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Agricultural Situation and Prospects

in the Central
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Slovenia

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Working Document

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Introduction

In 1995 DG VI published a series of ten country reports and a summary report on the agricultural situation and prospects in the associated countries of Central and Eastern Europe (CECs). The reports provided an analysis of the transition agriculture and the agro-food sector in these countries were going through in the first half of the nineties and an assessment of the outlook for the main agricultural commodity markets till the year 2000.

With three years more of information the current publications, which cover Bulgaria, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia, provide an update of the 1995 reports and take the outlook horizon till 2003. The underlying working hypothesis for the reports is that the first CECs will join the Union and will start to be integrated in to the single market and the Common Agricultural Policy after 2003.

The accession process was officially launched on 30 March 1998 with the submission to the applicant countries of the Accession Partnerships, which for each country set out the principles, priorities, intermediate objectives and conditions leading up to accession. A main priority is adoption of the "acquis", the body of Community legislation, including for agriculture the sensitive areas of veterinary and phytosanitary legislation.

As was the case in 1995 the individual country reports have been prepared by the services of the Commission in close collaboration with national experts of the countries concerned and with the help of scientific advisers.

The country reports and the summary report attempt to provide an objective analysis of the current situation in agriculture and the agri-food sector and an assessment of where the candidate countries can be expected to be in their agricultural development by the time of the next enlargement.

About the data...

The data used in the country reports are derived from a CEC dataset established by DG VI in cooperation with other services of the European Commission and with external experts. Data originate from various sources, mainly national statistics and economics institutes, FAO, OECD, and the European Commission (DG II, EUROSTAT).

For agriculture in general the FAO data were used, but for certain countries and/or for certain products, and in particular for the most recent years, the figures were adjusted or replaced by data from other sources, after discussion with country specialists. For the commodity supply balance sheets a simpler approach than the FAO's was used, taking into account trade in agricultural commodities up to the first processing stage, but not further processed products.

The main objective was to obtain a dataset which was as coherent as possible, offering a good comparability of data.

Despite all efforts to create a coherent, reliable and up to date dataset, all figures presented in the country reports should be interpreted with care. Significant changes in data collection and processing methods have sometimes led to major breaks in historical series as the countries concerned have moved from centrally planned to market economies. One general impression is that these problems may have led to an over-estimation of the decline in economic activity in general and of agricultural production in particular in the first years of transition, data from 1989 and before being somewhat inflated and data after 1989 under recording the increase in private sector activity. More recently, many CECs have undertaken serious efforts to start to harmonise data collection and processing methods with EU practices.

With three more years of data and experience the original 1995 dataset has been improved and further adapted to DG VI's analytical needs.

The Slovene case

Some of the crop and livestock data in this report differ considerably from those in the '95 report. This is because a farm structure survey was carried out in June 1997 and the results led the Slovene Statistical Office to revise its historical series.

The previous farm structure survey was carried out in 1991 as one aspect of the Census of Population, Households, Dwellings and Agricultural Holdings. As agriculture was never the main concern of this 10-yearly Census – data on crop areas for example was never collected – up until 1996 crop production data were traditionally based on the relative evolution of trends, calculated by experts.

The 1997 survey was harmonised with EUROSTAT standards, which define an agricultural holding as having:

1. at least one hectare of area farmed, or
2. - at least 0.1 hectare of area farmed and 0.9 hectare of forest or
- at least 0.3 hectares of vineyards and/or orchards or
- two or more livestock units (LSU) or
- 0.15 to 0.3 hectare of vineyards/orchards and one to two LSU

Data in this report are therefore more reliable and more directly comparable with EU-15 data collected by EUROSTAT.

Executive summary

General situation

Slovenia became independent in 1991 following the break-up of Yugoslavia. The first president Milan Kucan, reelected in 1997, has contributed to ensuring institutional stability to the different centre-right and –left governments.

Slovenia rapidly became a member of the main international institutions and, in July 1997, the Commission in its Opinion recommended the opening of negotiations for EU membership.

In 1993, the economy turned round and since 1994 has grown by a yearly average of 4% after the decline induced by the break-up of Yugoslavia. In the coming years, the rate of growth is expected to be maintained at around 4%, with a single-digit inflation, a nearly balanced budget and stable unemployment and exchange rate.

Agriculture and the food industry

The apparent economic importance of Slovenian agriculture is low – and tending to decline – since it consistently accounts for less than 4.5% of GDP and 6.2% of employment. The relative share of crops and livestock in agricultural output has not changed substantially. Although agriculture is declining in macro-economic terms, during the first years of independence it played and continues to play an important role in maintaining social and territorial equilibrium.

As important is the food industry, which accounts for 4.6% of GDP and around 3% of employment.

Land use

Of Slovenia's total 2.0 million hectares, more than half is covered by forests and nearly 40% used for agriculture. Of the agricultural area, more than 60% is permanent pasture and some 30% is arable, half of which is planted with cereals, mainly maize and wheat. Vineyard renewal has not led to any increase in the permanent crop area (7% of UAA).

Farm structures

In the pre-independence period, more than 90% of the UAA was in the hands of small independent farmers and only about 8% was occupied by “socially owned” holdings, today known as “agricultural enterprises”.

The main objective of the agricultural reform has been to encourage the development of agricultural holdings of a viable economic size; the privatisation process could not lead to any major or rapid change in agricultural structures. In fact, no more than half of the “socially owned” area was confiscated in former times, and had therefore to be restituted.

The 1997 survey indicates that over 8500 family farms have more than 10 hectares, cultivating about 30% of the total agricultural land. There are about 75 000 livestock breeders in Slovenia, and about 35% have more than 10 Livestock Units. Three quarters of Slovene cattle breeders have less than 10 head, these farms raising one third of all cattle. In the pig sector, nearly one thousand pig breeders have more than 100 pigs, while eight important pig enterprises represent 40% of the total number of animals. Two thirds of poultrymeat production is concentrated on 23 “agricultural enterprises”, which also coordinate family farm production.

The privatisation process distinguishes between land restitution and asset privatisation. Up till 1996, this process was delayed for legal reasons. It is generally considered that land restitution and the sale of assets has now entered its final phase and will be completed by the end of 1999. State-owned land not subject to privatisation has already been rented on a contractual basis.

Production and utilisation

Surpassing 0.5 million tons, cereals production increased slightly in recent years, imports staying at the level of 45% of total availability. For other crops, such as fodder and sugarbeet, areas planted and production have slightly increased, while potato areas and production have fallen.

Livestock numbers are quite divergent. While cattle fell and pig numbers remained stable, poultry was halved and sheep more than doubled. The increase in milk production was supported by high prices, compared to other CECs. Beef and pigmeat production has been stable while poultry meat production saw an upturn after 1994. Total meat utilisation is around 100 kilograms per capita with a 7 kilograms increase in poultry meat consumption in the last 5 years.

Trade

Slovenia's trade balance is negative, and agri-food trade represents between 30 to 40% of the global trade deficit. The regional breakdown of the agri-food trade flows shows that the most important markets for Slovenian export are the EU and the republics of former Yugoslavia, with respectively 35% and 52% in 1997. On the import side, the EU is the major trading partner (46%) with CEFTA countries (15%) and former Yugoslav republics (12%).

The structure of agri-food exports is dominated by processed products, 70% drawn from 6 of the 24 sectors, mainly meat and meat preparations, beverages and dairy products. Imports are mainly of unprocessed products: fruit and vegetables, cereals, sugar.

Up- and downstream industry

Under the previous regime, the up- and downstream sectors of agriculture were mainly "socially owned". Farmer co-operatives were also active in supplying farmers with inputs and services. Most of the agri-food "socially owned" enterprises were privatised according to the Co-operative Law: 45% of the capital of 46 agri-food companies had to be distributed to co-operatives. The remaining 55% could be sold or distributed following certain legal requirements.

While privatisation of two thirds of the enterprises is complete, in some sectors it is far from over. This implies that financial and economic restructuring is only just starting.

Support policy

In 1996 agriculture expenditure amounted to 110 Mio ECU. Different mechanisms to support Slovenian agriculture can be distinguished.

Some credit policy, input subsidies and less-favoured areas payments are important tools for specific sectors (e.g. cattle, pigmeat, wheat, sugarbeet). Market support in the form of State buying and border protection was introduced with Slovenian independence for some products (wheat, sugarbeet, beef, poultrymeat and pigmeat). Price support levels for milk, maize and sugarbeet are in line with those of the EU, while for wheat price support is 40% higher than in the EU.

GATT commitments

As far as the ceiling on domestic support is concerned, the commitments expressed in ECU do not appear to represent a particular policy constraint. As far as border protection is concerned import tariffs (and tariff equivalents) are for most products under the levels allowed by the GATT. They offer a relatively high level of protection. Minimum tariff quotas have to be opened for wheat, barley and maize. As no offer was tabled on subsidised exports, Slovenia does not use export refunds.

Outlook

Slovenia is currently supporting the trend towards specialisation of agricultural holdings and the alignment of the farm price hierarchy to that of the EU. Only small changes are expected concerning land use projections.

Self-sufficiency will increase slightly for cereals, imports still representing 45% of availability. In the livestock sector, poultry and pig numbers are expected to increase somewhat, production being boosted by the position of the Slovenian agri-food industry on CEFTA markets. By 2003, Slovenia will probably emerge as a player on the European quality wine market. For other sectors, no dramatic changes are foreseen.

Overall self-sufficiency will remain at nearly the same level, and the agri-food trade deficit will see no radical reduction.

1. General overview

1.1 Political developments since independence

Slovenia declared independence in 1991 (see annex "Historical Background") following a referendum held at the end of 1990, in which an overwhelming majority (88%) voted for the breakaway from Yugoslavia.

The elections held in December 1992 confirmed the presidency of Milan Kucan, already in office since April 1990, and led to the formation of a centre-left coalition government.

Following negotiations in the run-up to the November 1996 General Elections, a three-party coalition government was formed, composed of the Liberal Democracy of Slovenia (LDS), the Slovene People's Party (SLS) and the Democratic Party of Slovenia's Pensioners (DeSus). Mr Janez Drnovsek, of the LDS and Prime Minister of the former government, was re-appointed Prime Minister. Although this coalition was at first considered less "pro-European" than the former, prior to the 1997 summer recess the Parliament voted in favour of the Europe Agreement.

On 23 November 1997 presidential elections gave Milan Kucan (with more than 55% of the votes) a further five year mandate. There were nine contenders for the position, the strongest challenger being Janez Podobnik of the SLS with 18% of the votes. The turnout was around 61%, lower than for the presidential elections of 1992 (76%) and the 1996 general election (74%). Kucan's victory perhaps reflects Slovene resistance to change and their discomfort faced by the potential risk of less known candidates.

On July 15 1997 the European Commission tabled "Agenda 2000", one chapter of which is devoted to its Opinions on new members. It was recommended

that negotiations for accession be opened with five of the ten CECs. Slovenia was one of the five countries selected by the European Commission, on the basis that it had made sufficient progress in fulfilling the principal criteria for accession negotiations. Politically, Slovenia was described as presenting "the characteristics of a democracy with stable institutions". Economically, it was described as having a "functioning market economy" and considered "able to cope with competitive pressures and market forces within the Union in the medium term, provided that rigidities in the economy are reduced". However, the Commission's position on the criterion relating to the Community *acquis* was more reserved. Although Slovenia was found to have fulfilled many of its obligations with regard to the internal market, some doubts were expressed concerning administrative structures and their ability to implement the *acquis* effectively.

Following exclusion from the list of countries offered NATO membership in July, Slovenia's admission as one of the non-permanent members of the UN Security Council in October 1997 was encouraging, and can be regarded as a serious test for Slovene diplomacy.

1.2 The Slovenian Economy

1.2.1 Macro-economic data

Slovenia's economy suffered the full effects of the break-up of the former Yugoslav Federation. During the first two years of independence (1991 & 1992) GDP fell in real terms by 13.5%. But by 1993 there was an up-turn, with a 1.3% increase. Between 1994 and 1997, the average annual growth rate was 4%, GDP regaining its 1990 level in 1996. In view of the more favourable economic developments forecast in

the EU, economic growth in Slovenia could peak at around 4% in 1998 and 1999. In the next few years external demand is expected to play an increasingly important role in the growth of GDP, alongside the growth of internal demand (if not hampered by tight wage and fiscal policies). It will in particular boost investment demand (whose current annual growth rate is around 10%).

Comparing GDP per capita on the basis of Purchasing Power Parities, in 1996 Slovenia had a PPP per capita of more than 10 500 ECU, which represented 58% of the Union's average (highest of the CEC-10 with the Czech Republic). This '96 figure placed Slovenia only 7% behind Greece and 10% behind Portugal, whereas in 1993 Slovenia was 11% behind Greece and 13% behind Portugal. As GDP is growing faster in Slovenia, the gap with these two countries will progressively close. For 1997, first estimates are 60% of EUR-15, 5% behind Greece and 8% behind Portugal (table 1).

Slovenia's 3-figure inflation at the time of independence was brought rapidly under control by an inflation reduction policy. By 1995 it was down to 10%,

and has since remained at around this level. This rapid drop, however, was partly achieved through price controls and a gradual adjustment of administered prices. In 1997, the Government started to liberalise prices and eliminate some of the price disparities, without endangering the price stability which had been achieved. As this process must continue, no further fall in inflation can be expected in the short-term. Standing at 8.7% at the end of 1997, with little improvement seen on the 1996 figure, a cautious but maybe over-optimistic forecast is a further reduction to 8% in 1998 and 7% in 1999.

The structure of value added has changed since independence. The contribution made by agriculture and forestry has fallen from 5.8% to 4.4%, industry (including construction) from 40% to 37% while services increased from 54% to 59%. The rapid growth in services and construction is expected to continue. Services have assumed a leading importance in the Slovenian economy and in the current account. The growth in tourism is important but despite tourist activities increasing in 1996 (6 million overnight stays, one million more than in 1991) figures are 3 million down on their 1987 peak. Nev-

Table 1: Main macro-economic indicators

		1991	1992	1993	1994	1995	1996	1997 (e)	1998 (f)
GDP (current prices)	Bio SIT	705	1018	1435	1853	2221	2553	2885	3238
GDP (current prices)	Bio ECU	10.0	9.7	10.8	12.1	14.3	14.9	16.0	17.9
GDP (real terms)	% change	-8.1	-5.5	2.8	5.3	3.9	3.1	3.7	3.7
GDP per head	000 ECU	5.0	4.8	5.4	6.1	7.2	7.5	8.0	9.0
PPS per head	% EU average			54	56	57	58	60	
inflation	% change	117.7	201.3	32.3	19.8	12.6	9.7	9.0	8.0
unemployment	000	75	118	130	127	122	120	125	126
unemployment	% labour force	8.2	11.5	14.5	14.4	14.0	13.9	13.9	13.7
unemployment	% ILO		8.3	9.1	9.0	7.4	7.3	7.1	7.1
budget balance	% GDP	2.6	0.2	0.3	-0.2	0.0	0.3	-1.5	-1.0
government debt	% GDP				15.7	15.8	21.6		
trade balance	Mio ECU	-207	611	-131	-285	-729	-695	-837	-901
current account	Mio ECU	175	715	164	455	-28	31	38	-30
long term interest rates	%				39.4	24.8	23.7	19.5	16.0
exchange rate	SIT/\$	55.6	81.3	113.2	128.8	118.5	135.4	157.8	154.5
exchange rate	SIT/ECU	70.3	105.3	132.7	152.4	153.1	169.5	181.0	189.3

ertheless, the first figures for 1997 are encouraging, with a 24% increase in foreign guests. This is partly the result of the revival of tourism in neighbouring Croatia with many foreign visitors stopping in Slovenia in transit to the Adriatic (table 2).

Although Slovenia's trade balance has been in deficit since independence, with a negative peak in 1995 of nearly 0.9 billion ECU, the current account usually records a small surplus or deficit (less than 30 million ECU). While the trade deficit might increase slightly in the coming years, the surplus in services is expected to be sufficient to more or less preserve this external equilibrium. The balance will be upset, however, if imports of investment goods accelerate too rapidly in line with the expected increase in (foreign) investment.

Like the other CECs, Slovenia faced unemployment for the first time at the start of transition. While perceived as high, current unemployment (about 7% according to ILO¹ standards) is low compared to other transition economies and most EU Member States. The likelihood of a substantial fall in unemployment in the near future is small, because the economic restructuring process and the introduction of more labour market flexibility are not complete yet.

Except for 1995, the general government budget has always balanced. But in the pre-election atmosphere of late 1996 wages and employment in the public

sector were increased, along with social security payments. As a result, government expenditure in 1997 was significantly over budget, and a deficit of 1.5% of GDP was recorded. The government intends bringing its accounts back in balance by 1999 through the introduction of VAT and a fundamental reform of the pension system. Forecasts for the coming years show a slight budgetary deficit, unless wages and employment in the public sector, government investment and social transfers are kept under control.

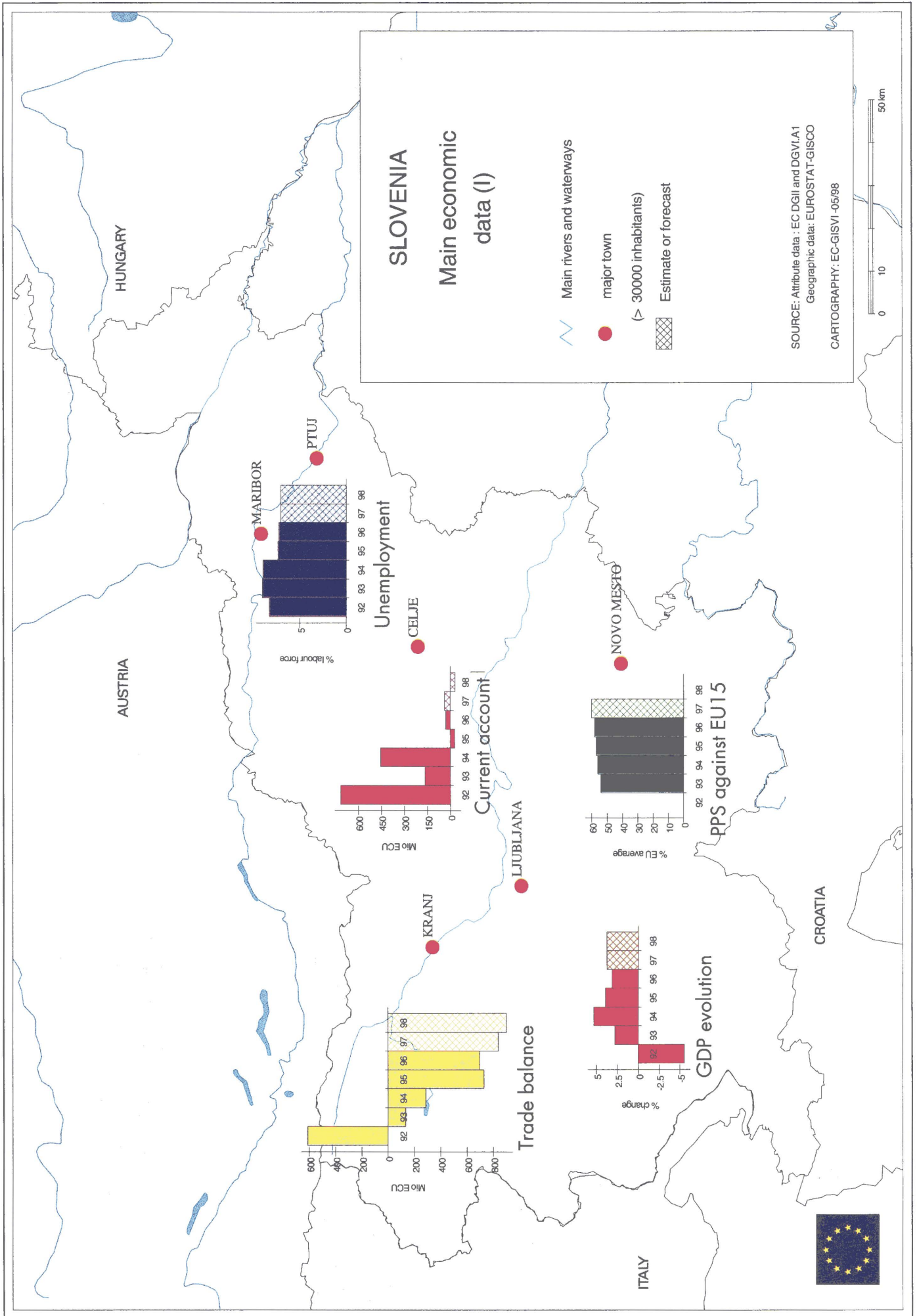
A milestone in Slovenia's independence was the introduction of the new currency, the Tolar (SIT) in October 1991, replacing the Yugoslav Dinar. The Tolar became fully convertible in 1995. Between 1994 and 1996 the Tolar was remarkably stable and lost only 11.2% and 5.1% respectively in relation to the ECU and the \$US, which in real terms equated to a revaluation. In the near future, a slight appreciation of the real effective exchange rate (measured with reference to consumer prices against a trade-weighted currency basket) is also forecast.

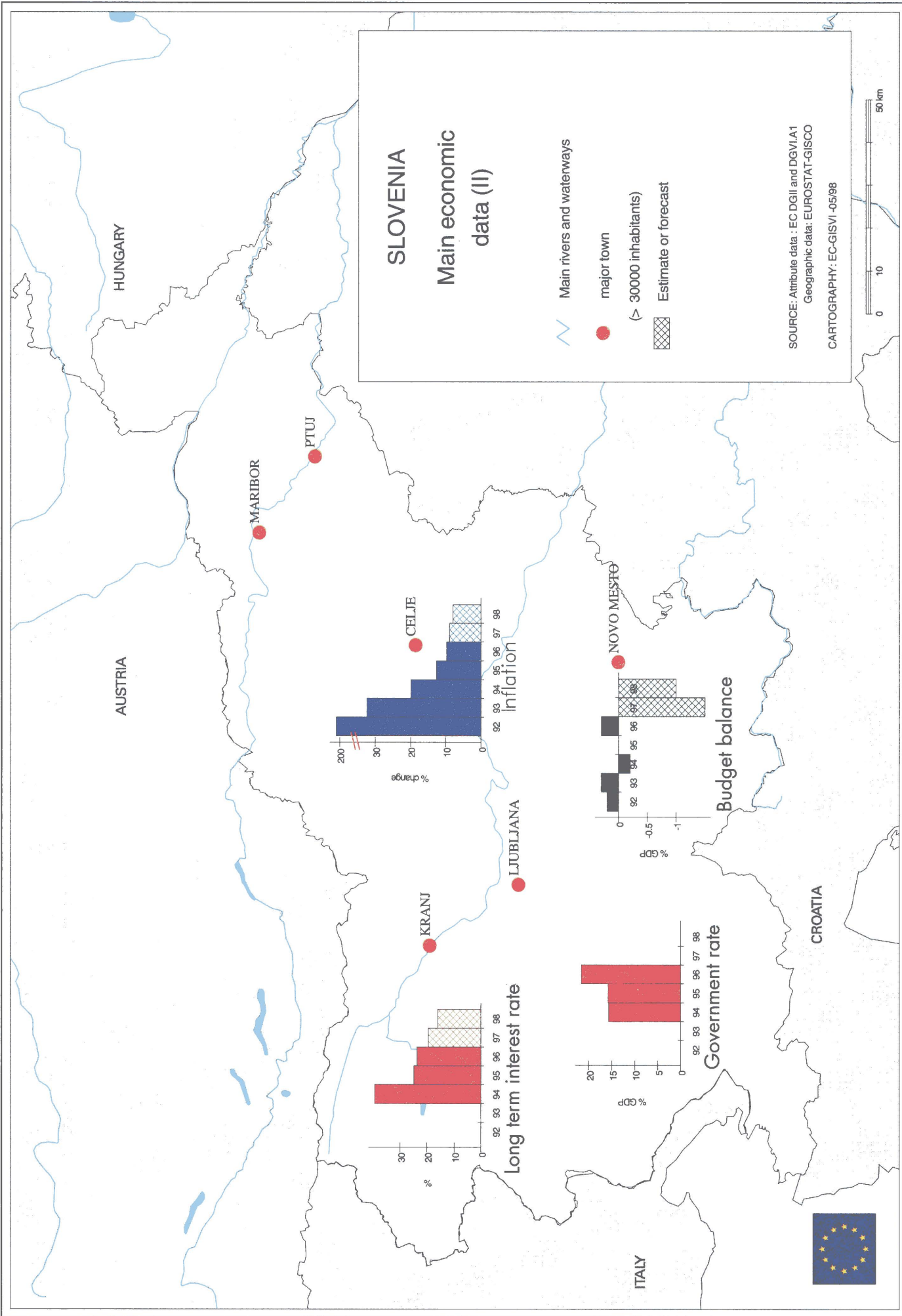
Slovenia already fulfils two of the Maastricht Treaty convergence criteria for participation in Economic and Monetary Union. Public debt accounts for around 30% of GDP and, until recently, the budget deficit was practically non-existent. But inflation is still too high, and although long term interest rates have declined in nominal and real terms since independence (8-12%) they are well above the Union's

Table 2: Share and evolution of sectors

		1991	1992	1993	1994	1995	1996	1997 (e)	1998 (f)
share agric & forestry	% value added		5.8	5.1	4.5	4.5	4.5	4.4	4.4
share industry	% value added		40.1	38.0	39.4	37.8	37.5	37.0	36.5
share services	% value added		54.0	56.9	55.9	57.9	58.0	68.7	59.1
agriculture	% change	-3.4	-5.9	-3.7	4.2	1.6	1.7	1.5	3.0
industry	% change	-11.3	-11.6	-2.6	6.0	2.9	2.2	3.3	3.7
services	% change	-6.3	-1.2	4.0	4.3	4.4	3.6	4.7	4.7

¹ ILO: International Labour Organisation





average. Interest rates are kept high not only because of an inter-bank agreement, but also for monetary policy reasons (i.e. to avoid a large-scale devaluation of the Tolar).

