

# Why Large Farms dominate and rural areas struggle in Slovakia?

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# Employment in Agriculture

- Agriculture generates employment mainly in rural areas
- In Slovakia unemployment in rural areas higher by 6% compared to average in Slovakia
- Overall decrease in EU
- Differences between EU member states

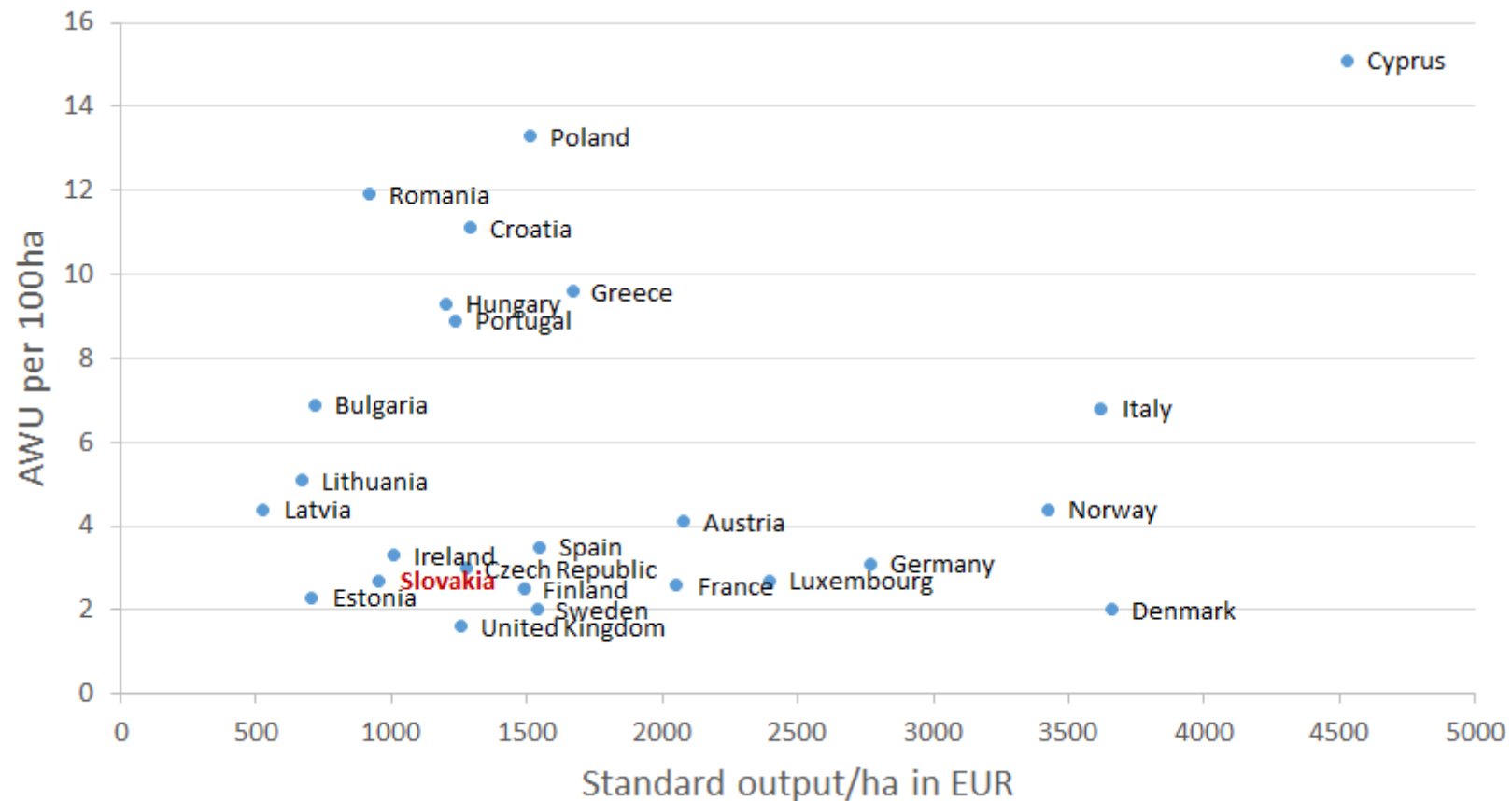
# Employment in EU Agriculture

Total Labor force input 2005=100% Source: Eurostat

GEO/TIME	2008	2010	2012	2014
EU	90,72	80,97	78,48	76,23
Euro	92,84	88,00	84,97	82,71
Bularia	74,25	64,89	55,46	47,49
<b>Czech Rep</b>	<b>86,71</b>	<b>78,16</b>	<b>76,01</b>	<b>75,36</b>
Germany	93,22	89,60	88,16	86,51
Estonia	82,51	67,05	61,20	58,08
<b>Ireland</b>	<b>99,53</b>	<b>111,44</b>	<b>111,35</b>	<b>110,12</b>
Spain	99,53	94,74	87,46	81,03
France	93,38	89,13	86,83	85,32
Italy	94,95	93,34	87,71	87,80
<b>Hungary</b>	<b>82,36</b>	<b>85,05</b>	<b>82,96</b>	<b>88,64</b>
Austria	90,50	87,20	85,69	83,15
<b>Poland</b>	<b>100,32</b>	<b>83,55</b>	<b>83,55</b>	<b>84,52</b>
Romania	82,90	63,14	60,59	55,20
<b>Slovakia</b>	<b>91,40</b>	<b>56,78</b>	<b>57,79</b>	<b>54,55</b>

