

The Effects of Agricultural Crop Subsidies on Value Added in Subsectors of Livestock and Farming

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Abstract

in the agricultural sector has been always combined with various risks. On the other hand, Production process the agricultural sector needs the government's support for its progress and development. The government has applied different policies for preventing investment decrease and promotion of production in this sector. Among these supporting policies, payment of agriculture insurance subsidy, has logical justification from the technical and managerial point of view.

In the same line, in this research, while explaining the role and standing of the insurance of agricultural products, we will analyze the effects of the subsidies paid by the government for insurance of agricultural products, on the value added, in the two following subsectors, namely livestock and farming during the years 1995-2010. Study and analysis of the relationship between model variable has been carried out using vector Error correction and Johanson – Juselius methodology.

In this regard, the value added variable in the livestock and farming sectors and the insurance premium by government and the excess of the indemnity paid by the government, have been used as parameters for subsidy of agricultural products insurance.

The achieved results indicate that the insurance premium payment by the government will cause the increase of the value added in two subsectors in long term. The excess of the indemnity paid by the government, has positive impact on the added value in the livestock sector, while, the excess of paid indemnity in long term, has negative impact on the value added in the cultivation sector during the subject period of study.

Key Word:

Agricultural Products Insurance, Excess of Indemnity Paid by the Government, Insurance Premium Paid by Government, Value Added, Subsidy.

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