



Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Voluntary Report - public distribution

Date: 10/13/1999

GAIN Report #LO9011

Slovakia

Agricultural Situation

Agricultural Situation Report for Slovakia - 1999

1999

Prepared by:

Paul Spencer

U.S. Embassy Vienna

Drafted by:

Daniel Acs

Report Highlights: The current problems in Slovakian agricultural have their roots both in events that occurred in 1999 and in longer term problems. Events in 1999 included shortcomings in the regional trade agreement CEFTA, low world commodity prices, and flooding.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Vienna [AU1], LO

SLOVAKIA

Agriculture Situation and Outlook Report

A. Summary

The current problems in Slovakian agricultural have their roots both in events that occurred in 1999 and in longer term problems. Events in 1999 included shortcomings in the regional trade agreement CEFTA, low world commodity prices, and flooding. Longer term issues also weighed on the agricultural sector. These include a poorly defined and constantly changing domestic agricultural regime, non-functioning bankruptcy laws, high levels of farm debt, poor access to working capital, and a lack of market oriented management on the part of many farmers.

B. Current Situation and Outlook

Situation and Outlook for the Economic Sector

The Slovak economy slowed in 1998 and in the first half of 1999. Annual GDP growth in 1998 dropped to 4.4 percent compare to 6.5 percent in 1997. Domestic savings is insufficient to meet the demand for capital and Slovakia has a high level of foreign debt (\$2,376 per capita). Slovakia has a negative current account balance and inflation increased to 6.7 percent in 1998.

Situation and Outlook for the Agricultural Sector

Agriculture is playing diminishing role in the Slovak economy and accounts for only about 4 per cent of GDP. One result is that there was about a three percent decline in agricultural investment in 1998. There was an even greater drop in agricultural employment compared to other industries, and agricultural employment accounted for less than five percent of the work force in 1998. Wage disparity between agriculture and other industries continues to widen, with the average agricultural worker only earning 77 percent as much as workers in other sectors.

Price and comparative advantage

Prices of agricultural commodities in Slovakia tend to towards world prices and studies indicate that some Slovakian commodities have a competitive advantage compared to the EU and other CEFTA countries. Competitive commodities include live animals, meat, butter and dairy fats, cheeses, pulses, wheat, malt, starch, gluten, and beer.

Land Market

The land market in Slovakia is not well developed and current transfers of agricultural land take place mostly as the result of claims on the State for expropriated land. More than 80 percent of claims had been processed at the end of 1998, accounting for over 150,000 ha of agricultural land and almost 90,000 ha of forests. Regarding outstanding claims, most are for small plots scattered across Slovakia and their resolution will likely take some time. The sale of land for farming is rare although there is a developed leasing market. Leasing rates for arable land vary from about 1,000 SKK to 3,000 SKK, depending on quality and crop suitability.

Privatization

Privatization in agricultural sector is considered largely complete. Although there are still a few state companies remaining, these companies are highly specialized, for example horse stud farms and plant research stations.

C. Changes in Policy

Subsidies

In 1998, the total amount of subsidies to agriculture, 8,4 billion SKK, was lower than in 1997. In spite of promises by the new government to increase support to agriculture in 1999, fiscal constraints have resulted in a flat agricultural budget. Nearly 40 percent of outlays were direct income subsidies paid per hectare of agricultural land. For these expenditures, the better the quality of land, the less money the farmer receives. Direct income subsidies have been subject to allegations of abuse and that the payments are too costly. Also, some in the Government are concerned that direct income subsidies do not have the effect of increasing agricultural production, since payments do not correspond directly to output. The remaining approximately 60 percent of agricultural subsidies are broken down as follows:

- Direct production subsidies (roughly 55 percent of outlays).
 - These include payments to:
 - improve milk quality (1 billion SKK),
 - payments for farm inputs (1,7 billion SKK),
 - payments for infrastructure (1,6 billion SKK).
- Payments to compensate for natural disasters (about 5 percent).
- Buying down interest rates on loans (less than one percent).

