

Selected aspects of the internal and external competitiveness of Slovak agricultural and food products

Vybrané aspekty vnútornej a vonkajšej konkurencieschopnosti slovenských poľnohospodárskych a potravinárskych výrobkov

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Abstract: The article describes the competitiveness of Slovak agricultural and food products after the accession of the Slovak Republic into the EU. The analysis has shown that even despite the increased subsidization and full liberalisation of trade, the competitiveness of our products still needs to develop. The main reason behind this is the poor efficiency of production and the lack of innovation activities. Most agricultural commodities are profitable only because of subsidies. Processing industry is the main contributor to the worsening deficit of trade balance. Specific commodities with good sales potential in the EU market include cereals, malt, wheat flour, dairy products, live cattle and sheep meat.

Key words: competitiveness, efficiency, prices, costs, EU, foreign trade, balance, market segmentation

Abstrakt: Príspevok hodnotí konkurencieschopnosť slovenských poľnohospodárskych a potravinárskych výrobkov po vstupe SR do EÚ. Z analýzy vyplynulo, že napriek zvýšenej dotačnej podpore a plnej liberalizácii obchodu máme z hľadiska konkurencieschopnosti značné rezervy. Príčinou je hlavne nedostatočná efektívnosť výroby a nedostatočná inovatívna činnosť. Väčšina poľnohospodárskych komodít sa vyrába rentabilne len vďaka dotáciám. Rozhodujúci podiel na zhoršujúcom sa salde obchodnej bilancie má spracovateľský priemysel. Z hľadiska konkrétnych komodít sa na trhoch EÚ dobre uplatňujú obilniny, slad, pšeničná múka, mliečne výrobky, živý hovädzí dobytok a ovčie mäso.

Kľúčové slová: konkurencieschopnosť, efektívnosť, ceny, náklady, EÚ, zahraničný obchod, saldo, segmentácia trhov

After the integration into the European Union, Slovakia and the other new member states began to enjoy the benefits associated with the liberalisation of trade exchange and the introduction of the subsidization schemes provided by the Common Agricultural Policy. New member states strive to obtain stable positions in the agrifood markets of the EU. This resulted in an increased competitive pressure which should ultimately lead to a certain diversification of agricultural and food operations within this group of states. Therefore, it is very important to prepare regular analyses of the situation in the Slovak agrifood sector, as well as the ability of our producers to defend their positions in the domestic market and to succeed in the foreign markets.

The objectives laid down by a number of government documents show that the increased competitiveness is the key factor for success and further development of the agrifood sector in Slovakia as a full-fledged partner in the Union. For example, one of the priorities laid down by the *National Strategy of Agricultural Policy for 2004–2013* (2003) has been the preservation and improvement of the competitiveness of farming production and food sector in the domestic market and in international markets; through the increased productivity of production factors. The *Agriculture Development Concept for 2007–2013* (2007) is based on the *Programme Declaration of the Government of the Slovak Republic* (2008) which defined agriculture as a priority of the government policy. Similar

to the above documents, the Declaration's objective is to contribute to the competitive agriculture, to develop a sound rural environment, and to provide for the sufficient supply of safe and healthy food for the healthy nutrition of the population.

THEORETICAL BASIS

Since the early eighties, competitiveness has become a key word in the developed countries. Jeníček (2000) states that despite a large number of works discussing competitiveness, this term has remained unclear. The fact is that there is no generally accepted definition of the term and the research approaches vary. This claim was supported by Solomon Alemu (1998) who states that a general economic theory for competitiveness has not yet been created. Competitiveness is not an economic term, hence it is impossible to give a clear definition.

Podolák (2000) defines international competitiveness as the ability of a country to take part in the global competition through producing and the exchange of products and services, the ability to succeed in foreign markets and to occupy a position in the market. In addition to succeeding in foreign markets, Doucha (2000) emphasized the ability to defend one's positions in the domestic market.

