International Scientific Conference
INFLUENCE OF EU SUPPORT ON STRUCTURAL CHANGES IN AGRICULTURAL AND FOOD SECTOR

The agricultural situation in Slovenia after Accession to EU - experiences and challenges

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Introduction

The role of agriculture in national economy

- Relatively small share of agri-food sector in economy
  - Agriculture (2005): 1.8% of GDP; 9.9% of employment
  - Food industry (2005): 1.7% of GDP; 2.2% of employment
  - Agri food trade (2005); 2.9% of exports; 6.5% of imports
- Unfavourable natural conditions for agriculture
  - 75% LFA
  - 30% AA (decreasing)
  - 60% permanent grassland

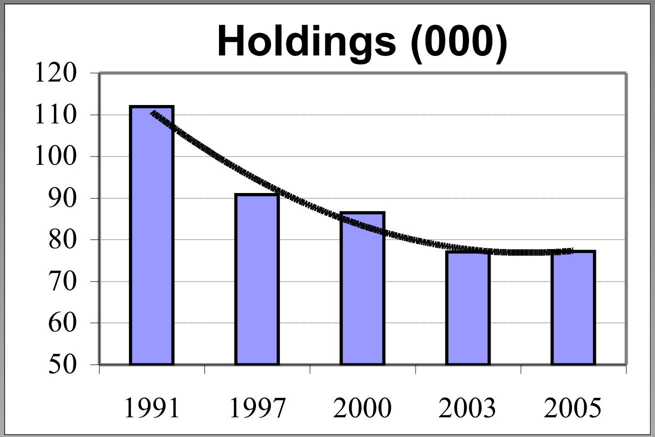
Introduction

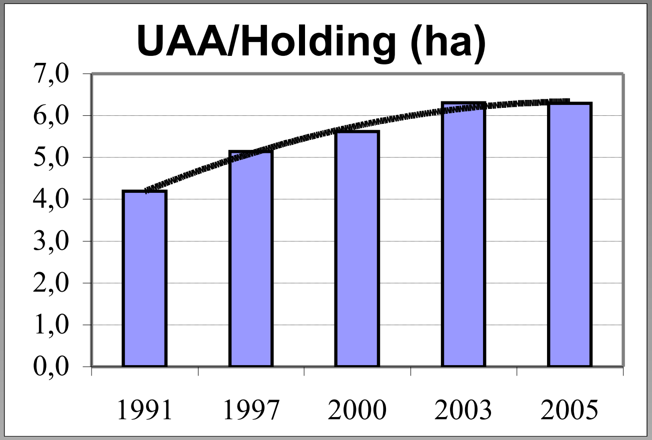
Characteristics of transition and pre-Accession period

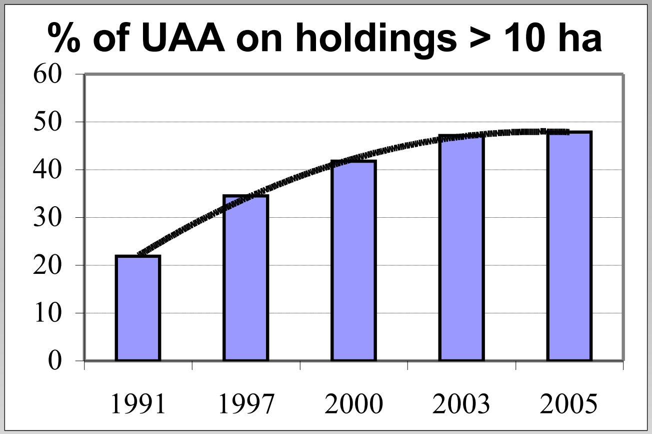
- Protectionist concept of Agricultural policy; gradual changes
  - High level of border protection in the first years of transition
  - CAP like concept of Agricultural policy
  - After mid-1990s gradual trade liberalisation (decrease of prices, increase of budgetary support)
- Gradual introduction of CAP-like measures (all CAP measures introduced before Accession; direct payments at the level of 75% in 2003)
- Favourable negotiation outcome (quotas, top-up, RDP funds)

