, which carries out mainly through a reduction in guaranteed prices for individual commodities. It created a pressure on farmers to reduce costs.

It passed from direct payments to one hectare to the single farm payment since 2009. The sum of existing direct payments to cultivated soil and the individual commodities are paid the aggregate amount for agrosuject as a whole.

Funds from the banking sector in the form of special loan products had also main influence on the liquidity of the entity. Bankers' attention to provide loans for agricultural sector is directed to the discipline of mutual payments between farmers and their suppliers. Supplier payments extend to farmers in the current trade year and worsen their balance and the balance of the suppliers, too. Banks must consider more liquidity of suppliers and customers. It is assessed on the basis of financial statements in particular, cash - flow enterprises. Banks approach to more rigorous monitoring of stock commodities, the declaration of sales commodities by customer as well as reducing prices in consequence of mainly to sales crisis¹⁸.

In the programming period 2007-2013, agricultural applicants may apply to a greater degree of funding its activities from the EU funds, as well as from public sources of the Slovak Republic¹⁹.

Situation in the future of Slovak agriculture in terms of union largely predetermines its present performance and position in the national economy in comparison with the EU Member States and other candidate countries. It is necessary to

¹⁷<http://www.peterbaco.sk/agrarna-politika-slovenskej-republiky-v-ramci-spolocnej-polnohospodarskej-politiky-europskej-unie/>

¹⁸ GALLOVÁ, Z. 2010. Finančný manažment a dostupnosť agrárnych bankových úverov pre agropotravinárske podniky v roku 2009. In: Aktuálne problémy finančného manažmentu v konkurenčnom a krízovom podnikateľskom prostredí agropotravinárskych podnikov. Nitra: SPU, 2009, s.163 – 167, ISBN 978-80-552-0312-6,

¹⁹ http://www.pulib.sk/elpub2/FM/Kotulic13/pdf_doc/07.pdf

make effort for its development and maintain competitiveness, so the ability to pay obligations. Sustainability of business on soil is a prerequisite for rural stability, rural enterprise and employment of the rural population.

Based on the findings facts it can be concluded that the cash ratio of the agricultural industry had a positive trend over years. This development is attributed to the accession to the EU. It can be agreed that this development is caused by a system of payment of subsidies to 31.12, thereby distorting the results. It is expected that indicators of liquidity would achieve lower value²⁰.

With first degree of liquidity is related second degree of liquidity and consequently the third degree. Better values of this liquidity can be achieved either by increasing the value of the numerator or reducing the value of the denominator and if there is achieved optimal state of cash ratio, so it is assumed that the current ratio and the total liquidity will be optimal.

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