



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

Indicator	Share of Croatia in the EU, %
Production value	0.7
Gross value added	0.8
Farms	1.9
Labour	1.9
Utilized agricultural area	0.8
Livestock (LU)	0.8



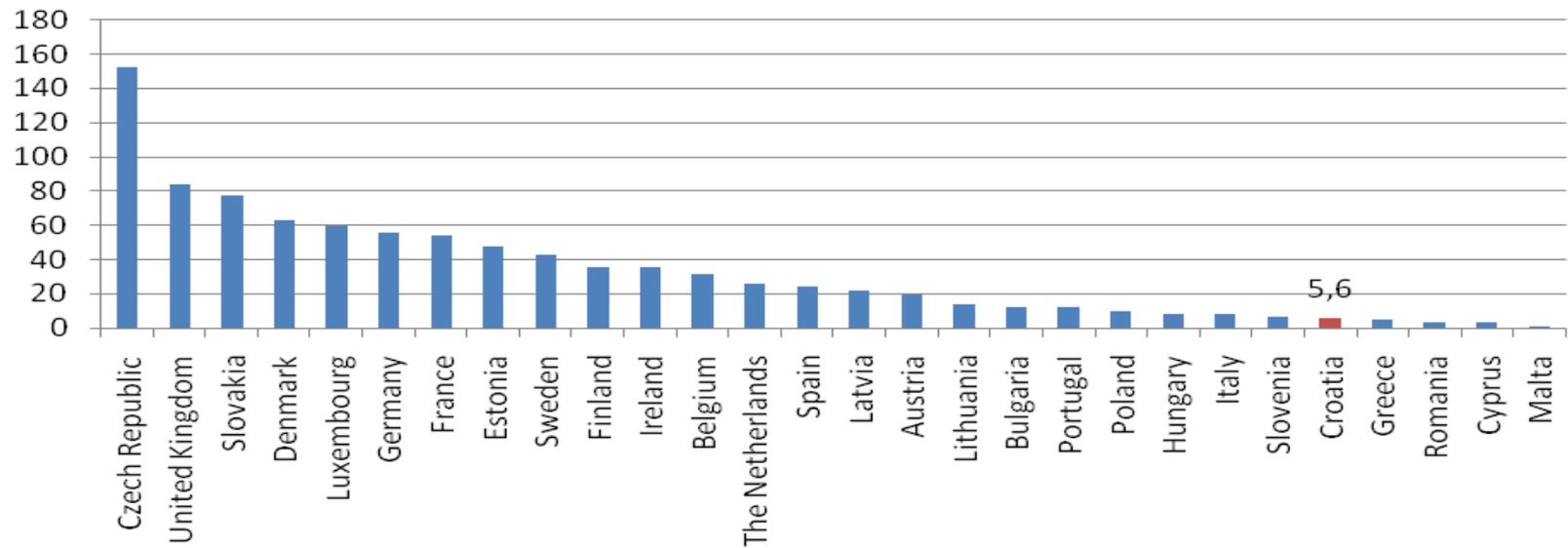
Structural indicators of food production sector

National classification of economic activities – C10 – production of food products	EU-27	Croatia	Share of Croatia in EU-27 %
Number of companies	261,233	2,968	1.1
Turnover, mill. EUR	814,892	4,410	0.5
Production value, mill. EUR	744,386	3,914	0.5
Value added, mill. EUR	161,947	1,012	0.6
Number of employees, mill.	3,8	0.6	1.5
Wages, mill. EUR	76,616	537	0.7