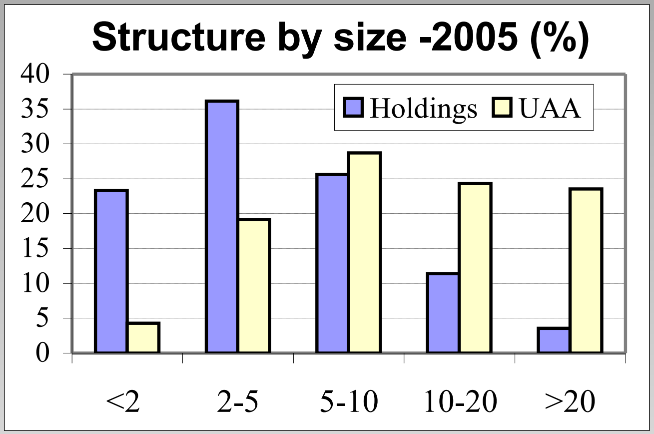
Overview on Agri-food Sector in Slovenia

Structure of agricultural holdings







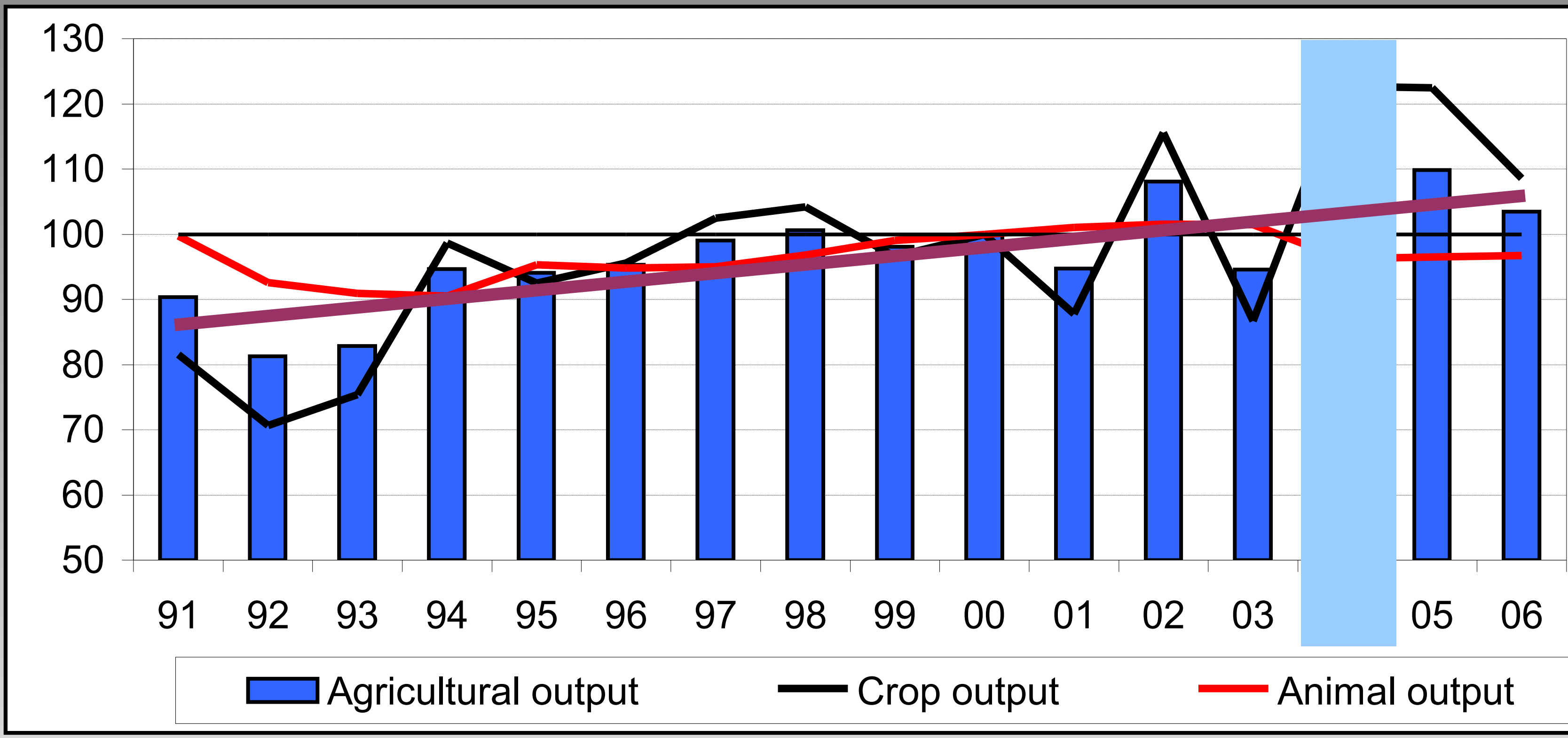


- Small-scaled farms (6.3 ha/holding)
- Most farm land concentrated on farms in size class 5–10 ha