In light of the upcoming WTO round, the Ministry of Agriculture sought to increase the volume of export subsidies so as to be in a better position to negotiate reductions. A lack of money has prevented this policy from being implemented.

Production Quotas

It is expected that in 2000 new production quotas along with minimum prices will be introduced for major commodities in Slovakia. Implementation of these measures is being lobbied for by the Slovak Agricultural and Food Chamber (representing farmers and food processors).

Trade Barriers

In the early 1990's, Slovakia, along with other countries in the region, began applying relatively low tariff rates on imported agricultural commodities. For example, Slovakia's agricultural import regime is more liberal than the EU in most regards (except for oilseeds).

Slovakia maintains three levels of preferential tariffs under Central Europe Free Trade Agreement (CEFTA): "0" tariffs, multilateral tariffs, and bilateral tariffs. "0" tariffs are applied to all member countries for selected commodities, usually commodities not produced in the member countries (e.g. coffee). Bilateral tariffs refer to tariffs that Slovakia negotiates separately with each CEFTA member. Bilateral agreements usually cover more sensitive commodities. Finally, multilaterally negotiated tariffs (in the context of CEFTA) are applied by all member countries for a particular commodity or commodity group. Recently, there has been a backing away from some of CEFTA's liberalizing goals for agriculture. In November 1998, Slovakia imposed import duties on Hungarian wheat, which was later extended to include wheat from all countries. Also, pork imports were assessed additional duties. Other CEFTA countries have also recently backed away from agricultural portions of the agreement. Bulgaria, the Czech Republic, Hungary, Poland, Romania, Slovakia, and Slovenia are all CEFTA members.

Slovakia also has a Customs Union Agreement with the Czech Republic to export and import most items under no or

very low tariffs. However, also as part of the customs union, so called 'auto limitation' agreements are negotiated between producer groups to limit imports of sensitive items that are considered to be in surplus. Quotas may be imposed on an item if imports cross a certain threshold, usually 5 percent of domestic consumption.

Licensing

Licensing is used obstinately as a tool to monitor trade in Slovakia, both for imports and exports. Regarding imports, most commodities are subject to automatic licensing (e.g. imports are supposed to be automatically assigned a licence). However, licensing has at times been used to as an administrative way to delay, and, in some cases, block trade. Regarding exports, several commodities were recently removed from the 'non-automatic' licensing list and currently only food use wheat remains.

Market Intervention

State Fund for Market Regulation (SFMR) has two major purposes: to intervene on domestic market when prices are low (they purchase and store commodities) and to support the export of Slovak commodities to foreign markets. The SFMR has in the past been seen as disruptive to the market and has interfered with private transactions. Currently, the State fund is being transformed and should serve primarily as an intervention agency.

Tables:

COUNTRY: SLOVAK REPUBLIC						
Macroeconomic indicators						
Table 1						
	Units	1995	1996	1997	1998	1999/1
Population	mn	5.4	5.4	5.4	5.4	5.4
Real GNP Growth	%	6.8	6.9	5.9	4.4	5.5
Unemployment Rate (end of year)	%	13.8	12.6	12.9	13.2	14.0
Trade Balance (current account)	Bill. SKK	-5.7	-64.5	-68.3	-80.8	-70.0
Average Exchange Rate	per USD	29.7	30.7	34.8	37.0	42.0
Discount Rate (central bank lending rate)	%	11.00	8.80	8.8	8.8	8.8
Interest Rate	%	13.30	12.00	12.0	13.5	13.5
Consumer Price Index	%	9.9	5.8	6.1	6.7	10.0
Sectoral Share of GDP						
- Agriculture	%	5.6	5.2	4.4	4.0	3.8
- Food Processing	%	2.9	2.8	4.0	4.1	4.2
Share of Employment for Agriculture	%	6.2	5.6	5.4	4.9	4.7
Share of Household Consumer Income Spent on Food	%	37.4	37.1	37.1	35.60	38.00
1/ Estimates						

