

STRUCTURAL CHANGES IN AGRICULTURE IN THE POMURJE REGION AFTER 1991

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Abstract

Structural Changes in Agriculture in the Pomurje Region After 1991

The Pomurje region is the most agricultural and the least developed region in Slovenia. Since 1991, the year when Slovenia gained its independence, the country transformed from the socialist system to the free market capitalism and was forced to restructure the agricultural policy. The decrease and the aging of the population, the abandon of the agriculture production and the decay of cultural landscape turned out to be serious problems. In Pomurje, agriculture was faced with unfavourable age structure of farmers in family farms. The Slovene agricultural policy was aware of this problem and took a number of measures to encourage the aging farmers to retire and the young generation to take over. Alongside this process began the process of merging land in the Pomurje rural areas. In the last 10 years, the agriculture in Pomurje underwent the improvement of agricultural technology, the specialization of productions and the enlargement of farms.

Keywords

Slovenia, Prekmurje, agricultural policies, CAP, agricultural structure, agricultural development

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1. Introduction

Before 1991 Slovenia was part of the Socialist Federal Republic of Yugoslavia. The Slovene economy had the same characteristics as all the other Central and Eastern European countries that were under the socialist rule. The Slovene and the Yugoslav economy was the so called self-managed economy. This model did not work in practice, thus the political and economic system began to decline in the end of the 1980s. This peculiar economic system came to an end after a continuous economic crisis, ideological disintegration, dysfunction of institutions and growing social and ethnic tensions.

In 1991, Slovenia gained its independence. As a new democratic state, Slovenia had to undergo several very demanding processes, which were very closely connected.

These processes were as follows:

- Process of political and economic transition.
- Process of Europeanization.
- Process of globalization.

The Slovene economy, as well as agriculture, was transformed from the socialist to the capitalist one, from planned to market economy, from the distributive to the competitive one. The ownership was transformed from the social property to the property of private owners. Europeanization was a logical consequence of the opening of the Slovene society and economy. When joining the EU and the NATO in 2004, Slovenia was faced with globalization.

2. Methodology

This research is based on analyzing and comparing scientific findings on the subject matter with the available statistical data. The main sources are the statistical data from the Statistical Office of the Republic of Slovenia (SURS), from the Institute of Macroeconomic Analysis and Development (UMAR) and from EUROSTAT. By analysing the statistical data, we try to determine the link between the selected socio-economic elements, agricultural policies and their impact on the agriculture in the Pomurje region in the last 20 years. Based on the current trends, we try to predict the future development of agriculture in the Pomurje region and find the niche market for agriculture.

3. European common agricultural policy (CAP) and its impact on Slovene agriculture

The CAP has its roots in the Western Europe of the 1950s. The CAP offered subsidies and systems that ensured high prices to farmers. Certain measures were introduced in the form of help for early retirement and for professional training in favour of less developed regions. These measures had high budgetary costs, distorted some world markets and did not always serve the best interest of farmers, to the extent that they became unpopular with consumers and taxpayers.

With the enlargement of the EU in 2004 and 2007, the European internal market expanded from 380 to nearly 500 million people. Seven million farmers were added to the EU's existing farming population of six million of the former 15 Member States. The 12 new Member States have added about 55 million hectares of agricultural land to the 130 million in the former EU, thus increasing it by 40%,

although production in the EU of 27 will only increase by about 10-20% as regards most products. This confirms the fact that the large agricultural production potential of the new member states is still far from being used to its full extent (Agricultural and Rural development, 2008).

When Slovenia became an independent country, it found itself in a position to design its own agricultural policy. In spring 1993, the Parliament enacted the Strategy of Agricultural Development in Slovenia, the main policy objectives of which were stable production of reasonably priced quality food in Slovenia, preservation of population density, cultural regions and agricultural land, and protection of agricultural land and water from pollution and misuse. In general, Slovenia has decided to adopt the EU-style of protectionist agricultural policy (Erjavec and Turk 1998, 22-24).

Slovene farmers were also able to use funds from the SAPARD pre-accession aid program. These were intended to improve the competitiveness of the agricultural and food-processing industry in candidate countries, with the aim to ease the negative consequences of joining the EU (Čop 2007, 2-36).