- Process of concentration (increased share of farms with 10 ha or more)
- Process slowed down in recent years

Production

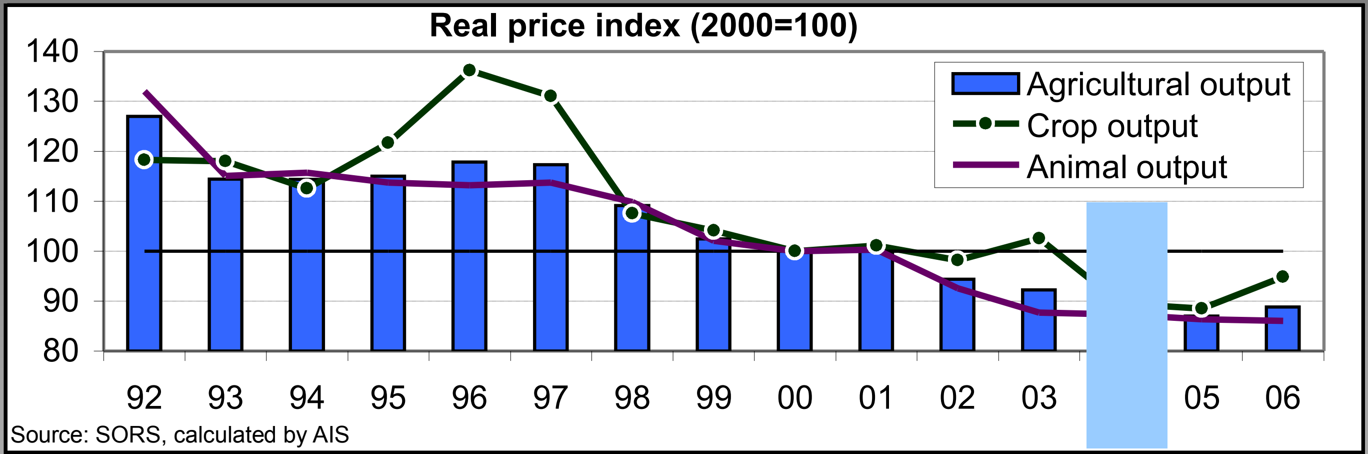
Volume index (2000=100)

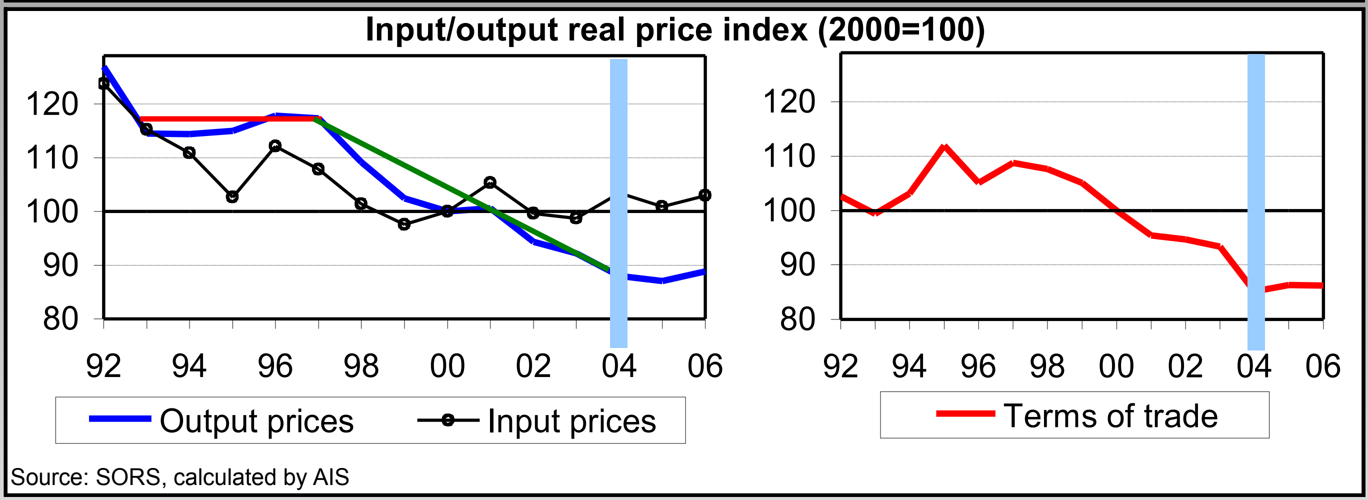


- Variable crop production (influenced by natural conditions)
- More stable animal production

