

Impact of Common Agricultural Policy on Czech agriculture

Dopady Společné zemědělské politiky na české zemědělství

F. STŘELEČEK, J. LOSOSOVÁ

University of South Bohemia, České Budějovice, Czech Republic

Abstract: This contribution describes eight variants of the distribution of the direct payments and their impact on the farm economies in the years 2004–2006. For this purpose, selective set of 152 farms was divided in accordance with production regions: maize-growing, beet-growing, potato-growing, potato and oats-growing and uplands¹. Possible demands for standard direct payments depending on the farm situation in 2002 and demands for payments set by different variants of the simplified system of direct payment distribution were figured to each of observed farms. To be comparable, individual bonuses were converted per 1 hectare of the farmland and to be considered more objectively, the eventual subsidies in terms of HRDP were calculated to the farms. In conclusion, all mentioned variants were compared from the point of view of their impact on the farm economies in different production and climatic regions.

Key words: standard direct payments, single area payments, production regions, reform of CAP, HRDP

Abstrakt: V příspěvku je popsáno osm možností administrace přímých plateb a jejich vliv na ekonomiku zemědělských podniků v letech 2004–2006. Pro tyto účely byl výběrový soubor 152 zemědělských podniků rozdělen podle výrobních oblastí kukuřičné, řepařské, bramborářské, bramborářsko-ovesné a horské. Každému ze sledovaných podniků byly vypočteny možné nároky na standardní přímé platby podle situace podniku v roce 2002 a nároky na platby podle různých variant zjednodušeného systému administrace přímých plateb. Jednotlivé prémie byly pro srovnatelnost přepočteny na jeden hektar zemědělské půdy a pro objektivnější posouzení byly podnikům spočteny i možné příspěvky v rámci HRDP. Na závěr byly všechny uvedené možnosti porovnány z hlediska jejich dopadu na hospodaření zemědělských podniků v různých výrobně-klimatických podmínkách.

Klíčová slova: standardní přímé platby, jednotné platby na plochu, produkční oblasti, méně příznivé oblasti, Reforma společné zemědělské politiky, HRDP

The reform of the Common Agricultural Policy leading to a sustainable agriculture model for Europe was agreed in Luxembourg in June 2003.

The key parts of the new agricultural policy were specified:

- single agricultural payment for the EU farmers independent from production
- linking this payment to ecological standards, food-safety standards, animal and plant health and preservation of the farmland in good and ecological condition.
- intensified rural development policy based on more considerable EU finance support
- modulation (reduction of the direct payments for bigger farms to make possible to finance a new rural development policy)
- revision of market policy.

The Reform does not concern the ratified limits for direct payments and quotas in terms of the Treaty of Ac-

cession. Modulation (annual reduction of the direct payments by the stated percentage) and potential reduction of the direct payments through the financial mechanism does not concern the CR as far as the direct payment rates are not balanced to the payment level of current Member States.

As the Czech Republic will not be prepared enough to introduce the standard way of distribution of the direct payments when joining the EU, an opportunity to apply a simplified payment system based on the following rules was decided to be used:

1. To access an adequate balance between branches, mainly between plant and livestock production.
2. To achieve an adequate balance of the direct payments in individual production regions.
3. To coordinate single payments with the measures of the HRDP and sector operation plans.

This entry was elaborated within the framework of NAZV QC 1037

¹To be comparable extend dates were applied by the old dividing production regions, because the most of observed farms have given to us these dates and VÚZE uses the identical dividing farms for the FADN investigation.

4. To follow the influence of single payments from the aspect of agricultural policy of the Czech Republic.

5. To reach stability of agrarian sector and to alleviate market impact on economic situation of the farmers.

Different variants of the direct payments are discussed in the contribution together with their influence on the farm economies. All models are expected to keep the total amount of the direct payments and the rates of the direct payments set for individual branches following the EU methodics. That way a solid comparison is possible to be done.

The methodics of all variants is simulated on a real situation of 152 farms, which perform in all production regions. The amount of grants per 1ha of the farmland is the criterion particular farm payments are compared to.