In 1999, Slovenia started to implement the European agricultural subsidiary system. This played a very important role for Slovenia in the accession negotiations concerning the integration into the system of direct payments. As the only candidate to do so, Slovenia managed to reach an agreement on supplementing direct payments from the national budget. Due to this Slovene farmers receive from 2007 on direct payments on the same level as farmers in the EU-15 countries.

In 2004, Slovenia initiated the Rural Development Program (RDP) for the period 2004 to 2006. The program's aim was to support implementation of the development policy and to continue the activities Slovenia had been implementing already since the 1993. The RDP 2004-2006 was intended for the integration of different sectors to improve or to take new measures in:

- Quality of living in rural areas.
- Early retirement of farmers.
- Payments for less favourable areas.
- Agricultural measures.
- Support of the introduction of EU standards (Čop 2007, 2-36).

In 2007 began the next period of rural development with an envisaged expansive rural development program (RDP 2007-2013). This is a uniform program uniting environmental and investment subsidies. The contents are divided into four axes:

- 1st axis: improvement of the competitiveness of the agricultural and forestry sectors.
- 2nd axis: improvement of the environmental and rural areas.
- 3rd axis: improvement of the quality of life in rural areas and the promotion of diversification activities.
- 4th axis: LEADER initiative intended for the construction of local employment capacities and diversification.

4. Brief outline of Slovene agriculture

The economic importance of agriculture in Slovenia is relatively small. Due to its small-property structure, it acted as a buffer against social stress in the period of

economic transition in the 1990s. The significance of agriculture in the general economy is constantly decreasing in Slovenia. This is evident in all of the three indicators commonly used to define the economic and social role of agriculture:

- Proportion of agriculture in the GDP.
- Proportion of people employed in agriculture.
- Proportion of agriculture in foreign exchange.

Tab. 1: Proportion of agriculture in GDP and employment in Slovenia (%).

Years	1990	1995	2000	2005	2008
Agriculture in GDP	4,8	4,6	3,5	1,8	1,2
Employment in agriculture	7,0	6,4	4,8	4,7	4,1

Source: SURS 2009, UMAR 2009.

The 3.5% of the total GDP ranked the Slovene agriculture in 2000 among less developed countries of the EU and alongside the other EU applicant countries, with the exception of Poland and Hungary. Between the years 2000 and 2005, the proportion of agriculture in GDP dropped significantly. It is now slightly lower than the European average.

The agricultural production conditions are rather unfavourable in Slovenia. Compared to the countries of the Western and Eastern Europe, Slovenia is characterized by the following features:

- Vast forest grown areas and a scarce portion of the total arable land (66% of Slovenia is under the forest) (SURS, 2008).
- Harsh relief resulting in areas with aggravated production conditions.
- Considerable absolute share of meadows and pastures and a modest share of fields in the exploitation structure of agricultural land (Potočnik 1998, 166).

5. Pomurje region - geographic review of the region

In 2000, Slovenia divided its territory into 12 statistical regions (NUTS III level). The Pomurje region lies in the north-eastern part of Slovenia and is divided into 27 municipalities. The Pomurje statistical region borders with Hungary, Croatia and Austria. From the historical viewpoint, the Pomurje region is divided into two sub-regions divided by the river Mura. The left bank is called Prekmurje and the right bank is called Prlekija.

From the geographical viewpoint, Pomurje is divided into the tertiary hilly areas of Goričko in NE, Lendavske gorice in SE and Slovenske gorice in the western side of the region. Along the Mura river lies the lowland of Murska raven, which is divided into Ravensko and Dolinsko on the left bank and Apaško polje and Mursko polje on the right bank of the Mura river.

Due to its geographical characteristics, the Pomurje region is a relatively detached agrarian region in Slovenia. Due to the favourable physical geographical conditions, which are reflected in the broad range plane in the central part (along the Mura river) and the hilly parts on the outskirts of the region, this region represent the biggest integral agricultural area in Slovenia. The relatively favourable sub-pannonian climate allows development of virtually all major agricultural branches. From the strategic point of view this is the most important area of food production in Slovenia, which is due to the fertility of the soil also known as the "granary of Slovenia".