- No significant drop in transition
- Generally modest upward trend

Prices





Variable price changes in crop production

More stable prices in animal production

Generally significant downward trend

Drop in producer prices sharper than drop in input prices.

Terms of trade - worsening

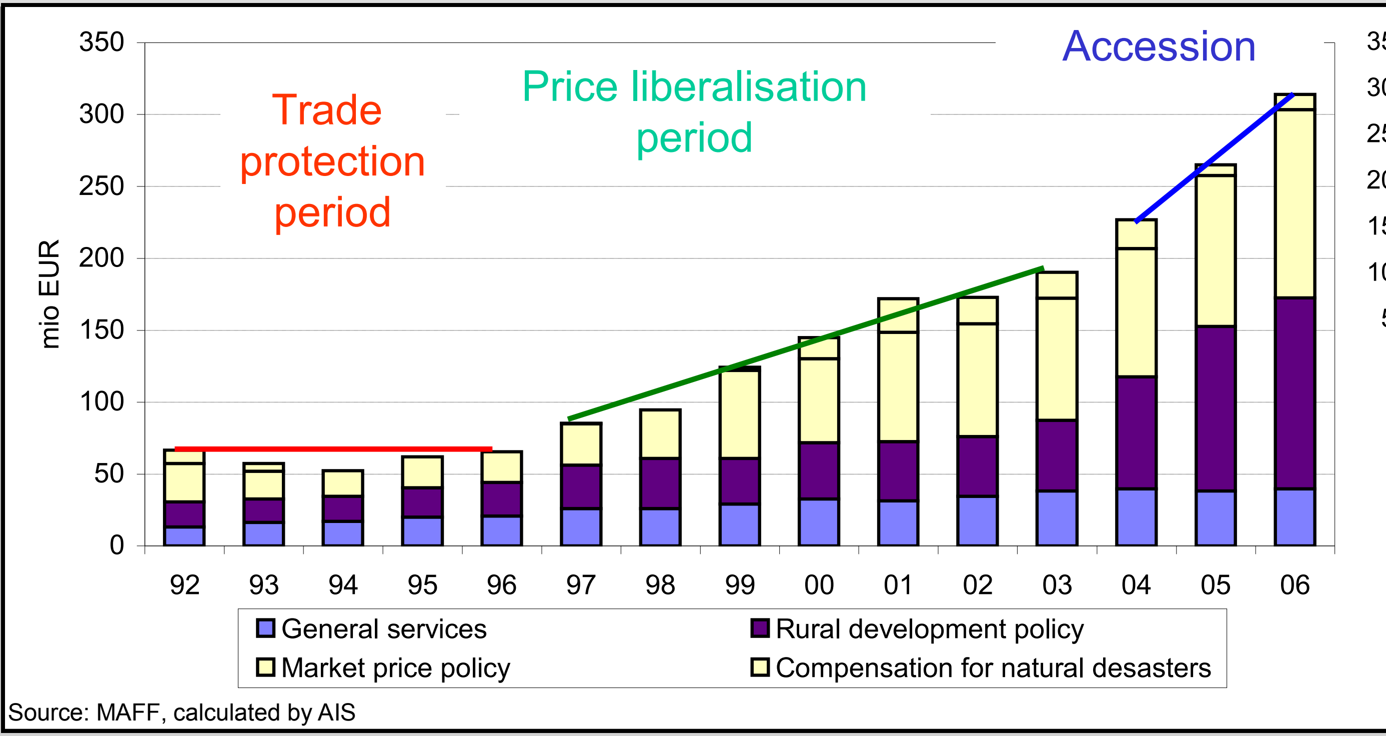
Three typical periods:

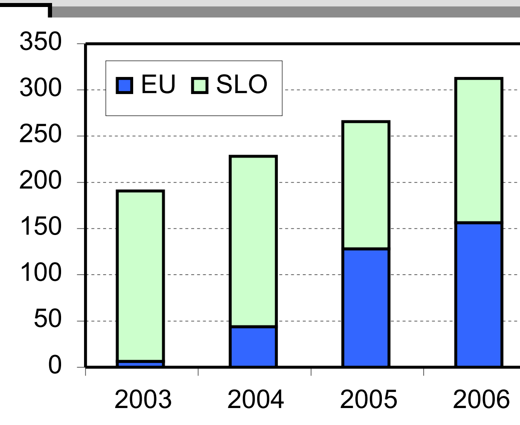
- Stable prices (trade protectionism in first taransition period)
- Significant drop (liberalisation in pre-Accession period)
- Stabilisation after Accession ???

Producer prices in Pre-Accession period generally **higher** than in EU-15

Budget

Total budgetary transfers to agriculture





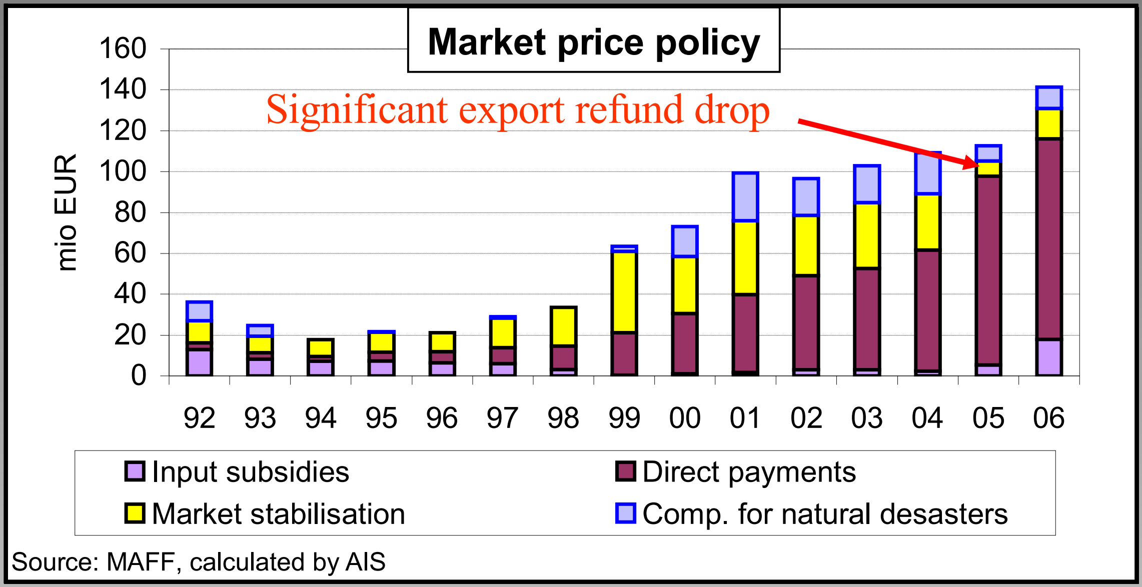
Importance of national budget!

In 2006 EU funds in total budgetary transfers represented around 50%

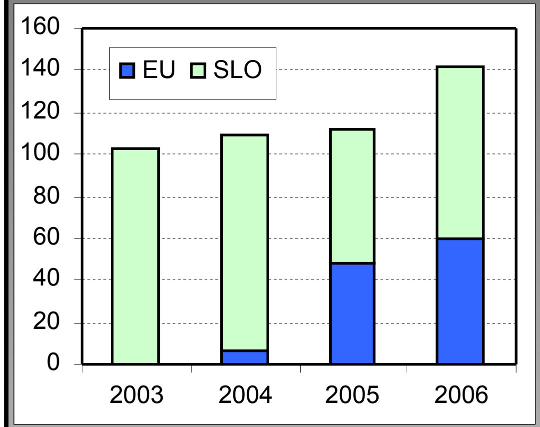
Budgetary support as a buffer for price reduction