In search for an answer whether or not competitiveness is measurable in economic terms, Foltýn (2000) came to the conclusion that there are varied approaches in the determination of competitiveness, although there is no single and clear theory of competitiveness.

The complexity of competitiveness lies in the fact that it may be investigated from many different aspects and on many different levels. Competitiveness may be analysed on the level of the national economy, individual economic sectors, or on the level of individual enterprises. Also, competitiveness may be assessed on the basis of various indicators (Solomon Alemu 1998).

Matošková and Ižáková (2001) note the difference between the potential competitiveness and the actually proven competitiveness. According to them, the potential competitiveness includes evaluations using production intensity, prices, costs and the PAM analysis. The actual proven competitiveness is understood as the success in foreign trade that must be proven in the specific process of product sales, in order for it to become a reality. Bečvářová (2008) discussed the impact of changes in business environment on agriculture and the effect of changes on the criteria of the present agricultural enterprises. The approach of

Kučerová and Žufan (2008) to the solution of market position for the selected competitors was through mapping the market; they compared the key economic indicators – the relative market share and the rate of return on the total assets.

According to Jeníček (2007), competitive products on the global scale are those products that may be produced in every climate zone. From the perspective of the Czech Republic, these include all agrarian products of the mild climatic zone and food commodities produced from them.

MATERIAL AND METHODS

The primary sources of data for this article were the data from the RIAFE – own analyses, research works (Matošková 2007, Matošková et al. 2007; Gálik 2007, 2008) and databases from the SO SR (including customs statistics and the POTRAV Report). For the purposes of the international comparative analysis, we have obtained the relevant data from the institutes of agrarian economic information in Hungary (AKI), the Czech Republic (ÚZEI), and also from the Ministry of Agriculture in the Czech Republic and Poland (FAPA Agency).

The methods for the evaluation of competitiveness of agrifood commodities in international markets include **market segmentation** into price and quality sensitive markets, plus the breakdown of products into four segments. This method identifies products which contribute to the positive balance of trade (segment I and III), namely in two cases:

- if they succeed in the market despite a higher export price compared to the import price; due to a higher quality or value added (Segment I)
- if their competitiveness is affected by lower unit prices of export compared to import (Segment III).

Commodities in segment II and IV did not prove to be competitive enough in international markets, because of our negative balance of trade with those commodities.

RESULTS AND DISCUSSION

An important factor in the **agrarian sector** after the accession into the EU was the change in the agrarian policy, which resulted in the increased influx of funding for agriculture. In terms of competitiveness, this includes support to domestic and foreign market, direct payments and subsidies to rural development measures. Additional national specific payments are

provided which are not supported by the CAP. These supportive measures create an important component of the total outlays for agriculture (87.6% in 2007) and since 2004, the total amount allocated under these measures increased by 81.3%.

Despite the increased amount of subsidies in agrarian sector, it continues to experience the lack of own and foreign capital which underlines the urgent need for modernisation of the obsolete production technology and machinery. Also, the parameters of production intensity have been persistently low; and the crop and animal production parameters are one of the worst among the developed countries in the EU¹ (including V 4) which increased the cost of production. Low intensity of crop production is mostly determined by the long-term deficit of soil nutrients; and by the lack of funds for the high-quality nutrition in animal production.

Important indicators of competitiveness which affect the efficiency of agricultural production, include cost of production and profitability.

The international comparison of the overall costs (per 1 kg of liveweight of slaughter animals, or per litre of milk) shows that our production of *pigs* and *poultry* in 2007, compared to V4 countries, was the most expensive; whereas the Czech Republic experienced the highest share of the cost of feed in the total costs. The production costs in the case of *bulls for slaughter* were much higher in Slovakia than in Poland and

Hungary. However, our situation looks better when compared to the Czech Republic (Table 1).

