

FUTURE OF THE CZECH SUSTAINABLE DEVELOPMENT OF MAIN AGRICULTURAL COMMODITIES

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Summary, keywords

The CR expects a full-fledged membership of the EU starting from the signature of Association Agreements. The farming and processing sectors have invested great efforts and finance to prepare their farms and establishments for the membership of the EU. However, at the same time they expect that to a degree that is common for the existing member states they will be able to enjoy the rights that result from the membership and from the fundamental principles of the Union's work.

European Union, Czech Republic, Common Agricultural Policy, negotiation, cattle and milk sector, landscape

Introduction

At the beginning of the 21st century, Czech agriculture has reached a point of upturn in the developments over the past ten years when it underwent complex transformation and privatisation processes in the period of transition to a market environment.

However, prior to the country's joining the European Union, agricultural enterprises must overcome the consequences of the past mistakes, such as the inequitable position on agricultural primary-production market, undercapitalization resulting from continual opening of the price scissors, inadequate tariff protection, excessive liberalisation of the agrarian market with the negative effect of enormously increasing agricultural import etc.

Comparative advantage

Characteristic for the structure is a high percentage of legal persons - companies and agricultural co-operatives - which account for approximately 75% of farm land. Most of those farms are members of Agricultural Association, which are working on almost 40% of the land farmed by entities owning more than 3 hectares of land.

Predominant in the agricultural structure are large entities, this being one of the most prominent comparative advantages of agriculture. On 90% of farm land in the Czech Republic, large-scale production principles are in effect in companies and farms of more than 300 hectares operated by natural persons who account for 15% of the total farm land area (average 560 ha per farm). The average area of farm land owned by companies, 75% of the total, is 900 hectares which meets the requirements of competitiveness. The present average areas are 1 465 ha for agricultural co-operatives, 1 502 ha for joint-stock companies, and 669 ha for limited liability companies. Family farms under 300 hectares of land account in average 11 hectares.

Ensuring effective use of agricultural land and permanent grasslands

The Czech Republic in the negotiation process took into account a complex situation of the EU as regards a surplus production of livestock products by requesting minimum limits for cattle and sheep farming. However, the EU proposal at a level of some 54% of commercial milk production, 45% of slaughtered bulls and steers, and 13% of sheep numbers in 1989 and 23% of the request for suckler cows has to be considered (graph 1), primarily in the light of an unchanged area of agricultural land and a higher area of permanent grassland, as absolutely insufficient to fulfil the tasks and objectives of the EU Common Agricultural Policy and the requirements and needs of the CR. Compared with current situation, the adoption of the EU proposal would result in a slight reduction of milk buying, a more significant reduction of dairy cow numbers, and

compared with the situation as of 1 March 2002 in a reduction of suckler cow numbers by 47,000 (47%) and sheep by 50,000 (53%).

Permanent grassland accounts for some 22.0% of agricultural land in the CR. It is about 15% less than the EU average even through the share of less favoured areas (LFA) in the CR (59%) is 7% higher than the EU average (52%). In order to achieve the EU average (37%), the area of permanent grassland would have to be increased to 1.5 million hectares, i.e. by 60%. It is necessary to increase the share of permanent grassland in order to protect soil against erosion, to preserve the quality of ground as well as surface water and to maintain the environment in a satisfactory condition. However, the adoption of the EU proposal would result in a reduction of the total number of livestock units (LU) by some 100,000 or 11.8% relative to the situation in 2001. It would not be possible to use the existing permanent grassland area of 940,000 ha by 750,000 LU proposed by the EU (net of heifers and calves) even if all cattle were kept only on permanent grassland.

All indicators of cattle and sheep density in the CR are considerably lower than the EU average. Due to a drop by more than 50% after 1989, the cattle and sheep density in the CR in 2001 equals to about 47% of the EU average being 4.8 LU (20%) lower than in Spain, which has the lowest density of all EU member states. For instance Germany and Austria, where the conditions for farming are approximately the same as in the Czech Republic, reported in 2000 LU numbers per 100 ha of agricultural land, which were about 120% higher than the CR average in 2001 and about 150% higher than the proposed ceilings for cattle farming in the CR.