VARIANT I

Standard direct payments as drawn up in the Treaty of Accession – guaranteed EU support level (25–35%) and guaranteed EU support level with a top-up to the level granted in the Treaty (55–65%) – all direct payments dependent on production².

The direct payments are conceived as commodity payments. They should stabilize profitability of individual commodities so that less profitable products can also find their market and corresponding position in production sight of the farms.

From this point of view the direct payments should not carry any differences. That means production profitability in individual regions should equal, due to the influence of the direct payments and a top-up in LFA, or, at least the amount of the direct payments per 1ha of the farmland in individual production regions should compensate for the main differences. However, comparing the direct payments in 152 chosen farms, the direct payments obviously drop in line with deteriorating production regions (Table 1).

Bonuses for chosen arable crops stand for the dominant factor affecting the amount of the direct payments. Declining rate of the cultivated area in uplands results in reduction of the direct payments for chosen arable crops which is not compensated by the livestock production payment (Figure 1).

The impact of variant I on the farm economies:

– Area payments for chosen arable crops are the dominant factor of the direct payments. The lower rate of the

Table 1. Direct payments – guaranteed EU support level (25–35%) and top-up in an average farm set by production regions

| Number | | | 8 | 41 | 59 | 24 | 20 |
|---|-----------------------------|-----|----------------------|---------------------|-----------------------|--------------------------------|---------|
| Production region | | | maize-growing region | beet-growing region | potato-growing region | potato and oats-growing region | upland |
| Farm | Farmland acreage in ha | | 1 881.3 | 1 869.8 | 1 867.5 | 1 396.3 | 1 347.2 |
| | Arable land in ha | | 1740 | 17171440 | 952 | 635 | |
| | Permanent pastures | | 31 | 119 | 420 | 435 | 772 |
| | Grants 2002 in CZK/ha f. l. | | 1 898.0 | 1 342.0 | 2 153.0 | 2 616.0 | 3 590.0 |
| Direct payments in 1000 CZK/farm | 2004 | 25% | 3 111 | 2 948 | 2 799 | 1 892 | 1 371 |
| | 2005 | 30% | 3 810 | 3 585 | 3 470 | 2 372 | 1 724 |
| | 2006 | 35% | 4 445 | 4 182 | 4 049 | 2 768 | 2 012 |
| | 2004 | 55% | 6 846 | 6 417 | 6 150 | 4 165 | 3 017 |
| | 2005 | 60% | 7 621 | 7 170 | 6 941 | 4 745 | 3 449 |
| | 2006 | 65% | 8 256 | 7 767 | 7 519 | 5 140 | 3 736 |
| Direct payments in CZK/ha f.l. | 2004 | 25% | 1 654 | 1 577 | 1 499 | 1 355 | 1 018 |
| | 2005 | 30% | 2 025 | 1 917 | 1 858 | 1 699 | 1 280 |
| | 2006 | 35% | 2 363 | 2 237 | 2 168 | 1 982 | 1 493 |
| | 2004 | 55% | 3 639 | 3 432 | 3 293 | 2 983 | 2 239 |
| | 2005 | 60% | 4 051 | 3 835 | 3 717 | 3 398 | 2 560 |
| | 2006 | 65% | 4 388 | 4 154 | 4 026 | 3 681 | 2 773 |
| Direct payments including HRDP in CZK/ha f.l. | 2004 | 25% | 1 675 | 1 785 | 2 771 | 3 182 | 5 097 |
| | 2005 | 30% | 2 046 | 2 125 | 3 130 | 3 526 | 5 359 |
| | 2006 | 35% | 2 384 | 2 445 | 3 440 | 3 809 | 5 572 |
| | 2004 | 55% | 3 660 | 3 640 | 4 565 | 4 810 | 6 318 |
| | 2005 | 60% | 4 072 | 4 043 | 4 989 | 5 225 | 6 639 |
| | 2006 | 65% | 4 409 | 4 362 | 5 298 | 5 508 | 6 852 |

Source for Table 1, 4–9, 11–14, 16–17: Farm investigation in 2003 (152 farms)