1.2.2 Economic policy

The main goals of the present macro-economic policy are:

- to complete and maintain economic stabilisation, i.e. sustainable macro-financial deficits (balance of payments and fiscal deficits) and a low rate of inflation;
- to create an economic environment favourable for the development of the private sector and the accomplishment of structural reforms.

Since independence, Slovenia has adopted the principle laws (modelled on those of its western neighbours) allowing the economy to be liberalised and a market economy to flourish. By entering into the Europe Agreement with the EU and by opting for full membership, Slovenia has defined the type of economic and social structures it is aiming at.

Economic stabilisation has almost been achieved, inflation has been lowered to 8-9% and macro-financial deficits are nearly non-existent. Nevertheless, to further reduce inflation and sustain the fiscal account balance requires additional efforts which cannot come exclusively from stabilisation measures, but call for a deeper transformation of the economy. Insufficient competition in the enterprise and financial sectors and the resulting rigid price formation mechanisms are major obstacles to containing inflation. The growing deficit in the social sector's public accounts will not be brought under control without radical reforms.

The "Strategy"² is a program for economic and social policy reforms to be designed and implemented over the next medium-term period. By

implementing this "Strategy" Slovenia will not only complete its transition to a market economy but will also meet the formal, substantial requirements for joining the EU. The target set is to complete most of the reforms and institutional and regulatory adaptations by 2002.

A number of factors play against this objective and will call for careful trade-offs and political decisions if the whole accession strategy is not to be delayed. Enterprise restructuring is one of the most sensitive areas. Companies which have not yet been privatised are the most problematic. Completion of restructuring is expected to have difficult social consequences and so far no precise date has been set to stop providing certain enterprises with non-transparent support mechanisms. Such practices would constitute a major violation of EU rules and present an obstacle to accession. Another problem is that for the Strategy to be implemented in an orderly and satisfactory fashion, not only Parliament and the Government but the entire economic and social milieu will have to be engaged. Slovenian politicians and analysts have underlined the utmost importance of achieving a consensus on the development of wages and other incomes, compatible with the realisation of the Strategy's objectives within the required time.

Major reforms to be carried out

Reform of the pension system: transfers to the pension and disability fund accounted for about 30% in 1996 and 1997; preparations for a reform of the pension system have been making progress for some years but have not yet been implemented. The reform is due to be implemented in 1999, although arguments and delays are possible.

Reform of the tax system: introduction of VAT and excise tax in 1999.

Reform of the financial sector: focus on liberalisation, foreign competition and the privatisation of the two state banks and the reform of the insurance sector.

Enterprise sector reform: focus on restructuring/privatisation or liquidation of the non-privatised enterprises and fulfilment of the conditions for privatised enterprises to perform profitably.

Price liberalisation: to take place before the end of 2000.

Reform of public utilities: liberalisation, competition including privatisation, and regulation.

² EU accession strategy of the Republic of Slovenia, Poročevalec, 1998, n°4.

The Slovenian "Strategy" does not limit itself to EU accession but also looks forward to economic and monetary union and adopting the EURO. To reach this objective before the end of the next financial period (2006), Slovenia will need to

- reduce inflation to an annual rate of 3-5% by the year 2001 and to the level determined by Maastricht by the year 2004,
- reduce real interest rates by the year 2001 to a level observed at that time in the core EU Member States, and
- stabilise the Tolar exchange rate under the present managed floating exchange rate regime.

1.3 Trade

Slovenia pursues a very active commercial policy. It became a member of GATT in 1994 and was the first of the new GATT members to join the WTO as a founder member.

Free trade agreements have been concluded with the EU and with other European countries (Romania, Croatia, Bulgaria, Baltic States). Slovenia is also a full member of CEFTA (table 3).

Exports of goods and services grew by 3% and 7% respectively in 1996 and 1997 in real terms and imports by 1% and 7%. In 1998, both are expected to increase by about 5%.

Since independence trade has been reoriented, the EU replacing the former Yugoslav Republics as the most important trading partner. This was partly due to the war in the Balkans. A further reorientation of trade, mainly on the export side, is now occurring, back to the former Yugoslav Republics, which provide natural openings and are familiar to Slovenia.

The EU-15 represents nearly two-thirds of all trade, with an increase of 4% in exports and 8% in imports between 1992 and 1996. Exports to Germany and Austria increased by 4% and 1.5%, while for imports the biggest increases were from Italy (+3%) and France (+2%). The former Yugoslav Republics now account for 17% of exports (-6%) and 7% of imports (-12%). Trade with CEFTA is increasing slightly but represents only 5% of exports and 7% of imports. During the same 4-year period imports from Russia fell by 2% whereas imports from the US increased by 1%; together they represent only 5% of Slovenia's total imports.

Table 3: Direction of total Slovenian trade (in%)

	EXPORTS						IMPORTS					
	1992	1993	1994	1995	1996	1996-1992	1992	1993	1994	1995	1996	1996-1992
TOTAL												
Mio ECU	5159	5191	5750	6359	6546	1388	4741	5463	6151	7258	7422	2681
in %	100	100	100	100	100	0	100	100	100	100	100	0
EU-15	60.8	63.2	65.6	66.6	64.6	3.7	59.6	65.6	69.2	68.8	67.5	7.9
o.w. D	27.0	29.6	30.3	30.2	30.6	3.6	22.7	25.0	23.7	23.2	21.7	-1.0
IT	13.2	12.4	13.5	14.6	13.3	0.1	13.7	16.2	17.2	17.0	16.9	3.2
F	9.2	8.7	8.6	8.2	7.2	-2.0	8.0	8.0	8.4	8.4	9.8	1.8
ÖS	5.1	5.0	5.5	6.4	6.6	1.5	8.1	8.5	10.3	9.7	8.9	0.7
former YUGO	22.6	15.9	15.2	14.5	16.7	-5.9	19.8	10.7	8.0	7.1	7.5	-12.3
CEEC	3.9	5.4	5.0	5.4	6.0	2.1	5.3	5.7	6.9	7.3	6.9	1.6
o.w. CEFTA	3.5	4.3	4.5	4.8	5.4	1.9	4.7	5.1	6.2	6.7	6.5	1.9
RUSSIA*	3.4	4.1	3.9	3.7	3.6	0.2	4.1	3.1	2.0	2.5	2.2	-1.9
USA	2.9	3.6	3.7	3.1	3.0	0.0	2.7	2.9	2.7	3.1	3.4	0.7
Others	6.4	7.8	6.6	6.7	6.2	-0.2	8.5	12.0	11.3	11.2	12.4	3.9

* 1992 = former USSR

Machinery and transport equipment in 1996 represented one third of all exports and imports, with road vehicles having a share of 12-13%. Manufactured goods represented 27% of exports and 20% of imports. Trade in chemicals was balanced at around 10% and food, beverages and tobacco accounted for 4% of exports and 7% of imports. Amongst these commodities, the trade balance is only positive for manufactured goods (table 4).

Table 4: Structure of trade in % of total (1996)

	EXPORTS	IMPORTS
TOTAL	100	100
Machinery & transport equipment	33.4	33.7
o.w. road vehicles	12.2	12.7
electrical machinery & apparatus	9.4	5.5
Manufactured goods	27.4	19.7
o.w. paper, paperboard & articles thereof	4.1	2.1
metal goods	4.4	3.5
textile yarn, fabrics and related products	3.9	2.1
iron & steel	3.1	4.1
Chemical products	10.6	11.9
Food, Beverages & tobacco	4.0	7.4
Others	24.6	27.3

2.

Agriculture and rural society

2.1 Agriculture in the Slovenian economy

2.1.1 Importance of agriculture

Agriculture is of limited importance to the Slovenian economy. Its relative weight is decreasing and is likely to continue to do so. Together with forestry, its contribution to Value Added in 1997 was only 4.4%. Following a decline between 1990 and 1993, growth returned in 1994, although at a slower rate than for industry (including construction) and services. In 1997, agriculture accounted for 6.2% of employment, with an annual decline of 0.2% forecast for 1998 and 1999³.

Figures for 1997 indicate that the food industry accounts for 4.6% of GDP and employs 3.0% of the working population. Based on the 3-year average

1995 to 1997, the agri-food trade balance is negative: exports stood at 4% and imports at 7.8%. With the exceptions of 1993 and 1997, the evolution of agricultural producer prices during the '90s has been slightly higher than inflation (table 5).

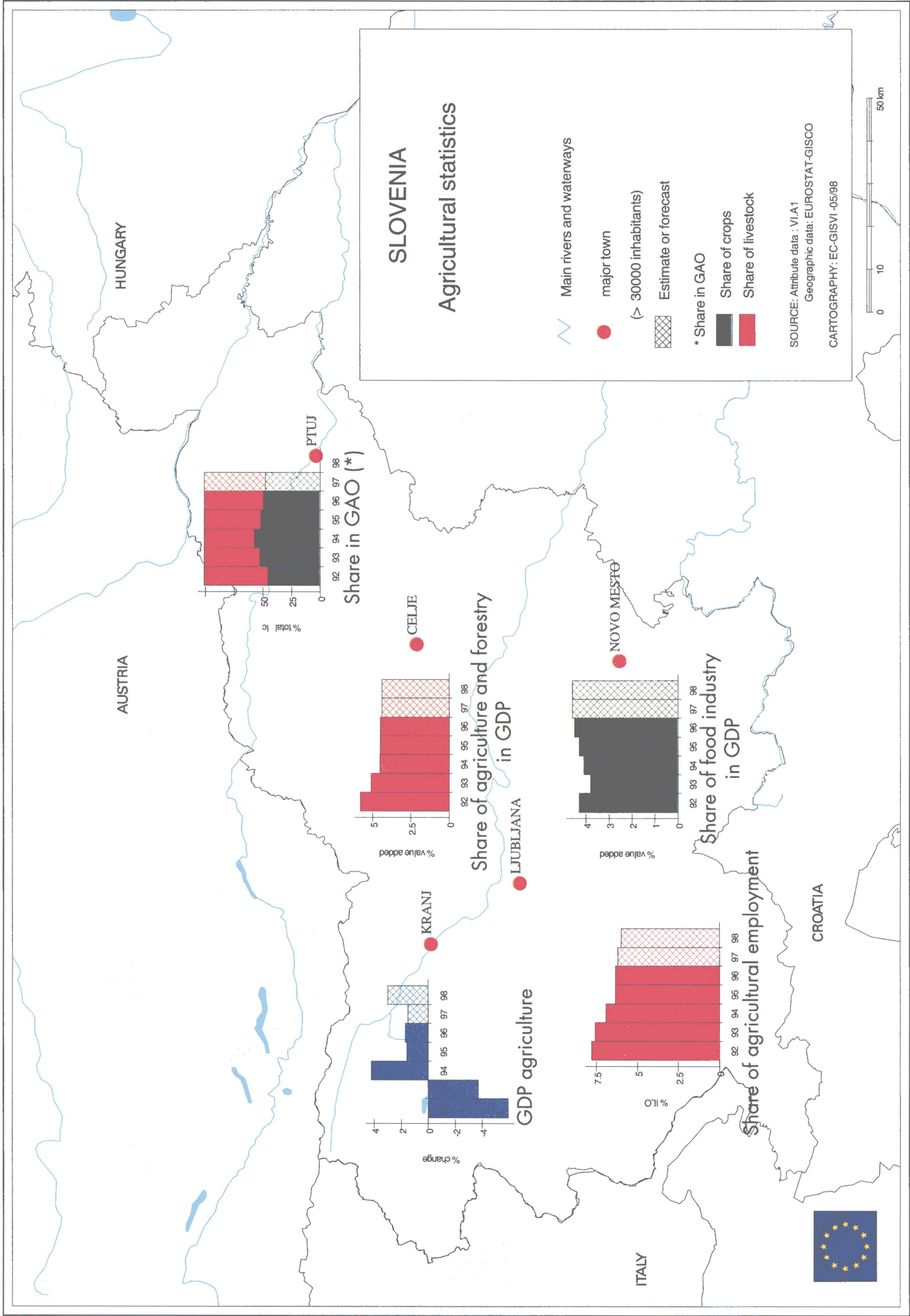
These macro-economic data do not, however, reflect the important socio-economic role of agri-food sector (agriculture, forestry, food production, rural tourism and other services) in Slovenia. Its structure, with a great many small holdings, acted as a buffer against social stress during the first period of economic transition and continues to do so today. With less than a quarter of the population residing in the four towns of more than 30 000 inhabitants, Slovenia remains largely rural. The economic welfare of rural Slovenia therefore cannot be ignored, but will depend on the country's ability to develop its agriculture and to maintain the competitiveness of the rural areas.

Table 5: Importance of agriculture

		1991	1992	1993	1994	1995	1996	1997 (e)	1998 (f)
share agric & forestry	% value added		5.8	5.1	4.5	4.5	4.5	4.4	4.4
agriculture	% change	-3.4	-5.9	-3.7	4.2	1.6	1.7	1.7	1.8
industry	% change	-11.3	-11.6	-2.6	6.0	2.9	2.2	2.5	3.2
services	% change	-6.3	-1.2	4.0	4.3	4.4	3.6	3.6	4.0
share ag. employment*	% total empl.	8.4	7.8	7.6	6.9	6.3	6.3	6.2	6.0
share of food industry	% GDP		4.3	3.8	4.1	4.3	4.5	4.6	4.6
share of food industry	% employment				3.9	3.2	3.0	3.0	
share agri-food/exports	%		6.4	4.6	4.8	3.9	4.2	4.0	
share agri-food/imports	%		8.5	8.1	8.6	7.8	7.8	8.0	
inflation	% change	117.7	201.3	32.3	19.8	12.6	9.7	9.0	8.0
agricult. producer price	% change		213.6	18.7	24.8	13.3	10.8	6.7	

* Source: IMAD

³ These data stem from the Slovene Institute of Macroeconomic Analysis and Development (IMAD) and differ from the national statistics but seem more in line with EUROSTAT standards.



2.1.2 Structure of agricultural output

Gross Agricultural Output (GAO) was relatively stable between 1990 and 1996 with two exceptions: one very bad year with a -10% fall (1992) and one very good year +20% (1994). These contrasting results were mainly due to the arable sector: drought caused a decline of 21% between 1991 and 1992, followed by a sharp increase of more than 45% between 1993 and 1994 (table 6).

Prior to the 1990s, livestock breeding dominated GAO (the average was more than 60% of total output), but between 1993 and 1995 crops took the lead. This was due to a sharp decline in poultrymeat production following the loss of the Yugoslav markets and to the cattle decapitalisation process (i.e. increase in cattle slaughtering) which occurred after independence. However, in 1996 the two sectors were balanced at around 50% each. The crop output peak of 1994 (57.5% of the total - an increase of 45.6% against 1993) was mainly due to huge increases in fresh fruit, fodder plants and green forage crops. The increase in animal output in 1995 and 1996 was attributable mainly to cattle and milk (+9% in 1995) and poultry (+7% in 1995 and +9% in 1996). Nevertheless, in 1996 animal output was still below the 1989 level, whereas crop output was about 30% higher. First estimates for 1997 are a 2.9% fall in crop output and a 3.6% increase for livestock, giving crops 48% of total output and livestock 52%.

Table 6: Structure of Agricultural Output

		1990	1991	1992	1993	1994	1995	1996	1997(e)
GAO (1989 = 100)	volume index	103.5	103.9	93.4	92.8	113.7	116.3	118.2	118.6
o.w. crop output	volume index	106.6	108.5	85.7	87.0	126.7	125.4	127.9	124.2
o.w. animal output	volume index	98.4	99.9	92.7	89.9	91.2	96.8	97.9	101.4
GAO	% change	3.5	0.4	-10.1	-0.7	22.6	2.3	1.6	0.3
o.w. crop output	% change	6.6	1.8	-21.0	1.5	45.6	-1.0	2.0	-2.9
o.w. animal output	% change	-1.6	1.5	-7.2	-3.0	1.4	6.2	1.1	3.6
crop output	% total	47.1	49.5	45.6	52.5	57.5	51.8	49.6	48.0
animal output	% total	52.9	50.5	54.4	47.5	42.5	48.2	50.4	52.0

2.2 Land use

More than half of Slovenia, i.e. nearly 1.1 million hectares, is covered with woods and forests. Of the 785 000 hectares of agricultural land, more than 70% is located in mountain and hill areas, with almost two-thirds being permanent pasture and less than 30% arable land. This represents a natural obstacle to any radical intensification of Slovenian agriculture. Table 7 shows 1996 land use. However, these agricultural and arable areas cannot be compared directly with the areas given in Chapter 2.4. The latter include only holdings which correspond to EUROSTAT standards, whereas Table 7 includes all holdings (no EUROSTAT standard limit) and also alpine pastures and communal areas⁴ (table 7).

Table 7: 1996 land use (000 ha)

	000 ha	% total area		
Total area	2027	100.0		
of which				
inland water	5	0.2		
forest	1099	54.2		
UAA	785	38.7	000 ha	% UAA
of which				
Arable land			231	29.4
perm. crops			56	7.1
Perm. Pasture			496	63.1

During the first half of the '90s, the use of arable land was remarkably stable in Slovenia: nearly 60% to cereals (mainly maize and wheat) and 30% to fodder.

Land assigned to cereals, potatoes and oilseeds production has, however, decreased slightly over the last few years. In comparison, the sugarbeet area (although less than 4% of the arable area) and fodder areas increased.

Amongst permanent crops, the number of orchards fell slightly, but vineyards increased.

⁴ This methodological question has already arisen within the EU, e.g. Italy.

2.3 Farm structures

2.3.1 Land privatisation

Unlike most other CECs (except Poland) prior to independence more than 90% of Slovenia's Utilised Agricultural Area (UAA) was occupied by small private agricultural holdings and only about 8% by "socially owned" holdings - known today as "agricultural enterprises". This was the result of the Land Property Law of May 1953, which limited the size of private farms to 10 hectares of arable land (or 15 ha in some cases). Any excess was transferred to the agricultural enterprises.

Most private holdings were involved in cattle and dairy production, whereas the "socially owned" sector tended towards intensive animal production, in particular pigs and poultry (see tables in Chapter 2.3.2).

Although the "agricultural enterprises" had only 8% of the UAA, their contribution to Gross Agricultural Output was nearly one-third. This was not only due to a much higher production potential but also to their ability to exploit available production factors more efficiently. Moreover, the "agricultural enterprises" were not spread throughout the country, but concentrated in the central and north-eastern plains, the best agricultural areas. The productivity achieved by these farms approached EU levels, for both land and labour.

The privatisation of the former socially owned farms distinguishes between land restitution and asset privatisation.

The socially owned land was nationalised and transferred in 1993 to the State Fund for Agricultural Land and Woodland. The Fund has to organise restitution to former landowners on the basis of the Law for Denationalisation (1991). Up till 1996 this

process was blocked, and it is generally considered that restitution will now not be completed before the end of 1999. Around 40% of the socially owned farms' arable land was confiscated and will be restituted. The remaining 60% will stay in Fund hands for sale, lease and exchange for land reparation. The only unclear and politically sensitive issue appears to be the question of forest restitution to the Slovenian Church.

Privatisation of the former socially owned farms' assets has been carried out according to the Privatisation Law, and is already in its last stages. Employees have a majority holding in some of the new companies, but in the bigger ones (such as Mercator) employees hold only a minority of the shares.

Main points of the reform of agriculture launched after independence

End to the limitation on the maximum area of farms

On 30 May 1993 the State Fund for Agricultural Land and Woodland was instituted, to which the land of the "agricultural enterprises" had to be transferred

Currently, the Fund rents or grants concessions of land for which it has the responsibility; generally the existing occupants are accorded leasing agreements if they can show that they exploit the land suitably.

The extension service was split from the co-operative sector and integrated into the Ministry of Agriculture and Forestry, to be financed by the agricultural budget.

2.3.2 Structure of land ownership

Based on EUROSTAT standard definitions, the June 1997 Farm Structures Survey showed that in 1997 there were about 91 000 agricultural holdings in Slovenia (Table 8-1). The "agricultural enterprises", with an average area of 390 ha, account for only 0.2% of this number. Family farms have an average area - including forests, wooded land⁵, bare land⁶ and other non cultivated land - of about 10 ha. Their average agricultural area is only 4.8 ha. 7.7% of the total 467 000 ha Utilised Agricultural Area (UAA)⁷ or roughly 370 ha per farm, belongs to the "agricultural enterprises". Less than 1% (4 000 ha) of the UAA is irrigated (table 8-1).

The number of family farms has fallen sharply since the 1991 Census⁸ (down from 112 000 to 91 000) but their average UAA has grown (up from 4.1 ha to 4.8 ha). Change has occurred more rapidly than anticipated in our 1995 report, although these figures may not be entirely accurate, due to changes in survey methodology. The 50 000 ha fall in UAA can be explained by farms being abandoned and partly by the decrease of agricultural area on very small farms. Most of the loss was in arable land (-23 000 ha) and permanent grassland (-21 000 ha) (graph 1).

About 36% of the UAA - or 170 000 ha - is now arable land and 56% - 265 000 ha - permanent pasture. Orchards and vineyards cover 5-6%. 85% of the arable land is distributed across 78 000 family farms, with an average of 1.9 ha per farm. The remaining 15% is divided between the 82 "agricultural enterprises", whose average arable area is more than 300 ha (on different units). Nearly all the permanent pasture is in the hands of the private sector, with an average of 3.3 ha per holding. The 45 "agricultural enterprises" with permanent pasture have an average of 145 ha (on different units). On these large

⁵ Wooded land: former grassland which is neither grazed nor used for hay or silage production and is already partly covered by trees or bushes.