The highest competitiveness in terms of *production costs* in 2007 was achieved by the Czech Republic in the case of *cereals*, by Poland in the case of *rape*, and by Hungary in the case of *sunflower*. In the group of the monitored countries, the percentage of costs of seeds, fertilizers, and chemicals was the lowest in Hungary (Table 2).

Unlike agrarian sector, *food industry* has undergone a long period of preparation for the accession to the EU. This was accompanied by a high investment in fixed capital with the aim to increase the efficiency of production, to modernise technology and to meet the hygiene and quality standards in the EU. Similar to agrarian sector, the food industry economics in the post-accession period was mostly affected by the changes associated with the full liberalisation of trade and the adoption of the CAP. Given the fact that the purchasing power in Slovakia is still low when compared to the developed European countries, Slovak consumers are mostly interested in cheaper products, sometimes of a lesser quality, and they do not always distinguish between the competitive imported products and the domestic products. Moreover, the hypermarket chains force the domestic producers to supply their products at the lowest possible prices leaving no room for the generation of reasonable profit for the producers. Based on these facts, the

Table 1. International comparison of the overall costs per production of 1 kg of l.w. (1 litre) of animal commodities

Commodity	Year	Slovakia		Czech Republic		Poland	Hungary	
		EUR	NK	EUR	NK	EUR	EUR	NK
Bulls for slaughter	2005	1.47	49.5	1.63	47.2	0.84	.	.
	2006	1.57	50.3	1.81	46.4	1.09	1.00	47.0
	2007	1.83	49.2	2.18	58.7	1.25	1.74	40.9
Slaughter pigs	2005	1.24	53.9	1.04	34.6	.	.	.
	2006	1.25	54.5	1.14	35.1	1.29	1.39	42.4
	2007	1.45	55.2	1.41	63.8	1.43	1.13	42.4
Poultry for slaughter	2005	0.69	60.4	0.67	73.1	.	.	.
	2006	0.70	58.2	0.70	77.1	.	.	.
	2007	0.86	61.6	0.83	74.7	.	0.82	61.6
Milk	2005	0.26	37.9	0.29	37.9	0.15	0.77	58.4
	2006	0.28	37.8	0.28	39.3	0.17	0.24	45.8
	2007	0.33	38.8	0.32	40.6	0.25	0.25	46.6

NK – percentage of the costs of feeds in the total costs for the respective commodity (%)

Source: RIAFE, FAPA, MoA CR, UZEI, AKI

¹ The developed EU nations (Germany and Austria) which have long enjoyed a better financial background than the V4 countries achieve higher income from growing of crop commodities due to the significantly higher subsidies that have been allocated over the past years. This makes it possible for their farmers to achieve the maximum efficiency of production and high per hectare yields.

total value of production in food sector has dropped down in 2004–2006, after the accession to the EU. Many unprofitable enterprises ceased to exist. It was only in 2007 when the production slightly increased (by 0.9%) compared to 2003. Positive changes took place in the the area of human resources, also effective were the restructuring changes, as shown by the 45% increase in labour productivity on value added (important indicator of competitiveness) thus surpassing the growth rate of wages. Nonetheless, the low share in the national economy of the value

added generated by food sector (2.2% in 2006) shows an insufficient innovation of products with a higher value added and an insufficient investment on the part of Slovak food enterprises.

Compared to the V4 countries, the key sectors of Slovak food industry which provide the basic nutrition of population (milk, meat, and poultry, milling and fat industry) generally achieved a lower profitability of production. Moreover, these sectors experience difficulties in the regular achievement of profitability, with the exception of fat industry (Table 3).

