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THE STATE OF SLOVENIAN AGRO-FOOD SECTOR AFTER ACCESSION TO THE EU[1]

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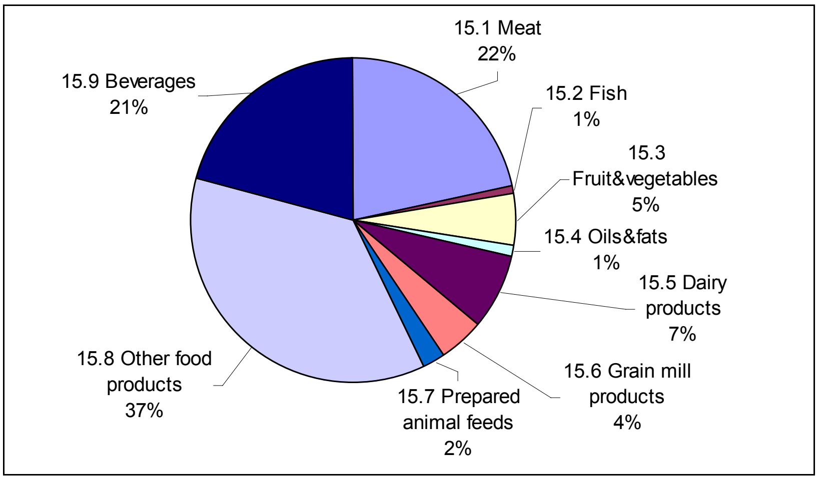
4. Food industry

4.1. Production and size structures

Manufacturing of food and beverages (DA 15) is the fourth most important processing activity in terms of its value added contribution and the third largest employer in the manufacturing aggregate (D). The share of food industry in the total GDP was 1.7% in 2005, and the share in employment was 2.2%.

Figure 9. Composition of food industry (DA 15) by activity according to GVA, 2005



Source: Agency of the Republic of Slovenia for Public Legal Records and Related Services.

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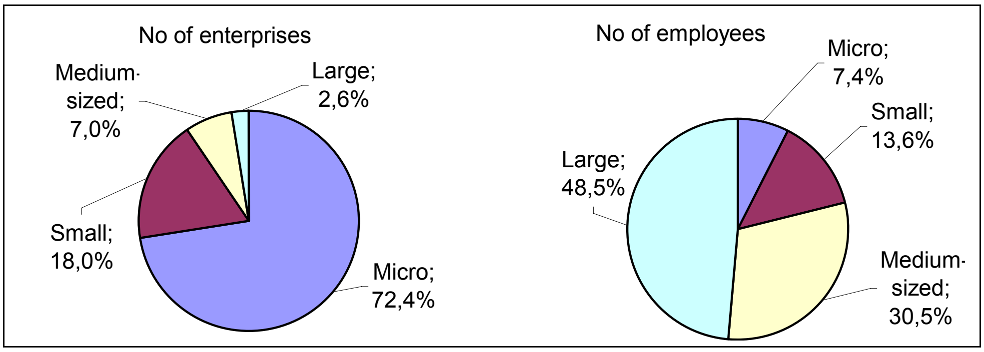
The highest share in the valued added (Figure 9) belongs to Manufacture of other food products (DA 15.8), of which the most important branch is Manufacture of bread, fresh pastry and cakes (DA 15.81) which contributes more the half of GVA of this group. Important food sectors are production of meat and meat products (DA 15.1) and Manufacture of beverages (DA 15.9), where the bear production prevails. From agriculture and agricultural policy perspectives, the important food processing branch is also milk processing industry which is based predominantly on domestic raw materials.

Figure 10. Composition of food industry (DA 15) by size of enterprise, 2005



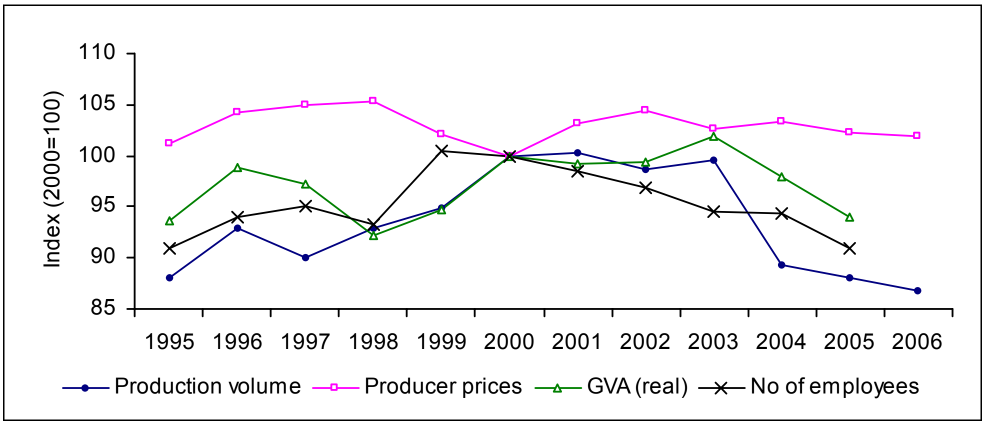
Source: SORS.