Average farm size, ha

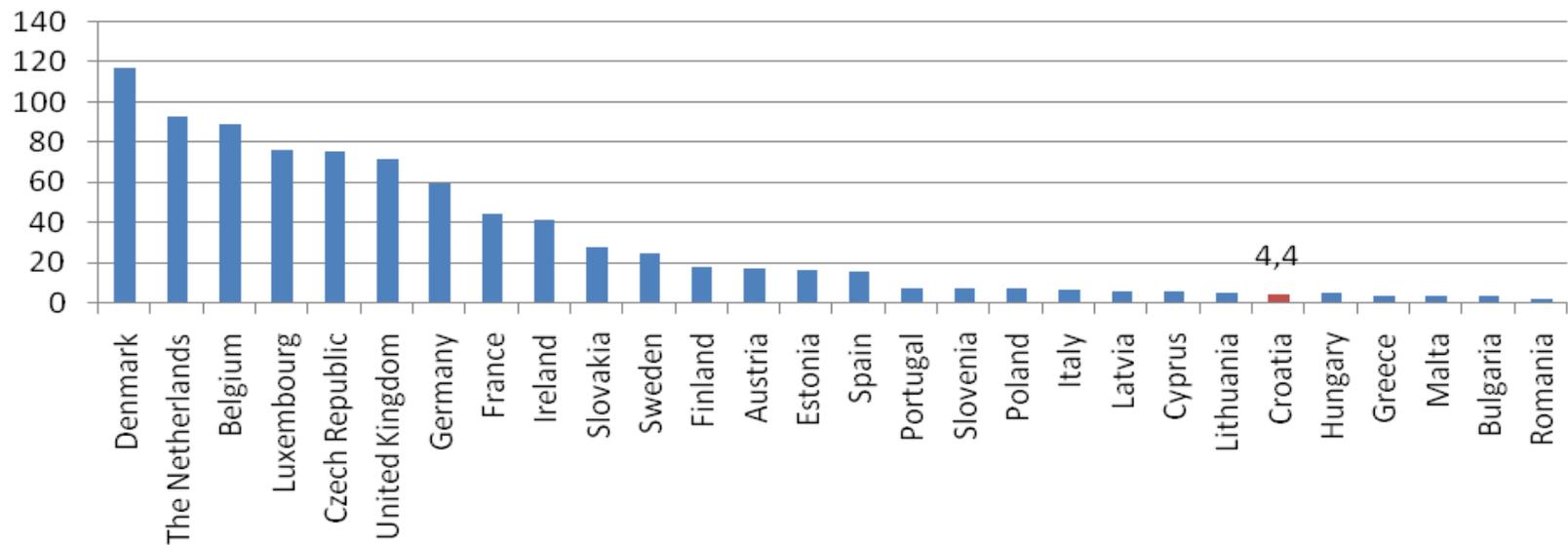
Average farm size by the UAA in 2010





Average farm size, ha

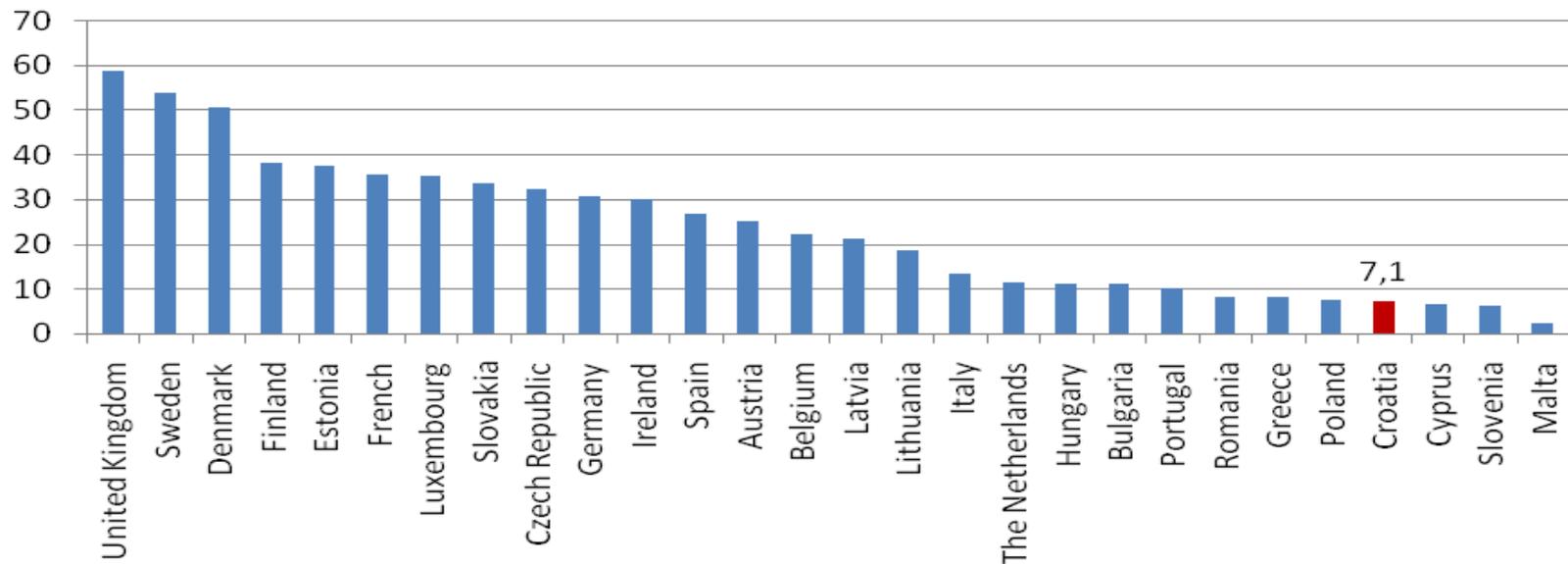