⁶ Bare land: includes built-up land, yards, stone mines, sand mines, paths, rocks, ponds, moors and other land which cannot be used for agriculture.

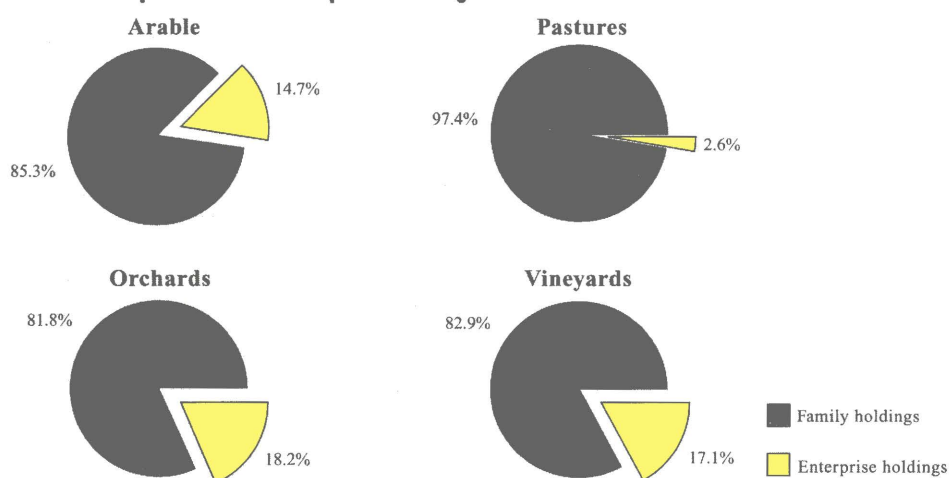
⁷ Only including holdings corresponding to EUROSTAT standards; this explains discrepancies with the UAA and arable area in Table 7.

⁸ Data from the '97 Sample Survey have a limited comparability with the '91 Census due to methodological differences; nevertheless the '91 figures were harmonised with EU standards.

**Table 8-1: Comparison of family farms and agricultural enterprises
LAND USE (1997 survey)**

		Family farms	% of total	Agric. enterpr.	% of total	TOTAL
Total AREA USED	000 ha	911	96.0	38	4.0	949
HOLDINGS with AREA	number	90602	99.9	97	0.1	90699
Average Area per holding	ha	10.1		388.8		
o.w. Forest & Wood	000 ha	448	99.7	1	0.3	449
o.w. Not cultivated or bare land	000 ha	33	98.9	0.4	1.1	33
o.w. Agricultural Area (UAA)	000 ha	431	92.3	36	7.7	467
holdings with UAA	number	90578	99.9	97	0.1	90675
Average UAA/holding UAA	ha	4.8		371.4		5.1
Area irrigated	000 ha	1.7		2.1		3.8
HOLDINGS without land	number	10	8.3	111	91.7	121
TOTAL HOLDINGS	number	90612	99.8	208	0.2	90820

Graph 1: Share of private and enterprise holding in UAA



Graph 2: Breakdown of holdings by size class of UAA (in % of total UAA)

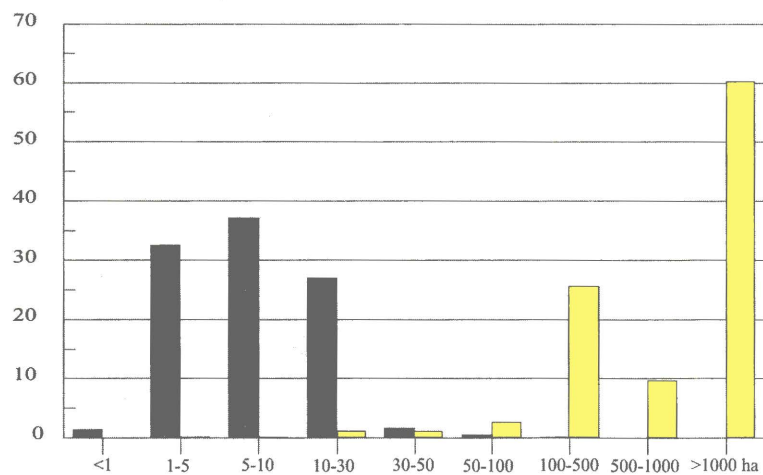


Table 8-2: Comparison of private and social sectors CROPS (1997 survey)

		Family farms	% of total	Social sector	% of total	TOTAL
HOLDINGS with UAA	number	90578	99.9	97	0.1	90675
UAA	000 ha	431	92.3	36	7.7	467
Average UAA/holding	ha	4.8		371.4		5.1
Arable land						
holdings	number	77907	99.9	82	0.1	77989
area	000 ha	145	85.3	25	14.7	170
average area	ha	1.9		305.2		2.2
Permanent pastures						
holdings	number	79451	99.9	45	0.1	79496
area	000 ha	259	97.5	7	2.5	265
average area	ha	3.3		145.2		3.3
Orchards						
holdings	number	33842	99.9	28	0.1	33870
area	000 ha	9	85.2	2	14.8	11
average area	ha	0.3		58.0		0.3
Vineyards						
holdings	number	34809	99.9	25	0.1	34834
area	000 ha	13.649	82.9	2.813	17.1	16
average area	ha	0.4		112.5		0.5

farms, over 60% of the grassland is harvested more than three times a year; on the private holdings this is the case for only 12%.

More than 80% of all orchards and vineyards are found on family farms, but covering an average of only 0.3 and 0.4 ha, respectively, per holding. The corresponding averages for the socially owned farms are 58 and 112 ha. This reflects the diversity typical of the family farm, compared to the greater specialisation of the enterprises (table 8-2).

The remainder of the land, belonging to holdings too small to meet EUROSTAT standards, is divided between alpine pastures, communal areas, kitchen gardens and other unused land. It includes 64 000 ha of arable land and 230 000 ha of permanent pasture and adds a further 330 000 ha to the EUROSTAT figure to give a total UAA of 787 000 ha. Some of this land is farmed by family holdings, but most is overgrown and not cultivated.

Since 1991, arable land area has fallen by 20 000 ha on family holdings and 4 000 ha on the "agricultur-

al enterprises" The same applies to permanent pastures, with a loss of 20 000 ha in both private and social sectors (table 8-3).

Broken down by size class (Table 8-3) more than 70% of the family farms' UAA is on holdings with less than 10 ha UAA; only 2% have more than 30 ha. On the socially-owned farms, 60% of the UAA is divided among holdings with more than 1 000 ha; farms with less than 10 ha account for only 0.1% (graph 2).

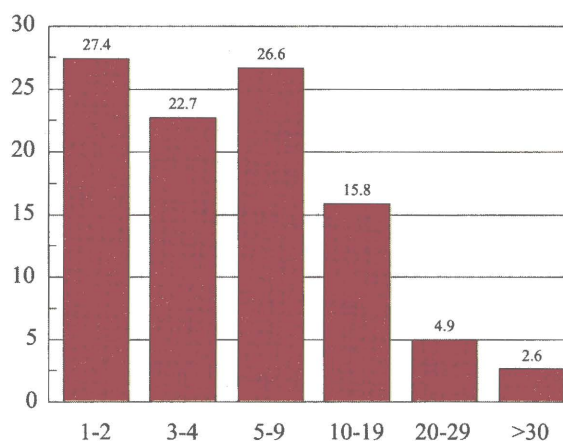
About 95% of all livestock - cattle (including dairy cows), sheep and goats - are on family farms. But whereas these farms have on average 7 head of cattle, the 44 socially-owned livestock enterprises have, on average, more than 600. There are only around 5 000 cattle breeders with more than 20 head of cattle. Three-quarters of the cattle breeders on the family farms have fewer than 10 head apiece, but between them they raise one-third of all Slovenia's cattle (graph 3).

Table 8-3: Breakdown of agricultural holdings by class size of UAA * (1997 survey)

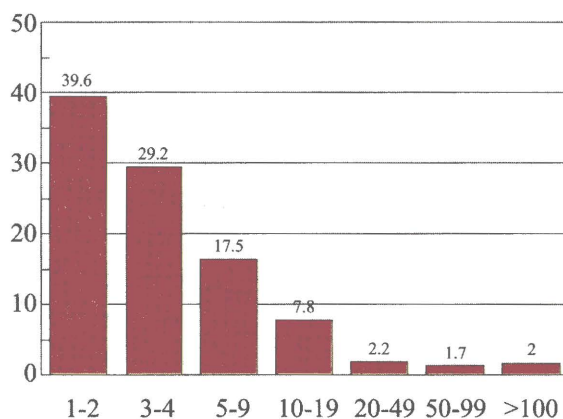
	Family farms			Agricuilt. enterprises			Total		
	number	000 ha	% total	number	000 ha	% total	number	000 ha	% total
TOTAL	90602	430.6	100	108	36.0	100	90710	466.6	100
<1 ha	8448	5.3	1.2	1	0.0	0.0	8449	5.3	1.1
1-5 ha	51113	140.4	32.6	8	0.0	0.1	51121	140.4	30.1
5-10 ha	22469	159.8	37.1	3	0.0	0.1	22472	159.8	34.3
10-30 ha	8335	116.5	27.0	19	0.4	1.0	8354	116.8	25.0
30-50 ha	178	6.2	1.4	9	0.4	1.0	187	6.5	1.4
50-100 ha	32	2.1	0.5	12	0.9	2.5	44	3.0	0.7
100-500 ha	2	0.3	0.1	38	9.2	25.5	40	9.5	2.0
500-1000 ha	0	0.0	0.0	6	3.5	9.7	6	3.5	0.7
>1000 ha	0	0.0	0.0	12	21.7	60.2	12	21.7	4.6

* farms without area farmed are excluded

Graph 3: Distribution of agricultural holdings by the number of cattle (in % of total)



Graph 4: Distribution of agricultural holdings by the number of pigs (in % of total)



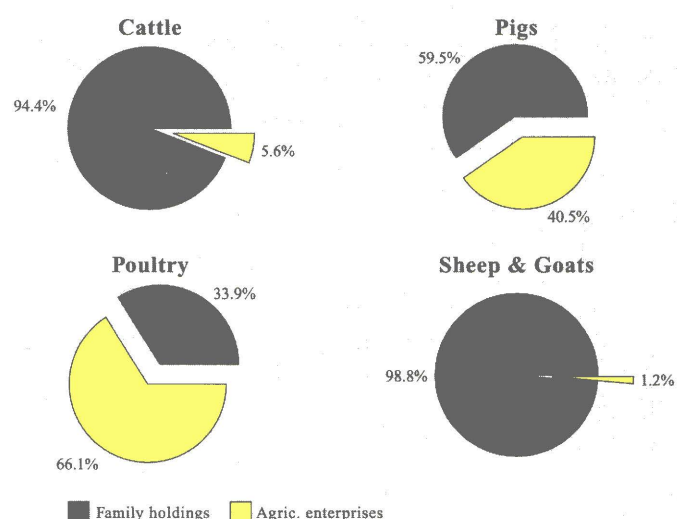
40% of Slovenia's pigs are found on 8 large-scale enterprises, with an average of 8 000 pigs each. But, while responsible for a third of the total number, 86% of pig farmers have fewer than 10 pigs, the average being 7 on the family farms. Nearly 1 000 pig producers have more than 100 pigs (graph 4).

Two thirds of all poultrymeat production is concentrated on 23 "agricultural enterprises", which also co-ordinate family farm production. These "vertical integrator" centres have on average 200 000 birds, whereas family farms falling outside this integrated system have an average of 36.

There are about 75 000 livestock breeders in Slovenia. More than half have fewer than 5 Livestock Units (LU), about one third have between 10 and 20 LU and less than 5% have more than 20 LU (table 8-4).

1997 figures show an increase in all livestock numbers since the December 1996 livestock survey. The increase in cattle and pig numbers is minor and can be explained by seasonal variations. The data for

Graph 5: Livestock breakdown



poultry, sheep and goats, however, were seriously under-estimated in the 1996 survey, as important structural changes were not taken into account in the sample frame. The historical series will therefore need revising (graph 5).

Table 8-4: Comparison of private and social sectors Livestock (1997 survey)

		Family farms	% of total	Agric. enterpr.	% of total	Total
TOTAL FARMS	number	90612	99.8	219	0.2	90831
Cattle						
farms	number	63676	99.9	44	0.1	63720
animals	000	462	94.4	27	5.6	489
average per farm	number	7.3		617.3		7.7
Dairy Cows	000	196	97.2	6	2.8	202
Pigs						
farms	number	50461	99.9	29	0.1	50490
animals	000	347	59.5	236	40.5	584
average per farm	number	6.9		8145.7		11.6
Poultry						
farms	number	66232	100.0	23	0.0	66255
animals	000	2394	33.9	4664	66.1	7058
average per farm	number	36		202766		106.5
Sheep & Goats						
farms	number	7560				7560
animals	000	73	98.8	1	1.2	74
average per farm	number	9.6				9.7

2.3.3 Mechanisation and inputs

With nearly 90 000 tractors - or 11 per 100 ha - the private sector could appear over-equipped. The highest figure for the EU is the Netherlands, with 7.6 per 100 ha. But in Slovenia only 1.2 per 100 ha are over 40 kw. For Austria the comparable figure is 1.8, for the Netherlands 5.

The use of chemical fertilisers recovered extremely quickly after independence, to plateau at its former total of 170 000 t, or 220 kg per ha UAA. Utilisation on private farms is 20-30% lower than on the agricultural enterprises.

Between 1985 and 1996 pesticide use fell from 2 400 t to 1 400 t, but the decline in volume coincided with a quality upgrade. Fungicides and bactericides represent nearly 50% and herbicides 30%. Again, consumption is higher on the agricultural enterprises.

2.3.4 Land market

Slovenia already had a functioning land market before independence. Land prices, which were high, were formed more or less freely, with some restrictions imposed by land laws. Land leasing was not popular, but now a law regulating the leasing of land has increased supply, especially in the plains region. Estimated at between 15-30,000 ECU per ha, the price of arable land is similar to that in some EU countries. Privatisation of socially-owned land is likely to have little impact, as the areas eligible are in reality very small. Land restitution will mean private farms will get bigger, where in the past they suffered from confiscation of their land; and the introduction of a rental market for arable land.

In October 1996 the new Law on Agricultural Land introduced regulations on the use of land, its protection, marketing and leasing and various agricultural operations. It controls unreasonable increases in land prices, reselling and speculation and limits land ownership to 600 ha per holding. The Law favours larger family farms, tenants, neighbouring and other farmers, who have precedence in purchasing land.

The "agricultural enterprises" at present rent their land from the Agricultural and Forestry Land Fund (Chapter 2.3.1). At between 50 and 250 ECU/ha rents are similar to EU levels. Once the restitution process is complete and all the pending claims have been settled in court, the Fund will assume the role of State Agency for the sale, leasing and re-parcelling of land.

The functioning of the land market will also be improved by the new Land Register Law, which regulates the updating and computerisation of the cadaster for urban and rural areas.

2.4 Agricultural production & consumption

2.4.1 Arable crops

- Cereals

The main cereals grown in Slovenia are maize for animal feed and wheat of bread-making quality.

The reorganisation of agriculture following independence, coupled with two years of drought, caused yields to fall in 1992 and 1993. They have since recovered their upward trend and are now in the EU average range. At 45% of total availability, imports for animal feed are high, but self-sufficiency has increased slightly in recent years (table 9-1).

The area under maize fell from 56% of the total cereals area in 1992 to 50% in 1997. Wheat areas remained stable, at around 35%. As 1995-97 average yields were higher for maize than for wheat (6.7 t/ha against 4.1 t/ha respectively, compared with 7.9 t/ha and 6.0 t/ha in the EU) maize would seem more interesting, but prices favour wheat. For both, 40% of total availability is imported. Most wheat imports are of high, bread-making quality from the US and Hungary; for feed use the main imports are maize and barley. Per capita human wheat consumption is in the same range as in the EU: around 93 kg, or 68 kg in flour equivalent (table 9-2).

The higher wheat feed use figures for 1993 and 1994 are due to the drought and to attractive feed prices in those years (table 9-3).

- Fodder

Fodder area increased between 1992 and 1997 by about 4000 ha. In the same period, green maize areas increased by 10%. In contrast, luzerne and clover areas fell by 8% between 1992 and 1996, but recovered in 1997 to 37% of the total fodder area.

Table 9: Allocation of Crop Area on EUROSTAT holdings *

		1992	1993	1994	1995	1996	1997
Arable area	000 ha	31	29	28	28	27	170
cereals	000 ha	21	19	19	19	18	95
	% arable	66.9	64.3	65.5	68.5	69.7	56.1
- wheat	000 ha	36	37	36	37	35	33
	% cereals	177.4	196.7	193.9	192.3	190.1	35.0
- maize	000 ha	61	59	49	47	47	47
	% cereals	298.2	313.5	266.8	244.4	254.7	49.7
- barley	000 ha	8	9	13	13	13	11
	% cereals	39.7	48.1	68.4	66.5	68.5	11.3
fodder	000 ha	48	49	50	52	52	52
	% arable	155.4	165.6	177.5	186.3	197.0	30.4
potatoes	000 ha	13	12	10	10	9	9
	% arable	42.1	42.3	35.9	36.1	35.4	5.1
sugarbeet	000 ha	3	3	5	6	6	6
	% arable	1.7	1.9	2.8	3.5	3.7	3.4
oilseeds	000 ha	2	2	2	0.4	0.4	
	% arable	7.5	6.9	8.3	1.4	1.5	
dry pulses	000 ha	7	7	11	15	13	
	% arable	23.0	22.5	38.9	54.8	50.1	
Permanent crops							
orchards	000 ha	35	35	29	31	30	30
vineyards	000 ha	0	0	22	23	23	23
hops	000 ha	2.4	2.5	2.3	2.2	2.3	2.3

* Most areas have been recalculated on the basis of the '97 structural survey

Table 9-1: Cereals supply balance

		1992	1993	1994	1995	1996	1997
area	000 ha	110	110	102	101	99	95
yield	t/ha	3.59	3.80	5.08	5.06	5.20	5.42
production	000 t	396	417	520	509	513	517
imports	000 t	555	617	584	482	473	479
exports	000 t	18	16	28	13	28	22
available	000 t	933	1018	1076	978	958	974
utilization							
o.w. feed	000 t	619	647	664	625	591	618
o.w. seed	000 t	18	18	18	18	18	18
o.w. waste	000 t	75	81	86	78	77	78
o.w. human	000 t	221	271	308	257	273	260
kg/capita	kg	111	136	155	129	138	132
self-sufficiency	%	42	41	48	52	54	53

The share of other fodder plants (e.g. ray grass) continues to decline (table 9-4).

Table 9-2: Maize supply balance

		1992	1993	1994	1995	1996	1997
area	000 ha	61	59	49	47	47	48
yield	t/ha	3.35	4.00	6.28	6.36	6.88	6.93
production	000 t	205	237	310	298	324	329
imports	000 t	294	227	234	214	188	165
exports	000 t	3	2	1	2	1	1
available	000 t	496	463	543	509	511	493
utilization							
o.w. feed	000 t	462	430	506	474	476	458
o.w. seed	000 t	4	4	4	4	4	4
o.w. waste	000 t	25	23	27	25	26	25
o.w. human	000 t	5	5	5	5	6	6
kg/capita	kg	3	3	3	3	3	3
self-sufficiency	%	41	51	57	58	63	67

Table 9-3: Wheat supply balance

		1992	1993	1994	1995	1996	1997
area	000 ha	36	37	36	37	35	33
yield	t/ha	4.14	3.82	4.34	4.26	3.92	4.09
production *	000 t	151	142	156	157	138	137
imports	000 t	138	224	164	118	95	150
exports	000 t	13	13	25	10	17	18
available	000 t	276	353	295	264	216	269
utilization							
o.w. feed	000 t	57	132	88	51	15	60
o.w. seed	000 t	11	10	10	10	10	10
o.w. waste	000 t	14	18	15	13	9	11
o.w. h.utilization	000 t	194	193	183	189	182	188
kg/capita	kg	97	97	92	95	92	95
self-sufficiency	%	55	40	53	59	64	51

* production almost exclusively bread-making quality

Table 9-4: Fodder areas in Slovenia

000 ha	1992	1993	1994	1995	1996	1997
TOTAL	47.7	48.6	50.1	52.0	52.3	51.8
% of total						
Luzerne & clover	40.2	39.1	29.1	33.6	32.8	37.4
Green Maize	46.8	47.8	57.0	55.1	56.9	56.4
Others	13.0	13.2	13.9	11.3	10.3	6.2
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0

- Potatoes

The relative importance of potatoes (around 5% of arable area) reflects the special character of Slovenian farming: production is largely for own-consumption and/or direct sales on local markets. Traditionally, potatoes have an important place in the Slovenian diet (as in the other CECs), and a dual use as animal feed (table 9-5).

As for cereals, after falling in 1992 and 1993, yields have grown rapidly since 1994. Animal feed utilisation is stable at around 10 000 t, human consumption is increasing (+ 8kg between '92 and '96) and per capita is around the EU average (80 kg). In general, supply balances with demand in this sector.

- Sugar beet and sugar

The area under sugar beet was relatively stable up to 1993, but increased by 80% over the following four years. Yields peaked from 1989 to 1991 and have recovered this level since 1994. As the sugar refinery is located near the borders with Hungary and Croatia, Slovenia for several years imported sugarbeet from these countries. Since 1994, imports have fallen dramatically. Total sugar production is still lower than at the beginning of the nineties. Since independence, indigenous production from domestic sugarbeet has grown, due to area and sugar yield increases, but sugar yields (about 6 t/ha) are still below the EU average (7.5-8.0 t/ha).

With sugar imports now on the increase and exports falling, increased availability has led to a huge growth in per capita consumption (including for confectionery). Since 1992, self-sufficiency based on domestic production alone increased from 21% to 45%, while globally it has fallen slightly from 52% to 48% (table 9-6).

Table 9-5: Potato supply balance

		1992	1993	1994	1995	1996	1997 (e)
area	000 ha	14	13	12	11	10	9
yield	t/ha	14.8	15.2	17.3	19.0	21.3	21.7
production	000 t	211	198	208	209	213	195
imports	000 t	5	12	9	15	15	14
exports	000 t	5	1	13	8	4	8
available	000 t	211	209	203	216	224	201
utilization							
o.w. feed	000 t	11	10	10	10	11	10
o.w. seed	000 t	36	33	30	28	25	23
o.w. waste	000 t	17	17	16	17	18	16
o.w. human	000 t	147	149	146	160	170	152
kg/capita	kg	74	75	74	81	86	77
self-sufficiency	%	100	95	102	97	95	97

Table 9-6: Sugar supply balance

		1992	1993	1994	1995	1996	1997
Sugar beet							
area	000 ha	3.2	3.5	4.9	6.1	6.3	5.8
yield	t/ha	30.6	37.9	45.2	43.2	46.8	46.3
production	000 t	97	133	222	265	295	270
imports	000 t	113	115	0	16	10	12
exports	000 t	0	0	0	0	0	0
available	000 t	209	248	222	281	305	282
Sugar							
production	000 t	431	38	29	37	43	44
o.w. indigenous	000 t	13	17	29	34	40	39
balance	000 t	-19	-21	0	-3	-3	4
yield indig.	t/ha	4.0	4.9	5.9	5.6	6.3	6.7
yield indig.	% sugar	13.0	13.0	13.0	13.0	13.6	14.4
imports	000 t	44	49	55	59	55	49
exports	000 t	15	9	8	3	2	1
utilization	000 t	60	78	75	93	96	92
kg/capita	kg	30	39	38	47	48	47
selfsufficiency (1)	%	21	22	38	37	42	42
selfsufficiency (2)	%	52	49	38	40	45	48

(1) based only on "indigenous" production not taking into account trade in sugar beet or raw sugar

(2) based on total production taking into account trade in sugar beet or raw sugar

Table 10-1: Wine supply balance

Vineyards		1992	1993	1994	1995	1996	1997 (e)
area	000 ha	20	21	22	23	23	23
yield	t/ha	6.1	6.2	5.7	4.4	6.1	6.1
production	000 t	124	128	129	101	141	139
grapes for wine	000 t	90	103	119	93	132	130
wine							
production	000 hl	868	898	1012	803	1010	995
yield	hl/ha	42.4	43.7	45.1	35.0	44.0	43.3
imports	000 hl	577	283	145	228	285	260
stocks	000 hl	191	78	119	19	332	320
exports	000 hl	309	169	148	135	100	95
utilization	000 hl	945	935	890	877	863	840
l/capita	l	47.3	46.9	44.7	44.1	43.6	42.5
self-sufficiency	%	92	96	114	92	117	118

Table 10-2: Hop supply balance

		1992	1993	1994	1995	1996	1997 (e)
area	000 ha	2.4	2.5	2.3	2.2	2.2	2.3
yield	t/ha	1.43	1.39	1.47	1.59	1.50	1.78
production	000 t	3.4	3.4	3.4	3.5	3.3	4.1
imports	000 t	0.3	0.2	0.1	0.0	0.0	0
stocks	000 t	0.0	0.0	0.0	0.0	0.2	0.2
exports	000 t	3.2	3.2	3.1	3.3	2.8	3.6
available	000 t	0.6	0.4	0.3	0.2	0.3	0.3
self-sufficiency	%	623	622	612	635	599	1111

2.4.2 Permanent crops and horticulture

The area under permanent crops is mainly allocated to grapes for wine, fruit and hops. These crops are marginal in terms of utilised area, less than 60 000 ha, but not in economic terms. Most production is on market-oriented holdings and, while own-consumption of wine and fruit is high, exports of hops and wine are important amongst agri-food exports.