Slovenian food industry is characterised by a dual size structure (Figure 10). Of around 800 enterprises, more than 70% had less than 10 employees (micro firms) in 2005, large firms, which employed more than 250 workers represent lower than 3% share. Despite the high numbers of micro and small firms, the majority of production is concentrated in large firms, which employed more than 50% of labour and generated around 70% of sector value added in 2005.

4.2. Economic performance

Opening up of the market after the accession increased a competitive pressure on the food industry and consequently, the business performance of the sector deteriorated significantly (Figure 11). The production decreased by 10% and real GVA by 12%.

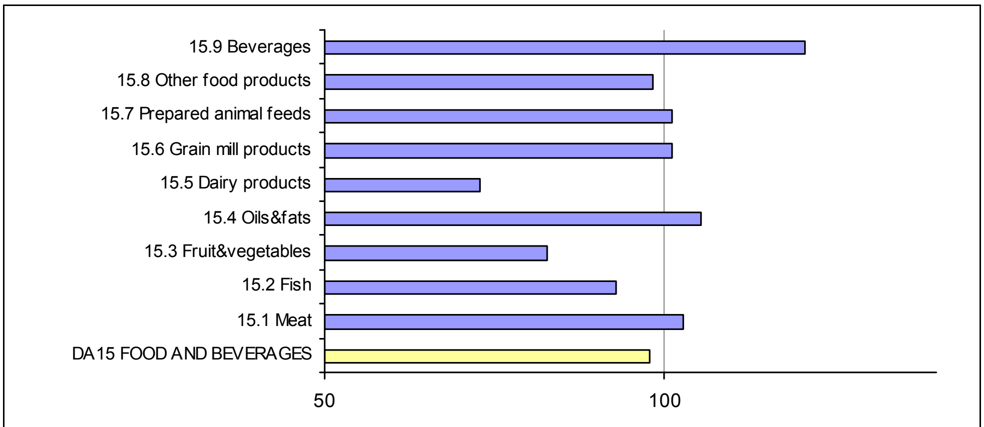
Figure 11. Main economic indicators for food industry (DA 15), 2000-2005



Source: SORS.

The milk processing is a typical example of a highly protected pre-accession sub-sector. As mentioned before, important part of the protection was based on export subsidies, which exhausted after accession. Accession had different impact on the economic position of food industry sub-sectors (Figures 12). Significant aggravation could be observed in the dairy industry and the processing of fruit and vegetables.

Figure 12. Change in GVA per employee in food industry by activity (index; 2004-2006 average in comparison with 2000-2003 average)



Source: Agency of the Republic of Slovenia for Public Legal Records and Related Services.

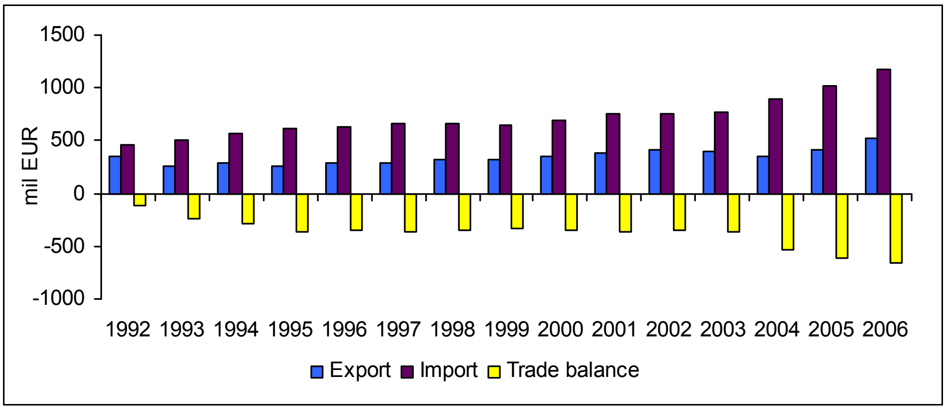
Generally, it could be said that food processing industry was not sufficiently prepared for accession. Beside managerial deficiencies, a part of the reasons lies in the agricultural policy. Also because of wrong signals from the food industry firms, decision makers shielded companies from international competition for too long and introduced the investment support aimed at increasing competitiveness too late in the integration process.