# Employment vs. production

Source: Eurostat



# Reserch question?

1. Why such a sharp decrease in employment?
2. Why such a low production per ha?

# Structure of farms in Slovakia

- In 2014 the Paying Agency provided subsidies for the total area of **1 883 220 ha**
- Number of farms **17 708**



# Structure of farms in Slovakia

Land per farm as a percentage of total area  
(total 1 883 220 ha in 2014)

	<b>0-5 ha</b>	<b>5-10 ha</b>	<b>10-50 ha</b>	<b>50- 100 ha</b>	<b>100- 250 ha</b>	<b>250- 500 ha</b>	<b>over 500 ha</b>
2010	0.99	0.94	3.43	2.91	6.08	7.91	77.74
2011	0.99	0.95	3.75	2.95	6.42	8.20	76.75
2012	0.99	0.98	3.97	2.94	6.60	8.28	76.24
2013	1,01	1,04	4,23	2,97	7,04	8,21	75,49
2014	1,04	1,09	4,52	3,10	7,07	8,55	74,64

## Large farms compared to EU average

Source: Data of the Agricultural Paying Agency of Slovakia (Situation 2014).

# Economy of scale

- Large businesses reduce inputs per unit of production
- Inputs:
  - **Labor**
  - Land
  - Capital



# Methodology

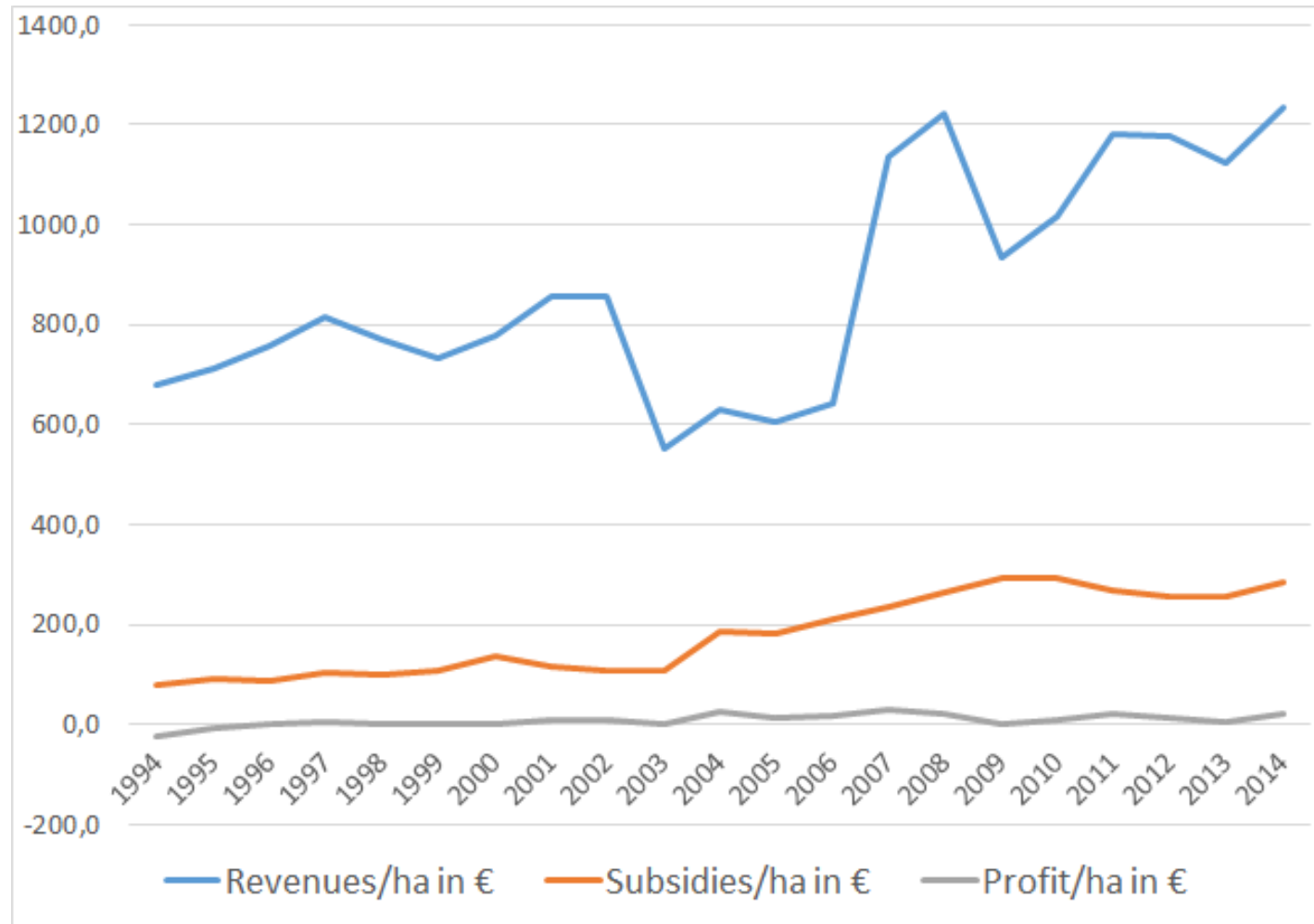
- Individual farm data
- 1200 farms each year
- Period 1994-2014
  
