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For Reviewers

Impact of the Rural Development Programme Subsidies on the farms' inefficiency and efficiency

M. Pechrová

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Citation: Pechrová M. (2015): Impact of the Rural Development Programme Subsidies on the farms' inefficiency and efficiency. *Agric. Econ.* – Czech, 61: 197-204.

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The aim of the paper is to assess the impact of subsidies from the Rural Development Programme of the Czech Republic for the years 2007–2013 (RDP) on the technical inefficiency and the efficiency of Czech agricultural holdings. An unbalanced panel includes 454 Czech farms and 2103 observations for years 2007–2013. The Parametric Stochastic Frontier Analysis is used to assess the technical inefficiency and efficiency. A “true” fixed effects model with RDP subsidies explaining the variance of the inefficiency term is estimated. The results are ambiguous. On one hand, the RDP subsidies contributed to the decrease of variance of the inefficiency term, but on the other, the effect is statistically significant only at 90% level of significance. Therefore, we further tested the medians of inefficiency (efficiency) which are lower (higher) in the subsidized farms. We concluded that there are statistically significant differences depending on whether the farm received the RDP subsidies or not. However, we suggest a further examination of the particular projects using the efficiency of investments indicators.

Keywords:

Common Agricultural Policy, Stochastic Frontier Analysis, subsidy, “true” fixed effects model

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