5. Trade and consumption patterns

5.1. Agro-food trade

Slovenia is traditionally a net food importer (Figure 13). Trade deficit remained relatively stable in the pre-accession period at the level of around EUR 350 million. Abolishing customs protection on the imports from the EU and changes in trade regimes with the third countries after the accession stimulated trade in both directions, with imports increasing in particular. Trade deficit has risen to about EUR 660 million in 2006, the highest level so far.

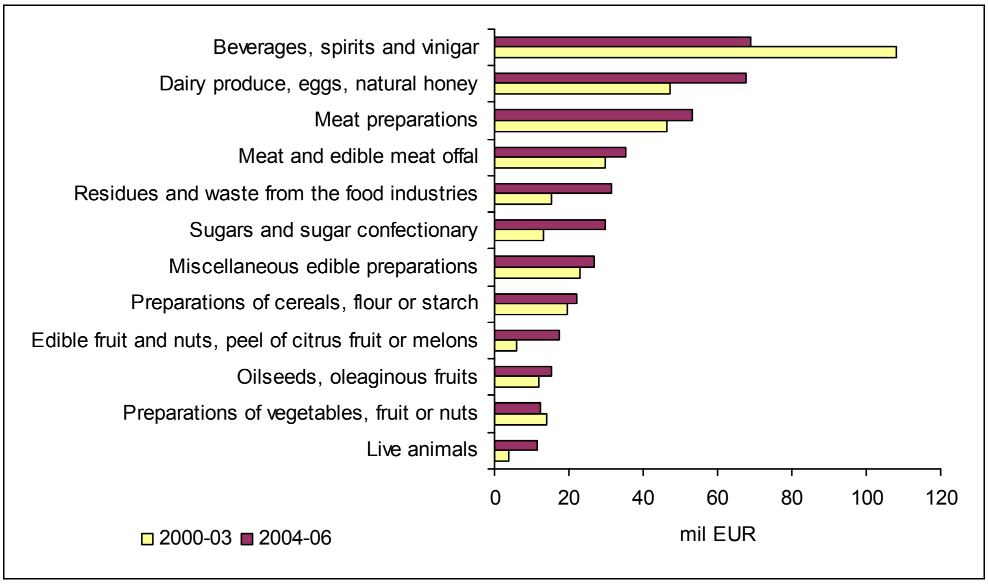
Figure 13. Agro-food trade, 1992-2006



Source: SORS.

Slovenia's major exportable commodities are beverages (including quality wines), milk and dairy products, meat and meat preparations (Figure 14). These four groups accounted for almost 60% of total agro-food exports in 2000-2003 and 52% in 2004-2006. After accession some changes occurred in the trade structure. Export increased for the majority of commodity groups, except for beverages, whose exports decreased significantly. Beside traditionally presented export groups, such as dairy, meat and processed products, new export groups emerged (live animals, sugar, animal feed, fruit and vegetables).

Figure 14. Agro-food exports by commodity
(groups with export value above EUR 10 million each)