COUNTRY: SLOVAK REPUBLIC					
Consumption of Industrial Fertilizers					
(in pure nutrients)					
Table 2					
Total NPK Consumption in MT					Outlook
	1995	1996	1997	1998	1999
Nitrogen	69,587	74,464	88,017	81,843	73,659
Phosphorus	17,714	20,030	24,493	20,474	18,427
Potassium	14,932	16,584	20,477	17,100	15,390
Total	102,233	111,078	132,987	119,417	109,475
NPK Consumption per 1 ha of Agricultural Land					
Nitrogen	30.6	32.8	37.7	38.3	31.6
Phosphorus	7.8	8.8	10.5	9.6	7.9
Potassium	6.6	7.3	8.8	8	6.6
Total	45.0	48.9	57.0	55.9	46.1
NPK Consumption per 1 ha of Arable Land					
Nitrogen	48.7	52.4	60.3	61.8	50.5
Phosphorus	12.4	14.1	16.8	15.5	12.6
Potassium	10.5	11.7	14	12.9	10.5
Total	71.6	78.2	91.1	90.2	73.6
Source: Research Institute of Ag and Food Economics, Bratislava					

COUNTRY: SLOVAK REPUBLIC					
Land Use					
(in 000 hectares)					
Table 3					Outlook
	1995	1996	1997	1998	1999
Agricultural Land	2445.6	2444.5	2444.7	2443.6	2440.7
of which:					
Arable Land	1479.1	1475.6	1472.1	1469.2	1465
% tillage	60.5%	60.4%	60.2%	60.1%	60.0%
Hop gardens	1.3	1.3	1.3	1	1
Vineyards	29.3	29.1	28.8	28.4	28
Gardens	78	78	77.9	77.8	77.7
Orchards	18.8	18.8	19	19	19
Grass, Pastures	839.1	841.7	845.6	848.2	850

COUNTRY: SLOVAK REPUBLIC					
Total and Regional Breakdown of Agricultural and Food Imports					
(value in million USD)1/					
Table 4					
Country	1990	1995	1996	1997	1998
Total	208.3	747.2	819.4	806.8	847.4
- OECD	133.4	283.6	668.3	643.6	
- EU2/	n.a.	229.3	297.5	298.0	326.7
- CEEC-10 3/	n.a.	322.0	343.3	327.3	363.2
- CEFTA4/	.	0.0	340.9	322.7	361.6
- North America5/	n.a.	9.3	11.8	13.7	14.9
- United States		5.7	8.2	10.2	11.0
- NIS	n.a.	5.1	5.9	30.3	2.6
Exchange rate used	18.0	30.0	31.9	34.8	37.0
1/ Products included in total agro-food trade are groups 1 - 24 by SITC (HS) Code					
2/ EU includes new members from 1 January 1995 (Austria, Sveden, Finland)					
3/ Slovak Republic, Czech Republic, Poland, Hungary, Bulgaria, Estonia, Latvia, Lithuania, Romania, Slovenia					
4/ Slovak Republic, Czech Republic, Hungary, Poland					
5/ Canada and United States					
Sources: Customs statistics					

COUNTRY: SLOVAK REPUBLIC					
Total and Regional Breakdown of Agricultural and Food Exports					
(value in million USD)1/					
Table 5					
Country	1990	1995	1996	1997	1998
Total	210.2	538.6	423.1	427.8	435.6
- OECD	126.2	104.0	309.3	306.8	
- EU2/	n.a.	83.8	73.0	94.6	88.6
- CEEC-10 3/	59.0	305.1	237.3	216.7	263.1
- CEFTA 4/	0.0	0.0	230.0	210.2	261.2
- North America 5/	n.a.	2.9	2.0	1.6	1.9
- United States		1.9	1.4	1.2	1.4
NIS	n.a.	81.6	81.2	83.8	49.0
Exchange rate used	18.0	30.0	31.9	34.8	37.0
1/ Products included in total agro-food trade are groups 1 - 24 by SITC (HS) Code					
2/ EU includes new members from 1 January 1995 (Austria, Sveden, Finland)					
3/ Slovak Republic, Czech Republic, Poland, Hungary, Bulgaria, Estonia, Latvia, Lithuania, Romania, Slovenia					
4/ Slovak Republic, Czech Republic, Hungary, Poland					
5/ Canada and United States					
Sources: Customs Statistics					