- Wine (table 10-1)

Since 1992, vineyards have increased from 20 000 ha to 23 000 ha and, except for 1995, yields have been stable at around the EU average. Production is about 1 Mio hectolitres, which more or less covers domestic consumption. Around half is not marketed, but is produced for own consumption. There is nor-

mally a trade deficit in wine of 0.1 to 0.2 Mio hectolitres; only in 1994 did exports slightly exceed imports. Most exports are of quality wine - production of low quality wine is gradually declining - but imports are mainly of table wine, from the Former Yugoslav Republic of Macedonia. Per capita consumption has gone down, from 47 litres in 1992 to 43 litres in 1997. This is above the EU average (34.5 litres) but lower than the biggest consumers France (60 litres) and Italy (56 litres). 75% of the grapes planted are white wine varieties, mainly Riesling, Chardonnay and Pinot.

- Hops

Hops are grown nearly exclusively in the Savinja valley near Celje (70 km east of Ljubljana) where the Hop Growers Co-operative Society organises production. This specialised co-operative was set up for the purpose of buying in the hops produced, and their sale on domestic and foreign markets. Over the last fifteen years the quality of Slovenian hops has greatly improved. Hops are mainly cultivated on large holdings - 58% are bigger than 50 ha and 73% over 10 ha. The trend is towards a decline in small hop farms and an increase in medium-size holdings.

More than 90% of production is exported and, although Slovenia produces only 2.9% of the world's hops, its exports - around 8% of the global total - rank it fourth or fifth among world hop-growers. The biggest importers of Slovenian hops are the USA, Germany and Japan (table 10-2).

As outlets are not able to expand and hop yields are gradually increasing, mainly due to new varieties (the same as in the EU), hop areas are declining slightly.

- Fruit and vegetables

Fruit and vegetable production is relatively marginal, in terms of both area and quantity. Vegetables are mainly grown in private "kitchen gardens" or on plots belonging to small farmers and production is

therefore not market oriented. The area planted to vegetables (excluding potatoes) is about 10 000 ha, mostly cabbages (32% of the total), peas & beans (13%), onions (11%), cucumbers (10%) and tomatoes (8%) (graph 6).

In contrast, the production of fruit - mainly apples and to a lesser extent pears and peaches - is market oriented and located on modernised holdings. Like wine production, the fruit sector has developed and become specialised. However, a large part of the fruit area is made up of small extensive orchards and scattered trees, which provide fruit mainly for own-consumption or local markets (graph 7).

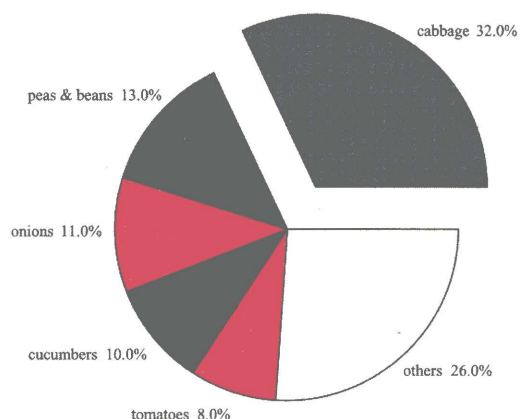
Since independence, apple production has increased and self-sufficiency stabilised at around 120-130%. This can be explained by an increase in utilisation, including of processed products: from 28 kg to 37 kg per capita (EU average 20 kg/capita) between 1992 and 1996 (table 10-3).

2.4.3 Livestock

The evolution of livestock contrasts with the crop sector. In the first years of transition cattle and poultry numbers fell, whereas pigs increased and sheep and goat numbers remained stable. The decline in the poultry sector was mainly due to the collapse of traditional exports to the former Yugoslavia.

In recent years, cattle and poultry numbers have recovered but to a lower level than before independence. The pig herd has remained more or less stable. Sheep and goats have increased significantly, according to the '97 structural survey (73 000 sheep & goats against 37 000 in the December '96 livestock survey); this figure reflects adjustments made to the historical series (see comments in chapter "About the data"). Following a sharp decline in the early nineties (about 20% between '90 and '93) the number of cows is still below the 1989-1991 average.

Graph 6: Vegetables area



Graph 7: Fruit production (1996)

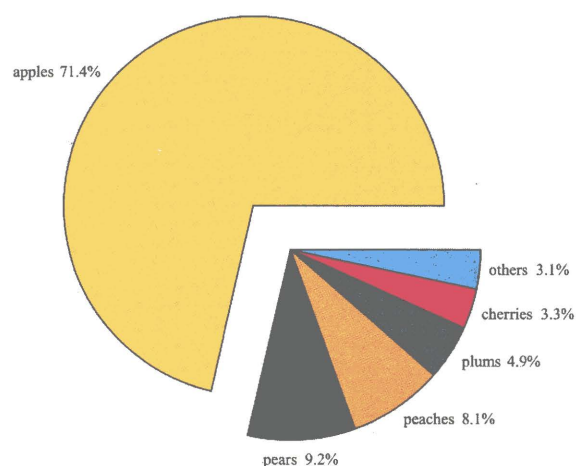


Table 10-3: Apple supply balance

		1992	1993	1994	1995	1996
production	000 t	85	91	108	113	115
imports	000 t	8	8	9	7	5
exports	000 t	24	25	36	27	29
available	000 t	69	75	80	94	91
utilization						
o.w. waste	000 t	14	10	16	19	18
o.w. human	000 t	55	59	65	74	73
kg/capita	kg	28	30	32	37	37
self-sufficiency	%	123	132	134	122	126

Table 11-1: Evolution of livestock (000)*

	1989	1990	1991	1992	1993	1994	1995	1996	1997
cattle	546	546	533	484	504	478	477	496	484
o.w. cows	243	255	231	220	211	214	215	212	207
pigs	576	558	588	529	602	592	571	592	589
o.w. sows	57	58	58	52	56	55	56	56	55
horses	12	11	10	11	9	9	8	8	8
sheep & goats	30	32	34	37	40	46	51	60	73
o.w. ewes	13	14	15	16	18	21	23	27	33
poultry (mio)	13.3	13.5	12.8	0.0	0.0	0.0	0.0	0.0	5.8
o.w. lay. hens	2429	2340	2440	2323	1858	1840	1653	1600	1767

* on 31 December previous year

In 1997, the cattle herd comprised 49% cows and heifers, 18% calves under 6 months and 33% young cattle. 10% of all pigs are breeding sows and young sows mated for the first time. The increase in poultry is mainly the result of more turkeys being bred by enterprises and companies (table 11-1).

About 90% of poultry meat and about 40% of total pigmeat is produced by companies in the large "agricultural enterprises". In the other livestock sectors, private farms produce 94% of all cattle, 97% of all dairy cows and 97% of all sheep and goats.

- Milk and dairy products

In Slovenia, milk production is traditionally a surplus sector. By 1993, fluid milk production had decreased by 11% in comparison with 1989, following the loss of the former Yugoslav markets; the cattle decapitalisation process and the droughts of '92 and '93 also played a role. Since 1994, while dairy herds have remained stable, production has increased and in 1996 had nearly regained the same level as the '89-'91 average. This was the result of milk yields increasing rapidly, a trend which will certainly continue in the near future, as yields attained in 1996 (2800 kg/cow) were still well below the EU average (about 5400 kg/cow) and 1500 kg/cow lower than Slovenia's neighbour, Austria.

Yields for specialised dairy holdings are estimated at 3500 kg, which is 800 kg lower than Austria and less than the lowest EU Member State. A number of dairy farms, however, now have yields of 10 000 kg/dairy cow, and some twinning has developed of Slovenian extension and breedings services with Dutch provincial professional agricultural organisations, mainly in the east region (table 11-2).

Between 1992 and 1997, human fluid milk consumption grew by more than 10% (yoghurt), whereas utilisation for processing remained relatively stable. Fresh milk consumption per capita is lower than the EU average (105 kg/capita).

During the same period, cheese production and domestic consumption increased by 25%, resulting in a small deficit. For butter both production and consumption have gradually decreased; the surplus of approximately 25% was exported.

In Slovenia, bacteriological quality⁹ and fat protein content have always been close to the EU average and both are continuing to improve. This is the result of the new development of specialisation in the dairy sector, a process supported by the extension service in the private farm sector.

⁹ Even if EU bacteriological standards are not yet implemented.

- Beef & Veal

Beef and veal production is primarily located on family holdings and, in general, linked to milk production. In Table 11-3 "indigenous production" is meat from slaughtered animals plus the meat equivalent of all exported live animals, minus the meat equivalent of all imported live animals. "Production" is the meat of all animals slaughtered in Slovenia (indigenous and imported) (table 11-3).

Beefmeat production was remarkably stable between 1992 and 1997, at around 50 000 t cw, but lower than the 1989-91 average of 60 000 t cw. Indigenous production was less consistent. The average weight of slaughtered animals was stable at around 240-270 kg cw, which is at the lower end of the EU average (270-280 kg cw). Taking 1995-97 averages, self-sufficiency based on indigenous production is 81% and on total production 87%. Figures for 1997 are higher: 86% and 91% respectively. Between 1992 and 1997 per capita consumption was stable at around 28-30 kg.

- Pigmeat

At the beginning of the nineties, about 50% of all pigmeat was produced on "socially owned" holdings, where 100 000 pigs could be bred annually. These holdings are now only responsible for 40% of production, as the Ministry of Agriculture has supported the development of pig production on family farms.

The intensification of pig production without regard to available land or waste management for manure recycling is causing serious environmental problems on some large-scale enterprises.

Pig production did not really decline during transition and today's levels are the same as the '89-'91 average. Indigenous production is slightly lower than total production, reflecting the slightly negative trade balance in live animals. The trade in pigmeat is also negative, with a deficit of 31% if based on

Table 11-2: Milk supply balance

		1992	1993	1994	1995	1996	1997(p)
fluid milk							
dairy cows	000	220	211	214	477	212	484
yield	kg/cow	2560	2531	2616	1236	2709	1236
fluid milk prod.	000 t	563	533	559	590	575	599
imports	000 t	5	2	1	1	2	
exports	000 t	102	43	70	75	62	
available	000 t	466	492	490	516	515	599
utilization							
o.w. feed	000 t	92	93	98	113	110	
o.w. waste	000 t	12	11	12	12	12	12
o.w. processing	000 t	209	227	215	224	173260	
o.w. human	000 t	154	161	165	167	173652	
kg/capita	kg	77	81	83	84	87	
selfsufficiency	%	121	108	114	114	112	
cheese							
production	000 t	12.4	14.0	15.2	15.8	15.5	15.7
imports	000 t	2.2	1.7	1.3	1.6	1.6	
exports	000 t	1.7	0.8	1.0	1.1	1.2	
available	000 t	12.9	14.9	15.5	16.2	15.9	
kg/capita	kg	6.5	7.5	7.8	8.2	8.0	
selfsufficiency	%	96	94	98	97	97	
butter							
production	000 t	2.5	1.9	1.9	2.1	2.1	2.1
imports	000 t	0.1	0.1	0.0	0.0	0.0	
exports	000 t	0.6	0.4	0.4	0.5	0.6	
available	000 t	2.0	1.5	1.6	1.6	1.5	
kg/capita	kg	1.0	0.8	0.8	0.8	0.7	
selfsufficiency	%	125	122	122	129	141	

Table 11-3: Beef supply balance

		1992	1993	1994	1995	1996	1997(p)
cattle	000	484	504	478	477	496	1997
total slaughters	000	1196	216	192	186	196	194
average weight	kg	254	239	244	264	259	268
production	000 t	50	52	47	49	51	52
o.w. indigenous	000 t	46	50	43	44	49	49
balance	000 t	-3	-2	-4	-5	-2	-3
imports	000 t	13	14	22	13	12	8
stock change	000 t	6	-1	-5	2	-2	3
exports	000 t	12	8	6	4	3	6
utilization	000 t	57	57	58	60	58	57
kg/capita	kg	28.5	28.4	29.1	30.2	29.2	28.8
selfsufficiency (1)	%	82	88	74	73	85	86
selfsufficiency (2)	%	88	91	81	82	88	91

(1) based on "indigenous" production taking into account trade of live animals

(2) based on production without taking into account trade of live animals

indigenous production or 30% if based on total production.

Nearly half of all meat consumed in Slovenia is pig-meat. Per capita consumption has been stable at around 42-45 kg since 1992, and is in the same range as the EU (41-42 kg/head) (table 11-4).

Table 11-4: Pigmeat supply balance

		1992	1993	1994	1995	1996	1997(p)
pig numbers	000	570	602	592	571	592	589
total slaughters	000	710	685	717	700	717	717
average weight	kg	85	91	88	86	88	86
production	000 t	60	62	63	60	63	62
o.w. indigenous	000 t	57	60	61	57	62	61
balance	000 t	-3	-2	-2	-3	-1	-1
imports	000 t	25	31	32	27	25	31
stock change	000 t	2	-3	-4	1	3	-1
exports	000 t	4	3	5	3	4	4
utilization	000 t	83	87	86	85	87	88
kg/capita	kg	41.6	43.7	43.2	42.8	43.9	44.5
selfsufficiency (1)	%	69	69	71	67	71	69
selfsufficiency (2)	%	72	71	73	71	72	70

(1) based on "indigenous" production taking into account trade of live animals

(2) based on production without taking into account trade of live animals

Table 11-5: Poultry supply balance

		1992	1993	1994	1995	1996	1997
poultry numbers	Mio	7.0	6.2	5.8	4.9	5.6	5.8
total slaughters	Mio	51	48	45	48	48	
average weight	kg	1.18	1.02	1.02	1.17	1.21	
production	000 t	60	49	46	56	58	61
o.w. indigenous	000 t	60	49	45	56	58	61
balance	000 t	0	0	-1	0	0	0
imports	000 t	3	2	0	1	3	3
stock change	000 t	5	4	3	-4	-4	-1
exports	000 t	37	22	14	12	15	17
utilization	000 t	31	33	35	41	42	46
kg/capita	kg	15.6	16.8	17.8	20.4	21.2	23.3
selfsufficiency (1)	%	193	148	127	138	138	133
selfsufficiency (2)	%	193	147	130	138	138	133
laying hens	000	2323	1858	1840	1653	1615	
yield	kg	9.0	10.4	10.3	11.3	11.1	
egg production	000 t	21	19	19	19	18	

(1) based on "indigenous" production taking into account trade of live animals

(2) based on production without taking into account trade of live animals

- Poultry

90% of all Slovenia's poultry is produced on the large "agricultural enterprises". The biggest single producer is responsible for 50%, the second for 25% of the total. As planned production structures in this sector pre-date the break-up of Yugoslavia, there is now surplus capacity, and the top production unit is operating at 70% of its potential. Restructuring and quality improvement have occurred since independence, along with a certain shift to turkey production. Exports are mainly destined to the former Yugoslav Republics, whose markets are re-opening following the end of the war. The CEFTA agreement to reduce import duties on poultrymeat to 15% by 1 January 2000 could represent an opportunity for the Slovenian food industry.

The decline in poultry production following independence reached a turning point in 1994. Per capita consumption increased by 7.5 kg between 1992 and 1997, and is now around the EU average (roughly 20 kg/head). Its growth in popularity can be attributed to its healthy image, boosted recently by the BSE crisis. Egg production, which also fell, has stabilised since 1993 at about 19 000 tons, with a smaller number of laying hens giving higher yields. At around 10 kg/capita, egg consumption is below the EU average of 13 kg/capita (table 11-5).

- Total Meat

In 1997, total meat production (including sheep & goatmeat) was 20 000 t below the 1989-'91 average. Most production was of domestic origin. A self-sufficiency rate of about 90% (on both indigenous and total production figures) has resulted from exports being slightly lower than imports since 1993. Per capita disappearance (consumption + meat for processing which may be exported) gradually increased to 99 kg/head in 1997, which is higher than the EU average but lower than the highest Member States (about 100 kg in Belgium, Denmark, Spain, France and Austria). The increase between 1992 and 1997 was mainly due to poultry. At only 2 kg/capita,

sheepmeat consumption is below the EU average but at the same level as in neighbouring Austria (table 11-6).

2.4.4 Forests and Wood

Forests cover more than half of Slovenia - 1.1 million ha - which makes Slovenia the third most wooded country in Europe, after Finland and Sweden. Forest areas have spread in the last fifty years at the expense of agricultural land, which has been gradually overgrown (called wooded land in point 2.3.2).

Following the Law on Denationalisation, 7% of forests were returned to their previous owners. Today, ownership is both public (30%) - state and local authorities - and private (70%). Two thirds of private forests are smaller than 10 ha and generally very fragmented. Larger forest holdings are found in highland regions, where forests represent an important source of income for highland farms.

Forests mainly regenerate naturally; only around 1 000 ha per year are regenerated by planting, whereas 7 to 10 000 ha of forests are tended annually. The development of both private and state-owned forests is directed by the Slovene Forest Service, which draws up forest management plans. The Service is organised at national, regional and local levels, and employs about 700 technicians. Forests are environmentally important and key to the Slovene eco-system. Regional forest management plans show that over half the forests have at least one significant ecological function, in addition to timber production. For example, 50% of Slovenia's animal species live in forests, among them large carnivores such as the bear, wolf and lynx, which are no longer found in most European countries.

The steady growth in tree stocks, as well as the annual increment in timber production, is due to a forest economy based on sustainable management (clear-cutting is forbidden) under public control. Allowable cut is approximately two-thirds of incre-

Table 11-6: Total meat supply balance

		1992	1993	1994	1995	1996	1997
production	000 t	176	170	163	171	178	181
o.w. indigenous	000 t	167	167	153	161	173	175
imports	000 t	41	47	54	41	40	42
stock change	000 t	13	0	-6	-1	-3	1
exports	000 t	53	33	25	19	22	27
utilization	000 t	177	184	186	192	193	197
kg/capita	kg	88.7	92.6	93.8	96.4	97.5	99.7
o.w. beef	kg	28.5	28.4	29.1	30.2	29.2	28.8
o.w. pork	kg	41.6	43.7	43.2	42.8	43.9	44.5
o.w. poultry	kg	15.6	16.8	17.8	20.4	21.2	23.3
selfsufficiency (1)	%	94	91	82	84	90	89
selfsufficiency (2)	%	99	92	87	89	92	92

(1) based on "indigenous" production including trade of live animals

(2) based on production excluding trade of live animals

ment for conifers and half for broad-leaved species. During the eighties, timber consumption in Slovenia was 3.5 to 3.8 mio m³ per year, with a self-sufficiency rate of about 70%. The transition to a market economy and a new State (loss of former Yugoslav markets) has seriously affected the forest sector and the timber industry: the number of forestry workers has fallen and the sawmill industry is being restructured. The estimated average annual tree cut for the period 1991-2000 is 2.9 mio m³: 1.68 mio m³ of conifers and 1.23 mio m³ of broadleaves. Comparable figures for 1996 were, respectively, 2.33 mio m³, 1.51 mio m³ and 0.82 mio m³.

Based on the 1994-96 average, the overall trade balance is negative by 0.1 mio m³ (exports 0.18 mio m³, imports 0.28 mio m³), largely due to pulpwood (exports 0.02 mio m³, imports 0.25 mio m³). The balance is positive for conifers and deciduous logs (exports 0.06 mio m³, imports 0.02 mio m³) and firewood (exports 0.09 mio m³, imports 0.01 mio m³). Although logs and firewood have a higher value per m³, the balance in value is negative by 3.3 mio ECU (1994-96 average) with a slight surplus of 1.4 Mio ECU in 1996.

Table 12-1: Agricultural trade within external trade (Mio ECU)

	1992	1993	1994	1995	1996	1997(e)
Imports						
all	4742	5532	6140	7257	7403	8230
agriculture	426	465	505	534	550	655
% agriculture	9.0	8.4	8.2	7.4	7.4	8.0
Exports						
all	5160	5191	5740	6358	6543	7363
agriculture	336	248	275	241	265	293
% agriculture	6.5	4.8	4.8	3.8	4.0	4.0
Balance						
all	418	-341	-400	-899	-859	-867
agriculture	-90	-217	-230	-293	-285	-362
% agriculture	NR	64	58	33	33	42

Table 12-2: Agricultural trade (Average '94-'96)

Exports	Mio ECU	% of TOTAL
Preparations of Meat & Fish	38.0	14.2
Meat	33.1	12.4
Beverages	32.2	12.0
Dairy products	27.0	10.1
Miscellaneous edible preparations	21.4	8.0
Preparations of Veggies & Fruit	18.9	7.0
Hops	18.7	7.0
Others	78.6	29.3
TOTAL	267.8	100.0
Imports	Mio ECU	% of TOTAL
Fruit & Veg unprocessed	83.3	14.2
Meat	57.0	9.7
Cereals	46.2	7.8
Miscellaneous edible preparations	38.9	6.6
Fats (animal & vegetable)	34.7	5.9
Sugar (including confectionery)	30.6	5.2
Preparations of Cereals	29.5	5.0
Preparations of Veggies & Fruit	28.0	4.7
Others	268.7	45.6
TOTAL	588.9	100.0

¹⁰ Oilseeds include hops.

2.5 Agricultural trade

In contrast to the current account, Slovenia's trade balance is negative. While agricultural exports represent less than 5% and agricultural imports between 7 and 9% of the totals, their impact on the overall supply balance is important. Increasing from 90 Mio ECU in 1992 to 360 Mio ECU in 1997, the agricultural trade deficit from 1995-97 represented between 30 and 40% of the global trade balance deficit, which is less than in the first years of independence (table 12-1).

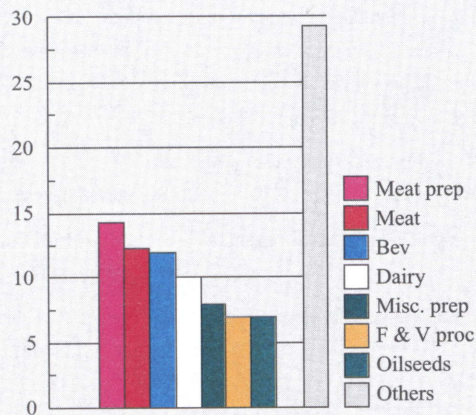
Most agricultural exports are processed products and 70% are drawn from just 6 of the 24 sectors (1994-96 average). Meat and meat preparations comprise 27% of the total, beverages (including quality wine) 12% and dairy products 10%. Other exports include hops, potatoes, apples, pears, eggs and poultry.

