

THE HISTORY, DEVELOPMENT AND CURRENT SITUATION OF THE AGRICULTURAL SECTOR OF SLOVAKIA

Miroslav Jureňa, Minister of Agriculture of the Slovak Republic

The complex development underwent by Slovak agriculture since the year 1945 can be characterised in the following way.

After the end of World War II in 1945 almost 50% of the Slovak population within the Czechoslovak Republic worked in the agricultural sector with a significantly fragmented land ownership. Between 1945 – 1948 the main aim of the agriculture was the elimination of the war effects and its revival to reach its pre-war standard.

Cooperative form of agriculture had already existed in Slovakia for a century in 1945. At the beginning of 1845, Samuel Jurkovič founded the “Farmer’s society” (“Gazdovský spolok”) in Sobotište, which was the first credit cooperative farm not only in Slovakia but in entire Czechoslovak Republic as well. Several other credit cooperatives followed this example, but the major development of cooperatives occurred only after 1890.

Collectivization of small-scale farming in Czechoslovakia proceeded in the period between 1948 and 1960. In 1960, there were 2709 cooperative farms with an average acreage of approximately 660 hectares. At that time cooperatives and state farms (so called socialist sector) operated on almost 79% of the total acreage.

The next period was marked by the consolidation of the cooperative farms and the establishment of bigger units, which enabled to increase the competitiveness, and the use of industrial production methods. The average size of the cooperative farms after 1980 was about 2500 hectares.

Agriculture played a relatively important role in the Slovak economy before 1990 mostly due to its production volume, contribution to the gross domestic products, and employment of mainly rural population.

Another turning point in Slovak agriculture happened after 1990, i.e. during the period of fundamental economic changes. Agriculture had to adapt to the conditions introduced by economic reforms - especially to the liberalisation of the market, and reduction of state subsidies.

Agriculture experienced a sharp drop in gross agricultural production, added value, long-term prices of agricultural products, credits, employment, etc. after 1990. As compared to the year 1990, the current production in agriculture decreased by approx. 35%. Similarly, the number of farm animals, especially pigs and cattle, dropped by 55 and 65% respectively.

The development of cooperative farms during this period was influenced mainly by two laws, namely the Act on Agricultural Cooperative Farms and the so called Act on Cooperative Farms Transition. These legal norms allowed the separation of integrated cooperative farms and their transformation to share-holding cooperative farms, which are more private in character. Cooperative form of farming exists up to present.

Employment in agriculture, which was quite high (12% of the economically active population) at the beginning of the 90s, experienced a sharp drop in the following period. Together with the food processing industry, it constituted only 7% of the overall employment in 2006. The decline of employment caused a distinctive growth in labour productivity in agriculture.

Slovakia, -due to its limited climate conditions,- does not have the ambition to produce the whole range of foodstuffs for domestic consumers. Therefore Slovakia welcomed the opportunity to get involved into European integration process.

The accession of the Slovak Republic into the European Union in May 2004 is regarded as a positive step that considerably stabilized the business conditions for agriculture.

The share of agriculture on the GDP has been about 4% in the last years, and in 2006 it reached 4,2%, or 6% if food industry is included. Both of these sectors achieved a positive economic result last year – agriculture with 1,3 billion SKK and the food industry with 1,9 billion SKK.

The Slovak Republic has been applying the SAPS (Single Administration Payment System) since its accession to the EU. 7,9 billion SKK were provided for the direct support of agriculture through the European Agricultural Fund and the CNDP (Complementary National Direct Payments) in 2006. This makes up only approx. 54% of the SAPS level in the “old” EU member states (EU-15), even though the accession treaty allowed the support up to 65%.

The support of agriculture in the “new” EU member states (EU-10), especially concerning direct payments, will not be fully comparable to that of the EU-15 member states until the year 2013. The inequality of support of Slovak farmers causes the disparity of the business conditions, which adversely decreases the competitiveness of Slovak agriculture.

The new Slovak government adopted a resolution to balance the direct payments from the national resources according to the criteria of the Copenhagen Accession Treaty. Based on this resolution 10,8 billion SKK were included in the state budget for 2007. This will represent an increase in the support of Slovak agriculture up to 70% of the EU-15 level.

An important contribution to the restructuralization and modernization of agriculture is represented by the 2nd pillar of the CAP (Common Agricultural Policy), which includes measures for the development of rural areas. In the years 2004 – 2006, financial support

was provided mainly by the following two EU development programmes for the promotion of Slovakia's regions and countryside: the Sectoral Operational Programme – Agricultural and Rural Development and the Agricultural and Rural Development Plane of the Slovak Republic for 2004 – 2006. During the EU programming period 2007 – 2013, the subsidies will be financed by the Rural Development Programme of the Slovak Republic for 2007 – 2013, which was approved by the Slovak government and submitted to the European Commission in April 2007. The total amount, which includes the funds from both the EU and the co-financing through the state budget for this program of country development, is set to approximately 2,5 billion Euro.

Starting in 2007, and in accordance with the Manifesto of the Government of the Slovak Republic, through which the new government announced its commitment to the promotion and revitalization of animal husbandry, the Ministry of Agriculture has adopted measures to improve the efficiency and economic conditions in this sector, utilizing the available forms of financial subsidy. This step should result in positive effects on the sector of dairying as well.

Past years' experience shows that Slovakia has the potential for competitiveness in dairy production. The processing industry has already been concentrated; dairy products find their place on the foreign markets as well.

A serious factor influencing the development of this sector is the extremely low per capita consumption of milk and milk products in Slovakia (150-155kg yearly), as compared to other European countries, where it is higher by approx. 90kg on average.

I believe this conference will confirm the perspectives of milk production in Slovakia, and that it will reinforce the hope in the future of those producers, who have the ambition to endure the ever-increasing pressure of competition.

In Bratislava, June 19th, 2007