Table 2. International comparison of the overall costs per production of 1 tonne of crop commodities

Commodity	Year	Slovakia		Czech Republic		Poland		Hungary	
		EUR/t	NOS (%)	EUR/t	NOS (%)	EUR/t	NOS (%)	EUR/t	NOS (%)
Wheat	2005	99.8	38.4	87.3	49.7	92.5	48.0	.	.
	2006	117.4	38.2	111.1	49.5	109.2	.	97.9	35.9
	2007	138.9	38.7	106.7	.	127.8	.	144.8	34.1
Barley	2005	102.3	34.4	84.0	46.5	91.3	52.1	.	.
	2006	127.7	35.4	114.4	47.2	114.1	.	110.9	29.5
	2007	148.5	37.5	127.0	.	132.4	.	.	.
Grain corn	2005	81.6	35.4	78.1	44.2	93.5	55.4	.	.
	2006	110.3	39.4	101.7	44.5	116.7	.	79.1	33.3
	2007	167.0	41.5	100.8	.	176.4	.	170.2	36.9
Rape	2005	229.9	49.2	226.2	48.6	181.2	49.8	.	.
	2006	228.4	48.7	236.3	48.3	187.4	.	209.6	38.0
	2007	310.6	47.7	239.4	.	224.8	.	278.2	36.4
Sunflower	2005	222.1	45.6	.	.	.	.	.	.
	2006	249.8	49.6	.	.	.	.	214.3	35.2
	2007	315.9	44.6	322.8	40.5	.	.	264.1	33.8

NOS – percentage of costs of seeds, fertilizers and chemicals, in the total costs for the respective commodity (%)

Source: RIAFE, FAPA, MoA CR, UZEI, AKI

Table 3. International comparison of return on costs in the selected sectors of food industry (%)

Sector	Year	Slovakia	Czech Republic	Hungary	Poland
Dairy industry	2005	–1.5	0.7	–3.1	1.7
	2006	0.0	1.9	5.3	2.0
	2007	1.2	3.4	.	3.2
Meat industry	2005	0.1	1.7	–0.2	2.2
	2006	–2.0	–0.2	–0.1	2.6
	2007	–0.9	3.7	.	2.3
Poultry industry	2005	0.4	2.0	2.3	1.4
	2006	–3.4	0.4	–1.9	–0.2
	2007	–1.6	1.9	.	1.7
Fat industry	2005	2.0	2.2	–0.3	3.4
	2006	2.9	0.1	–2.5	6.0
	2007	1.0	–13.7	.	2.1
Milling industry	2005	0.2	2.8	0.2	1.9
	2006	1.1	2.1	1.3	4.2
	2007	–0.2	2.2	.	4.2

. = data not available

Source: Potrav (MoA SR) – own calculations, FAPA PR, MoA CR, ÚZEI, AKI MR

Profitability of production in the agrarian and foods sector is affected by prices of products which are an important and permanent indicator of the potential competitiveness. The development of prices in international markets determines the success of sales of our products. Given the small production potential of the Slovak Republic in the context of the global or intra-Union production; Slovakia is the receiver of prices that are determined mostly by supply and demand in the global or intra-Union market. Due to growth in the income of population in developing countries, the demand for animal commodities (mostly dairy products) has grown lately. In the group of crop commodities, the demand for cereals has substantially grown due to the decline in global supply, and also due to the steep increase in the production of biofuels. Combined with the fluctuations in local production caused by the adverse weather conditions, these facts contribute to the global growth in prices of agrifood commodities.

The international comparison of the selected prices of agrarian and food products is shown in Figures 1

and 2. In 2007, Slovakia offered competitive prices of cereals, rape, and milk in the group of agrarian products in the EU and the V4 markets. In the group of food products, Slovakia achieved the lowest prices of cheeses (compared to the V4 countries) and dried milk (compared to the EU average)

The analysis of **foreign trade** is an important component in the evaluation of competitiveness of our products in foreign markets. After the accession into the EU, the volume of international trade in agrifood commodities has grown significantly, as shown by the substantial growth in the value of export and import. According to the data provided by the customs statistics, Slovakia increased its volume of trade with the EU states. In 2007, the country exported 95.6% of agrifood commodities to the EU and imported 88.9% from the EU. Compared to 2004, this was an increase in export by 2.9 pts and by 5 pts in import. (The most significant partners of Slovakia in the EU are the V4 countries where Slovakia exported 62% and imported 45% of the total volume of trade in agrifood commodities in 2007.) Beside the introduction of