COUNTRY: SLOVAK REPUBLIC						
Breakdown of Agricultural and Food Exports - by Most Important Product Group						
(in million USD)						
Table 6						
Product	1993	1994	1995	1996	1997	1998
Total	317.8	398.7	538.6	423.1	427.8	435.6
of which:						
01 - Living animals	36.0	30.3	24.0	17.5	22.7	21
04 - Milk and milk products	34.9	38.2	46.2	47.2	45.3	44.3
07 - Vegetables	26.4	46.3	38.4	33.5	25.3	21
08 - Fruits and nuts	9.5	14.7	13.7	14.7	13.9	11.1
10 - Cereals	32.7	25.3	104.5	10.4	18.7	49.1
11 - Malt, starch	18.6	18.8	56.1	41.9	27.5	31.1
12 - Oil seeds	15.7	21.9	20.9	25.9	30.2	26.4
17 - Sugar,sweets	14.2	17.2	22.4	13.1	18.2	31.7
18 - Cocoa, chocolate	19.4	28.0	37.5	36.7	27.2	21.8
19 - Pastries	12.6	22.9	22.1	27.2	23.9	16.8
22 - Alcohol beverages	25.1	36.3	39.6	38.4	31.5	24.2
24 - Tobacco, cigarettes	17.0	27.0	34.4	23.2	30.3	30.1
Resorce: Custom statistic						

COUNTRY: SLOVAK REPUBLIC						
Breakdown of Agricultural and Food Imports - by most Important Product Group						
(in million USD)						
Table 7						
Product	1993	1994	1995	1996	1997	1998
Total	557.9	623.4	747.2	819.4	806.8	847.4
of which:						
04 - Milk and dairy products	36.3	25.6	24.4	26.6	22.5	23.4
07 - Vegetable		17.8	35.8	23.6	20.6	28.8
08 - Fruits and nuts		67.1	75.4	96.7	84.9	81.7
09 - Coffee, tea, spices		42.2	58.6	44.6	44.7	45.4
10 - Cereals	56.7	29.6	17.3	39.4	53.3	25
12 - Oil seeds	15.7	25.8	32.8	25.9	18.6	23.2
15 - Animal and plant oil	24.1	31.7	32.4	33.2	32.8	37.4
17 - Sugar,sweets	22.1	25.4	43.8	24.7	16.2	25.5
18 - Cocoa, chocolate	36.1	42.5	50.6	54.3	48.1	45.1
19 - Pastries		24.2	35.7	43.9	47.3	54.4
20 - Canned vegetable		23.2	35.1	46.8	46.8	48.4
21 - Food additives	29.6	34.2	39.5	53.3	61.9	65.9
22 - Alcohol beverages	50	50.9	55.9	67.8	56.3	50.8
23 - Feed meals, waste		56.2	71.1	82.3	79.3	85.2
24 - Tobacco, cigarettes	42	47.9	48.6	54.5	63.4	64.4
Sources: Customs statistics						