Imports are mainly of unprocessed products: fruit, vegetables, cereals, sugar. More varied than exports, only one of the 24 sectors (fruit and vegetables) represents more than 10% of the total.

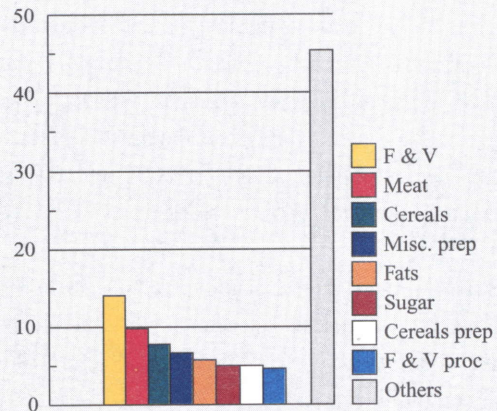
The agricultural trade balance is positive for only 4 sectors: meat preparations (26 Mio ECU); dairy products (19 Mio ECU); oilseeds¹⁰ - only hops (9 Mio ECU); and beverages (6 Mio ECU). The biggest deficit (21% of the total) is in fruit & vegetables (68 Mio ECU); cereals represent 14% (45 Mio ECU) and fats 9% (29 Mio ECU) (table 12-2 & graph 8).

Around 50% of agricultural imports come from the EU, making it by far the most important source. But only about 35% of Slovenia's agricultural exports are to the EU. In 1997, 52% went to countries of the former Yugoslavia, while imports from here amounted to only 12% of the total (table 12-3).

Graph 8: Exports (% of total)



Imports (in % of total)



Imports from the EU increased very rapidly during the first years of independence: mostly fresh and processed fruit & vegetables, animal fodder, processed cereals. Exports to the EU amount to only 60-70 Mio ECU, made up mainly of hops, meat and beverages (wine). At around 300 Mio ECU, the Slovenian trade balance with the EU is deeply negative (table 12-4).

Table 12-4: Agricultural trade with the EU

Mio ECU	EU-12			EU-15		
	1992	1993	1994	1995	1996	1997(e)
Imports from EU	67	204	264	369	369	361
Exports to EU	47	72	70	61	66	71
Balance	-19	-132	-194	-308	-303	-290

Table 12-3: Direction of agricultural trade (% of Total)

	Exports							Imports						
	1992	1993	1994	1995	1996	1997	1997-1992	1992	1993	1994	1995	1996	1997	1997-1992
TOTAL	100	100	100	100	100	100	0	100	100	100	100	100	100	0
EU-15	33.2	35.7	33.7	38.1	32.1	35.1	1.9	20.3	32.1	37.0	48.3	46.5	46.4	26.2
ex-YU	47.8	40.8	46.5	48.1	55.5	52.3	4.5	38.1	21.0	13.2	12.8	13.4	12.2	-25.9
CECs	2.8	2.4	3.1	3.7	2.7	3.0	0.2	14.8	11.5	12.9	15.1	14.2	16.0	1.3
o.w. CEFTA				2.6	2.0	1.8					13.3	12.5	14.7	
NIS	3.7	5.3	4.2	3.7	4.5	4.4	0.7	2.3	2.1	2.5	2.1	1.7	1.8	-0.5
Others	12.5	15.7	12.5	6.3	5.2	5.3	-7.3	24.5	33.4	34.4	21.7	24.2	23.5	-1.0

2.6 Rural society

There are only two towns in Slovenia with more than 100 000 inhabitants - Ljubljana and Maribor. Over 50% of the population live in small villages. The large river basins and valleys are the most populous areas. Average population density is 98 inhabitants per square kilometer, but this varies widely.

In Slovenia, there are 12 planning regions, with no administrative or political structure, and 62 administrative units, which were replaced in 1995 by 147 local communities.

At Nuts 3 level, the administrative units have been broken down according to their degree of rurality, depending on the share of the region's population living in rural communities. At local community level (NUTS 5) rural areas are defined as communities with a population density lower than 150 inhabitants per square kilometer. Regions are then grouped into three types:

- **predominantly rural regions:** over 50% of the population living in rural communities;
- **significantly rural regions:** 15 to 50% of the population living in rural communities;
- **predominantly urban regions:** less than 15% of the population living in rural communities.

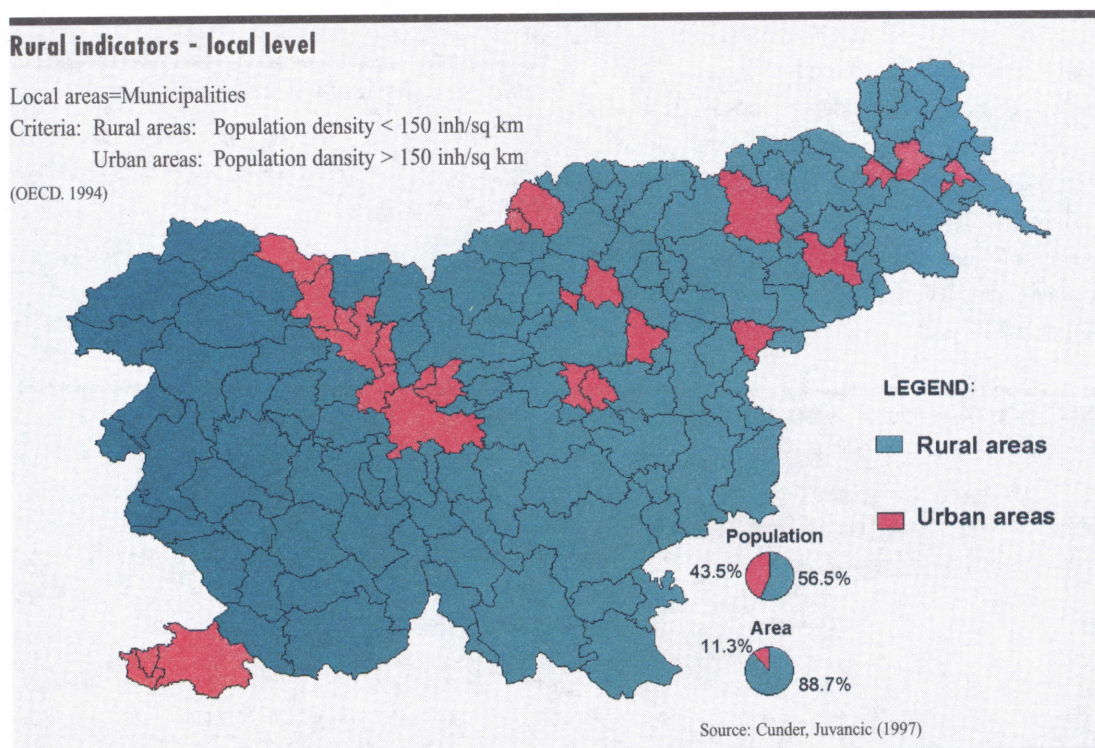
Rural indicators - local level

Local areas=Municipalities

Criteria: Rural areas: Population density < 150 inh/sq km

Urban areas: Population density > 150 inh/sq km

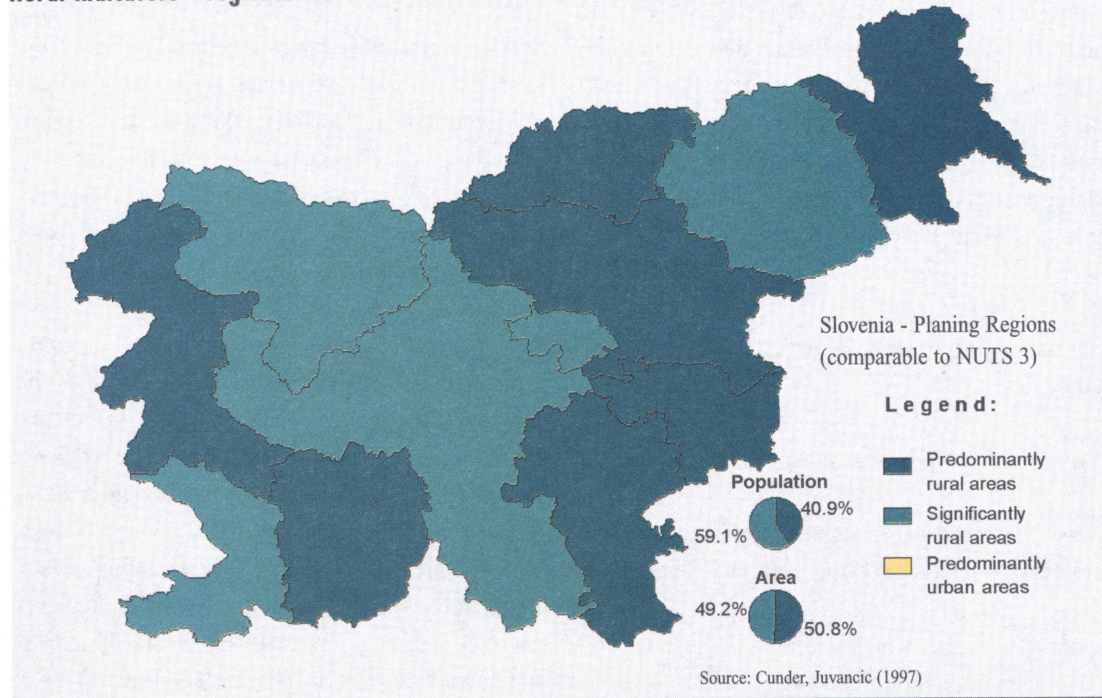
(OECD, 1994)



The map shows the local communities broken down into rural and urban areas. A local community is defined as urban if the population density per square kilometer is over 150. While 44% of the population live in urban areas, these represent only 11% of Slovenia's total area.

At NUTS 3 level, 41% of the population live in predominantly rural areas, which represent 51% of the Slovene territory, and 59% of the population live in significantly rural areas on 49% of the total area. No Slovene NUTS 3 region corresponds to the "predominantly urban areas".

Rural indicators - regional level



About 70% of agricultural land is located in disadvantaged areas such as hilly and karst regions, which have always played an important economic as well as social role. The continuing presence of an active population has been important in preserving the landscape, maintaining cultural traditions and safeguarding nature and the ecological balance of these areas. Agricultural production is largely determined by natural conditions: the use of grassland for livestock farming. Two-thirds of all Slovenia's cattle are reared in these regions and over half of all milk and meat produced here.

2.7 Agriculture and the environment

In Slovenia as in other countries, agriculture has an impact on the natural environment. Beneficially, agriculture has created over time many cultivated landscapes and diversified ecosystems which are perceived as desirable. But agriculture has also had a detrimental effect on the quality of soils, surface- and ground waters, as well as bio-diversity and landscapes.

In Slovenia, the main environmental problems deriving from agriculture are confined to the areas producing pollution. On 70-80% of the land used for agriculture in Slovenia, production has nearly no negative impact on the environment. In the most polluted areas, intensive agriculture is leading to surface- and ground water contamination through the use of pesticides, fertilisers and manure. This especially applies to large pig holdings and to the Celje region, where intensive hop production is located.

The average application of nitrogen is comparatively low, even if the figures for organic nitrates (i.e. manure) are higher in the animal breeding areas. The average application of organic nitrogen (56 kg/ha) varies, according to livestock density, from 20 to 90 kg/ha, far below the EU upper limit of 170 kg/ha. The use of pesticides is high in the production of industrial plants (hops, sugarbeet), fruit production (apples, pears, peaches) and wine.

In general, environmental conditions in agricultural areas can still be considered as favourable and various typical and fragile ecosystems (e.g. karstic

region, alpine valleys) have been preserved from deterioration. In terms of bio-diversity, Slovenia is one of the richest areas in Europe and the World: with just 0.004% of the world's total area (land and sea) it is host to 1% of all species. Protected areas cover 8% of its territory. But while Slovenia has an extraordinarily rich bio-diversity, erosion is a cause for concern and systematic protection of nature is needed.

Environmental pressures on rural areas exist, thanks mainly to:

- pollution from industrial sites;
- waste (mainly urban) treatment problems (e.g. 7% increase in municipal waste between '91 and '95);
- poor river quality which will lead, in the long run, to a deterioration of ground and drinking water.

2.8 Up- and downstream activities

Under the previous regime, the "socially owned" and co-operative sector were characterised by their different ownership structures. In the socially owned sector the share capital was not distributed and companies belonged to the workers of these companies as well as to civil society as a whole. In contrast, farming members of co-operatives were formally the holders of the authorised capital.

Falling somewhere between the West European system and the East European centralised system, the network of up- and down-stream companies constituted by the co-operatives and the socially-owned sector was not so different from the agri-industrial sector in the West. But this unique system of economic relations was brought to an end following independence, when the agri-food industry was transformed and reorganised by the enactment of the Law on Cooperatives (1992) and the Law on Privatisation.

2.8.1 Agricultural co-operatives

Service co-operatives were developed in the 1970s, to supply fertilisers, pesticides, seeds and new technology to farmers. Operating alongside the socially-owned sector, their services were available to private holdings. They were responsible for purchasing output from the farms, distributed subsidised bank loans and ran the extension service.

As co-operatives were already private companies, close to the West European model, the task of the Law on Co-operatives was primarily to remove rigidities and ease the transformation and reorganisation which would permit them to function effectively in a market economy. The new legal framework required all members to make a capital investment in the cooperative. This resulted, in many cases, in a change of membership. While this condition was necessary to put the cooperatives on a firmer footing, the recapitalisation is far from sufficient to meet the financing of future development.

The co-operative movement:

106 agricultural co-operatives

A network of 62 bank deposit and savings co-operatives

One agricultural co-operative bank for business and investment

One purchasing co-operative supplying inputs (fertilisers, pesticides, seeds and agricultural machinery)

Financial participation (which can be majority holdings) in about fifty agri-food processing and marketing companies of the former "socially owned" sector.

While the formal transformation of the agricultural co-operatives was largely completed by 1993, they are now facing serious economic difficulties. These stem from liquidity problems, insufficient investment by members, and an inability to compete with the new private retailing sector in the purchase of farm inputs and marketing agricultural output. The Law on Co-operatives also specifically regulated the privatisation of most "socially owned" agri-food enterprises, which fell outside the scope of the Privatisation Law. It stipulated that 45% of the capital

of 46 agri-food companies in the former "socially owned" sector be distributed to those co-operatives having economic links with these companies. This capital would be allocated according to the volume of business that each co-operative maintained with the agri-food company in question.

The remaining 55% of the capital could either be sold as shares or distributed according to the methods defined by the Law on Privatisation. The second option has been the more commonly used: 20% of the capital is distributed internally to company employees (by an exchange of certificates) and 35% is sold at a preferential price to company employees and members of the co-operatives.

The Law lays down the following allocation of capital:

- 10% to the Pension Fund
 - 10% to the Compensation Fund
 - 20% to the Development Fund for subsequent handing over on the market by means of permitted investment funds
 - 20% to company employees by exchange of certificates
 - the remaining 40% can be distributed in various ways: either partial or total acquisition by the employees, spread out over several years and at 50% of their nominal value, or public sale (partial or total) according to either a restricted or open procedure.
-

The Law on Privatisation also applied to all the other companies of the former "socially owned" sector, which were generally integrated into regional conglomerates (the biggest ones in Slovenia being Emona, Mercator, ABC Pomurka, Hmezad plus two other small ones). In this case privatisation was carried out under the aegis of the Development Fund and the Agency for Restructuring.

Their financial weakness puts in question the ambition of the co-operatives to play a major role in the newly privatised food sector. In fact, co-operatives are allowed to sell their shares and some of them have already done so, e.g. the Ormoz sugar refinery.

A number of new specialised co-operatives (fruit, milk, pigs, poultry) have been launched since inde-

pendence, without any specific support from the State or from the co-operative movement.

2.8.2 Upstream Industries and Services

In the past, most of Slovenia's agricultural inputs were produced in other Republics of the former Yugoslavia and imported from Croatia. Today, most crop protection products are bought from the West European chemical industry. The one important fertiliser company in Slovenia covers only the needs of "kitchen gardens". Fertilisers are mostly imported from neighbouring countries (Croatia, Hungary and Austria).

Around one-third of all inputs are distributed by agricultural co-operatives; the remaining two-thirds are bought by farmers from small, independent distributors.

Slovenia has two medium-sized agricultural equipment companies. Of the 1200 tractors sold in 1997 less than 20% were domestically produced, the remainder being imported.

Generally speaking, the economic reorganisation of the up- and down-stream industry that has taken place since independence has led to new economic relationships between farmers and the up- and down-stream sectors, and in particular to the development of a network of retail stores providing the complete range of farm inputs (fertilisers, pesticides, seeds, machinery, ...).

2.8.3 Food Industry

The food industry represents about 4% of GDP, 3% of employment and 4% of total exports. In 1996 it comprised 357 enterprises (295 in food manufacturing, 54 in beverages, 8 in animal feed and 1 in tobacco) with a total of 18 960 employees: 14 860 in food manufacturing, 3 335 in beverages and 97 in animal feed production. The largest enterprises in terms of

output are in the dairy, brewing and tobacco sectors, whereas in terms of employment they are in the dairy, non-alcoholic beverages and milling industries.

77% of enterprises are small (fewer than 49 employees), 14% are medium-sized (50 to 249 employees) and about 9% are large enterprises (more than 249 employees). These last two categories mainly correspond to companies of the former "socially owned" sector.

Privatisation of the former socially owned sector is not yet over. Of the original 66 agri-food companies that were to be privatised, 46 were regulated by the Co-operative Law and the remainder by the Privatisation Law. The process of share distribution to co-operatives is in its final stage. Of the 46 enterprises, 28 have completed the privatisation process, 6 others will complete in 1998, 2 have been liquidated, for 5 others co-operatives are not shareholders, and the last 5 are still in the hands of the Development Fund. The following table shows progress made with privatisation by the end of 1996 (table 13).

While privatisation of two-thirds of the enterprises is complete, in some sectors it is far from over (wine) or has accounted for only a minor share of

production (vegetable oils, dairy). This implies that financial and economic restructuring is only just starting. And if direct foreign investment is low in Slovenia compared with Hungary or the Czech Republic, it is practically non-existent in the agriculture processing industry. The only notable exception is the sugar refinery of Ormoz, where some co-operatives holding shares in the refinery sold them to Dutch and Italian investors to solve their liquidity problem.

Completion of the privatisation process and the establishment of a clear and stable environment will favour direct investment and the financial restructuring of the agri-food sector. It will also support the industrial restructuring of the sector, which for the most part already benefits from the same technological methods and facilities used in the EU. Output norms are also at EU level, although adaptations will have to be made to meet specific EU standards before accession.

The undoubted competitiveness of these enterprises enabled them to survive the loss of the Yugoslav markets and reorient towards new outlets, although spare production capacity still exists throughout the food industry.

Table 13: Privatisation of former "socially owned" food industry

	To be privatised		Privatised (1996 vs 1990) in %			
	No. Firms	Employees	No. Firms	% Firms	Output Value	Employees
Meat	18	3689	11	2/3	73%	69
Dairy	6	1680	2	1/3	14%	14
Fish	2	30	2	ALL	100%	100
Milling	4	939	2	1/2	50%	55
Animal feed	3	79	3	ALL	100%	100
Sugar	1	426	1	ALL	100%	100
Vegetable oils	3	283	2	2/3	8%	75
Fruit & Veggies	4	1793	3	3/4	93%	90
Bakery	18	3581	14	3/4	71%	61
Distilling	1	48	0	0	0%	0
Wines	4	901	0	0	0%	0
Beer	2	968	2	ALL	100%	102
TOTAL	66	14417	42	2/3		61%

Agriculture and rural policies

Slovenia started to implement its own agricultural policy after independence. This policy was consolidated with the adoption in 1993 of the "Strategy for the Agricultural Development of Slovenia" which placed special emphasis on sustainable rural and agricultural development and gave recognition to ecological and social aspects. While one of the main goals of the agricultural policy is to improve the self-sufficiency of the Slovene agri-food sector, the multi-functional role of agriculture is stressed. Territorial planning aspects are given importance, along with the social function of agriculture and its role in protecting the environment.

To achieve the Strategy's objectives, the Ministry of Agriculture had to strengthen the economic viability of around 10,000 family farms responsible for well over half Slovenia's agricultural output. At the same time, rural areas and the societal function of agriculture had to be supported, to ease the path of transition to a decentralised economy.

The different mechanisms now used to support Slovenian agriculture are:

- a central government price-fixing policy for milk, sugar, wheat and flour;
- a credit policy, input subsidies and farm investment support;
- export aid and border protection.

The main policy measures in sectors with market organisations are similar, or close to, EC policies. However, a number of sectors have very few market intervention mechanisms other than external trade protection.

3.1 The Budget of the Ministry of Agriculture, Forestry and Food (MAFF)

After independence, significant changes were made to the amount and the structure of the agricultural budget. It grew from 63 Mio ECU in 1992 to 111 Mio ECU in 1996 and is estimated at 150 Mio ECU in 1997. A sizeable part (see Table 13.1) of the budget is devoted to forestry and other non-agricultural activities (e.g. veterinary services). Some other Ministries also contribute to the total agricultural and rural support budget.

The biggest share of the budget is used to finance structural measures, with a large part providing supplementary payments in less favoured areas (LFA). An important, but diminishing, share (11.2% in 1996 against 19.4% in 1992) goes to supporting inputs. An increasing allocation (currently about a quarter of the total budget) finances general service activities.

The total budget for agriculture, from the MAFF and all other Ministries, was about 110 Mio ECU in 1996, or roughly 2.5% of Slovenia's total budget. The new government in 1996 decided to increase the MAFF budget for 1997 by 30% in real terms, and the overall agricultural support budget by 35%. Changes were also made to the budget's structure: measures were introduced to support agricultural co-operatives, phyto-sanitary services, structural measures at local level (the local administration selects the projects) and farmer organisations. Although announced on several occasions by Government members, a switch to farm income support through a generalised direct payment scheme has not yet been introduced. The agricultural budget presented in 1998 makes a real term increase of 10%, bringing it to 3% of the total state budget (table 14-1).

Table 14-1: Agricultural Support Budget in Slovenia

	1992	1993	1994	1995	1996	mio ECU 1997 (e)
Budget MAFF	71.9	65.6	70.7	94.8	156.8	203.9
o.w. non-agricultural use	23.4	15.7	18.1	35.1	60.2	
o.w. agricultural support (a)	48.4	50.0	52.7	59.7	96.7	
agriculture from other Ministries (b)	14.7	7.9	7.4	9.6	13.9	
TOTAL AGRICULTURAL AND RURAL SUPPORT (a + b)	63.1	57.9	60.0	69.4	110.6	149.3
SHARE of total agricultural support (in %)						
Price support and direct payments	4.9	5.5	3.8	6.2	4.1	
Input supports (incl. subsidy on interest)	19.4	13.9	12.7	11.7	10.2	
Export policy measures (promotion)	13.7	12.1	12.1	12.8	13.0	
Farm investment support	8.0	8.1	5.1	3.2	8.9	
Other structural measures	41.6	57.1	63.0	62.2	61.2	
agriculture in LFA	7.4	11.6	14.2	17.1	17.7	
general services in agriculture*	19.5	26.3	28.4	24.3	24.9	
social insurance support for farmers	7.5	11.4	12.2	13.9	12.6	
land improvement	6.3	6.0	6.0	5.3	5.2	
others	0.9	1.8	2.2	1.6	0.8	
Rural development program CRPOV	1.4	1.2	1.4	1.3	1.1	
Others	11.0	2.1	1.9	2.6	1.5	
TOTAL	100	100	100	100	100	

*Breeding, extension services, FADN, technical assistance

3.2 Agricultural Market Policy

3.2.1 Credit policy, input subsidies and LFA payments

The government supports agriculture with a low interest rates policy: the agricultural budget intervenes with short-term interest repayments (= marketing year) and also subsidises the rate of interest on loans for farming. This credit policy has a particular impact on the wheat, sugarbeet, potato, beef and pigmeat sectors. In 1996, 5.0% of all agricultural intervention funds were used for interest rate subsidy. In 1992, this type of support represented 9.2% of the agricultural budget.