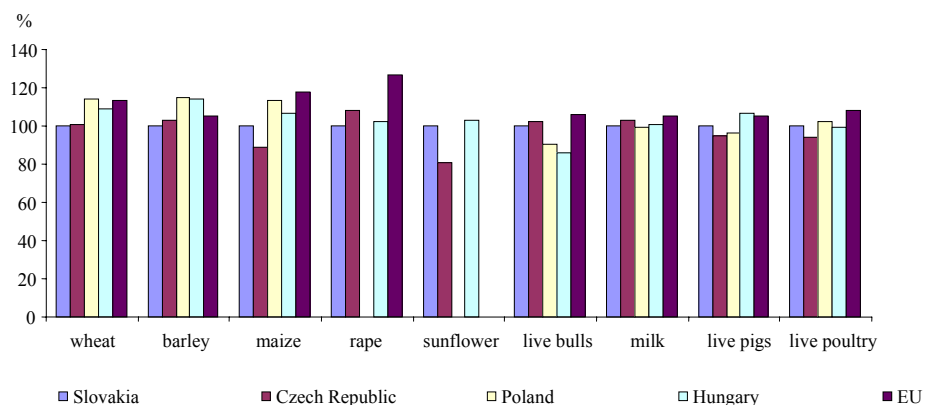


Figure 1. International comparison of prices by the producers of crop commodities in 2007 (Slovakia = 100%)

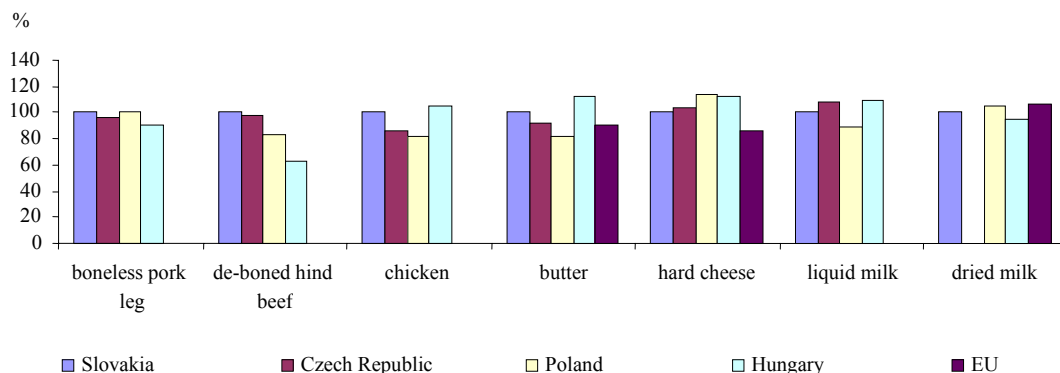


Figure 2. International comparison of prices of processors in 2007 (Slovakia = 100%)

duty free regime and gradual liberalisation of trade between the accession countries and the EU-15 in the pre-accession period; the steep growth in trade with the EU countries after 2004 was substantially stimulated by the simplified administration and customs controls in the movement of goods.

However, the trade with third countries has slowed down. This mostly applies to our export to third countries the value of which dropped down by 2.3% in 2007 compared to 2004, despite the allocation of export subsidies. The current CAP reform has also focused, among other issues, on the increase in the competitiveness of the EU agrifood sector in relation to third countries. This was mainly a result of the pressure on the part of the WTO for the liberalisation of global trade. For instance, a more intense liberalisation of foreign trade should take place from 2013 and export subsidies will be cancelled. According to the results of the RIAFE, the cancellation of export subsidies should not bring about any substantial impact on the development of our competitiveness in the markets in third countries. For example, only minimum export subsidies were allocated in 2004 and

still the value of the total Slovak export increased by 24% against the previous year, with 92.7% of exports made into the EU countries (Table 4).

