

Expenditure Analysis in Agriculture and Rural Development in Slovakia

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Abstract: The agricultural policy is the oldest policy of the European Union. After joining the EU, the Slovak Republic had to adapt farming sector according to EU requirements and it became part of Common Agricultural Policy (CAP) of the European Union. In this paper, we focused mainly on one of CAP programs - Rural Development Programme. Our aim, that achieved, was to analyse performance of agriculture in the Slovak Republic based on selected economic indicators as well as to evaluate utilization of non-repayable EU funds and national funds for agriculture under this program.

Keywords: Agriculture, Common Agriculture Policy (CAP), Country, Subsidies

JEL Classification: O13, Q14, Q18

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1. Introduction

EU accession of the Slovak Republic had an impact on our entire economy and especially for agriculture which problems, according to Kotulič, Dúbravská (2015), are formation of large production surpluses, protectionism, environment damage or competitiveness. According to the EU dictionary - Common Agricultural Policy (CAP) is a set of legislation and practices taken by the EU. CAP is the most comprehensive of EU economic policies of. The aim of these practices are to create common and unified policy in agriculture. The main reason for the emergence (50s of 20th century) was to ensure efficient production and quality of agricultural commodities and create effectively functioning sector, which will increase standard of population live in rural areas. The most important economic and financial instruments of CAP, according to Kadlečíková (2005), in particular are:

- Direct subsidies to producers or processors,
- Targeted intervention prices,
- Various purpose-designed funds,
- Protection of common borders,
- Structural Funds.

Report on agriculture and food industry in the Slovak Republic 2014 (Green Report) was the main source of information for paper processing. The report provides a broad material relating to different areas for agriculture not only in the Slovak Republic but also abroad. It is clearly elaborated, its content is available not only for professionals but also for general public. Individual reports, tables, graphs are processed by National Agricultural and Food Centre: Research Institute of Agriculture and Food Economics. This report consists of economic results of agricultural sector, expenditure overview of Ministry of Agriculture and Rural Development of the Slovak Republic and annexes, which describe situation in global economy and agriculture of the EU, revision of EU legislation, cooperation with foreign countries and others.

2. Data and Methodology

The aim of this paper is to analyse performance of agriculture in the Slovak Republic on the basis of selected financial indicators and to evaluate utilization of non-repayable EU funds and national funds (mainly Rural Development Programme).

Input data for the analysis was drawn mainly from website of Statistical Office of the Slovak Republic and from Report on agriculture and food industry in the Slovak Republic for 2012, 2013 and 2014. This report is annually drafted at Ministry of Agriculture and Rural Development of the Slovak Republic. Analysis, comparison, synthesis, selected mathematical and statistical methods were used to for processing the data obtained.

3. Results and discussion

Agriculture is the most important sector of each country, as the main source of food. The main function of agriculture is therefore production function, but in recent years has added to it non-production function too.

Agricultural land takes up almost half of the total area of the Slovak Republic. According to information in the Statistical Yearbook of the land fund in the Slovak Republic, agricultural area was 2 397 045 ha (1.1.2015). Arable land represents the largest part of this area (1 412 228 ha). Agriculture sector had app. 51 500 employees in 2014. Compared to 2013, it was increase of 1,8 % (app. 50 600 employees). It represents 2,2 % of the total economically active population. Agricultural sector contributes to GDP less than 4% (3,74%).

Economic performance of agriculture in the Slovak Republic is low. According to the Report on Agriculture and Food in the Slovak Republic, agriculture reached negative economic results in 2014 (loss of EUR 4,7 mil. EUR). Compared to 2013, the economic result decreased (increased loss) of 2,2 mil. EUR. The economic performance of agriculture almost stagnated at previous year level, which resulted in a year revenues reduction by 2,7%. In 2014, in comparison with the previous, year we can see a decrease in the value added (7,8%). Economic performance of Slovak agriculture was significantly influenced by price development (mainly on European world market for agricultural commodities).

Table. 1 describes main economic indicators in agriculture sector for 2012-2014.