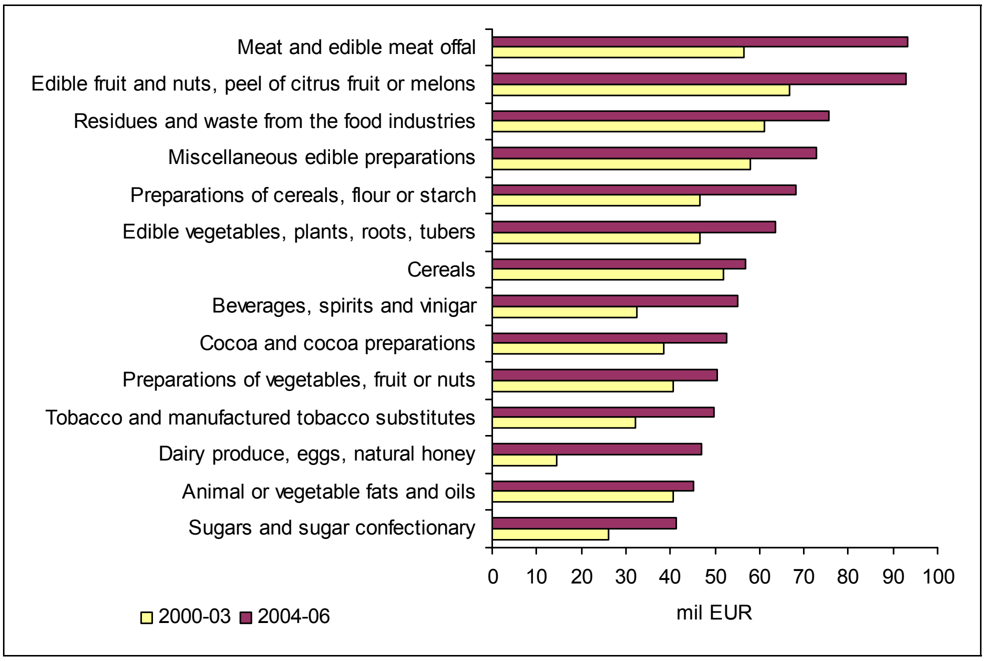


Source: SORS.

Imports of all commodity groups increased (Figure 15). The import structure underwent, generally, relatively minor changes after accession. Mostly the imports of dairy products, beverages and meat have increased, those markets, which were distinctly protected before the accession.

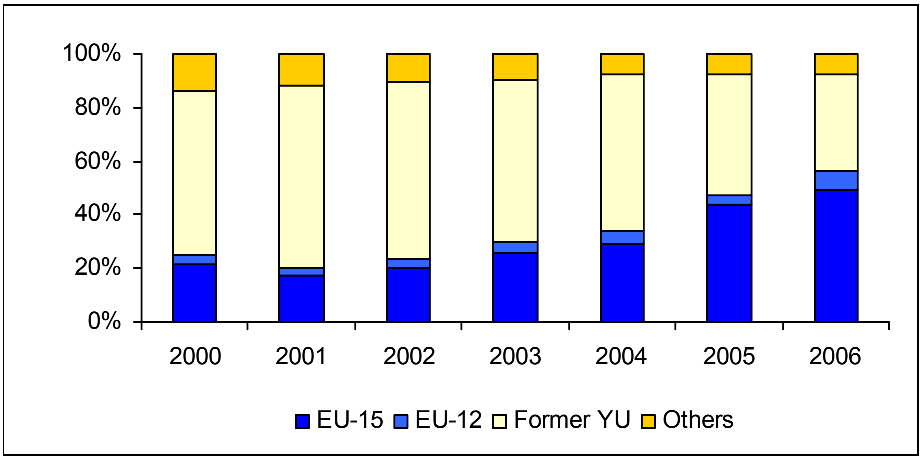
Before the accession, Slovenia exported the majority of agro-food commodities to the Western Balkans countries (countries of the former Yugoslavia), especially to Bosnia and Herzegovina, Croatia, Serbia and Monte Negro (Figure 16). In the period 2000-2003, the exports to this region accounted for 64% of total exports, while the EU 27 represented only 25% of total. After the accession exports were reoriented to EU Member States that represent almost 56% of total exports. New export destinations were found especially in the neighbourhood (Italy, Austria) for meat, meat products, fruit and sugar. After the accession, the export of raw milk to Italy and of live cattle to Austria surged.

Figure 15. Agro-food imports by commodity
(groups with import value above EUR 40 million each)



Source: SORS.

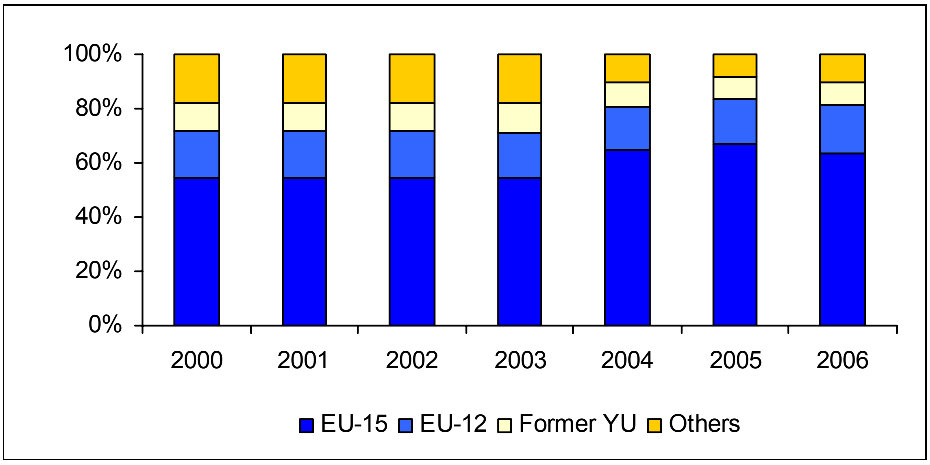
Figure 16. Regional breakdown of agro-food exports, 2000-2006



Source: SORS.