The worsening negative balance of trade has been caused mainly by the mounting competitive pressure of the new member states which tried to obtain stable positions at the intra-Union market, and by the low competitiveness of our products in foreign markets. In order to be able to analyse the reasons of the negative development of agrifood foreign trade of the SR, the volume of trade must be split into two basic components, namely the trade in agricultural and in food products. The bulk of agrifood trade consists of food products which made up 77% of imports in 2007, 71% of exports, and 89% of the negative balance of trade.

The value of agricultural commodities has increased since 2004, by 65% in export and by 70% in import. Of interest are the percentage shares of redeemable and irredeemable commodities in import, export and balance of trade. Redeemable commodities made up for 67% of the imported agricultural commodities in 2007 (decline by 12 pts against 2004) and 91% of

Table 4. Development of agrifood trade of the SR in 2004–2007 (SKK million, %)

Territory	Import		Export		Balance		Index 2007/2004 (%)		
	2004	2007	2004	2007	2004	2007	export	import	balance
World	34 418	55 714	50 119	80 350	–15 701	–24 636	161.9	160.3	156.9
EU	31 898	53 253	42 050	71 457	–10 152	–18 205	166.9	169.9	179.3
Third countries	2 520	2 462	8 069	8 893	–5 549	–6 431	97.7	110.2	115.9

Source: SSO SR, own calculations

Table 5. Exchange of agrifood products of the SR with the rest of the world (SKK million, %)

	Unit of quantity	2003	2004	2005	2006	2007	Index 2007/03*	Index 2007/04*
IMPORT	SKK million	40 416	50 119	64 940	69 162	80 350	198.8	160.3
– agricultural commodities	%	22	23	21	23	23	1.5	0.5
– food commodities	%	78	77	79	77	77	–1.5	–0.5
EXPORT	SKK million	25 417	34 418	46 884	52 267	55 714	219.2	161.9
– agricultural commodities	%	23	28	27	31	29	6.0	1.0
– food commodities	%	77	72	73	69	71	–6.0	–1.0
BALANCE	SKK million	–14 999	–15 701	–21 076	–16 895	–24 636	164.3	156.9
– agricultural commodities	%	20	12	8	0.2	11	–9.1	–1.1
– food commodities	%	80	88	92	100	89	9.1	1.1

Agricultural products = CN 0101–0106, 0301, 0401, 0601–0604, 0701–0709, 0713, 0801–0810, 1001–1008, 1201–1207, 1209–1214, 1401–1404

* index in %

Source: SSO SR, RIAFE

export. This is a negative trend since it is advisable to import as little as possible of the competitive commodities and export as much of them as possible. On the positive side, though, the balance of trade in competitive agrarian products has been positive in the long run (Table 5).

The value of import/export of food commodities increased by 59% over the last four years, while the share of competitive commodities in import increased to 84% (i.e. by 6 pts against 2004). An alarming situation has arisen due to the fact that the negative balance of trade in food products worsened by 59%

Table 6. Exchange of agricultural and food products of the SR with the rest of the world (SKK million, %)