Input support is also an important measure used to orientate production, improve productivity and reduce production costs. Mostly dedicated to wheat, sugarbeet and pig producers, in 1996 input support

accounted for 5.2% of all agricultural policy intervention funds. Like credit policy expenditure, it is now proportionately lower than in the past (10.2% in 1992).

Less Favoured Area (LFA) payments are given:

- for dairy cows (70 ECU/head),
- for beef (small complementary price),
- for sheep and goats,
- for alpine pastures.

A combination of different payments is possible in alpine pastures (e.g. alpine pastures payment + sheep and goat payment).

3.2.2 Market policy in general

Agricultural prices in Slovenia are generally higher than in other CECs and closer to those of the EU. They tend to fall into two categories:

- products for which market prices are significantly lower than the EU average, e.g. maize, milk, apples and pears:
- products for which market prices are close to or higher than EU prices e.g. bread-making wheat, sugarbeet, eggs, beef & veal, poultrymeat and pigmeat.

This reflects the hierarchy of agricultural price support and shows that significant discrepancies exist between products, particularly in respect of budget support. In recent years, agricultural support in Slovenia has risen, placing it among those countries with a high degree of protection of agriculture.

A summary table comparing EU and Slovenian producer and support prices is given below. All prices have been converted into ECU, using the average annual exchange rate. During the reference period the Tolar appreciated in real terms because inflation rose faster than devaluation. Prices expressed in ECU therefore tend to exaggerate the price increases received by Slovene producers (table 14-2).

3.2.3 Market policy by commodity

Cereals

Government intervention plays an important role in the cereals market: the whole supply of wheat and rye above certain reference standards is bought in at a fixed price. Slovenia has to import nearly half of its needs, either duty-free through the State Commodities Reserve Fund or through other importers, subject to the payment of import duties. Wheat producer prices in Slovenia are higher (at least +10% over recent years) than in the EU. But the comparable price within the EU is for bread-making quality wheat, on average about 5% higher than that for common wheat. In general, however, prices are around the maximum EU prices. Barley is around the EU average or slightly higher, and maize about 20% lower, which is less than the lowest EU price.

Oilseeds

Oilseeds have little importance in Slovene agriculture. At the end of the '80s and in the early '90s, the government tried to increase oilseed production through special programmes but these were abolished in 1994. The production of oil from pumpkin seeds is increasing. This is an interesting "niche" commodity, only produced in some regions of Austria and Slovenia. Import regimes for oilseeds are

Table 14-2: Summary table on prices

% of EU prices	Support price	Producer price				
	1996/97	1997	1996	1995	1994	1993
Wheat	139%	146%	139%	124%	114%	111%
Barley			104%	93%	103%	102%
Maize	93%	79%	100%	73%	81%	78%
Sugarbeet	98%	97%	97%	97%	81%	104%
Tomatoes		87%	98%	90%	108%	82%
Apples		68%	81%	88%	71%	81%
Cherries			62%	53%	54%	40%
Beef (c.w.)		99%	106%	99%	78%	69%
Pork (c.w.)		113%	107%	128%	121%	120%
Chicken (c.w.)		94%	93%	98%	83%	82%
Cow Milk		90%	83%	83%	77%	68%

quite liberal and subsidies are only given for the purchase of pumpkin presses.

Sugar

The Ministry for Economic Relations and Development controls the sugar market by fixing procurement prices for sugarbeet and white sugar. Imports and prices on the internal market are controlled by the State Commodities Reserve Fund. A minimum procurement (in fact fixed) price is set for sugarbeet with 16% white sugar content. The price for white sugar is set according to the raw sugar price on the London exchange. Producer prices vary according to the quality of sugarbeet delivered: on average they are equivalent to the EU average but fluctuate widely from year to year.

Fruit and vegetables

A comparison has only been made for tomatoes, apples and cherries. A direct comparison is difficult, as prices may correspond to different types of product. An average price for products which may correspond has been used. Producer prices for tomatoes appear to be at the same level as in the EU but, again, with big differences from one year to another, whereas for apples and cherries they are much lower.

Beef

Beef, which used to be a joint product with milk production, from dual purpose cattle bred on small farms, is today increasingly based on a suckler cow herd. Producer prices, which in the first years of independence were 20% lower than in the EU, are today closer to the EU average, mainly because of the fall in EU prices. Nevertheless, this means that beef is as protected as in the EU through tariffs. However, as tariffs for live animals are low, they are imported from the other CEFTA countries (mainly Hungary).

Pigmeat

On average, pigmeat prices are higher than EU prices, and in some years even surpass the highest EU price. This cannot be explained by feed prices, as cereal feed prices are equivalent to or lower than in the EU. The high prices are mainly the result of:

- the oligopoly of 8 large pig enterprises,
- an imbalance between demand and supply,
- high border protection.

Poultrymeat

Poultrymeat prices are around EU prices, which can partly be explained by the approximately 40% surplus which has to be exported. The gap with the Union is closing: in '93 and '94 prices were 85% of the EU's whereas in '95 and '96 they were 98% and 94% respectively. The "reopening" of the former Yugoslav Republics also played a part in these increases. Poultrymeat and poultrymeat products benefit from border protection.

Dairy products

Intervention in the milk market takes the form of a basic milk price, price controls and price incentives to improve quality. The price paid to the farmer depends whether quality and price penalties and bonuses are applied. As from January 1998, only the basic producer price is fixed and price controls are no longer applied. Up to the end of 1995, milk producers in less favoured areas received direct price support payments. In 1996, this system was replaced by direct payments per cow in mountainous areas, and support for suckler cows was introduced.

In 1997, milk producer prices were 90% of EU levels, whereas in 1993 they were 70%. As the price gap with the EU gradually closes, quality is also improving.

3.3 Trade policy

Border measures form a key element of Slovenia's food and agriculture policy.

Slovenia imports agricultural products at prices lower than those set for domestic products. Cereals and sugar are imported duty-free through the State Commodities Reserve Fund. This State monopoly in particular benefits from the management of the import tariffs quota at a zero rate for wheat, barley and maize.

3.3.1 Border protection and the GATT Agreement

From the end of the eighties, non-tariff barriers (quotas, timetable of imports...) were gradually dismantled, with the exception of the import monopoly by the state reserve agencies for wheat and sugar. In 1993 Slovenia introduced, in addition to the existing customs duties, a threshold price system and variable levies on imports of live animals (cattle and pigs), meat (beef, veal and pigmeat), milk and dairy products, eggs and poultry, cereals and wine. Their levels were subject to continuous changes, determined by the government on the basis of prevailing market and inflationary events. For example, during 1994 and the first half of 1995, variable import levies on cattle and pigs were increased.

Following the Uruguay Round Agreement, the variable levy system was completely dismantled through the tariffication process. Slovenia has undertaken the commitments of the GATT agreement on domestic support, market access and export subsidies.

Among the CECs, Slovenia has a very specific position within the GATT Agreement:

- It made its commitments in ECU¹¹. The initial Aggregate Measures of Support (AMS) value amounted to 159 Mio ECU in 1995 and the final AMS to 131 Mio ECU in 2000. So far, the AMS does not appear to represent a particular policy constraint.
- Slovenia has not tabled any offer in the field of export competition because its expenditure on export refunds during the base period was low. It is intended to use this small amount to finance internal measures, namely marketing and promotion.
- In practice, Slovenia uses the tariff equivalent as a ceiling under which variable levies may be applied.

Minimum tariff quotas have to be opened for wheat (80 000 t), barley (70 000 t) and maize (120 000 t), which more or less covers imports of these products.

Table 14-3 shows that the tariffs and levies now in force for all commodities are below the maximum allowed by the GATT. However, some have to be reduced before the year 2000.

3.3.2 The EU Association Agreement

The Association Agreement between Slovenia and the European Union was initiated on 15 June 1995 and signed in 1996. For the agricultural sector, it primarily agrees mutual concessions in the form of tariff quotas at preferential rates.

Within the tariff quotas, an 80% reduction in customs duties and import levies for traditional Slovenian exports to the EU was set, primarily affecting beef and veal, poultrymeat and eggs, some dairy products such as skimmed milk, yoghurt and cheese, fruit juice, potatoes, some vegetables and fruit and hops. Slovenia agreed to lower the rate on imports from the EU by 50% within fixed quotas for prod-

¹¹ Poland made theirs in US \$ and the other CECs in national currencies.

Table 14-3: Tariffs, levies and tariff equivalents

	Tariff (f.i.1997) %	Base rate of Duty*		Tariff applied 1997 ECU/t	Tariff equivalent 1998 ECU/t	Tariff equivalent 2000 ECU/t
		%				
		1995	2000			
Beef carcass	11.5	14	9	1506	1665	1443
Pig carcass	14	17	10.9	75	381	356
Poultry meat	14	17	10.9	190	215	201
Milk	10.5	12	7.7	150	230	215
Eggs	5.8	7	4.5	150	249	233
Soft wheat	5	7	4.5	63	93	87
Maize	11	13	8.3	0	87	81
Raw sugar	17	19	12.2	343	368	344
Wine	22.5	27	17	245	467	436

* according to the GATT Schedule

Table 14-4: Utilization of quotas for some agricultural products

	1997 (ton)			1998 (1-6) (ton)		
	Allowed	Duty (%)	Used	Allowed	Used	Balance
Dairy products						
Milk powder	1000	20% of MFN	0	1100	1100	0
Yoghurts	500	20% of MFN	0	550	0	550
Cheese	300	20% of MFN	60	330	19	311
Beefmeat	7000	20% of MFN	960	7700		
Poultry meat (1)	3400	20% of MFN	1443	3740	356	3384
Pigmeat						
Dried ham and cuts thereof	50	20% of MFN	8	55	7	48
Sausages and similar products	100	20% of MFN	0	110	0	110

(1) Only January to March

ucts including: meat (semi-processed beef, pigmeat, duckmeat and goosemeat), dairy products (including yoghurt and selected cheeses), fruit and vegetables (citrus, apricots, tomatoes, ...) tomato juice, soyabeans and soyameal (table 14-4).

A separate reciprocal wine agreement is being negotiated, to cover tariff quotas and protection and control of wine denominations.

3.3.3 The CEFTA Agreement

The CEFTA Agreement was signed in December 1992 replacing the "Visegrad Agreement" of February 1991 between Poland, Hungary and the former

Czechoslovakia. The Agreement between the four countries came into force in March 1993 (after the split of Czechoslovakia into the Czech and Slovak Republics). In November 1995, the agreement on Slovenia's accession was signed, with a transition period which will end on 31 December 1999. Romania became the sixth member of CEFTA on 1 July 1997. Bulgaria has applied for membership and its application is likely to be approved in 1998. Negotiations to join CEFTA have also started with Latvia, Lithuania, FYROM (Former Yugoslav Republic of Macedonia) and Croatia. However, under CEFTA rules, only candidates that have an Association Agreement with the EU and are members of the WTO are eligible for membership.

The CEFTA Agreement encompasses all industrial and agricultural products. All barriers will be abolished by the end of 2000 for industrial products. Preferences are given symmetrically, and are at least at a comparable level to those conceded to the EU. The initial Agreement offered preferential quotas (applicable to Slovenia after the transition period) for many but not all agri-food products. For selected commodities preferences were given on a bilateral basis, whereby the parties had to decrease tariffs by 10% annually, until a 50% preference was reached. It was later decided to introduce the 50% tariff reduction at once, and in some cases make an even higher reduction (70%).

Lengthy discussions followed concerning complete liberalisation, but the end result was partial liberalisation, with more tariffication. As there are substantial price differences between Slovenia and other CEFTA countries, for certain products Slovenia delayed agreeing on multi-level tariffs, which they feared would cause a serious drop in prices and a significant decline in farmers' incomes. A compromise was reached at the September 1997 summit of CEFTA heads of government held in Slovenia, when further steps towards liberalisation among the CEFTA countries were agreed. Following the summit, Slovenia agreed to free up its farm trade legislation by 1999, and to complete the transition by 2000. Slovenia was allowed to maintain higher import tariff rates for a limited number of agricultural commodities, such as sheep and goatmeat, cattle, pigs, poultry, beef and pigmeat, milk powder and canned meat in 1997, 1998 and 1999.

Slovenia finally signed Protocol 6 of the CEFTA Agreement at the December 1997 Warsaw Summit. The Protocol covers all the main trade regulations between the CEFTA countries, and will bring about important changes for Slovene agriculture. It came into force 1 April 1998 and divides into two phases, 1998-2000 and post-2000. For some products, import quotas will remain in place until 2000, while for others CEFTA tariffication and complete liberalisation apply as from 1 April 1998.

As the Agreement now stands, preferential commodities for Slovenia fall into four main groups:

**CEFTA Agreement: Protocol 6 for Slovenia
(signed Dec. 1997 in Warsaw)**

- A list** Duty free and Quota free commodities to 1 April 1998
Breeding animals, horses, rabbits, durum wheat, oilseeds
 - A1 list** Duty free and Quota free commodities to 1.1.2000
(from 1 April 1998 until 1.1.2000 quota system)
Sheep & goats (live animals and meat)
 - B list** Common preferential tariff levels
Poultry meat (28%), (wheat (15%), barley (18%), flour (15%), pastry (20%), some fruit and vegs (5 to 10%)
 - B1 list** Common preferential tariff levels
(on very limited quotas until 1.1.2000)
Live animals (cattle, pigs, poultry: 10 to 15%), carcass beef and pork (25%), beef- and pigmeat (20%), milk powder (37%), all canned meat (15-18%), hops (5%)
 - C list** Bilateral preferences to Slovenia
(limited quotas, or partial liberalisation)
Potatoes, cheese, eggs, apple, oilseeds, oils, different meat products, soft drinks, wine, beer
 - D list** Bilateral preference from Slovenia
The same commodities as on the C list, including also maize (5% for Czech Rep. and Slovak Rep., 50000 t quotas for Hungary, 15000 t for Romania)
-

Trade in sugar and some dairy products remains protected and they are excluded from the Protocol.

At 2.2%, Slovenian agri-food exports to CEFTA countries are low (1995-97 average) but likely to grow (e.g. poultry-meat). Imports represent 13.5% (mainly from Hungary), and are also likely to show a gradual increase.

Since the end of the war between the former Yugoslav Republics, Slovene trade policy has mainly been aimed at restoring its export markets there. In this context, a free trade agreement has been signed with FYROM (Former Yugoslav Republic of Macedonia) and Croatia.

3.4 Structural Policy in Agriculture

Future agricultural structures policy is likely to see a further shift towards measures which support structural changes in property and ownership, as well as in production, technology and the sector's organisation. The development of a more market-oriented approach is seen as a pre-requisite to successful structural change. This applies not only to farm expansion and yields, but to the identification of fresh "niche" markets, complementary income sources, and the restructuring of production. More efficient marketing and better organisation of producers are also important. The State can play a key role in supporting market-oriented organisations - farm co-operatives, chambers of agriculture, sales points, marketing chains - and encouraging mergers.

Structural measures (1995/96)

- Investment subsidies for less favourable production conditions:
Dairy cows, beef, sheep- and goat- and horse meat production
- Investment subsidies for alpine pastures
- Subsidies for interest rates on loans for investments:
(for production and supplementary activities) cattle, sheep, goats and horses
- Target investment grants:
Pig breeding centres, insemination centres, cold stores for fresh fruit, planting or replanting of permanent crops, building of irrigation systems

Long-term investment policy is oriented to interest rate subsidies for investment credits (see credit policy). Direct farm investment support is only given for the renewal of plantations and modernisation of infrastructures (seed centres, animal breeding centres). In 1996 the only increase in investment support was to vineyards. Including the low interest rate policy, total investment support represented only about 3.2% of all funds in 1995 but 8.9% in 1996.

As well as increasing overall efficiency, structural policy is seen to have a role in encouraging more environmentally friendly (sustainable) types of

farming: the rational use of inputs, reduced livestock densities, organic farming and integrated food production systems.

3.5 Rural Development Policy

New regional development structures have gradually been established since independence. Development programmes with a rural character fall under the competence of three Ministries:

Ministry of Agriculture, Forestry and Food	Execution of the rural development programme Integrated Development of Rural Areas and Village Renewal (CRPOV)
Ministry of Economic Relations and Development	Planning and creation of long-term development strategies Rural Development Fund
Ministry of Environment And Spatial Planning	Subsidies for protected areas (national parks, ground water basins)

It is not yet possible to quantify the impact of rural policy measures. One of the main reasons is the limited budget allocated to accelerate the development of the rural infrastructure, the adjustment of agricultural structures, the promotion/creation of SMEs and economic diversification. The budget allocated to local rural development policy (i.e. excluding major infrastructure and industrial policy) is estimated at around 20 Mio ECU. Overlapping responsibilities and a lack of co-ordination in the execution of rural policy measures make a clear overview difficult.

However two programmes do have a significant impact on local rural development and hence indirectly on agricultural development.

- In 1990, the MAFF launched the 'Integrated Development of Rural Areas and Village Renew-

al' (CRPOV) programme, with about 1.5% of the agricultural budget. This focuses on assisting single development projects at local level. Nearly 100 of Slovenia's 147 local communities are now engaged in implementing rural development projects. Their main aim is the maintenance of rural society, not through industrialisation (although primary industries such as timber production are encouraged) but by concentrating on the agricultural sector. Programmes support off-farm activities and diversification, such as agri-tourism. Or, as Slovenia is far from self-sufficient in vegetables, investment for growing vegetables on small holdings could be encouraged. One of the most advanced projects is the development of "wine routes".

- Activities co-financed by the Rural Development Fund have gained in importance over the last three years. The Fund has been operative since 1995, following the adoption of the law on the use of finance from the sale of public enterprises. Proceeds from these sales are divided among different Funds, including the Rural Development Fund. The remainder of its budget, which in 1997 amounted to around 6 Mio ECU, comes directly from the State budget. Projects are selected for funding following public advertisement. Priority is given to those which are integrated into wider development programmes and may include, for example, investment in farming, processing and promoting typical regional products or the development of off-farm activities. In 1996, 519 applications for grants were received. Of these, 272 (53%) fulfilled all the criteria and co-financing was approved.

1998 budget commitments are expected to increase by 30%. More attention will be given to supporting the CRPOV programmes and special programmes for young farmers.

Since 1992 there has also been a steady increase in subsidies to reduce production costs in less favoured areas.

3.6 Agri-environmental Policy

The Environmental Protection Act (EPA) adopted in 1993, was the first legislation to introduce a range of incentives directed at users and polluters of the environment. Its aim is to preserve, improve and develop the integrity, diversity and quality of nature, the ecosystem and all natural resources.

Under this Law, the government has introduced regulations stipulating types of activity for which an environmental impact assessment is mandatory, for example irrigation. Legislation is in preparation covering water and air pollution. The Water Act will provide a comprehensive legal framework for the management of water. At present, there is no legislation covering waste disposal or treatment.

The use of pesticides is regulated by the Law on Plant Protection (1995), which applies to all plants and plant products. The application of pesticides, especially herbicides, is restricted in water protection zones. Users of plant protection products must ensure that they do not come into direct contact with humans, animals, water flows, lakes or water supplies.

Unfortunately, finance devoted to environmental protection is very limited: well below the EU average and insufficient to meet the requirements laid down by the Slovene authorities for the implementation of the National Environmental Action Programme.

3.7 Veterinary and phytosanitary policy

3.7.1 Veterinary policy

Approximation of Slovenia's veterinary legislation to that of the EU¹² mainly concerns:

- trade in live animals, semen, ova and embryos,
- trade in animal products,
- control measures,
- marketing of animal products,
- measures covering more than one sector,
- imports from third countries of live animals and animal products,
- control and protection system,
- breeding stock and pure-bred animals,
- animal welfare

The State Veterinary service, which is attached to the Ministry of Agriculture, is working on implementing the EU acquis. However, the Slovenian veterinary framework act still needs to be completed by a number of implementing measures.

If Hungary joins the EU at the same time as Slovenia, Border Inspection Posts (BIPs) would be retained only at the land border with Croatia. The veterinary procedures at the BIPs are similar or close to those of the EU, but there are no physical inspection or storage/lairage facilities at the border. These will be built only where BIPs are to remain after accession.

The animal health situation is in general close to the EU's, but a major obstacle to the trade of pigs and non heat-treated pig products with the EU is the continuation of regular vaccination of the pig population against Classical Swine Fever. The application of EU technical standards in animal welfare is pending the implementation of secondary legislation to

the framework veterinary act. A national identification, registration and movement control system is being elaborated under a national Phare project and it is understood that the system will be implemented with the help of a further Phare project.

Slovenia's animal product processing industry is making good progress towards meeting the corresponding EU standards and requirements laid down by various directives, although investment is needed for modernisation. At present, 9 meat plants and 6 dairy plants are approved under EU veterinary standards.

Since 1995 Slovenia's veterinary sector has made important progress towards the EU; the necessary systems have already been elaborated but need to be enforced. However, lack of legislation on feeding waste food to pigs has been identified as a crucial point.

For more detail on the Veterinary Sector, see Annex 3.

3.7.2 Phyto-sanitary policy

The approximation of Slovenia's phyto-sanitary legislation to the EU's is in progress. Legislation covering plant protection products has already been implemented. Regulations concerning pesticide residues, the plant health regime and plant variety rights have been prepared and are awaiting adoption and implementation. All other legislation, concerning seeds and propagation material, animal nutrition and organic farming, is under preparation.

The implementation and enforcement of health requirements to EU standards is particularly important in respect of control and inspection arrangements to protect EU external borders. The Slovene authorities (with the support of Phare and EU

¹² For more details White Paper, Preparation of the Associated countries of Central and Eastern Europe for integration into the Internal Market of the Union, Chapter 5 "Veterinary, plant health and animal nutrition legislation", Commission of the European Communities, COM(95) 163 final/2, May 1995.

experts) have made a particular effort to upgrade border inspection posts at Jelsane, Obrezje and Gruskoyje, the three main crossings to Croatia, as this will become an external border after Slovenia's accession to the EU.

4. Mid term outlook

As in 1995, Chapter 4 brings together the Report's findings to construct possible scenarios for Slovenian agriculture in 2000 and 2003, in the run-up to EU accession. Building on a tentative set of macro-economic suppositions, and assuming the continuation of the reform process and preparations for accession, the aim is to produce supply balance sheets for the most important Slovenian agricultural commodities, including area, yield, production, domestic utilisation and trade. There is clearly a sizeable margin for error with this kind of exercise and, notwithstanding the experience gained in 1995, the following projections, based on qualitative analysis and expert judgement, must be interpreted with care.

4.1. Overall economy

The growth of the agricultural economy relies heavily on general economic growth for the following reasons:

- the development of food demand is to some extent dependent on GDP growth and consumer income, particularly when a relatively high proportion of the household budget - although less than in other CECs - is devoted to food, beverages and tobacco: Slovenia = 22.7% of total, EU-15= 18.5%;
- agriculture depends directly on the good "health" of the up- and downstream industries;
- the level of interest rates is a key factor for agriculture, but is also important for the whole food chain;
- budgetary outlays which can be devoted to agriculture depend on overall growth.