The regional structure of imports changed less than that for exports (Figure 17). Already before the accession Slovenia imported most agro-food commodities from the EU. In the average of 2000-2003, the share of EU imports accounted for around 70%. It increased after accession to 80%. The main trading partners regarding imports are Italy, Austria, Hungary and Germany.

Figure 17. Regional breakdown of agro-food imports, 2000-2006



Source: SORS.

5.2. Self-sufficiency and food consumption

Slovenia produces surpluses of only a few agricultural commodities, such as milk and poultrymeat and occasionally beef and eggs (Table 4). The most important deficits are observed in sugar, cereals and pigmeat.

Food demand did not change significantly after the accession (Table 5). Since 2000, per capita consumption of some basic food products increased, such as pigmeat, beef and cheese, and for some other products, such as eggs and fresh potatoes, consumption levels fell. The consumption patterns and trends are comparable with the general characteristics of EU 15.

Table 4. Self-sufficiency for selected agricultural products, 2000-2006

	2000	2001	2002	2003	2004	2005	2006
Cereals, total	47.7	44.3	60.6	38.0	58.8	64.2	:
- Wheat	62.7	56.2	63.9	47.1	50.5	51.2	:
- Grain maize	47.0	43.7	69.5	38.4	69.7	81.4	:
Sugar	56.9	31.3	46.5	38.9	39.8	51.1	62.3
Fresh potatoes	92.4	89.6	96.8	75.2	100.6	87.3	75.2
Meat and offal, total	91.6	99.5	97.1	94.6	89.9	88.3	88.1
- beef	95.9	119.1	116.9	106.7	96.5	93.4	101.9
- pigmeat	75.9	79.8	76.6	85.3	78.8	68.2	68.8
- poultrymeat	110.7	113.5	109.7	112.9	113.8	110.8	107.0
Milk (in raw milk equivalent)	119.5	118.8	116.9	119.4	116.5	114.4	:
Eggs	95.9	98.3	97.3	104.8	103.9	94.8	97.7

Source: Calculated from SORS data.

Table 5. Per capita consumption of selected agricultural products (kg/year), 2000-2006

	2000	2001	2002	2003	2004	2005	2006
Cereals, total (in flour equivalent)	94.9	98.5	92.4	89.9	90.1	96.5	:
- Wheat	74.0	82.7	77.0	73.5	74.2	78.4	:
- Grain maize	14.0	12.7	12.4	11.9	11.1	10.8	:
Sugar (in white sugar equivalent)	38.6	37.6	35.2	33.9	36.8	40.2	33.1
Fresh potatoes	79.2	67.9	68.0	60.5	61.4	62.0	54.3
Meat and offal, total	92.6	97.6	92.3	107.0	105.7	102.0	98.8
Meat, total	88.6	93.5	88.7	100.1	99.5	98.5	95.0
- Beef	20.6	20.2	19.2	23.6	23.4	23.6	20.7
- Pigmeat	38.5	41.8	40.5	43.0	45.2	45.0	45.6
- Poultrymeat	24.6	26.0	24.3	25.2	23.3	25.0	23.3
Milk (in raw milk equivalent)	226.0	229.7	253.2	234.8	238.0	246.1	:
- Milk and fresh dairy products	128.8	128.8	145.5	127.9	122.4	124.9	:
- Cheese	10.0	9.9	10.2	10.8	11.4	12.2	12.9
- Butter	1.0	1.2	1.2	1.2	1.2	1.2	1.2
Eggs	10.8	10.0	9.6	6.8	6.2	6.5	7.0

Source: Calculated from SORS data.

Slovene households spent about 15% of their total expenditure on food and non-alcohol beverages (Table 6). This share has decreased in recent years as a result of the increase in real incomes and decrease in consumer prices of food and beverages.