² All other payments will be compared to this variant

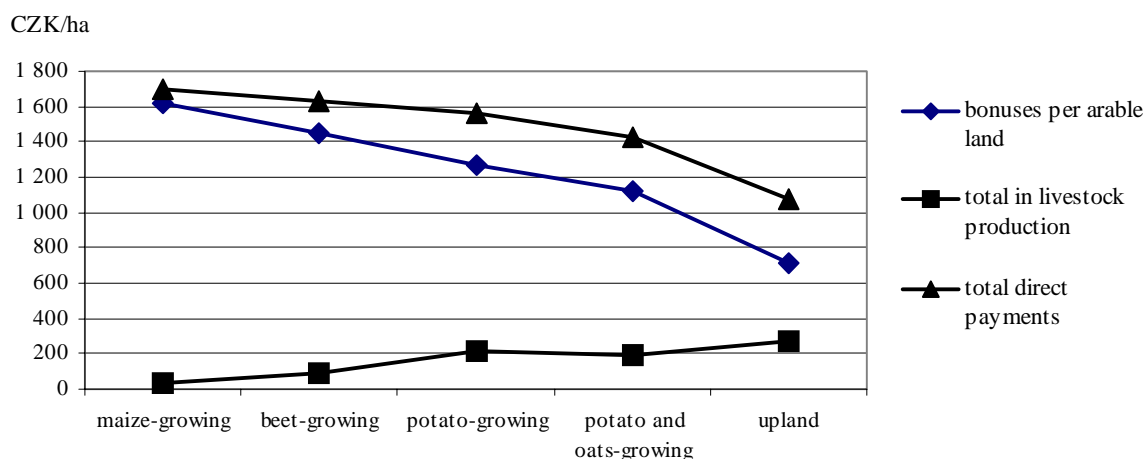


Figure 1. Trend of direct payments in individual production regions

arable land in uplands results in dropping amount of the direct payments per 1ha of the farmland. To this effect, the amount of the direct payments per 1ha of the farmland does not support the extensification of livestock production in potato and oats-growing regions and in uplands.

- Relative equability of the payments in maize-, beet- and potato-growing regions on one hand and potato and oats-growing regions and uplands on the other does not emphasize a marked influence of the differential rent per 1ha in these regions. The low rate of the payments in potato and oats-growing regions and in uplands from the livestock production does not correspond to the higher rate of livestock and grassing in these regions.
- The direct payments should equalize the differences in production trends and the HRDP (Table 2) should solve the problems of unpropitious impact of the differential rent in LFA
- The direct payments even in only one reference yield deepen an unpropitious impact of the differential rent and oppose the agricultural state policy. It results into reduction of the arable land and increase of livestock in

LFA apart from worse profitability (not to say loss-making) of cattle breeding and milk production there.

- Supports in terms of the HRDP will be the only regulator in this field. These supports are not liable to gradual increase as the direct payments are, they will be fully paid after joining the EU. The power of these supports to eliminate dropping direct payments in line with worse production regions together with compensation of bad influence of differential rent in the first years after joining the EU is quite high. However, rising rate of the direct payments means dropping power of the supports. At the per cent rate of the direct payments, the HRDP measures will compensate only dropping direct payments in worse production regions and the compensation level of the unpropitious conditions for farming will be insufficient.

VARIANT II

The guaranteed EU support level (25–35%) and guaranteed EU support level topped up to the level granted in the Treaty of Accession (55–65%) converted equally per 1ha of the farmland (i.e. the single area payment) – all area payments are independent from production.

The single area payment is realized once a year. Its amount is generated as a result of the divided annual financial fund for the farmland of a new Member State (Table 3). There is no obligation to produce or to use production factors, the land can to be used for any purposes.

The funds are distributed per 1ha of farmland, which includes the total area of the arable land, permanent pastures, permanent crops and market garden vegetables. The smallest area for the payments to be asked for is 0.3–1.0 ha depending on the Member State decision. Up to now, there is no exact farmland acreage known the payments will be applied to, so three acreage variants were used for calculation: the acreage by the Czech Statistic Office, the acreage by the IACS and the acreage by the AGROWEB.