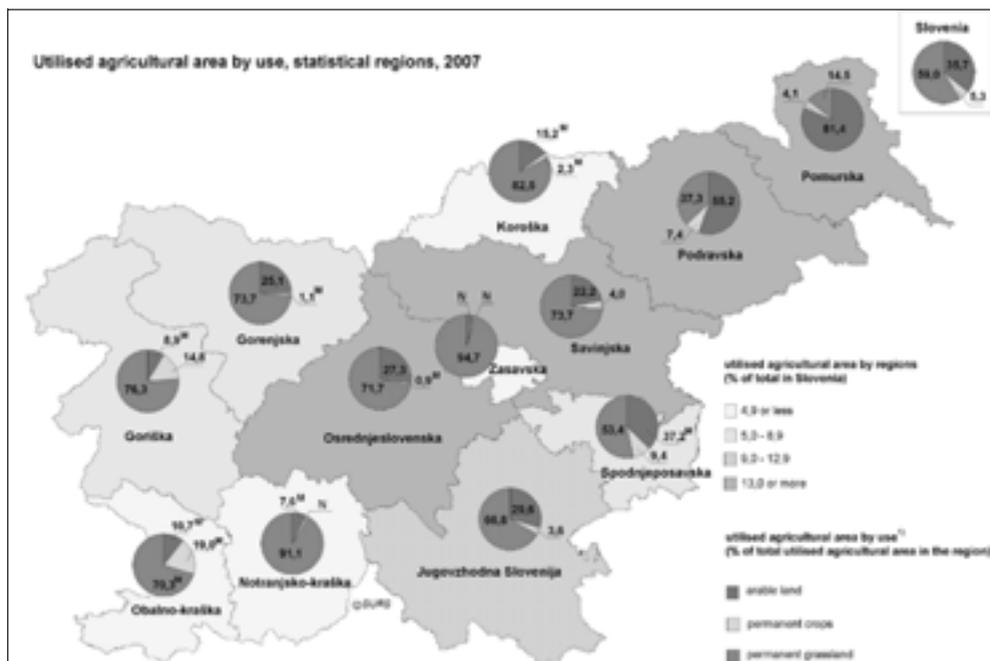


Fig. 1: Utilised agricultural areas by use.
Source: SURS 2009.



Fig. 2: The municipally in the Pomurje region in 2005.
Source: SURS 2009.

The Pomurje region represents 6.6% of the total surface of Slovenia and has 119,537 inhabitants (5.9% of Slovene population). Pomurje can be described as a demographically endangered area. The main reasons for this are:

- Aging of the population.
- Negative migration.
- Negative natural increase of the population.

Tab. 2: Number of inhabitants and average age in the Pomurje region and in Slovenia.

	1995		2000		2007		Index	
	SLO	Pomurje	SLO	Pomurje	SLO	Pomurje	SLO	Pomurje
No. of Population	1987505	126896	19990272	124761	2025866	121824	1995/07 101,9	1995/07 96,0
Average age	-	-	38,9	39,3	41,1	41,6	2000/07 104,6	2000/07 105,8

Source: SURS 2009.

As shown in the table, the aging of the population is far more intense in the Pomurje region than in Slovenia. The aging of the population in Pomurje is linked to out-migration particularly of the educated young people. The total decrease of population in the Pomurje region is due to the out-migration and the negative increase of population, especially in the more agricultural municipalities in the Goričko region (Horvat 2009, 220).

6. Structural changes in agriculture in the Pomurje region

6.1 Share of agriculture in Pomurje economy

For the Pomurje region as well as for Slovenia as such, it is characteristic that the importance of agriculture in general economy is constantly decreasing. This is reflected in all the indicators, particularly in the share of agriculture in gross value added (GVA) and in the share of farmers in the economically active population.

Tab. 3: Share of agriculture in the economy of the Pomurje region.

	Agriculture in GVA			Active population in agriculture		
	Share in %		Index	Share in %		Index
	2005	2006	2005/06	2005	2006	2005/06
Pomurje	8,3	6,9	83,1	10,9	10,8	99,0
Slovenia	2,5	2,4	96,0	3,9	3,8	97,4
Pomurje from SLO	13,4	11,7	87,3	14,6	14,5	99,3

Source: Cunder 2008.

