Food production and rural development – Croatian perspective within the European Context

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Introduction

• Agriculture globally:
  ◦ Largest employer in the world
  ◦ Failure of global food production to reply to growing demand
    • population growth, income growth and changing diets, climatic variability, limitations on arable land and water...
  ◦ High food prices

• “Sustainable agriculture must be at the heart of the green economy” (Agricultural and RD Day, 2012)

• How Croatia can contribute?
  ◦ With quite high but unused potential for agriculture
Agriculture and food production in Croatia

- Sector of a great economic importance:
  - 9.1% in total GDP
  - About 11% in total export
  - About 10% in total import
  - More than 20% in total employment
Agriculture and food production in Croatia

- Favourable conditions for production of wide range of agricultural products
- Destructive political and economic phenomena since the beginning of 1990s
- Rather modest agricultural results
  - Abandoning agricultural land and rural people exodus
  - Natural disasters caused by climate change
  - Inefficient agricultural support policies
  - Crop and livestock production still below the level of 1990
  - Slow rise of agricultural production value and long-term negative balance of trade
Competitiveness of Croatian agriculture and food production within the EU

- Croatian agriculture is a minor factor in EU agricultural sector:
  - Level of Croatian share in basic economic indicators doesn’t exceed 1%
  - Share in number of farms and labour employed in agriculture is about 2%
## Importance of Croatian agriculture in the EU

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Share of Croatia in the EU, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production value</td>
<td>0.7</td>
</tr>
<tr>
<td>Gross value added</td>
<td>0.8</td>
</tr>
<tr>
<td>Farms</td>
<td>1.9</td>
</tr>
<tr>
<td>Labour</td>
<td>1.9</td>
</tr>
<tr>
<td>Utilized agricultural area</td>
<td>0.8</td>
</tr>
<tr>
<td>Livestock (LU)</td>
<td>0.8</td>
</tr>
</tbody>
</table>
## Structural indicators of food production sector

<table>
<thead>
<tr>
<th>National classification of economic activities – C10 – production of food products</th>
<th>EU-27</th>
<th>Croatia</th>
<th>Share of Croatia in EU-27 %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of companies</td>
<td>261,233</td>
<td>2,968</td>
<td>1.1</td>
</tr>
<tr>
<td>Turnover, mill. EUR</td>
<td>814,892</td>
<td>4,410</td>
<td>0.5</td>
</tr>
<tr>
<td>Production value, mill. EUR</td>
<td>744,386</td>
<td>3,914</td>
<td>0.5</td>
</tr>
<tr>
<td>Value added, mill. EUR</td>
<td>161,947</td>
<td>1,012</td>
<td>0.6</td>
</tr>
<tr>
<td>Number of employees, mill.</td>
<td>3.8</td>
<td>0.6</td>
<td>1.5</td>
</tr>
<tr>
<td>Wages, mill. EUR</td>
<td>76,616</td>
<td>537</td>
<td>0.7</td>
</tr>
</tbody>
</table>
Average farm size, ha

Average farm size by the UAA in 2010
Average farm size, ha

Average farm size by the LU in 2010

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UAA per annual work unit, ha

Utilized agricultural area per AWU in 2010

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Standard output, EUR

Standard output by the AWU in 2010
Output of agricultural industry, EUR

Output of agricultural industry per AWU, av. 2010-2012

Denmark
The Netherlands
Belgium
United Kingdom
Sweden
Luxembourg
Germany
France
Finland
Austria
Italy
Spain
Czech Republic
Ireland
Cyprus
Slovakia
Estonia
Malta
Greece
Portugal
Hungary
Lithuania
Slovenia
Croatia
Latvia
Poland
Bulgaria
Romania

13.568
Gross value added, EUR

Gross value added per AWU, av. 2010-2012

- Denmark
- The Netherlands
- France
- Belgium
- United Kingdom
- Germany
- Sweden
- Luxembourg
- Italy
- Finland
- Spain
- Austria
- Cyprus
- Greece
- Malta
- Estonia
- Czech Republic
- Ireland
- Slovakia
- Croatia
- Portugal
- Hungary
- Lithuania
- Slovenia
- Poland
- Romania
- Bulgaria
- Latvia

6.895
Reasons of the modest results

- Unequalled economy of scale for the majority of farms
  - predominantly self-sufficient production, limited capacities, lack of production specialisation

- Inadequate production structure
  - low-profit sectors prevail

- Low yields in the majority of farms
  - due to lack of knowledge and skills, inadequate production technologies, machinery and equipment, lack of irrigation or drainage systems

- High production costs
  - due to small and fragmented production area, bad production technology, high input costs – high fixed and variable costs

- Problems with products sale
  - small quantities, non-standardized supply, weak purchase channels, long supply chains, bad link with processing industry, lack of product brands etc.
New reality: CAP mechanisms for agricultural and rural support

- European Agricultural Guarantee Fund
- European Agricultural Fund for Rural Development
- Two CAP pillars:
  - Mechanisms of market organizations and farmers income (direct payments)
  - Agricultural structure and rural development measures
- New financial period 2014-2020
- Results of Croatian negotiation:
  - 373 mill. EUR for direct payments
  - 333 mill. EUR for rural development measures
Perspective for agriculture within the EU

- Agricultural policy goals are still
  - As high as possible level of self-sufficiency in agricultural production
  - Competitive production and reasonable food prices
  - Production, environmental and business standards
Perspective for agriculture within the EU

• What has to be achieved and how?
  • Adjust the production structure in favour of higher value added products (fruit and vegetables, livestock production)
  • Intensify processing of raw agricultural products by strict standards
  • Promote and protect products with ethnical and regional particularities...
Perspective for rural areas

- Protecting the heritage and traditions associated with local products
- Developing innovated products (especially in processing industry)
- Supplementing farmers’ income through non-agricultural activities (agritourism, rural tourism)
Conclusion

- Questions to be answered:
  - How important is agricultural and food sector for Croatian economy?
  - Why is Croatian agriculture uncompetitive?
  - What CAP mechanisms could be applied to achieve the desired results?

- Where to look for answers?
  - In possibilities of changing the local agricultural structure
  - In European funds for agricultural and rural development, but also European production and business standards
THANK YOU FOR YOUR ATTENTION