Same as for the prices, three typical periods

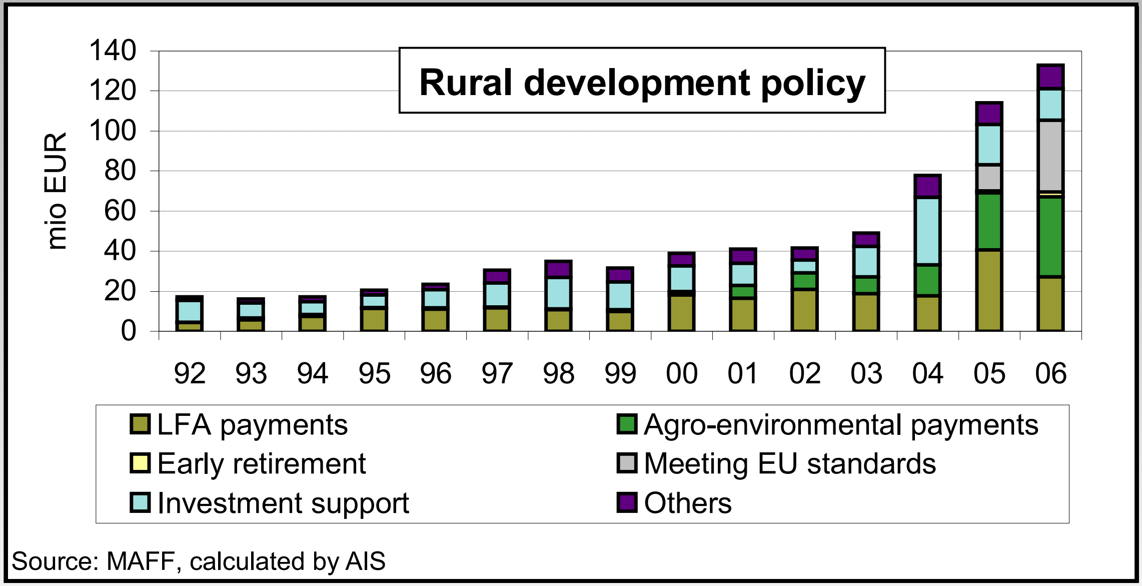
Budget



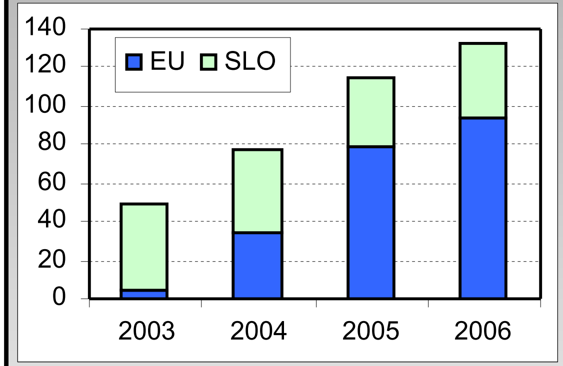
Market price policy
Significant export refund drop
mio EUR
160
140
120
100
80
60
40
20
0
92 93 94 95 96 97 98 99 00 01 02 03 04 05 06
Input subsidies
Direct payments
Market stabilisation
Comp. for natural desasters
Source: MAFF, calculated by AIS



EU
SLO
160
140
120
100
80
60
40
20
0
2003 2004 2005 2006



Rural development policy
mio EUR
140
120
100
80
60
40
20
0
92 93 94 95 96 97 98 99 00 01 02 03 04 05 06
LFA payments
Agro-environmental payments
Early retirement
Meeting EU standards
Investment support
Others
Source: MAFF, calculated by AIS