Average farm size by the LU in 2010





UAA per annual work unit, ha

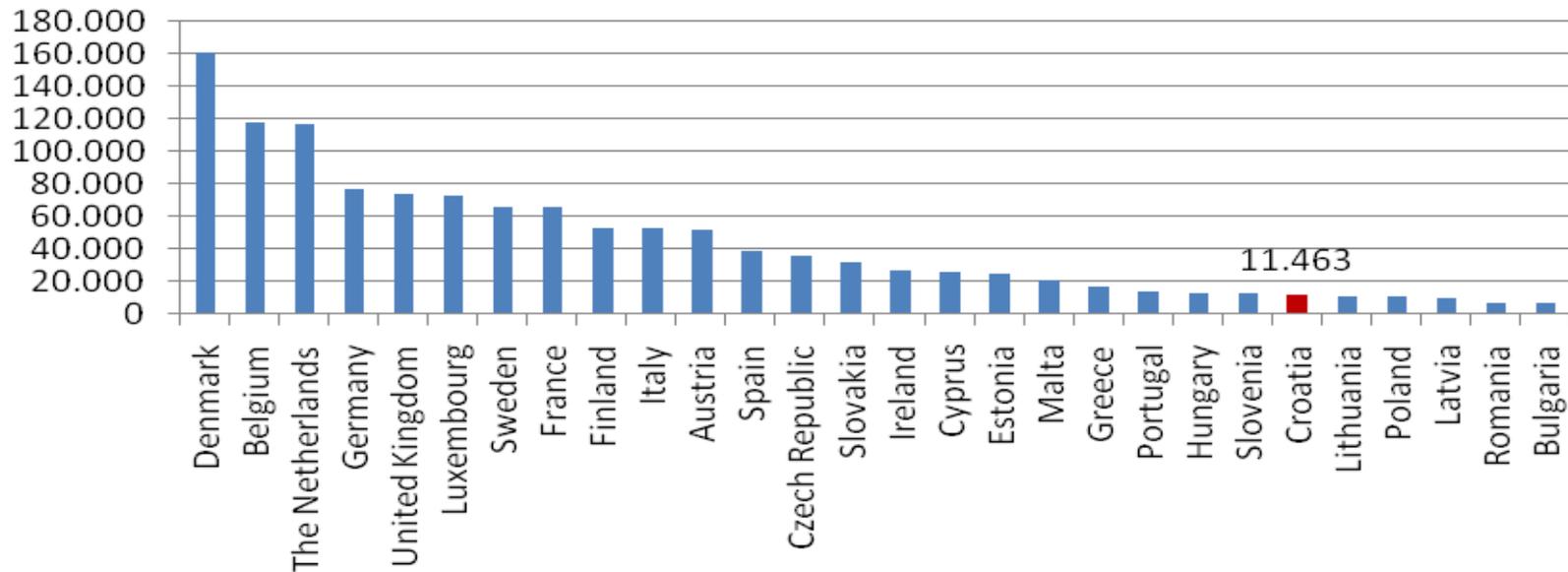
Utilized agricultural area per AWU in 2010