Table 6. Share of household expenditure for food and beverages and consumer price indices, 2000-2006

	2000	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**
Share of food and non-alcoholic beverages in total household's expenditures (%)	17.0	17.1	16.8	16.6	15.8	14.9	:
Consumer price indices of food and beverages (real; 2000 = 100)	100.0	100.7	100.7	99.8	96.8	93.7	93.5

Source: SORS.ggnj

Relative consumer prices of food and beverages have decreased after the accession mostly as a result of intensive import penetration and increasingly competitive relations in the retailing sector.

Conclusions

For Slovenian agriculture as a whole, the accession has not caused any major difficulties. Such an outcome can be attributed to the fact that the objectives and mechanisms of Slovenian agricultural policy were gradually brought into line with the Common Agricultural Policy (CAP) already in the pre-accession period. Therefore, the adoption of the CAP on accession largely meant a continuation of the measures pursued under the national agricultural policy, but with higher funds for the agricultural support.

The food industry was less prepared to withstand the greater exposure to international competition after the accession. Trade barriers, as well as market support measures, shielded companies from international competition almost till the end of pre-accession period. Deterioration of business performance of the sector after the accession was thus expected. For consumers, changes after the accession can be regarded as very positive. Consumers definitely benefited the most as consumer prices decreased and the supply diversified further on.

The consequences of the accession were more or less in line with experts' expectations. The economic position of Slovenian farmers was not expected to change markedly on the aggregate level and potential dangers for the food industry were anticipated due to relatively protectionist policy in the pre-accession period. However, the closure of the sugar factory was one of the unexpected consequences of the accession and the other could be the farmers' quick response to the opening of the market. Soon after the accession, producers, especially in the milk and meat sectors, used the opening of the market as an opportunity to sell their products directly to the other EU countries, where they can reach higher prices. Besides, experts anticipated the worsening of the performances in the pig and poultry sector. However, producer prices remained relatively high and feed prices decreased, so the terms of trade did not deteriorated.

The Slovenian agro-food chain is faced with some important challenges. In the coming years agriculture will have to face the CAP reform of direct payments. The reform will increase the role of the market as most of payments will become decoupled from the production. Reform will also bring a re-distribution of premium rights. The long-term effects of the reform are hard to predict. Besides, after the year 2007/08, when the level of budgetary support to producers will reach 100% compared to EU-15, agriculture will have to operate with the same support even though the prices may decrease. All this will probably increase the pressure for a faster structural adjustment.

Although the first years of EU membership have been quite positive, the problem of a relatively poor competitiveness of the sector has not yet been solved. The labour productivity, measured by GVA per employee, is well below the EU average – in agriculture about three-times and in food industry two-times. In the long run, this is the main problem of further development of these sectors. Comprehensive structural changes and adjustments are therefore needed in both, agriculture and food industry, and the process is expected to intensify in the coming years.

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СТАЊЕ У ПОЉОПРИВРЕДИ СЛОВЕНИЈЕ НАКОН УКЉУЧЕЊА У ЕУ

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Апстракт

Рад описује и анализира промене у пољопривреди и прехрамбеној индустрији Словеније у периоду 1992-2006. са посебним освртом на године после 2000. у светлу укључивања у Европску унију (ЕУ). Укључење није проузроковало већих потешкоћа у пољопривреди као целини. Овакав исход може се приписати чињеници да су се цијеви и механизми аграрне политике у Словенији усклађивали са Заједничком аграрном политиком (ЦАП) већ у предприступном периоду. Због тога је преузимање ЦАП након укључења значило пре свега наставак мера које су се проводиле већ у оквиру националне аграрне политике али са већим фондовима за подршку пољопривреде. Доходак пољопривреде остао је на релативно високом нивоу у односу на претходне године, а анализа главних фактора који детерминирају доходак показала је да су се углавном настављали трендови карактеристични за период после 1999. – благи тренд повећања пољопривредне производње, тренд пада цена пољопривредних производа код произвођача и интензиван тренд раста буџетске подршке пољопривреди. Словенија је традиционално нето увозник хране али се због укидања царинске заштите за увоз из ЕУ и мање погодних услова за извоз у треће земље дефицит повећао на до сада највиши ниво. Отварање тржишта после приступа повећало је конкурентни притисак на прехрамбену индустрију и економски резултати тог сектора су се значајно погоршали. Пољопривредно-прехрамбени ланац се суочава са важним изазовима. Проблем релативно ниске конкурентности сектора још није решен и тражи значајне структурне промене и прилагођавање.

Кључне речи: пољопривреда, аграрна политика, укључење у ЕУ

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