Table 1. Selected economic indicators for agriculture sector (in mil. EUR)

Indicator	2012	2013	2014	Index 2014/2013
Revenues	2 362,9	2 349,1	2 285,0	97,3
Expenditures	2 327,9	2 351,6	2 289,7	97,4
Profit	35,0	-2,5	- 4,7	-
Value added	462,5	419,1	386,5	92,2
Revenues from own products	1 584,2	1 515,6	1 545,0	102,0

Source: Ministry of Agriculture and Rural Development of the Slovak Republic

Agriculture expenditures constitute a substantial part of the EU budget expenditures. Due to Slovakia's accession to the EU, the original system of support policy in Slovak agriculture has been replaced by common agricultural policy of the EU. As part of this policy farms can obtain more resources to modernize and improve competitiveness.

Total expenditures on agriculture, rural development and food industry were 705,3 mil. EUR in 2014. Compared to previous year, we can see decrease by 1,1 %. This decrease was due to reductions in spending on Rural Development Programme (2007 - 2013), which financing has been completed. The largest share of total expenditures consist of expenditures on direct payments (57,7%) and rural development expenditures (26,8%).

Table 2. Total expenditures on agriculture, rural development and food (v mil. EUR)

Indicator	2013			2014		
	EU	SR	All	EU	SR	All
Market-oriented expenditures	9,7	2,3	12	8,1	2,8	10,9
Direct payments	324,9	40,3	365,2	352,2	52,99	405,1
Rural Development Programme (2007 - 2013)	174,5	49,6	224,1	91,7	27,6	119,3
Rural Development Programme (2014 - 2020)	0	0	0	52,0	17,7	69,7
OP RH SR 2007 – 2013	1,1	0,4	1,5	1,7	0,6	2,3
Total	510,2	203	713,2	505,7	199,6	705,3

Source: Ministry of Agriculture and Rural Development of the Slovak Republic

Part of CAP of the EU is a rural development policy, which is the second pillar of the EU's CAP (first pillar represents direct payments and market expenditures). CAP - rural development policy focuses on individuals and groups actively operating in rural areas. It aims to help deal with economic, social and environmental challenges.

Rural Development Programme (RDP) is financed by the European Agricultural Fund for Rural Development. The first program was approved for period 2007 - 2014. The total amount of public funds for whole period (after modifications) was 2 597 053 717 EUR, of which EU funds 1 996 908 078 EUR and state co-financing 600 145 639 EUR. This program was implemented within 4 axis. Each of them focused on a different segment of agriculture:

Axis 1 - Increase of competitiveness of agricultural and forestry sector

Axis 2 - Improvement of environment and countryside

Axis 3 - Quality of life in rural areas and diversification of rural economy

Axis 4 - Implementation of Leader approach

Čerpanie prostriedkov Programu rozvoja vidieka 2007 - 2013 v roku 2014 je uvedené v tab. 3.

Table 3 shows the disbursement of Rural Development Programme funds in 2014:

Table 3. Rural Development Programme expenditures (2007 - 2013) in 2014 (EUR)

	public expenditures	of which: RDP	of which: state budget
Axis 1	29 804 204	22 208 255	7 595 949
Axis 2	40 706 971	32 146 973	8 559 998
Axis 3	23 336 171	17 502 128	5 834 043
Axis 4	16 795 923	13 352 087	3 443 836
Technical assistance operations	8 617 498	6 463 123	2 154 375
Total	119 260 767	91 672 566	27 588 201

Source: Ministry of Agriculture and Rural Development of the Slovak Republic

On 13 February 2015, the European Commission approved a second Rural Development Programme for period 2014 - 2020. This program focuses on three main objectives:

- Increase of agriculture competitiveness,
- Sustainable development of natural resources,
- Balanced development of rural areas.

Budget of Rural Development Programme for period 2014 - 2020 is 2 079 595 129 EUR for seven years, of which EU funds - 1 545 272 844 EUR and state co-financing - 533 709 174 EUR.

4. Conclusions

Thanks to accession of the Slovak Republic to the EU gained Slovak agriculture option to get considerable subsidy of funds aimed at its development. We got 505, 7 mil. EUR in 2014. For next year is scheduled 553,7 mil. EUR.

The CAP functioning has passed a number of reforms and adaptations that help it to be better functional and more efficient. It helps to effective allocation of financial resources to those in the agricultural sector most in need. The strengthening of EU rural development policy is a general priority. Agriculture still has a crucial importance in terms of land use and management of natural resources in rural areas. We can say that the EU has an active rural development policy, because it helps us to achieve goals that are important for our rural landscape and people who live and work there.

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