Table 2. Suggested rates of main HRDP measures

| Average rates of compensatory allowance for all LFA types: | |
|--|------------------------|
| Upland | 4 460 CZK/ha grassland |
| The other LFA | 3 320 CZK/ha grassland |
| Specific LFA | 3 420 CZK/ha grassland |
| Grassland treatment: | |
| Meadow rate | 1 970 CZK/ha |
| Pasture rate | 3 410 CZK/ha |
| Organic agriculture: | |
| Arable land | 3 520 CZK/ha |
| Grassland | 1 100 CZK/ha |
| Permanent crops | 10 590 CZK/ha |
| Vegetables and special herbs | 11 050 CZK/ha |

Source: Ministry of Agriculture CR 2003

The impact of variant II on the total amount of grants in chosen 152 farms is presented in Table 4.

The impact of this variant on the amount of grants per 1ha of the farmland is demonstrated in Table 5.

The impact of variant II on the farm economies

– Converted per 1ha of the farmland, the payments are the same for all farms and no support reduction reflects in less-favoured areas as it did using the direct payments.

Table 3. Total balance of direct payment funds

| Direct payments in billions CZK/year | | 2004 | 2005 | 2006 |
|--|---------------|---------|---------|---------|
| EU payments | (25, 30, 35%) | 5.6 | 7.1 | 8.9 |
| Possible top-up | 7.6 | 8.2 | 9.4 | |
| Total payments | (55, 60, 65%) | 13.3 | 15.3 | 18.3 |
| Single area payments in CZK/ha f.l. | | 2004 | 2005 | 2006 |
| <i>Acreage by CSO – 4 273 thousand CZK</i> | | | | |
| EU payments | (25, 30, 35%) | 1 310.6 | 1 661.6 | 2 082.8 |
| Top-up payments | (55, 60, 65%) | 3 112.6 | 3 580.6 | 4 282.7 |
| <i>Acreage by IACS – 3 700 thousand CZK</i> | | | | |
| EU payments | (25, 30, 35%) | 1 513.5 | 1 918.9 | 2 405.4 |
| Top-up payments | (55, 60, 65%) | 3 594.6 | 4 135.1 | 4 945.9 |
| <i>Acreage by Agroweb – 3 600 thousand CZK</i> | | | | |
| EU payments | (25, 30, 35%) | 1 555.6 | 1 972.2 | 2 472.2 |
| Top-up payments | (55, 60, 65%) | 3 694.4 | 4 250.0 | 5 083.3 |

Source: Ministry of Agriculture CR 2003

Note: by AGROCENZUS the acreage is 3 700 thousand CZK – areas up to 1 ha not mentioned

Table 4. Guaranteed EU support level (25–35%) and top-up level of single area payment in an average farm in thousand CZK

| Number | | | 8 | 41 | 59 | 24 | 20 |
|---|------------------------|-----|----------------------|---------------------|-----------------------|--------------------------------|---------|
| Farm | Production region | | maize-growing region | beet-growing region | potato-growing region | potato and oats-growing region | upland |
| | Farmland acreage in ha | | 1 881.3 | 1 869.8 | 1 867.5 | 1 396.3 | 1 347.2 |
| Single area payments (acreage by CSO) | 2004 | 25% | 2 466 | 2 451 | 2 448 | 1 830 | 1 766 |
| | 2004 | 55% | 5 856 | 5 820 | 5 813 | 4 346 | 4 193 |
| | 2005 | 30% | 3 126 | 3 107 | 3 103 | 2 320 | 2 239 |
| | 2005 | 60% | 6 736 | 6 695 | 6 687 | 5 000 | 4 824 |
| | 2006 | 35% | 3 918 | 3 895 | 3 890 | 2 908 | 2 806 |
| | 2006 | 65% | 8 057 | 8 008 | 7 998 | 5 980 | 5 770 |
| Single area payments (acreage by Agroweb) | 2004 | 25% | 2 926 | 2 909 | 2 905 | 2 172 | 2 096 |
| | 2004 | 55% | 6 950 | 6 908 | 6 899 | 5 159 | 4 977 |
| | 2005 | 30% | 3 710 | 3 688 | 3 683 | 2 754 | 2 657 |
| | 2005 | 60% | 7 995 | 7 947 | 7 937 | 5 934 | 5 726 |
| | 2006 | 35% | 4 651 | 4 623 | 4 617 | 3 452 | 3 331 |
| | 2006 | 65% | 9 563 | 9 505 | 9 493 | 7 098 | 6 848 |
| Single area payments (acreage by IACS) | 2004 | 25% | 2 847 | 2 830 | 2 826 | 2 113 | 2 039 |
| | 2004 | 55% | 6 762 | 6 721 | 6 713 | 5 019 | 4 843 |
| | 2005 | 30% | 3 610 | 3 588 | 3 584 | 2 679 | 2 585 |
| | 2005 | 60% | 7 779 | 7 732 | 7 722 | 5 774 | 5 571 |
| | 2006 | 35% | 4 525 | 4 498 | 4 492 | 3 359 | 3 241 |
| | 2006 | 65% | 9 304 | 9 248 | 9 237 | 6 906 | 6 663 |