It can be seen that the share of agriculture in GVA in the Pomurje region is decreasing more rapidly than in Slovenia as a whole. The reasons for that can be found in the agricultural as well as non-agricultural sectors. In the recent years, one of the reasons has been the low price of crops, especially of wheat. Another reason is more frequent natural disasters such as droughts and hailstorms. Nevertheless, the Pomurje region remains the most important agricultural area in Slovenia, with the highest rate of active population in agriculture.

6.2 Land use

Arable land represents the majority of all agricultural land in the Prekmurje region, and the share of arable land is increasing since joining the EU. This is due especially

to the introduction of direct payment (subsidies) for arable crops, which was carried out by the reform of agricultural policy in the end of the 1990s and was backed by the implementation of CAP. The increase of arable land is higher in the lowland along the Mura river. The share of permanent grass land is decreasing due to the increase of arable land. This is more evident in the lowland areas along the Mura river than in the hilly parts of the region. Due to the favourable geographical conditions, the Pomurje region represents a significant share of permanent crops in Slovenia, in the marginal areas of the region, especially in the hilly regions of Slovenske gorice, Goričko and Lendavske gorice, where wine and fruit growing is traditionally important. In the last few years some vineyards with less favourable growing conditions were abandoned due to the transition to growing high quality wine.

Tab. 4: Structure of land use in the Pomurje region in hectares.

Period	Total utilized area	Total agricultural area	Arable land	Permanent crops	Permanent grass land	Forrest	Barren land
2003	81.843	65.391	51.413	3.268	10.114	14.882	1.568
2007	82.043	66.050	53.326	2.669	9.502	14.458	1.535
Index 2003/07	100,2	101,0	103,7	81,7	93,9	97,2	97,9

Source: SURS 2009.

6.3 Agricultural holdings

Tab. 5: Number of agricultural holdings and utilized areas in the Pomurje region and in Slovenia.

	Number of agricultural holdings		Utilised agricultural area (Uaa) in ha	
	Pomurje	Slovenia	Pomurje	Slovenia
2003	10.058	77.149	64.795	486.473
2007	9.794	75.340	65.498	488.774
Index 2003/07	97,4	97,7	101,1	100,5

Source: SURS 2009.

Tab. 6: Agricultural holdings by size classes of utilized agricultural area (UAA) in the statistical region of Pomurje in hectares and numbers of agricultural holdings.

Period	0-5 ha		5-10 ha		10-20 ha		20-30 ha		30-50 ha		50 ha and more	
	ha	No.	ha	No.	ha	No.	ha	No.	ha	No.	ha	No.
2003	17.248	6.632	14.888	2.120	12.909	945	5.097	212	3.702	98	10.951	71
2005	15.760	6.386	14.864	2.129	13.135	964	5.121	216	4.402	120	11.496	81
2007	14.339	6.462	13.461	1.935	12.772	937	6.015	250	5.093	134	13.818	126
Index 2003/07	83,1	97,4	90,1	91,3	98,9	99,2	117,8	117,9	137,6	136,8	126,2	177,5

Source: SURS 2009.

It is evident that the total number of agricultural holdings in Pomurje is decreasing even faster than in Slovenia as a whole. On the other hand, the utilized agricultural area is increasing. This means that the average farm size has increased. The average size of a farm was 6.6 ha in 2007, which is 0.2 ha more than in 2003.

The utilized agricultural area consists of arable land, kitchen gardens, grassland, orchards, olive plantations, vineyards and vine, fruit and forest tree plantations used for agricultural production (irrespective of their ownership). During the past years we could observe significant changes in the context of the size structure of agricultural holdings. The number of holdings over 20 ha is increasing. The number of holding has increased by 7.1% and the area of utilized land in this category has increased by as much as 15%. Thus, the farms over 20 ha represent over 50% of the agricultural land in the region. The biggest increase can be noticed in the size class over 50 ha, and we believe that this trend will continue.

Tab. 7: Number of agricultural holdings by type of farming in the Pomurje region.

Period	Specialist field crops	Specialist horticulture	Specialist permanent crops	Specialist grazing livestock	Specialist granivores	Mixex cropping	Mixe livestock holdings
2003	1.641	65	431	608	191	3.652	1.692
2005	2.517	84	505	750	63	3.131	1.149
2007	2.330	37	581	892	64	3.300	1.007
Index 2003/07	141,9	56,9	134,8	146,7	33,5	90,4	59,5

Source: SURS 2009.