	Unit of quantity	2003	2004	2005	2006	2007	2007/03*	2007/04*
Agricultural products								
IMPORT	SKK million	8 723	11 400	13 741	16 126	18 856	216.2	165.4
competitive	%	57	55	58	64	67	10.5	12.5
non-competitive	%	43	45	42	36	33	-10.5	-12.5
EXPORT	SKK million	5 781	9 518	12 043	16 086	16 171	279.7	169.9
competitive	%	91	91	87	90	91	-0.4	-0.4
non-competitive	%	9	9	13	10	9	0.4	0.4
BALANCE		-2 942	-1 882	-1 698	-39	-2 685	91.3	142.7
competitive	SKK million	308	2 374	2 415	4 144	1 933	627.6	81.4
non-competitive		-3 250	-4 256	-4 113	-4 153	-4 618	142.1	108.5
Food products								
IMPORT	SKK million	31 693	38 719	51 197	53 037	61 494	194.0	158.8
competitive	%	76	78	84	82	84	7.7	5.7
non-competitive	%	24	22	16	18	16	-7.7	-5.7
EXPORT	SKK million	19 636	24 900	31 819	36 181	39 544	201.4	158.8
competitive	%	94	94	94	95	94	0.0	0.0
non-competitive	%	6	6	6	5	6	0.0	0.0
BALANCE		-12 057	-13 819	-19 378	-16 856	-21 951	182.1	158.8
competitive	SKK million	-5 386	-6 969	-13 091	-9 135	-14 297	265.4	205.2
non-competitive		-6 672	-6 850	-6 287	-7 720	-7 654	114.7	111.7

* index in %, or difference in %

Source: SSO SR, RIAFE

Table 7. Segmentation of markets in Slovak trade in agrifood commodities with the selected countries

Territory	2003	2004	2005	2006	2007
World	IV	II	IV	IV	IV
EU-27	IV	II	IV	IV	IV
Czech Republic	IV	IV	IV	IV	IV
Poland	III	II	IV	IV	IV
Hungary	III	III	III	III	I
Austria	IV	III	III	III	I
Germany	IV	IV	IV	IV	IV
Third countries	IV	IV	IV	IV	IV
Croatia	III	III	IV	III	III
Russia	III	III	III	III	III
Ukraine	I	III	III	I	I

Source: SSO SR, own calculations

since 2004. In the interest of the future development of competitiveness in agrifood sector, it is important to export the highest possible volumes of processed products and to process agrarian products mostly in domestic enterprises (Table 6).

The evaluation of market segmentation on the level of the overall agrifood trade (Table 7) shows that Slovakia recorded a negative balance of trade with the EU and third countries, whereas the average kilogram prices of agrifood commodities exported by Slovakia in 2003–2007 were lower than the prices of the commodities produced from them and imported back. The balance of Slovak trade with Hungary, Austria,

Croatia, Russia and Ukraine has been positive over the past years, although mostly due to the lower kilogram prices of export compared to the prices of import. On the positive side, though, Slovakia started to export agrifood commodities to Hungary, Austria and Ukraine in 2007 at higher prices than the prices of import.

Slovakia was highly competitive in trade in 2007 (segment I) with the EU countries, as regards the individual commodities categorized in the product verticals of meat, milk and cereals (Table 8), in the case of wheat, barley, malt, live pigs and sheep, liquid and dried milk, and cheeses. The country was also competitive (Segment III) in the case of maize,

Table 8. Segmentation of markets in trade in commodities that belonged to the main product verticals in 2007