Source: Farm investigation in 2003 (152 farms)

Note: The direct payments were calculated on the base of production structure in 2002.

Different dividing lines in regions make 1.5 mil. CZK (65% in an average farm)

Table 5. Guaranteed EU support level (25–35%) and top-up level of single area payment in an average farm in a set area in CZK/ha farmland

| Number | | | 8 | 41 | 59 | 24 | 20 |
|---|-----------------------------------|------|----------------------|---------------------|-----------------------|--------------------------------|---------|
| Farm | Production region | | maize-growing region | beet-growing region | potato-growing region | potato and oats-growing region | upland |
| | Farmland acreage in ha | | 1 881.3 | 1 869.8 | 1 867.5 | 1 396.3 | 1 347.2 |
| Single area payments (acreage by CSO) | 2004 | 25% | 1 311 | 1 311 | 1 311 | 1 311 | 1 311 |
| | 2004 | 55% | 3 113 | 3 113 | 3 113 | 3 113 | 3 112 |
| | 2005 | 30% | 1 662 | 1 662 | 1 662 | 1 662 | 1 662 |
| | 2005 | 60% | 3 581 | 3 581 | 3 581 | 3 581 | 3 581 |
| | 2006 | 35% | 2 083 | 2 083 | 2 083 | 2 083 | 2 083 |
| | 2006 | 65% | 4 283 | 4 283 | 4 283 | 4 283 | 4 283 |
| Single area payments (acreage by Agroweb) | 2004 | 25% | 1 556 | 1 556 | 1 556 | 1 556 | 1 556 |
| | 2004 | 55% | 3 694 | 3 694 | 3 694 | 3 695 | 3 695 |
| | 2005 | 30% | 1 972 | 1 972 | 1 972 | 1 972 | 1 972 |
| | 2005 | 60% | 4 250 | 4 250 | 4 250 | 4 250 | 4 250 |
| | 2006 | 35% | 2 472 | 2 472 | 2 472 | 2 472 | 2 472 |
| | 2006 | 65% | 5 083 | 5 083 | 5 083 | 5 083 | 5 083 |
| Single area payments (acreage by IACS) | 2004 | 25% | 1 513 | 1 514 | 1 514 | 1 514 | 1 514 |
| | 2004 | 55% | 3 595 | 3 595 | 3 595 | 3 595 | 3 595 |
| | 2005 | 30% | 1 919 | 1 919 | 1 919 | 1 919 | 1 919 |
| | 2005 | 60% | 4 135 | 4 135 | 4 135 | 4 135 | 4 135 |
| | 2006 | 35% | 2 405 | 2 405 | 2 405 | 2 405 | 2 405 |
| | 2006 | 65% | 4 946 | 4 946 | 4 946 | 4 946 | 4 946 |
| Single area payments (acreage by IACS) including HRDP | LFA | | 4 | 61 | 748 | 1 112 | 2 394 |
| | maintenance of permanent pastures | | 17 | 146 | 495 | 715 | 1 450 |
| | organic agriculture | | 0 | 0 | 29 | 0 | 236 |
| | total HRDP | | 21 | 208 | 1 272 | 1 827 | 4 079 |
| | 2004 | 55 % | 3 616 | 3 803 | 4 867 | 5 422 | 7 674 |
| | 2005 | 60 % | 4 156 | 4 343 | 5 407 | 5 962 | 8 214 |
| | 2006 | 65 % | 4 967 | 5 154 | 6 218 | 6 773 | 9 025 |
| Rate of HRDP: total payments | 2004 – 55% | | 0.58 % | 5.47 % | 26.14 % | 33.70 % | 53.15 % |
| Rate of EU grants: grants 2002 | 2004 – 55% | | 190.5 % | 283.4 % | 226.0 % | 207.3 % | 213.8 % |