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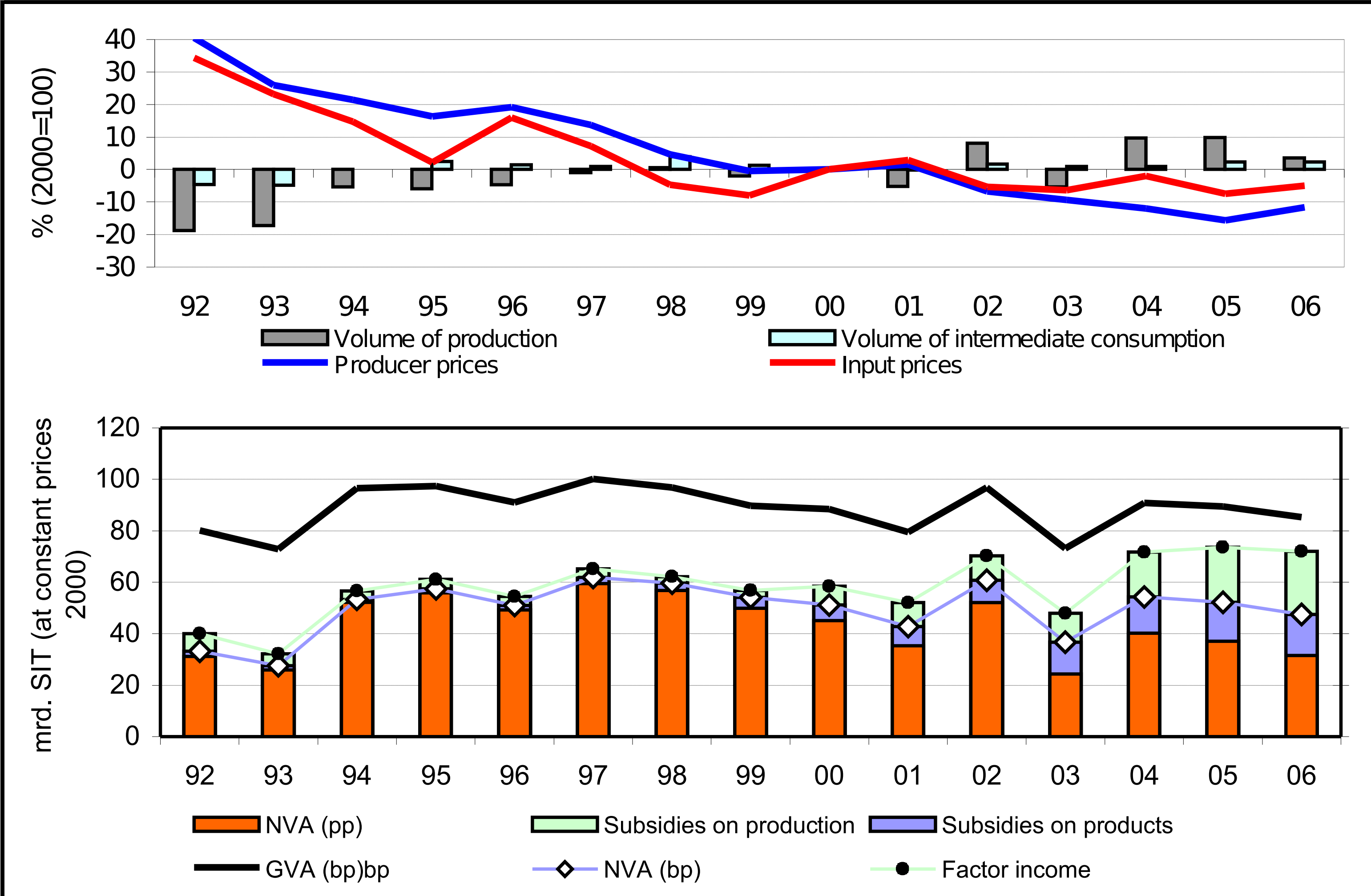
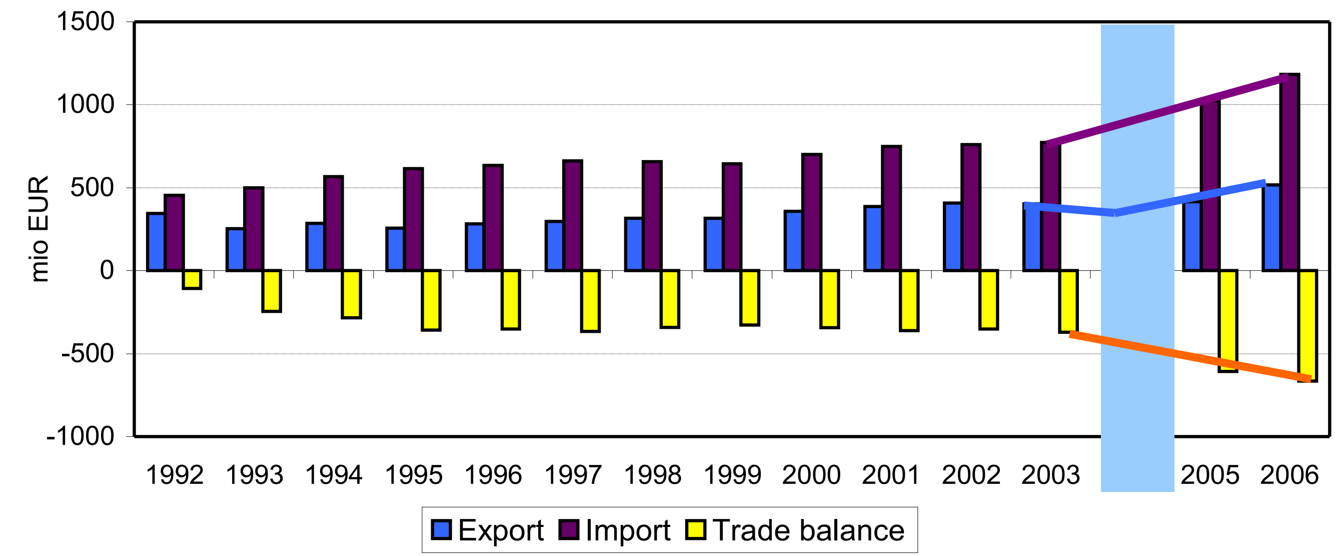
Income