CS code		EU	CR	PR	MR	SNR	RA	TK	CH	RU	U
Cereals vertical											
1001	wheat	I	III	III	I	III	III	NX	NT	NT	NT
1002	rye	II	I	I	I	II	III	NX	NT	NT	NT
1003	barley	I	I	III	I	IV	I	III	NT	NT	NX
1005	maize	III	I	III	II	III	III	IV	NT	NT	NI
1101	wheat flour	III	III	III	III	IV	III	III	NT	NT	NT
1107	malt	III	III	NX	NX	NI	III	NX	NX	NX	NT
1,108	starches	I	III	III	NI	III	III	I	NX	NT	NT
1902	pasta	II	II	IV	II	II	IV	II	NX	NX	IV
1905	bakery goods	II	I	II	I	II	II	II	III	II	I
2203	beer	IV	IV	II	IV	NI	II	III	NX	III	II
Meat vertical											
0102	live beef cattle	III	III	III	NX	III	NX	I	NX	NT	NT
0103	live pigs	I	II	IV	I	III	NX	NT	NT	NX	NT
0104	live sheep and goats	I	NI	NI	NX	NT	NT	NT	NT	NT	NT
0105	live poultry	II	II	III	NX	NI	NX	III	II	NT	NX
0201	fresh beef	IV	I	IV	III	III	IV	NI	NT	NT	NT
0202	frozen beef	II	I	IV	III	NI	III	NI	NT	NT	NT
0203	pig meat	II	IV	IV	III	IV	IV	I	NT	NT	NT
0204	sheep and goat meat	III	IV	NI	NX	NI	NT	NI	NT	NT	NT
0207	poultry meat	II	III	II	III	I	I	IV	NX	NT	NT
1601	smoked meat products	IV	IV	II	III	II	IV	IV	NT	NX	NT
1602	meat products	II	IV	IV	III	IV	II	IV	NT	NT	NT
Milk vertical											
0401	liquid milk	I	IV	II	III	III	III	NX	NX	NT	NX
0402	dried milk	I	IV	II	I	III	I	I	III	NT	NX
0403	sour milk products	II	II	II	II	II	III	III	NT	NI	NT
0405	butter	IV	IV	IV	III	IV	IV	NX	NT	NT	NT
0406	cheeses	I	I	II	I	IV	IV	III	NX	NT	NX

Note: EU – European Union, CR – Czech Republic, PR – Poland, MR – Hungary, SNR – Federal Republic of Germany, RA – Austria, TK – third countries, CH – Croatia, RU – Russia, U – Ukraine, NX – net export, NI – net import, NT – trade not completed

Source: RIAFE

wheat flour, malt, live cattle and sheep meat. The trade with third countries recorded positive balance and higher export prices (Segment I) in the case of starches, live cattle, pork meat and dried milk. Also positive was the balance of Slovak trade in barley, wheat flour, beer, live poultry, sour milk products and cheeses, due to price competitiveness (Segment III) and in the case of wheat, rye, malt, liquid milk and butter, where Slovakia became a net exporter.

CONCLUSION

The overall analysis has shown that the competitiveness of Slovakia has still a lot of space for development in the trade in the agrifood commodities in domestic and foreign markets. The process of increasing competitiveness of the sector requires a permanent effort in looking for new possibilities of improving the production efficiency. This relates to cost reduction in comparison with foreign competition, the improved quality and selection of products, as well as looking for new market opportunities with respect to the rules of the CAP and the results of discussions within the WTO.

The most significant partners of Slovakia in foreign trade are the EU countries which receive more than 95% of Slovak agrifood commodities. Processing industry has been the major contributor to the long-term negative trade balance of the Slovak Republic. On the negative side, Slovakia exports goods to most countries at lower prices than the imported goods. This suggests an artificial price competitiveness of our products at the expense of generating higher profits and investment into plant nutrition, farm animals, modern technology and procedures, with the aim to produce more efficiently with a higher share of value added. Also, this shows the lack of innovation (mostly in food production) which is the prerequisite of success in international markets, in the period of growing globalisation and liberalisation processes and the growth of the income of the EU population.

Therefore, it seems appropriate to continue implementing the programmes focused on the increased efficiency of production and the quality of agrarian and food commodities. This process is also associated with the ongoing support to modernisation of technology in the enterprises, growing skills and human resources development, the influx of the direct foreign investment (i.e. not attempt to stop the cross-border fusions and acquisitions), the establishment of research and technology centres and innovation associations, new sales associations, the integration and capital links between processing

industry and farming, using the services offered by specialized market organisations, or building up own internal marketing departments and creating the real common market for services. In addition, it seems appropriate to improve and to simplify the relevant legislation (in order to reduce administrative costs incurred by producers and to reduce the time of approval processes for the purpose of flexible introduction of new production technology and procedures in the production of new and traditional food) and to implement the efficient export policy.

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