Over two thirds of the agricultural holdings belong to one of the mixed production types. Yet in the last few years, the number of specialized agricultural holdings has increased. In particular the number of holdings which are specialized in filed crops and in grazing livestock has increased significantly. All these changes result in structural changes in agriculture. Agricultural holdings are becoming more market oriented and specialized, so that they can be competitive in the common European market. All these changes are significantly encouraged by the CAP.

7. Potential of agriculture in the Pomurje region

Unfavourable age and education structure of farmers in Slovenia are important factors in the delimitation of faster restructuring of the Slovene agriculture, because young farmers are one of the most important mechanisms in the agricultural structural policy. The Ministry of Agriculture, Forestry and Food is encouraging young farmers to take over the farms since 1998 with non-refundable founds. The monetary founds for this purpose have increased since Slovenia joined the EU, yet the statistical impact of this policy in not yet proven because the new Agricultural census has not been done yet (MKGP 2009).

Tab. 8: Farm holders by age groups and school education in Slovenia and in the Pomurje region in 2000.

	Pomurje	Slovenia		Pomurje	Slovenia
under 35 years	4,6 %	5,2 %	No education or incomplete Elementary school	4,3 %	11,3 %
35-44	15,0 %	15,3 %	Elementary school	58,4 %	47,1 %
45-54	25,6 %	23,1 %	Vocational education	23,5 %	26,0 %
55-64	24,5 %	24,3 %	Secondary education	10,9 %	12,8 %
Over 64	31,2 %	32,1 %	College, graduate and postgraduate education	2,8 %	3,2 %

Source: Agricultural census 2000.

Agriculture in Pomurje is undergoing intense restructuring and technological modernization. In the future, the development will be influenced by the situation on the European markets, as well as by the measures of agricultural policies, not only CAP but also national and local policies. Well-planned rural development policies will play very an important role in restructuring of agriculture, especially by the development of agriculture related complementary activities and other non-agricultural activities in rural areas (Cunder 2009, 155).

In the Pomurje region, the Mura Regional Development Agency (RDA Mura) was established which plays the key role in the economic restructuring of the region. RDA Mura prepared the Regional development program of the Pomurje region for the years 2007–2013. Restructuring of agriculture plays an important role in this program. The agency made a SWOT analysis of agriculture in the Pomurje region.

Tab. 9: Results of the SWOT analysis of agriculture and rural development in the Pomurje region.

Source: RDA Mura 2007, 61.

<p>STRENGTHS</p> <ul style="list-style-type: none"> - favourable natural conditions for agricultural production - maintained and mostly unpolluted natural environment - high level of biodiversity - dense population in rural areas and a lot of available workforce - large number of agricultural experts and agricultural institutions 	<p>WEAKNESSES</p> <ul style="list-style-type: none"> - poor competitive ability, especially of family owned farms - lack of organizational structure in agriculture, occasionally poor integration of producing, processing and marketing - fragmentation of agricultural land - poor educational structure - undeveloped complementary activities in agriculture
<p>OPPORTUNITIES</p> <ul style="list-style-type: none"> - favourable natural potential for agriculture - relative conservation of the natural environment - large proportion of landscape parks and water areas allowing the development of organic production - large proportion of rural population which is willing to work in agriculture - possibility of development of entrepreneurship and finishing - interesting landscape and rich culinary art and craft as a great potential for tourism development - integration and cooperation of all agricultural institutions 	<p>THREATS</p> <ul style="list-style-type: none"> - reducing the volume of agricultural land due to the change of use - poor absorption capacity for drawing the CAP funds - slow implementation of structural and institutional reforms - collapse of certain food establishments - lack of own financial recourses

8. Conclusion

The Pomurje region is the most important region in Slovenia which is suitable for food production. Agricultural holdings cultivate almost 13% of all the agricultural land in Slovenia and raise almost 12% of all the livestock. Pomurje is a region with the best soil fertility in Slovenia; therefore we need to promote the development of agriculture, especially the cultivation of crops. On the other hand more attention needs to be paid to the environmental and ecological issues such as protection of groundwater. For effective implementation of these policies and programs, an

appropriate administrative support is required which includes financial assistance from the state and the European programs.