Standard output, EUR

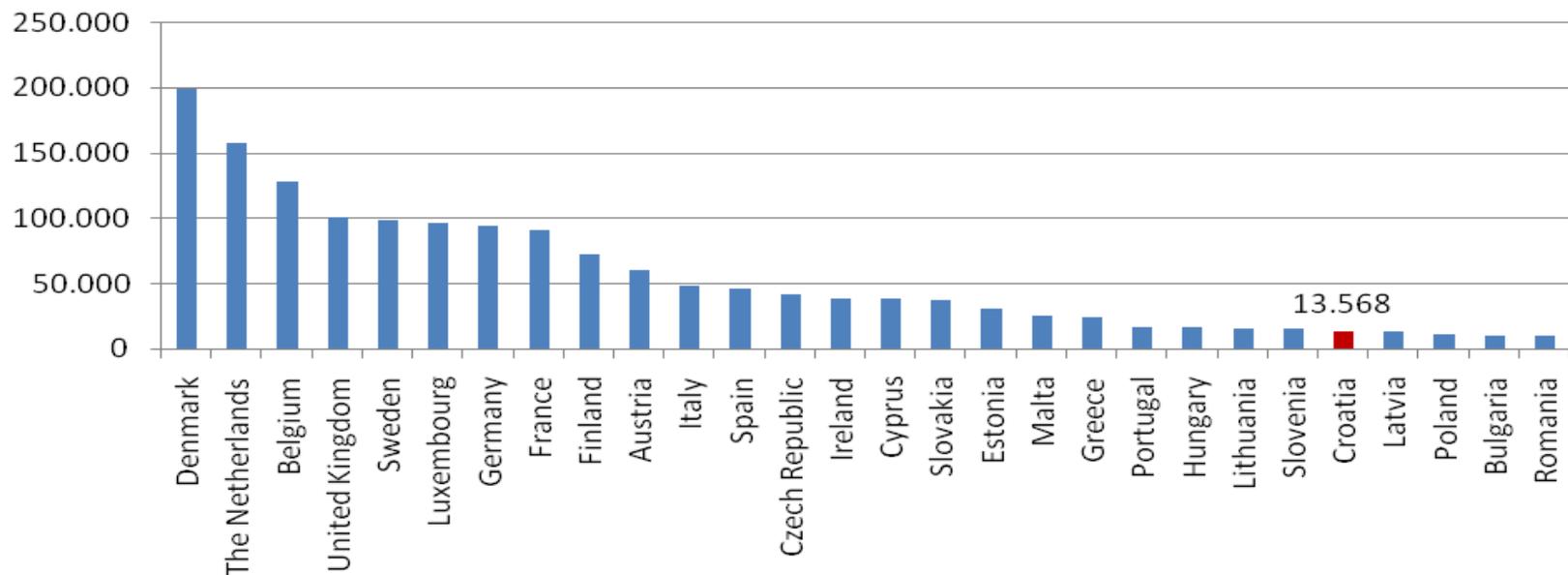
Standard output by the AWU in 2010





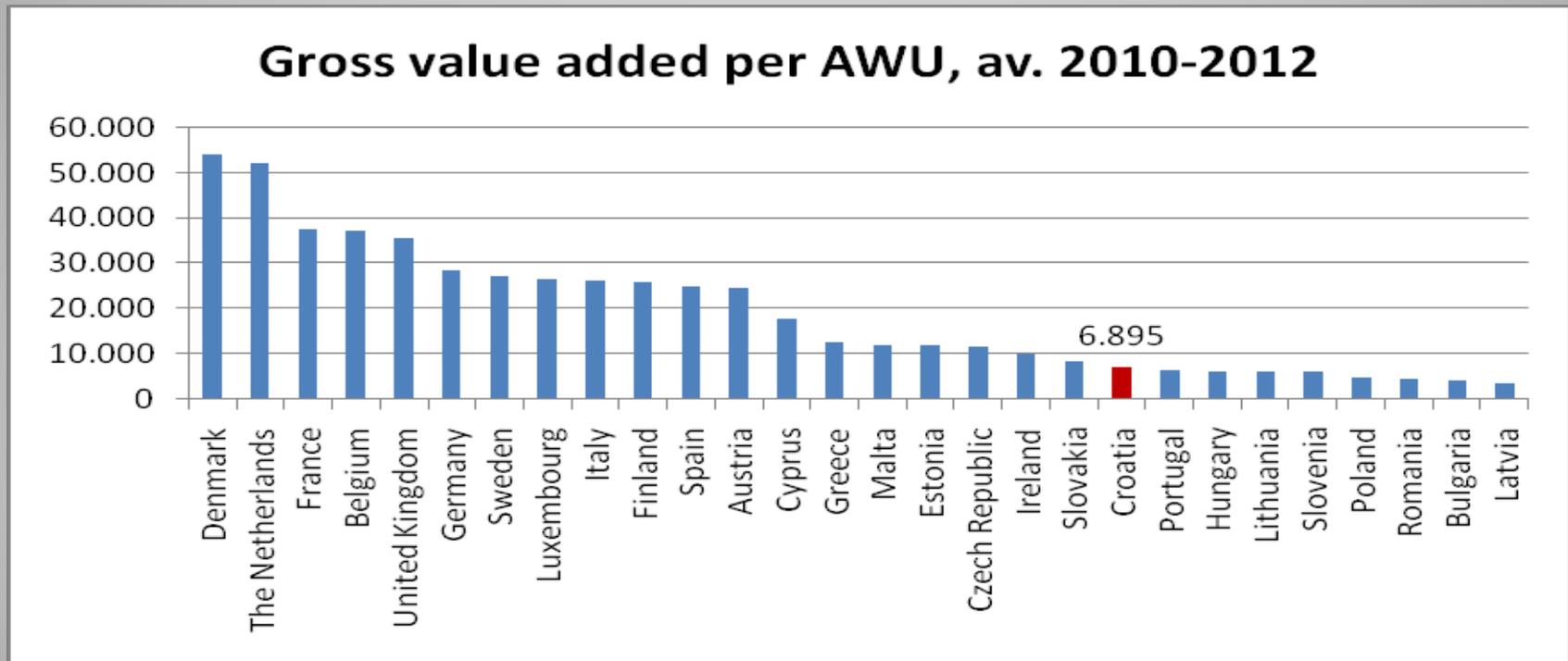
Output of agricultural industry, EUR

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





Gross value added, EUR





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**