COUNTRY: SLOVAK REPUBLIC			
Agricultural Trade Exports by Volume			
(in 000 MT)			
Table 8			
Crop Products	1996	1997	1998
Total grain	24.6	86.9	461.5
of which:			
- Wheat	11.2	26.3	118.8
Oilseeds	74.9	95.8	96.1
Vegetable oil	9.2	10.7	19.3
Sugar	6.3	19.3	55.7
Potatoes	0.8	0.2	0.2
Wine	9.0	10.2	9
Fresh fruit	75.0	34.9	19.6
Canned fruit	3.0	3.6	3.5
Fresh vegetables	50.2	44.8	39.1
Canned vegetables	46.7	31.4	2.1
Livestock products:			
Total meat (carcass weight)	3.3	1.4	1.2
of which:			
* Beef and veal	0.4	0.2	0
* Pig meat	0.2	0.0	0
* Poultry meat	1.7	0.9	0.7
1/ Meat equivalent from live to carcass weight is for: beef 0.52, pork 0.81 and sheep meat 0.47			
Sources: Commodity situation & outlook reports, Customs statistics			

COUNTRY: SLOVAK REPUBLIC				
Agricultural Trade Imports - Quantity				
(in 000 MT)				
Table 9				
Imports	Units	1996	1997	1998
Crop products				
Total grain		158.2	226.5	105.7
of which:				
- Wheat		10.6	129.6	58.2
Oilseeds		113.9	6.7	23.2
Vegetable oil		17.1	17.7	25.3
Sugar		21.1	8.3	33.9
Potatoes		47.3	3.8	20.1
Wine		23.4	10.3	4.8
Fresh fruit		245.0	177.4	179.4
Canned fruit		2.9	2.2	0.2
Fresh vegetables		30.9	42.3	60.3
Canned vegetables		8.1	8.0	4
.				
Livestock products:				
Total meat (carcass weight)		7.1	5.8	23.5
of which:				
* Beef and veal		0.4	0.5	2
* Pig meat		1.3	2.4	19.4
* Poultry meat		3.0	2.9	1.9
1/ Meat equivalent from live to carcass weight is for: beef 0.52, pork 0.81 and sheep meat 0.47				
Sources: Commodity situation and outlook reports, Customs statistic				

COUNTRY: SLOVAK REPUBLIC					
Farm Gate Prices of Major Agricultural Commodities					
(in SKK per unit)					
Table 10					
Commodity	Unit	1996	1997	1998	19991/
Wheat	MT	3,761	4,243	4,117	4,100
Malted Barley	MT	3,973	4,231	4,110	4,200
Corn	MT	4,400	3,920	3,273	3,400
Rape Seed	MT	6,700	6,770	7,033	6,900
Sunflower Seed	MT	7,462	7,720	7,723	7,500
Sugar Beet	MT	917	962	850	800
Potatoes	MT	9,300	9,120	9,665	9,500
Tobacco artificially dried	MT	42,951	47,555	47,515	48,000
Bulls	MT of live weight	38,100	39,450	41,150	41,000
Hogs	MT of live weight	38,470	41,066	41,900	41,000
Cow Milk	000 litres	6,700	7,250	7,750	8,000
Chickens	MT of live weight	29,800	31,250	32,000	32,000
Exchange Rate	USD/SKK	30.7	34.8	37.0	42.0
1/ estimate					

COUNTRY: SLOVAK REPUBLIC					
Retail Prices of Selected Food Products					
(in SKK per unit)					
Table 11					
Product	Unit	1996	1997	1998	1999
Beef shoulder without bone	KG	112.6	117.5	126	130
Beef ham without bone	KG	144.8	150.7	159.1	165
Pork ham without bone	KG	145.7	159.2	166	160
Chicken without offalls	KG	62.3	64.4	68.8	70
Milk 2% fat	L	10.6	12	13	15
Eidam Cheese	KG	120.5	132.2	138	140
Egg fresh	PCS.	2.6	2.7	2.7	2.8
Butter fresh	KG	111.8	119.9	123.7	125
Wheat Flour	KG	10.9	12.3	13	13
Rice	KG	24.1	22.6	24.8	24
Bread	KG	13	14.6	15.9	16
Sugar Crystal	KG	24.3	20	19.5	20
Apples	KG	25.5	23.5	25.1	28
Exchange Rate	USD/SKK	30.7	34.8	37.0	42.0