In the past 18 years, the Pomurje agriculture went through major changes. In the beginning of 1990s, this was characterized by the disintegration of Yugoslavia and by the formation of Slovenia as an independent country. The state governed agricultural holdings were privatized or nationalized. Depopulation and negative migration trends were significant. Farms were small and not specialized, with insufficient support from the government. The increase of efficiency and competitiveness of agriculture became the basic objective of the agricultural policy implemented in the 1990s. The second wave of changes came with the full integration of Slovenia into the European Union. The CAP became part of Slovene agricultural policy. Our government was relatively well prepared for the implementation of CAP, thus we can now see a positive impact on the Slovene agriculture.

Statistical data show that the Pomurje agricultural holdings are currently in the phase of intense restructuring and they are intensely adapting to the new conditions on the Slovene market and in particular on the common European market. The total number of farms is decreasing, yet the land which is utilized is increasing. The number of farms with more than 50 ha is rapidly increasing, together with their economic strength. Yet there are still some structural difficulties. One of them is the very unfavourable age structure of farm holders and their poor education. However, the agricultural institutions in Slovenia are well aware of this problem. Different institutions are organizing education for farmers of all profiles, and they subsidize young farmers to take over the farms.

Agriculture in the Pomurje region has a great potential for the development of complementary activities, ecological farming and tourism.

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Summary

The year 1991 was crucial for the Slovene economy. The ownership of agricultural land was transformed from social property back to the property of private owners. Alongside this process of transition, the main political aim of Slovenia became the full integration into the Euro-Atlantic integrations. This aim was achieved in 2004, when Slovenia joined the EU and the NATO alliance.

The economic importance of agriculture in Slovenia is relatively small and its proportion in the total GDP has decreased from 4.8% in 1990 to only 1.2% in 2008. The potential of agriculture in Slovenia is limited mainly due to the mountainous relief and the considerable absolute share of forest and meadows. Since the independence, Slovene politicians have been aware that well planned agricultural policies are crucial for the restructuring of agriculture. Already before the joining the EU, Slovenia decided to adopt the EU-style of protectionist agricultural policies. The increase of efficiency and competitiveness of agriculture became the basic objective of the agricultural policies in the 1990s. With the full integration into the EU, the EU Common Agricultural Policy (CAP) became part of the Slovene agricultural policy.

The Pomurje region lies in the north-eastern part of Slovenia. It is the most agricultural and the least developed region in Slovenia. In the past, this region was characterised by the decrease of population, the aging of population and the emigration from rural areas. The abandon of the agricultural production and the decay of cultural landscape have represented significant problems even in the last 20 years. The importance of agriculture in the general economy of the Pomurje region is decreasing even more rapidly than in Slovenia as a whole. Nevertheless, the Pomurje region remains the most important agricultural area in Slovenia, with the highest rate of active population in agriculture. Due to the introduction of direct payments (subsidies) for arable crops, which was carried out by the reform of the agricultural policies in 1990s and was backed by the implementation of CAP in 2004, the share of arable land is increasing on account of the decrease of permanent grass land and permanent crops. The total number of farms in the Pomurje region has decreased from 10,058 in 2003 to the 9,794 in 2007, yet the number of utilized land is increasing. From 2003 to 2007, the share of agricultural holdings sized over 20 ha increased by 7.1%, and the share of utilized area in this size class increased as much as by 15%. Particularly the number of holdings which are specialized in field crops and in grazing livestock has increased significantly. Agricultural holdings are becoming more market oriented and specialized, so that they can be competitive in the common EU market. One of the significant problems of the Slovene agriculture in general is the unfavourable age and education structure of farmers. Over 60% of farmers in the Pomurje region finished only the elementary school or even less, and more than one third of farm owners are over 64 years old.

Agriculture in the Pomurje region is undergoing intense restructuring and technological modernisation. In the future, the development will be influenced by the situation on the European markets as well by the measures of agricultural policies. Well planned rural development policies will play a very important role in the restructuring of agriculture. Agriculture in the Pomurje region has also a great potential for the development of complementary agricultural activities, ecological farming and tourism.