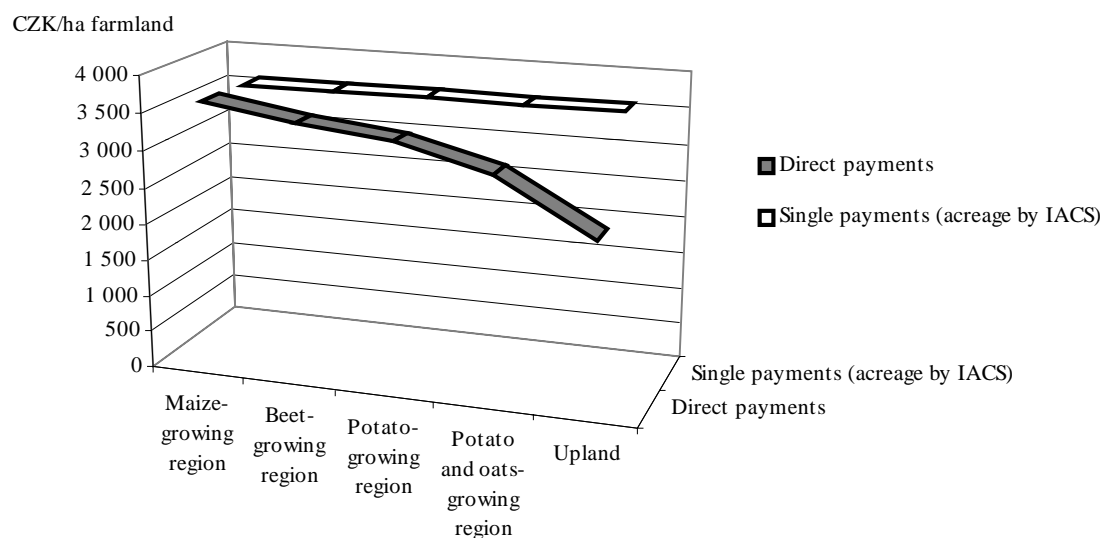


Figure 2. Direct payments compared to single area payments (55%) per 1ha f.l.

- Comparing single area payments in an average farm in a set production region to direct payments, then in 2004 in case the top-up levels at 55% of the EU payments, the funds will be transferred from favoured to less-favoured regions (Figure 2). If the regions the payments are divided according to are comparable to the farmland regions set on 31 December 2002 by the IACS, the average farm in a maize-growing region will get only 92% funds compared to the direct payments and the farm in a beet-growing region 96%. But then an average farm in the potato-growing region will gain more – 101%, that in the potato and oats-growing region 112% and an average farm in upland will get 149% funds compared to the direct payments.
- The apparent inequality between the amount of the direct and single payments is determined by the fact that using single area payments, all funds intended for these payments are divided, while the amount of the direct payments in individual farms depends on production structure, the acreage of cultivated land and further factors. The direct payments in farms were calculated in accordance with production structure and livestock valid in 2002 and farm production structure was not fit to gain as high amount of the direct payments as possible.
- The single area payments make possible to set a production structure in line with the market situation (demand, agricultural product prices) and production opportunities (production cost and capacity). There is no dependence between the amount of the payment and the volume of production of the preferred commodities.
- Profitability and sale of individual products become the criterion of production set. As a result of that, the production of low-profitable commodities (suckler cows, hops, milk, potatoes etc.) will be reduced. In this way, the single payments improve the income of the farms and enables them to be capable of competing. The negative result of these payments is impossibility to regulate production, as the agricultural policy would require.