After a decline in economic growth during the first two years of independence, since 1993 Slovenia has experienced a period of economic growth and fore-

casts to 1999 are quite good, with an average GDP growth of 3.5 to 4% a year. If the policy makers manage to implement the "Strategy" (see 1.2.2) successfully and without provoking social problems, we can be reasonably optimistic about Slovenia's economic growth. It can also be assumed that domestic demand will be stimulated by the expansion of tourism which, despite increasing since the beginning of the nineties, is still below the level reached in the eighties. This likelihood is integrated in the increase of apparent per capita consumption.

Regaining control of public finances and bringing about the structural reform of the economy will have a high priority for Slovenia. Three other main problems must also be solved:

- (i) bringing down inflation;
- (ii) reducing long-term interest rates to stimulate more investments;
- (iii) cutting unemployment.

If Slovenian policy makers wish to prepare not only for EU membership, but also to join EMU, they will have to tackle the first two problems at least by the beginning of the next century.

4.2. Policy scenario

A document called "Development Strategy for Slovenian Agriculture" was adopted by the Parliament in March 1993. It defines four key agricultural policy objectives:

- stable production of reasonably cheap, good quality food and food security in Slovenia;
- preservation of population density, cultural regions and agricultural land (preservation of production potential), protection of agricultural land and water from pollution and misuse;

- increased competitiveness;
- a guaranteed parity income for above-average producers.

The “target” scenario adopted for the future of Slovenia’s agriculture envisages a moderate intensity of production which would ensure a balanced food supply and cultivation of all agricultural land, while having no detrimental effect on the environment. Policy makers would like to increase self-sufficiency in certain commodities, while by no means implying that they are aiming for 100% self-sufficiency in all products.

The medium-term prospects for 2003 presented below are made within this political reference framework. 2003 represents the reference year, prior to the introduction of political and institutional changes towards the integration of Slovenia into the European Union.

It is assumed that approximation of Slovenia’s veterinary and phyto-sanitary legislation to the EU’s, implementation and enforcement to EU standards, will be complete by 2003.

4.3. Commodity projections

As a general point, we assume a continuation of the trend towards specialisation of Slovene agricultural holdings and an alignment of the farm price hierarchy to that of the EU. Under these circumstances we expect that in the near future Slovene agriculture will achieve physical yields similar to those of holdings located in the bordering regions of Austria and Italy. It was further assumed that, in accordance with its WTO commitments, Slovenia will use no export refunds.

General comment

Commodity projections are built taking into account only holdings which correspond to the EUROSTAT definition. This makes any comparison with the 1995 projections for 2000 difficult, since all holdings (including those below EUROSTAT standards) were taken into account at that time.

4.3.1. Land use

The main constraint on land use is physical. Much of the land is in hill and mountain areas with poor soil quality, so that any large-scale switch from meadows to arable land is not feasible. Therefore only small changes are expected. Amongst arable crops, increasing specialisation will lead to a reduction in some marginal types of production in favour of cereals, fodder crops and sugarbeet (table 15).

Table 15: Land use projections (000 ha) *

	1997	2000	2003
Arable land	172	175	175
of which			
cereals	95	100	102
fodder crops	52	54	55
others	25	21	18
Permanent crops	56	58	60
Permanent pastures	496	490	485
TOTAL	724	723	720

* only for holdings corresponding to EUROSTAT definition

It is difficult to compare these new forecasts with those made in 1995, because the June '97 structural survey significantly amended the agricultural land figures. In addition, here only land used, owned or rented by farms corresponding to EUROSTAT standards is included, which was not the case in the 1995 report. Nevertheless, the trend remains the same: a slight increase in arable land (mainly cereals and fodder) and a slight decrease in permanent pastures, as forecast in the '95 report.

Table 15-1: Cereals total

		1996	1997	2000	2003/04
area	000 ha	99	95	100	102
yield	t/ha	5.20	5.42	5.60	5.90
production	000 t	513	517	560	602
imports	000 t	473	479	503	489
exports	000 t	28	22	15	15
available	000 t	958	974	1048	1076
utilization					
o.w. feed	000 t	591	618	681	701
o.w. seed	000 t	18	18	18	18
o.w. waste	000 t	77	78	84	90
o.w. human	000 t	273	260	266	266
kg/capita	kg	138	132	135	135
selfsufficiency	%	54	53	53	56

4.3.2. Cereals (table 15-1)

MAIN ASSUMPTIONS

- no major change in the distribution of cereals, possible seesaw movement of areas dedicated to wheat and maize;
- area: the slight increase (+ 7000 ha against 1997) corresponds to the '94-'96 average; it is assumed that restructuring will bring some arable land back to EU standard holdings.
- yields: taking the 1996 level as the starting point, an increase of 0.1 t/ha/year will lead in 2003/04 to a yield of 5.9 t/ha; which is slightly above the current Austrian yield (\pm 5.7 t/ha) but with only 20% of the cereals area devoted to maize;
- feed use following the development of livestock;
- other uses: human utilisation constant at 135 kg per capita, seed constant at the '93-'97 average and waste linked to production;
- imports are the result of the calculation.

The result is a growth in production, but as feed use will increase to 0.7 Mio t, imports of approximately 0.5 Mio t will be necessary in 2003. This leads to a very slight increase in the self-sufficiency rate to 56%. In our '95 report, we were more optimistic in the growth of area (see general comments) whereas for yields, feed use and human utilisation projections are in line.

4.3.3. Sugar (table 15-2)

MAIN ASSUMPTIONS

4.3.3.1. Sugarbeet

- area: increase to 8 000 ha in 2003 to meet the needs of the sugar refinery;

Table 15-2: Sugar beet and sugar

		1996	1997	2000	2003/04
area	000 ha	6.3	5.8	7.0	8.0
yield	t/ha	46.8	46.3	45.5	46.3
production	000 t	295	270	319	370
imports	000 t	10	12	25	25
exports	000 t	0	0	0	0
available	000 t	305	282	344	395
sugar					
production	000 t	43	44	47	56
o.w. indigenous	000 t	40	39	44	52
yield indig.	t/ha	6.3	6.7	6.3	6.5
yield indig.	% sugar	13.6	14.4	13.8	14.1
imports	000 t	55	49	50	41
exports	000 t	2	1	2	2
utilization	000 t	96	92	94	95
kg/capita	kg	48	47	48	48
selfsufficiency (1)	%	42	42	46	55
selfsufficiency (2)	%	45	48	50	59

(1) based only on "indigenous" production

(2) based on total production

- yields: starting from the '94-'96 average, then an increase of 0.25 t/ha/year, leading in 2003/04 to a yield of 46.4 t/ha, or more or less the same level as in 1996, which was the record yield;

- imports: Slovenia will still import some sugar-beet from Croatian and Hungarian regions close to the border

4.3.3.2. Sugar (table 15-2)

- sugar content: taking the starting point as 1996, then an increase of 0.1% per year, leading in 2003/04 to a sugar yield of 6.5 t/ha (EU-15 today 7.8) and a sugar content of 14%;

- exports and human consumption are kept constant at the '95-'96 average;

- imports are the result of the calculation.

Although sugar production in 2003/04 will reach 56 000 t, this will only lead to 60% self-sufficiency and Slovenia will still need to import about 40 000 t of refined sugar to meet its needs. Making a comparison with the '95 projection is difficult because in '95 imports of raw sugar were included in sugar production, which appeared to give a higher rate of self-sufficiency. Our '98 projection is also more detailed. A higher sugarbeet area is nevertheless forecast.

4.3.4. Wine (table 15-3)

MAIN ASSUMPTIONS

- area: continuation of the slight increase in vineyards;

- grape yields: slight increase from 6.0 in '97-'98 to 6.3 t/ha in 2003/04;

Table 15-3: Wine

Vineyards		1996	1997	2000	2003/04
area	000 ha	23.0	23.0	23.0	23.5
yield	t/ha	6.1	6.0	6.2	6.3
production	000 t	141	139	143	148
grapes for wine	000 t	132	130	136	141
wine					
production	000 hl	1010	995	1012	1046
yield	hl/ha	44.0	43.3	44.0	44.5
imports	000 hl	285	260	230	230
stocks	000 hl	332	320	271	279
exports	000 hl	100	95	125	150
utilization	000 hl	863	840	846	847
l/capita	l	43.6	42.5	43.0	43.0
selfsufficiency	%	117	118	120	123

- wine yields: slight increase from 43.3 hl/ha in '97-'98 to 44.5 hl/ha in 2003/04, which is more or less the present yield in Austria;

- imports: average '94-'97 mostly table wine from FYROM and "beaujolais";

- exports: recovery once an agreement is reached with the EU, mostly quality wine; agreement with Croatia will also boost exports;

- consumption is kept constant at 43 l/head following the downward trend of the last few years; foreign tourist consumption is included in the forecast.

Wine production in 2003/04 is forecast to be nearly 1.05 Mio hl, which is 0.2 Mio hl above domestic consumption, resulting in a 123% self-sufficiency rate.

The new area, yield production and per capita consumption projections are in line with those of '95. The exception is trade where we now forecast more imports and less exports; endings stocks are also reduced to about 0.28 Mio hl instead of 0.57 Mio hl.

Table 16-1: Livestock

		1996	1997	2000	2003
cattle	000	496	484	500	500
o.w. cows	000	212	207	203	197
pigs	000	592	589	616	635
poultry	Mio	5.6	5.8	6.5	7.3
sheep & goats	000	60	73	85	92

4.3.5. Livestock (table 16-1)

MAIN ASSUMPTIONS

- Cattle number: the bottom was reached in 1994 and 1995 and since then, there is some recovery; the number of cattle will increase by 1%/year until 2000 (0.5 Mio head) and stabilise at that level.
- Cow numbers: starting point 1997 and then a decrease of 1% per year.
- Pigs: starting point 1997, then a 1% increase per year.
- Poultry: starting point 1997, then a 4% increase per year to take account of the reopening of the Balkan market and the opening of the CEFTA markets.

Table 16-2: Milk

		1996	1997	2000	2003
fluid milk					
cows	000	212	207	203	197
yield	kg/cow	2709	2897	3120	3360
fluid milk prod.	000 t	575	599	634	663
imports	000 t	2		3	5
exports	000 t	62		101	110
available	000 t	515		537	557
utilization					
o.w. feed	000 t	110		114	118
o.w. waste	000 t	12		12	12
o.w. processing	000 t	220		232	239
o.w. human	000 t	172		177	187
kg/capita	kg	87		90	95
selfsufficiency	%	112		118	119

- Sheep & goats: starting point 1997, then a 5% increase per year until 2000 and a 2.5% per year increase between 2000 and 2003. This huge increase is due to the fact that sheep & goats are highly subsidised. However, 85-90000 animals corresponds to the break-even point, representing a consumption of 2 kg per inhabitant. Beyond this level of production surplus problems could occur, which is why the increase rate is slower after 2000.

The new forecasts more or less fit with those made in '95 with the exception of poultry, for which figures have been fundamentally revised following the June '97 structural survey.

4.3.6. Milk (table 16-2)

The dairy sector provides the key to understanding and predicting the evolution of Slovenian agriculture. In effect, this sector would appear to be moving, more than other sectors, and more rapidly, towards specialisation. On the one hand, there is an important productivity reserve as yields are lower than in the bordering EU regions. But the limited budget available to subsidise milk production will rapidly become a major constraint on a further increase in production, as self-sufficiency has already been reached. Surpluses are expected to press internal prices downwards, at least in real terms (- 5% in 1997), which will progressively lead to a new market balance.

MAIN ASSUMPTIONS

- Milk yields will increase annually by 2.5% and in 2003 will reach 3.36 t/cow, resulting in a milk production of 0.66 Mio t;
- Feed use will increase slightly (+1% per year) due to the intensification and specialisation process of dairy production;

- Human consumption per capita will increase (mostly yoghurt) to 95 kg/capita;
- processing: starting from the '96-'97 figures, then an increase of 1% per year;
- a very small increase in imports;
- exports are the result of the balance sheet.

The 1995 projections did not detail milk utilisation. In the new forecasts, the number of cows declines at a slower pace and milk yields increase less rapidly, consequently leading to a lower rate of production, a reduction in surpluses and therefore less exports. Self-sufficiency is in the same range of around 120%.

4.3.7. Beef/veal (table 16-3)

Coming from the dairy herd until the mid-nineties, beef production will in future come increasingly from specialised suckler herds, a development which is already underway. Moreover, it is expected that beef prices will increase (as has already occurred in the last few years) or at least the beef/pig price ratio will be closer to that currently found in the EU. Today production is mostly located on small farms and our forecast is based on an increase in the number of animals bred on large holdings.

MAIN ASSUMPTIONS

- total slaughters are based on an historical ratio between cattle and slaughter numbers, with the increased importance of the suckler herd. This ratio has slightly increased (from 40 to 42%);
- average weight is slightly lower than the EU average due to more veal production; this average weight is kept stable over time;
- human consumption per capita is forecast to be stable at the '96-'97 average;

Table 16-3: Beef/veal

		1996	1997	2000	2003
cattle	000	496	484	500	500
total slaughter	000	196	194	203	210
average weight	kg	259	260	260	260
production	000 t	51	50	53	55
imports	000 t	12	8	9	8
exports	000 t	3	6	5	5
utilization	000 t	58	57	57	57
kg/capita	kg	29.2	28.8	29.0	29.0
selfsufficiency	%	88	91	92	96

- exports were kept constant at the '93-'97 average, which is disappointing, as a modern food processing industry could have boosted exports;
- imports are the result of the balance sheet.

Total beef production could reach 55 000 t but will be based partially (5%) on imported live animals. Self-sufficiency will improve, but even by 2003 will not be 100%. In comparison with the '95 projections, the increase in production is more moderate and self-sufficiency is lower, since at that time we forecast lower consumption and more exports.

4.3.8. Pigmeat (table 16-4)

Pigmeat is the main product in the meat sector in terms of both production and consumption (overall and per capita).

Table 16-4: Pigmeat

		1996	1997	2000	2003
pig numbers	000	592	589	616	635
total slaughters	000	717	717	748	771
average weight	kg	88	86	88	90
production	000 t	63	62	66	69
imports	000 t	25	31	24	22
exports	000 t	4	4	3	4
utilization	000 t	87	88	87	88
kg/capita	kg	43.9	44.5	44.0	44.5
selfsufficiency	%	72	70	76	79

MAIN ASSUMPTIONS

- the slaughter number is determined by the historical production cycle, between 9.5 and 10 months (taking into account the total pig numbers (breeders/fatteners))
- average weight will increase slightly to reach the present EU average (90 kg);
- a small increase in human consumption per capita (+0.5 kg against '96);
- exports were kept constant at the '93-'97 average which, as for beef, is disappointing as a modern food processing industry producing, for example, high quality "prosciuto" would make higher exports possible;
- imports are the result of the balance sheet.

Pig production is expected to increase faster than demand and could reach 69 000 t in 2003. Nevertheless, the pigmeat market will still be in deficit and self-sufficiency will only be 79%, which is notably lower than in the '95 projections (86%). This is due to higher domestic consumption but, also, environmental considerations could limit faster development, which is in theory possible.

4.3.9. Poultrymeat (table 16-5)

Traditionally an export sector, poultrymeat suffered from the destabilisation of the former Yugoslavia. Now that the situation in the Balkans has improved, there are new prospects for this sector and the CEFTA agreement will also boost exports. A recovery has already been seen since 1995.

MAIN ASSUMPTIONS

- the slaughter number is determined by the historical production cycle, between 40 and 50 days taking into account a certain shift towards turkey;
- average weight will increase slightly from 1.21 kg in 1996 to 1.28 kg in 2003, again taking into account the shift towards turkey;
- human consumption per capita will continue its upward trend;
- imports are kept constant at 2 000 t;
- exports are the result of the balance sheet.

Poultrymeat production could reach 73 000 t in 2003, which is 20% higher than the 1997 figure. It is obvious that the future development of the sector will be demand-driven. Consumption will only increase slightly, after the already huge increase due to the BSE crisis. Nevertheless, the healthy image of poultrymeat and poultrymeat products in the mind of the consumer will continue to boost consumption. Around 40% of production will be exported (mostly to the former Yugoslav Republics and to other CEFTA countries). The '95 projections were less optimistic because the situation in the former Yugoslavia was at that time less clear.

Table 16-5: Poultry

		1996	1997	2000	2003
poultry numbers	Mio	5.6	5.8	6.5	7.3
total slaughters	Mio	48		51	57
average weight	kg	1.21		1.25	1.28
production	000 t	58	61	63	73
imports	000 t	3	3	2	2
exports	000 t	15	17	19	27
utilization	000 t	42	46	46	47
kg/capita	kg	21.2	23.3	23.5	24.0
selfsufficiency	%	138	133	137	154

4.3.10. Total meat (table 16-6)

As a result of the beef, pig and poultrymeat projections and also taking sheep and goatmeat into account, total meat production will increase by more than 10% between 1997 and 2003, whereas utilisation will only increase slightly. Total meat utilisation per capita will be slightly lower than 100 kg. This is higher than today's EU-15 average (90 kg/head) but in the same range as Austria (97 kg).

Self-sufficiency, which is today around 92%, will be achieved in 2003.

Table 16-6: Total Meat

		1996	1997	2000	2003
production	000 t	178	181	186	201
imports	000 t	40	42	35	32
exports	000 t	22	27	27	36
utilization	000 t	194	196	194	197
kg/capita	kg	98.0	99.2	98.7	99.8
selfsufficiency	%	92%	92%	96%	102%

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5.2 Glossary & Abbreviations

BSE	Bovine Spongiform Encephalopathy	SIT	Slovene Tolar
CECs	Central European Countries	SME	Small and Medium sized Enterprises
CEFTA	Central European Free Trade Agreement	TAIEX	Technical Assistance Information Exchange Office
cw	carcass weight	UAA	Utilised Agricultural Area
EBRD	European Bank for Reconstruction and Development	WTO	World Trade Organisation
EPA	Environmental Protection Act		
EU	European Union		
IMF	International Monetary Fund		
GAO	Gross Agricultural Output		
GATT	General Agreement on Tariffs and Trade		
GDP	Gross Domestic Product		
LFA	Less Favoured Area		
MAFF	Slovene Ministry of Agriculture, Forestry and Food		
MFN	Most Favoured Nation		
NIS	Newly Independent States (of the former Soviet Union)		
OECD	Organisation for Economic Co-operation and Development		
o.w.	of which		
PPP	Purchasing Power Parity		

6.1 Geography, climate and demography

Slovenia lies on the south eastern fringes of the Alps at the meeting point of the Alpine range, the Mediterranean and South East Europe, bordering four countries (Italy, Austria, Hungary and Croatia).

With a total area of 20,250 square kilometers, Slovenia is 0.6% the size of the EU-15, or two-thirds the size of Belgium. Although small, the country has a great variety of natural conditions for agriculture: from Mediterranean, karstic and alpine to sub-panonic. Less than 40% of its area (0.8 Mio ha) is agricultural land, of which 0.23 Mio ha is arable. Forest covers more than 50% of Slovenia, well above the European average, and around 70% of the total agricultural area is in unfavourable hilly and mountainous regions.

Slovenia's climate is quite varied, going from sub-Mediterranean to alpine; minimum average temperatures range from -3°C to +5°C and maximum average temperatures from 17°C to 24°C. Average annual rainfall (1981-'90) varies from 800 to 2600 mm, depending on the region.

The Slovene population is relatively homogenous. Italian- and Hungarian-speaking minorities represent less than 1% and inhabitants from Republics of the former Yugoslavia less than 10%. According to '97 figures, 1.99 million people live in Slovenia, with an average density of 98 per square kilometer (similar to Austria). More than half the population live in the countryside; only two towns have more than 100,000 inhabitants, the capital Ljubljana (280,000) and Maribor (110,000).

During the first three years of independence the population decreased slightly (-10000) but it has been stable since '94. A small increase of 1% is fore-

cast between 1998 and 2003. Births in '96 of 9.5 per 1000 (the same as Germany) are one third lower than the '80-'85 average and a quarter lower than the '85-'89 average. Deaths in '96 were slightly lower than births, 9.6 per 1000. Life expectancy is 70.8 years for males (EU-15: 73.7) and 78.3 years for females (EU-15: 80.1) against 67.9 and 75.9 years 10 years earlier. Causes of death are mainly circulatory diseases (42%), cancer (25%) and respiratory disease (7%).

Of the population, 69.3% are of working age, 17.4% are under working age (15 years) and 13.3% over the retirement age. The structure of the Slovene population is a little younger than in the Union, where the respective figures are 66%, 18% and 16%. However, if the recent trend continues, the structure will soon be the same. The age structure of family members on the farms is similar to that of the overall population.

6.2 Historical background

On the disintegration of the Austro-Hungarian Empire in 1918, Slovenia together with Serbia and Croatia formed an independent and single state which acquired the name of Yugoslavia in 1929. Two regions with a Slovenian-speaking population were not integrated into this entity:

- the west of Slovenia, the coast region of Primorska (400,000 inhabitants), which became Italian after the signature of the Treaty of Rapallo with Italy in 1920;
- a part of Carinthia which became Austrian after a referendum in 1920.

During World War II, Yugoslavia was occupied by Germany, Italy, Hungary and Bulgaria. This war, which combined the World War, a civil war with ethnic massacres in Bosnia and Croatia, and a national

and social liberation war, caused more than 1 million deaths among the Yugoslav population (more than 6% of the inhabitants). The resistance of the Yugoslav partisans, which brought together the aspirations of the various Yugoslav peoples, allowed the liberation of the country from nazism without any particular support from the Soviet army. At the end of the war, the communist resistance led by Tito proposed to give birth to a new concept of Yugoslavia: the Yugoslav Federation, whose constitution of 1946 embodied a completely original socialism¹³.

Slovenia became one of the six constituent republics of the Yugoslav Federation. The territorial relationship between Italy and Yugoslavia was complicated at a later date when in 1954, following the London treaty, 47 km of coast (including the port of Koper) were conceded to Slovenia, while at the same time Trieste remained Italian. A community of around 50,000 Slovenians thus became Italian, whereas Istria, where an Italian-speaking community resided, was incorporated into Slovenia and Croatia.

Slovenia was the most prosperous republic of Yugoslavia and the most orientated towards Western Europe. It is generally agreed that, with only 8.4% of the Yugoslav population, Slovenia contributed 18.2% of the former Yugoslav Federation's GDP. The democratisation process started after Tito's death and accelerated after 1988, leading to the first free election in April 1990. These gave rise to the victory of a straight centre coalition (DEMOS) and the election to the presidency of Milan Kucan, an ex-communist. In a referendum held in December 1990 a resounding majority (88%) voted for independence, which was declared on 25 June 1991. The victory in the 10-day war against the Yugoslav National Army following the independence proclamation confirmed Slovenia's status as an independent state. A new Constitution adopted on 23 December 1991 guarantees all civil freedoms, including freedom of religion and of expression.

Slovenia was rapidly recognised by all EU Member States, and by the European Community on 15 January 1992.

After the adoption of the new Constitution, institutions gradually evolved:

- a national Parliament of 90 delegates, democratically elected according to a proportional system with a minimum threshold of 3.4%;
- a national Council of 40 members, representing the social and economic sectors as well as local authorities.

The latter assembly has the role of controlling legislative power by means of a suspensive veto (forcing the Parliament to re-discuss and revote) and the possibility of organising, under certain conditions, referenda on laws newly approved by the national Parliament.

The elections held on 6 December 1992 confirmed the presidency of Milan Kucan (with 63% of the votes) and led to the formation of a centre-left coalition government. New legislative elections took place in November 1996 and, after much discussion, a three-party coalition government composed by the Liberal Democracy of Slovenia (LDS), the Slovene People's Party (SLS) and the Democratic Party of Slovenia's Pensioners (DeSus) was formed.