- Analysis of production and employment

## Structure of farms in Slovakia

Legal form	Number of farms	Land (ha)	Land per farm	Share on all farms (%)	Share on total land (%)
Joint stock company	119	132 472,01	1 113,21	0,67	7,03
Cooperative	566	691 054,33	1 220,94	3,20	36,70
Small – family farm	9 785	53 291,14	5,45	55,26	2,83
<b>Ltd.</b>	<b>1 968</b>	<b>687 429,45</b>	<b>349,30</b>	<b>11,11</b>	<b>36,50</b>
Farmers	5 046	303 866,73	60,22	28,50	16,14
Other	160	12,383	n.a.	0.97	0.66
<b>Total</b>	<b>17 708</b>	<b>1 883 220,05</b>	<b>n.a.</b>	<b>100.00</b>	<b>100.00</b>

Source: Data of the Agricultural Paying Agency of Slovakia (Situation in 2014).

## Production, Subsidies and Profit per ha in €



## Production, Subsidies and Profit per ha in €

Year	Revenues/ha in €	Subsidies/ha in €	Profit/ha in €
1994	681,0	77,8	-23,5
2004	629,7	186,3	24,5
2014	1235,7	282,8	19,4

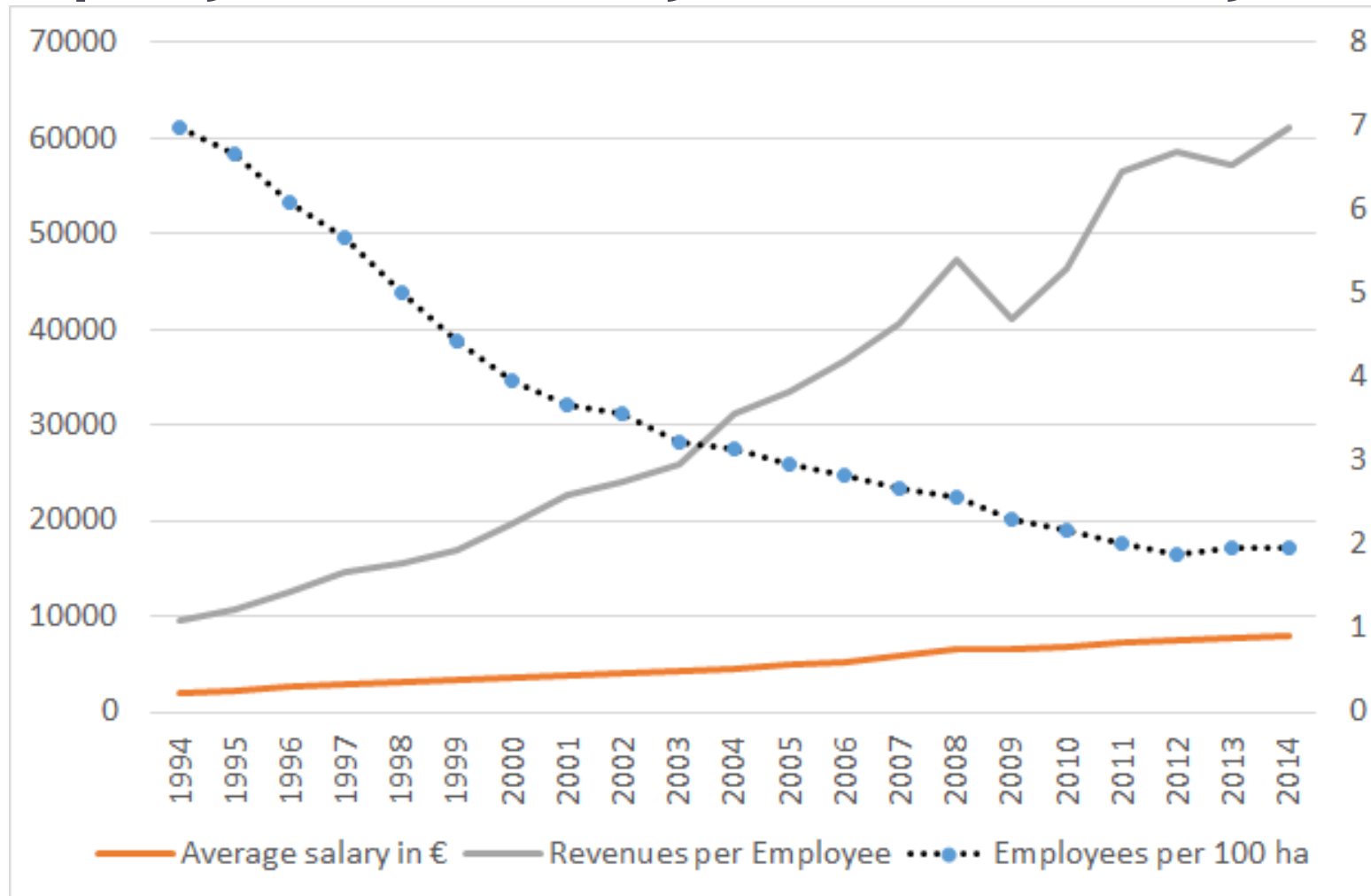
### **1994-2014:**

**Revenues + 80%**

**Subsidies + 360%**

**Profit after 2004 majority (80%) of farms declare +**

# Employees, Salary, Productivity



# Employees, Salary, Productivity

Year	Employees per 100 ha	Average salary in €	Revenues per Employee
1994	6,99	2 014	9 467
2004	3,14	4 599	31 298
2014	1,96	8 018	61 173

