

Abstract

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Objectives and effects of agricultural support

- evaluation of budget justifications and the effectiveness of income support

Around €1.8 billion is spent on income support for agriculture in Finland yearly. National aid accounts for about €0.6 billion of this total. The objective of income support is to ensure the profitability of agricultural production and an equitable level of income for farmers compared with other population groups, considering work and capital inputs. The present audit sought to determine whether budget justifications concerning income support have been adequate and how well objectives have been achieved up to now.

The audit indicated that budget justifications concerning income support have been highly deficient. The state budget has not presented information on the profitability of agriculture or farmers' disposable income. This information is indispensable so that Parliament can evaluate the dimensioning and targeting of support in its decision-making.

Lack of information is not the reason for the deficiency of the budget justifications. Profitability statistics prepared by a research institute under the Ministry of Agriculture and Forestry have not been utilized. Statistics are also available on different population groups' disposable income.

In dimensioning and targeting national aid, the Ministry of Agriculture and Forestry's goal has been to ensure equal treatment for different types of production and regions. On the basis of the audit, this goal has not been achieved, since aid has distorted the profitability order produced by the market. Without aid dairy farms would have been more profitable than pig and grain farms, but including support dairy farms are the least profitable. Most dairy farms are located in the northern aid area, while pig and grain farms are mainly located in southern Finland.

The achievement of the income level objective cannot be evaluated because the budget objective of an "equitable level of income compared with other population groups" is too vague. On the basis of observations, farmers' disposable income has been on nearly the same level as that of other employed persons in recent years.

In the opinion of the State Audit Office, profitability and income information should also be included in the state budget proposal. Consideration should also be given to refocusing national aid so that it treats different types of production more equally. This can be achieved through national decisions, since the EU payment authorization for northern aid has not been used in full up to now.