Slovenia aspires to being recognised as a reliable political and economic partner. It has initiated the process enabling it in the long term to become a member of the European Union. At international level it has been admitted to the United Nations (18 May 1992) and become a member of the IMF (14 December 1992) as well as the EBRD (23 December 1992) and the World Bank (25 February 1993). Slovenia is also one of the signatory countries of the GATT agreement and a founder member of the WTO.

¹³ But neither then, nor later, was the principle of multi-partism introduced, even if there was no Yugoslav Communist Party but a League of Yugoslav Communists and different mass and social organisations. However, Yugoslav citizens were free to visit Western Europe and North America for tourism, higher education and work purposes.

Annex 3: The veterinary sector in Slovenia¹⁴

In a functional analysis of the veterinary sector at least five sub-sectors are to be distinguished.

1. Veterinary Education and Training Sector

- 1.1 One of the four veterinary faculties of the former Yugoslavia was in Slovenia, in Ljubljana. Although a very small faculty, 60 new students are accepted for veterinary education and qualification annually, representing ~0.003% of Slovenia's total population. At present, this number is certainly sufficient, taking into account the general situation of agriculture in Slovenia. Graduation is possible following a 5-year curriculum.
- 1.2 In 1998, the faculty will be evaluated in the context of the application of EU training schemes and teaching programmes by the European Association of Establishments for Veterinary Education (EAEVE) for European accreditation of the faculty and in order to guarantee diploma equivalence.
- 1.3 Postgraduate training and qualifications can be obtained in a two-year formal course for a Masters degree at the faculty. Special courses on different veterinary disciplines are also given by the faculty, mostly in food hygiene. Further training is provided by TAIEX seminars and various Phare projects both in Slovenia and elsewhere. This should be continued during the implementation and application of the EU veterinary acquis.

2. The State Veterinary Sector

- 2.1 At the end of 1994, the Slovenian parliament adopted a new law on the veterinary sector. This Act laid down the basic rules for the organisation of the state sector as well as of the private veterinary sector, including all aspects of animal health and welfare and public veterinary health.
- 2.2 The State Veterinary Service (the Veterinary Administration of the Republic of Slovenia) is a body of the Ministry of Agriculture with full competence to cover the EU veterinary acquis. The state veterinary sector in general appears to be well structured and prepared for integration into the EU. The total number of state veterinary officers is 117 at present.
- 2.3 The State Veterinary service is working very seriously on implementing the EU veterinary acquis. However, the Slovenian veterinary framework act still needs to be completed by a number of legislative implementing measures.
- 2.4 As mentioned above veterinary legislation is enforced by the Veterinary Administration of the Republic of Slovenia. The headquarters in Ljubljana is headed by a veterinary director general, has six departments and directs 12 regional and also 37 district offices. Six Border Inspection Posts (BIPs) with 24 border stations are attached directly to the headquarters.
- 2.5 The state veterinary laboratory was merged with the veterinary faculty already in 1979. Therefore, the duties of the state laboratory

¹⁴ Prepared by TAIEX.

are performed at the faculty, but under the direction of the State Veterinary Administration. Seven regional laboratories complete the diagnostic capacity.

- 2.6 Following the accession of Slovenia and Hungary to the EU, BIPs in Slovenia will ultimately remain only at the land border to Croatia and at the international airport(s) and port(s); i.e. only half of the current number of BIPs will remain operational. The veterinary procedures at the BIPs are similar to those of the EU, but there are no inspection and storage/lairage facilities on the border. These will be built only where BIPs will remain after accession.
- 2.7 Finally, it is worth mentioning that there is a national animal health centre with nine regional units under the State Veterinary Administration. The animal health centres carry out secondary veterinary services, involving monitoring and inspection as well as registering animals and establishments and also slaughter house inspections.
- 2.8 An integrated computerised communication network is missing at the moment due to the lack of adequate software. However, hardware is already installed in some units of the state veterinary service and an integrated system keenly desired. A computer system for collecting and processing data on disease outbreaks is in operation. In summary, a plan is under realisation to set up an agricultural network, of which the veterinary network should become a component.
- 2.9 The animal health situation concerning OIE List A diseases is favourable. No cases of List A diseases have been reported, whereas a few cases of OIE List B diseases like Rabies, Enzootic Bovine Leucosis and Equine Infectious Anaemia occur every year. A main obstacle to the trade of pig and non

heat treated pig products with the EU is the continuation of regular vaccination of the Slovenian pig population against Classical Swine Fever (CSF). An eradication programme for Infectious Bovine Rhinotrachitis (IBR) is in operation. No further assistance is required to elaborate disease surveillance and monitoring plans or contingency plans. These have been developed or are being developed under ongoing national Phare projects.

- 2.10 The application of EU technical standards in animal welfare in respect of the keeping of calves, pigs, laying hens and laboratory animals, as well as the transport and slaughter of animals, is pending the implementation of secondary legislation to the framework veterinary act.
- 2.11 In the public health sector, the application of EU standards and of the CP/HACCP principles to the industries concerned has started. Also, the Slovenian residue monitoring and sampling plan has been approved by the European Commission. No serious health risks have been identified from the results obtained from this annual analysis. Checks on Zoonotic agents are included in the control plans of the state veterinary services. Some cases of Salmonella in poultry and some other Zoonotic infections were detected and have been eradicated.

3. The Private Veterinary Sector

- 3.1 As mentioned above, the private veterinary sector was also organised by the veterinary framework act in 1994 and the Veterinary Chamber of Slovenia became a self-governed professional regulatory body under the supervision of the state veterinary service. The Chamber now has about 480 full members; for all veterinarians in private practice

or other veterinarians working outside the state veterinary sector, e.g. in the pharmaceutical industry, membership is obligatory.

- 3.2 The Chamber is an observer member of the Federation of Veterinarians of Europe (FVE). At present, there are 80 practices with 3-6 veterinarians, mainly dealing with all species; but some are also specialised in certain species, such as cattle (10 practices), pigs (6), and small animals (7). The private veterinarians are dealing with prophylactic and therapeutic work; however, practices are subject to a licence issued by the Chamber. Private veterinarians are also engaged in state animal and public health schemes, e.g. tuberculosis testing or on-farm meat inspection. Up till now they are not allowed to be involved in the self-supervision systems being introduced in the food processing industry.
- 3.3 Another veterinary body is the Slovenian Veterinary Association, which associates all veterinarians on a voluntary basis and is composed of a number of specialists in various disciplines and species. The association is involved in continuous professional development.
- 3.4 Finally, a Veterinary Council of the Republic of Slovenia has been created. The members of the Council are appointed by the Minister of Agriculture. The main task of the Council is monitoring the whole veterinary sector and providing advice for all veterinary sub-sectors. Therefore, all important Slovenian veterinary institutions are represented in the Council.

4. Agricultural Livestock Sector

- 4.1 A national identification, registration and movement control system is being elaborat-

ed under a national Phare project and it is understood that the system will be implemented with the help of a further Phare project.

- 4.2 The domestic population of animals is about 480.000 cattle, 600.000 pigs, 75.000 sheep/goats, 8.000 horses and 6 mio poultry. A figure for the total number of holdings keeping livestock will not be available until the central database on herd registration becomes operational.
- 4.3 No support has been requested for establishing a national animal health trust fund. At present, farmers are compensated directly by the state, when the procedures of the Ministry of Finance have been completed. This process takes about 2 months, following the imposition of eradication measure in the case of an OIE list A disease outbreak.

5. Processing Industry under EU Veterinary Legislation

- 5.1 Slovenia's industry for processing products of animal origin is making good progress towards meeting the corresponding EU standards and requirements laid down in detail by various directives on meat, milk, fish, eggs and other products of animal origin. However, the need to export is not significant since Slovenia is generally a net importer.
- 5.2 At present, 9 meat plants (red, white and game meat plants) and 6 dairy plants are approved under EU veterinary standards. The fish (processing) industry does not play an important role in export (~300 employees only), but has local significance on the Adriatic coast.
- 5.3 The CP/HACCP concepts have been introduced into the industry's management sys-

tem. Even if there is no pressure for export markets, the industry needs upgrading to meet EU requirements for placing products on the market and for supplying the local markets. All the industries involved, including SMEs, are likely to require investment.

6. Conclusion

6.1 Slovenia's veterinary sector has made excellent progress towards EU integration. Systems which are needed have been elaborated but need implementation. These systems are for:

- animal identification, registration and movement control,
- an integrated computerised communication network, and
- inspection, physical examination, storage and lairage at those BIPs which will remain following EU accession.

6.2 An attempt to introduce a complete non-vaccination policy against OIE list A diseases should be started as soon as possible. At present an evaluation on the consequence and different options of ceasing the vaccination against CSF is carried out under a national PHARE project. In this context, lack of legislation on waste food feeding to pigs has already been identified as a crucial point. Investment is necessary to modernise the agri-food industries processing products of animal origin.

Annex 4: Phare activities in Slovenia agricultural sector

Agriculture

Review of policy reforms and strategy

Slovenia started to implement its own agricultural policy in 1991. The declared national objectives of agricultural policy are “the steady production of cheap and quality food as well as food security, the preservation of population densities, cultural regions and agricultural land, protection of agricultural land and water from pollution and misuse and sustainable increase in the competitiveness of agricultural production”. In addition, Slovenia has initiated the Europe Agreement accepting thereby the European policy orientation and taking on the obligation of making all preaccession preparatives.

The officially declared national objectives are as follows:

- general agricultural development with particular attention to food security;
- preservation of natural, human and cultural resources;
- increase of productivity and competitiveness;
- aiming at European standards and European integration.

These objectives are in accordance with the principles agreed in the Multi-annual Indicative Program 1996-99 for Slovenia. The agricultural policy mentioned above was consolidated with the adoption of the “Strategy for Agricultural Development of Slovenia” in 1993 putting special emphasis on sustainable rural and agricultural development with recognition of ecological and social aspects. The support policies include the following main elements:

- price control for milk, sugar, wheat and flour;

- input subsidies, credit and investment support;
- external border protection and export aid.

The main policy measures in sectors with market organisations are similar, or close to, EC policies. However, a number of sectors have very few market intervention mechanisms other than external trade protection. Rural development is an essential element of Slovenian agricultural policy, and a number of the policy measures are aimed at attenuating unfavourable production conditions for farmers in hilly and mountainous regions and promoting extra-agricultural economic activity such as production of higher value-added speciality products, tourism, etc...

Slovenia is in the process of reviewing its agricultural policy with the objective of bringing it closer to the CAP. Direct payments, such as income aid for farmers, together with regional and rural development policies, are envisaged to be gradually introduced. Changes in the price support measures for milk were adopted in 1996. With envisaged implementation in 1997, direct payments replace price policy supporting milk production in mountainous and hilly areas. For the planned implementation of policy measures similar to the CAP the new government (since early 1997) envisages increased spending.

Institutional framework and constraints

The Slovene government has over the last two years built up the institutional structures necessary for the co-ordination of the accession process.

Most line ministries in charge of implementing the sector policies have completed the process of setting up European Affairs Units. These units are to co-ordinate the ministerial work with regard to pre-

accession. In the MOAFF ESPU (European Strategy and Programme Unit) and operational since middle of 1996, has been reconfirmed by the new MOAFF-management as part of the International Department. The new Minister of MOAFF has participated on March 18, 1997 in the ministerial meeting in Brussels and has since emphasized the importance of the European issues in numerable public statements. Activities have somewhat slowed down in the period of the change of the Government and the illness of the Senior Adviser. The Department is headed by an Under-Secretary of State. MOAFF has one full time official in ESPU, while PHARE finances the part-time international adviser and one full time program assistant who is also professional interpreter. Of the two PHARE trainee posts one is filled, one still vacant due to administrative delays in government. (In order to ensure that Phare funds are directed at activities related to accession, the sections managing Phare operations within the Ministries (PIUs) will, in time, and where appropriate, be merged with the EAU's). MOAFF has not really grasped the full implications of the start of negotiations yet. As an institution it is far from being prepared for it. As its top management is new - and in fact lacking this type of international experience. With its 40 and odd professionals MOAFF will be fully absorbed to develop an adequate partnership on equal terms with the vast Euro-administration. Its reorganization or streamlining including structures and procedures seems a priority task for which support will be given by the 1996 Phare Programme.

Phare sector support

The strategic options of the Phare programme 1996 can be summed up as to further the approximation process in agriculture by assisting in European harmonization and in developing Slovenian equivalence in the phytosanitary and veterinary fields. It is a new situation for the country that its South-Eastern frontiers need to be technically monitored and possibly defended in phytosanitary and veterinary terms. Also, its up to recently provincial facilities

need to be developed into independent national monitoring, testing and decision making facilities and market, prices, production, processing and in particular marketing need to be adjusted in expectation of future integration into a much bigger and stronger common market. The other part of the program is confined to preparatory actions to be taken in view of economic harmonization i.e. the setting up of an agricultural information system. The above concerns the following projects (in total 0,5 MECU):

1) veterinary component (VETCO)

- commencing implementation of strengthening of the central veterinary services;
- building-up of four veterinary border checkpoints at the Croatian border introducing European standards and practices.

All 1996 available funds are scheduled to be committed before October 1997. This will be essentially to:

- acquire equipment
- to provide training abroad to national specialists
- to provide expertise in Slovenia in selected fields

In April 1997 the animal identification consultancy has taken place culminating in an inter-institutional meeting where the new EU-regulation has been fully clarified, its implications for the Slovenian systems assessed and a possible solution for a unified identification system presented. Decision has been made to introduce in both animal husbandry and animal health services the EU-system recommended. In the coming months practical steps need to be taken to implement this decision.

With regard to border inspection the expert concerned has completed drafting the BIP instruction manual of which translation and printing are underway. A workshop for border-inspectors has been held. The planned study tour for senior border officials has been postponed. The food-and-mouth dis-

ease group worked under the guidance of the expert on drafting the contingency plans for Slovenia in line with EU-guidelines. The expert for animal-related information systems produced a comprehensive report with a number of recommendations for MAFF and the related institutions involved. The main emphasis is on the development of a national information system management structure, the point, where the VETCO and INFOSYS sub-programmes meet. MOAFF has appointed national project managers for each of the sub-programmes. Overall this component has moved fast.

2) phytosanitary component (PHYTCO)

- starting the support to central phytosanitary service/strengthening of the bacteriological laboratory;
- building up European level phytosanitary control at four border checkpoint at the Croatian border.

All funds are to be committed by December 1997. Similarly to the veterinary field funds will be divided between training, expertise and equipment components. Special expertise for phytosanitary informatics, pesticides registration still need to be identified and equipment specifications thoroughly reviewed. A first assessment mission has taken place early in April. A second had to be postponed to September due to the non-availability of acceptable BIP control and pesticides registration specialists. Also the tender for equipment has been postponed to September. Arrangements are however under way for training in bacteriology. For both VETCO and PHYTCO components establishment and maintenance of border control are an important element. For adequate control appropriate facilities are needed at least on a reduced number of border stations being gates for international transport corridors and main national entry points. Financing of cca. 8.5 MECU is needed. Consultations with other agencies have been going on. Veterinary and phytosanitary services would share facilities as far as technical requirements allow. The financing remains

an unsolved problem today. Overall progress has been slowly in this programme's component.

3) agro-info system (INFOSYS):

The coordination of the agricultural information system has to be a sectoral effort, including various governmental, semi-autonomous and even private institutions. Efforts to bring together a working group and to elaborate a concept had just started when the change in government took place, so this has not been completed yet. The INFOSYS project manager is to be appointed in September. Meanwhile exchange of views on approach and substance have gone on between the Secretary of State in charge of the agricultural information system and the PHARE Adviser. Due to the move of MOAFF to new premises professional staff will have computer facilities. The Working Group on Agricultural Information System is expected to take up its work in October, whereupon technical assistance to this program will be reintensified. Overall hardly any progress has been made in the INFOSYS component of this program.

Previous PHARE Assistance

Under the 1995 and 1996 national programs (1 MECU), Phare assisted the Ministry of Agriculture, Forestry and Food (MOAFF) in the formulation of an agricultural sector policy in the context of pre-accession, in harmonization and progress towards EU equivalence, in the implementation of the agricultural reform. The main priorities for Phare are (i) to increase productivity and competitiveness of the sector; (ii) to establish the sectoral information system for market regime and the Geographical Information System (GIS) for land use; (iii) to provide assistance to enhance the capacity to exert veterinary, phytosanitary, seeds and food controls in accordance with EU norms and standards; (iv) to develop the relevant institutions outside the Ministry and (v) to promote rural development. Under the Phare Multi-country programs, a Veterinary diagno-

sis and control program is under way but so far Slovenia has not received any funds from it. Joint planning was made in July 1996 to avoid duplications with the veterinary component of the national program when funds become available.

Status of the sector development

With regard to the adoption of the *Acquis Communautaire*, Slovenia has made progress in implementing the key measures identified in the White Paper (217 EC legal acts). Slovene regulations (some in force, others in the proposal phase) are totally harmonised with 7 and partially with 169 of these acts. Existing Slovenian regulations are not harmonised with 14 EU acts, whereas in the fields of 27 EU acts there are no Slovenian regulations. With a continuation of current progress the most essential parts of internal market measures should be in place by the end of the decade. However, it is difficult at this stage to assess the degree of approximation to the *acquis* and to what extent the necessary inspection and control infrastructure is, or will be, in place to ensure adequate enforcement of the legislation. In the veterinary field approximation to, and an implementation of the *acquis* has been partly achieved. The indicated timetables for the approval and implementation of secondary legislation in the different sections vary from 1997 until the year 2000. It is questionable whether the legal structure is sufficiently adequate to amend/implement EC legislation effectively. In the approximation process, further adoption would be needed with regard to the concept of HACCP (Hazard Analysis Critical Control Point) and auto-control, monitoring and surveillance programs, disease eradication, internal market control measures (safeguard, the license system, veterinary checks, additional guarantees, regionalisation), import regime (approved third countries, approved establishments) and the identification and registration system of animals (particularly back yard holdings). The facilities and professional experience at border inspection posts and veterinary laboratories need upgrading. The computerised information sys-

tem, the identification and registration system of animals, and the rendering infrastructure need to be improved. Vaccination against classical swine fever is still being carried out and a change to a non vaccination policy is necessary but will be technically difficult.

Policy context

The value of the agricultural production 1995 was approximately 0.56% of that of the Union. Agriculture has a modest place in Slovenia in terms of GDP, employment and export earnings. However, it plays an important role as an economic and social stabiliser. Agriculture accounts for 4.3% of the GDP and around 7% of employment. The Slovenian farm sector faces a substantial challenge of structural adjustment, particularly in sectors without price support measures in the EC (pig, poultry and egg production). Although the agro-food industry is relatively well structured and benefits for the most part from the same technological methods as used in the EC, the industry is suffering from low utilisation of capacity and would need to adapt to EU-quality standards.

Several key legal acts have been passed since independence: acts on restitution of land, on cooperatives, on plant protection, on veterinary administration, on forestry. All these mark the determination of converting to a market economy and harmonising with the EU. In spring 1993 the parliament adopted the "Strategy of Agricultural development in Slovenia" whose main goals are stable production of cheap food, preservation of population density, permanent increase of competitiveness and guaranteed parity income for above average producers. Emphasis is given to promoting sustainable development with ecological and social aspects. Slovenia is in the process of reviewing its agricultural policy with the objective of bringing it closer to the CAP. Direct payments, such as income aid for farmers, together with regional and rural development policies, are envisaged to be gradually introduced. Changes in

the price support measures for milk were adopted in 1996. With envisaged implementation in 1997, direct payments replace price policy supporting milk production in mountainous and hilly areas.

Institutional background

Since independence Slovenia has set up a functioning public administration structure. In the agricultural field it includes the MOAFF and a series of semi-autonomous or autonomous institutions in service of the sector. This mechanism needs streamlining in order to improve efficiency and to adjust the preparation of accession to the EU. The key issues are the establishment of the main interest representing organisations (i.e. Chamber of Agriculture & Forestry), the gaps and overlaps between the various institutions (systemisation requires sound preparatory work and legislative action), establishment of a coherent, transparent and accessible information system in service of the sector and the upgrading of the Ministry's capacity in international and economic policy work.

Other donors

FAO:

- 1996: Assistance in upgrading of selected meat plants: 60.000 US\$.
- 1996: Cadastre reform, land administration and valuation - diagnostic mission funds: 245.000 US\$ (attention will be paid to avoid duplication with Phare).
- 1997: Cooperative membership development - Workshop & strategy: 30.000 US\$.

Objectives

The overall objective is to prepare Slovenia's accession to the EU. As the harmonisation of legislation, equivalence of institutions, adequate adjustment of policies are preconditions of accession, the immediate objectives are (a) the implementation of the recommendations of the White Book (where the top three priorities are veterinary control, phytosanitary control and quality control/ market regulations) and (b) the preparation of EU oriented policy adjustment.

The expected outputs are to obtain: (a) an adequate institutional capacity for EU equivalence in veterinary & phyto-sanitary control; (b) a coherent agricultural information system; (c) a farm registry system as element of the information system and pillar of the agricultural policy adjustment; (d) progress in quality control and market regulations; (e) adjustments in agricultural policy towards direct income payments, structural policy mechanisms, environment friendly agricultural production, etc.;

Description of activities in Programme 1997

White Book implementation

Veterinary control: (a) Foot and Mouth disease preparedness will be raised (contingency plan, instruction manual, training of professionals, equipment for emergency vaccination teams); (b) food hygiene instructions will be reviewed/ revised, training in food hygiene provided through a workshop, testing and sampling equipment brought up to date; (c) regional laboratory centres will be strengthened (supply of ELISA equipment) and a new one established in Ptuj (N.B.: these regional laboratories have a backup role for BIPs); (d) equipment will be supplied to the Veterinary Institute of Ljubljana, responsible for investigating all OIE List A diseases and for national and international lab quality control

accreditation, in order to meet EU requirements; (e) functioning and procedures of EU veterinary administrations will be conveyed to senior staff in a EU study tour (with emphasis on incorporating EU Directives into national legislation); (f) the information system of the Animal Health network (national centre and 8 regional centres) will be upgraded. (g) preparations will be made for the EU veterinary equivalency agreements; (h) a limited list of equipment will be supplied to the three designated BIPs on the Croatian border to improve routine checking on imported live animals and animal products.

Phytosanitary control: (a) laboratory capacities at central and regional level will be brought up to EU standards (equipment, training, etc.); (b) the information system will be upgraded producing more effective data collection and communication (including communication with BIPs and pesticide registry); (c) internal organisation of work (structures, procedures) will be reviewed and revised resulting in a more effective job division and better control; (d) preparations will be made for the EU equivalency agreement; (e) BIPs will be upgraded (equipment) and inspectors will participate in target training.

Agricultural policy adjustment

Information system reform: (a) further develop a comprehensive and coherent information strategy for the agricultural sector; (b) consolidate data bases ensuring their EU compatibility; (c) establish linkages and technical compatibility between the various bases; (d) build an automated farm register; (e) produce reports facilitating/inducing policy analysis; (f) promote the establishment of a new data base (price, market and commodity orientation).

Implementation arrangements

The Phare ESPU within the department for International and European affairs of the MOAFF will manage the program. The individual components will be technically directed by project managers appointed by the technical departments concerned. Equipment specifications are ready for the veterinary field and under preparation for the phytosanitary field. They will go to public tender immediately upon approval of the Programme. Minor items will be purchased from local suppliers through a choice of competitive offers. Expert teams are already working in the veterinary and phytosanitary areas financed from the 1996 program and fielded by the Framework Contract. Since results are most satisfactory it is proposed to extend the arrangements ensuring their continuity. Training will be arranged for through the Framework Contract and attention paid in avoiding duplication with TAIEX. The duration of the project should be 24 months (S+24). Commitment projections are around 40% after one month (S+1), 70% after 6 months (S+6) and over 90% after 12 months (S+12).

Follow-up, evaluation and monitoring

The Phare unit will prepare regular quarterly reports on the implementation of the program.

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