The ceilings for suckler cow numbers and the sheep numbers reported for the EU countries in 2000 amount to an average of 50 LU per 100 ha of permanent grassland. The highest cattle and sheep density per 100 hectares of permanent grassland exists in Portugal (about 88 LU), while the lowest one is in Austria (19.4 LU). In the CR, some 10.2 LU of suckler cows and sheep were kept per 100 ha of permanent grassland in 2001, which represents about 20% of the EU average and 50% of the density of the same livestock categories in Germany and Austria. In the event that the CR obtains the requested ceilings for suckler cow and sheep numbers, their "density" would amount to some 25 LU (50% of the EU average) per 100 ha of permanent grassland. Should the EU proposal be implemented, there would be about 6 LU of suckler cows and sheep per 100 ha of permanent grassland, which is about 12% of the EU average.

It follows from the above indicative figures that the EU proposal concerning cattle and sheep ceilings does not respect the fundamental principle of equality.

Proposed principles of EU aid policy for candidate states

The objective of the Czech Republic as well as the other candidate countries is an equal application of the Common Agricultural Policy in all member states. In spite of that, the EU proposes gradually increasing direct payments and a frequently cited reason for this is a need of restructuring of agriculture in candidate countries, without providing more specification for this term. Under these circumstances, the difference between the EU proposal and the CR request for example in the dairy sector amounts to almost EUR 52.4 million, i.e. CZK 1.5 billion in 2007 (Table 1). No adverse effects resulted from the allocation of full direct payments to new German Länder, where the initial conditions prior to accession to the Union were almost identical with current conditions in the CR. It follows from the knowledge of the current situation that by no means there is a risk of excessive income and social distortions in rural areas.

The application of unequal conditions with respect to the granting of direct payment to farms would result in a reduction of their competitiveness vis-à-vis the richer and luckier counterparts in the existing member states of the Union with adverse social, environmental and other impacts on the agricultural and rural sector including other related industries. Without appropriate customs protection, fair competition would be distorted and basic objectives of the EU CAP would be threatened. There is a danger that the unequal production and economic conditions will contribute to a situation in which agricultural land will continue to be bought by foreign entrepreneurs or by entrepreneurs not involved in farming.

Conclusion

The proceeding negotiation of the Czech Ministry of Agriculture and Foreign Affairs with the European Union on the dimensions of Czech agriculture in the Position Document and its consultation with non-governmental organisations constitute prerequisites for ensuring stability and good prospects of agriculture also in the years to come. But what is decisive for achieving competitiveness must be done in every agricultural enterprise, on every farm. After a crisis, reinvigoration of the successful ones always follows. Our Association is taking an active part in this process; it supports the necessary changes respecting the multi-function role of agriculture, environmental requirements, protection of consumers and higher effectiveness due to intensive production, and in less favoured areas (LFA) with state support given to effective activity with intensity reduction. In a market economy, return to former positions on the market is very difficult. That is why we cannot abandon further positions, and greater attention must be given to preparations for making our agricultural production cost-competitive for entry onto the market of the unified Europe, and thus for enhancing the prospects of Czech agriculture.

References

SVZ Mléko a Hovězí maso MZe ČR, Zpráva o stavu zemědělství ČR, Poziční dokument ČR, European Union Common Position, Marktbilanz ZMP

Table 1: Indicative comparison of total finance resulting from the CR request and EU proposal in 2007/8, a target year for milk sector reform (million)

	3.1 billion kg (CR request)		2.505550 billion kg (Commission proposal)	
	Euro	CZK	Euro	CZK
Basic premium 100%	53.44	1542.39	43.20	1246.63
Basic premium 40%	21.38	616.96	17.28	498.65
additional payments 100%	24.06	694.26	19.44	561.13
additional payments 40%	9.62	277.70	7.78	224.45
total direct payments 100%	77.50	2236.65	62.64	1807.75
total direct payments 40%	31.00	894.66	25.06	723.10

CNB exchange rate forecast 1 euro = 28.86 CZK

Graph 1 Number of cattle and sheep livestock units per 100 ha of agricultural land in the EU (2000) and in the CR