**1994-2014:**

**Employees down by 5 per 100 ha**

**Salary lower in agriculture compared to general avg**

**Steep increase in productivity only due to reduced no. of employees**

# Conclusion 1

## 1. Why such a sharp decrease in employment?

- Since 1994 in Slovak agriculture decrease in employment:
  - By 5 employees per 100 ha
  - From 203 000 to 53 000 in 2014
  - Current Labor input per 100 ha comparable to: Germany, France, Luxembourg, Denmark, lowest out of all V4 countries
  - WHY?
    - Big farms, economy of scale, system of subsidies
    - **Can a small farm with 20ha owned and operated by 1 farmer reduce employment?**

## Conclusion 2

### **2. Why such a low production per ha?**

- Production remains very low (in €/ha), efficiency also
- Productivity in Slovak agriculture comparable to
  - Romania, Bulgaria, Ireland, lower than other V4 countries
- After 2004 decrease in animal production and focus on crop production (from 58% to 38%)
- Crop production focused on basic commodities, low value added (negative balance of trade in agricultural products - 250€/capita)



## Conclusion 3

- No motivation for higher value added in Slovakia
- CAP subsidies after 2004 increased to current level of 280€/ha
- Linked to ha
- More ha = more subsidies
- Avg farm 1200 in Slovakia = 336 000€ subsidies
- More than labor cost
- Increased employment would help to reduce employment in rural areas

Thank you for your attention