Economic account for agriculture (EAA) – main indicators

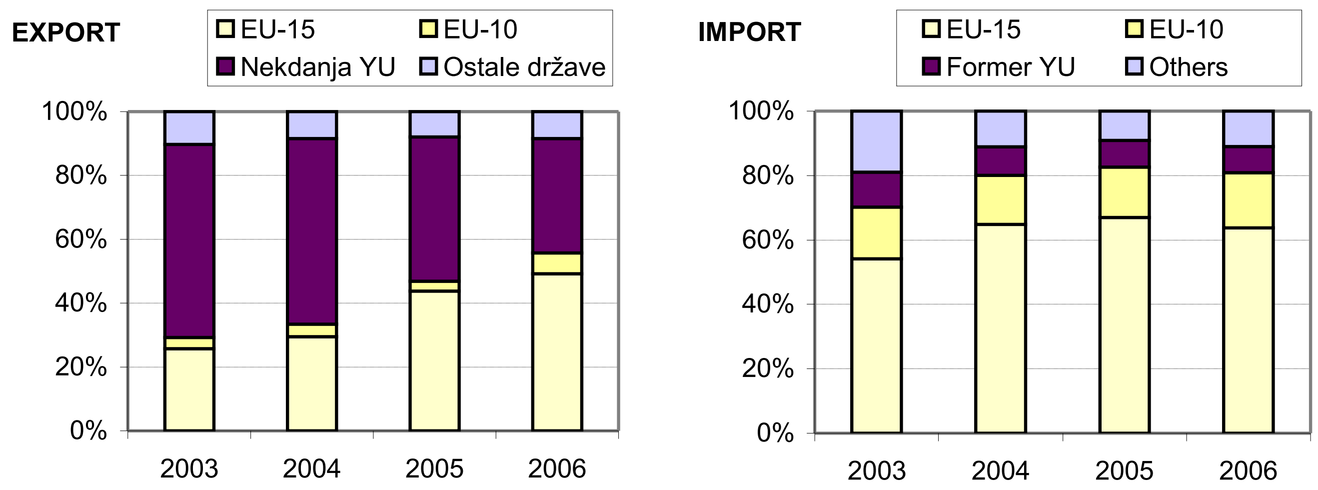


Source: EUROSTAT (SORS), calculated by AIS

Trade in agri-food products



Source: SORS, processed by AIS



Source: SORS, processed by AIS

Conclusions and challenges

Accession effects: Conclusion

- No major difficulties in agriculture
  - CAP like policy introduced before Accession
  - Adoption of the CAP as a continuation of national policy
  - Higher funds to support agriculture
- Deterioration of business performance of the food processing sector
  - Relatively high protection till the end of pre-Accession period
  - Less prepared for international competition
- Consumers benefited the most
  - lower consumer prices; supply diversification

Conclusion and Challenges

Challenges

– CAP reform of direct payments
  - Decoupling
  - Redistribution of support among producers
– Further import penetration expected
  - More competition
  - Price decreasing but no more rapid growth of budgetary support
– Low productivity and competitiveness - the main unsolved problem of the sector (both agriculture & food industry)
– Structural changes are needed!