VARIANT III

The distribution of the EU funds – area payments (guaranteed 25%) and the top-up from national budgets (30%) in accordance with the direct payment system as used nowadays in Member States – a part of payments independent from production.

The impact of variant III on the farm economies:

- The EU funds (25%) are distributed per 1ha arable land and equally affect all farms as the production set, cultivated area etc. are not considered (Tables 6, 7).
- The top-up works the same way as standard direct payments, i.e. it depends on cultivated area, the structure of plant and livestock production. Comparing the grants allocated like this in an average farm in a set production region to the direct payments, the difference between standard direct payments and variant III will be alleviated (Figure 3).
- If the region which the funds are divided according to equals the acreage of the farmland on 31 December 2002 by the IACS, then the average farm in the maize-growing region will gain 96% compared to the direct payments, in the beet-growing region 99% (more than in variant II – by 4% in the maize- and 3% in the beet-growing regions). However, the farm in the potato-growing region will get 101%, in the potato and oats-growing region 105% and 122% in uplands compared to the direct payments (less than in variant II by 7% in potato and oats-growing regions and by 27% in uplands).
- This variant makes the difference in the amount of payments milder compared to direct payments for farms in production regions and its effect in less-favoured areas is more positive than that of standard direct payments (variant I).
- The commodities supported in the EU Member States are those they will be supported in variant III.
- The administrative simplicity mentioned as an advantage in variant II does not work here. However, if the

Table 6. Guaranteed EU support level (25–35%) and top-up in an average farm in a set region in thousand CZK (25% single payment and 35% top-up)

| Farm | Number | | 8 | 41 | 59 | 24 | 20 |
|---|------------------------|-------------|----------------------|---------------------|-----------------------|--------------------------------|---------|
| | Production region | | maize-growing region | beet-growing region | potato-growing region | potato and oats-growing region | upland |
| | Farmland acreage in ha | | 1 881.3 | 1 869.8 | 1 867.5 | 1 396.3 | 1 347.2 |
| Single area payments (acreage by IACS) | 2004 | 25% | 2 847 | 2 830 | 2 826 | 2 113 | 2 039 |
| | 2005 | 30% | 3 610 | 3 588 | 3 584 | 2 679 | 2 585 |
| | 2006 | 35% | 4 525 | 4 498 | 4 492 | 3 359 | 3 241 |
| | 2004 | Top-up 30 % | 3 733 | 3 538 | 3 359 | 2 270 | 1 645 |
| | 2005 | | 3 810 | 3 585 | 3 471 | 2 373 | 1 725 |
| | 2006 | | 3 810 | 3 585 | 3 471 | 2 373 | 1 725 |
| | 2004 | Total | 6 580 | 6 368 | 6 185 | 4 384 | 3 684 |
| | 2005 | | 7 420 | 7 173 | 7 054 | 5 052 | 4 310 |
| | 2006 | | 8 335 | 8 082 | 7 963 | 5 731 | 4 965 |
| | | | | | | | |

system of the direct payments is the only one possible for the Czech Republic in future, this variant will be used in a temporary period. Both farmers and financial agencies could prepare for the direct payment system without risking support reduction due to formal mistakes in presenting or transacting their demands.

– This variant prefers the production structure in concordance with the structure supported by the direct payments. Owing to the different profitability, this variant can have an unfavourable influence on the market situation.

Table 7. Guaranteed EU support level (25–35%) and top-up in an average farm in a set region in CZK/ha farmland (25% single payments + top-up)

| | | | Number | 8 | 41 | 59 | 24 | 20 |
|---|-----------------------------------|------------|----------------------|---------------------|-----------------------|--------------------------------|----|---------|
| Farm | Production region | | maize-growing region | beet-growing region | potato-growing region | potato and oats-growing region | | upland |
| | Farmland acreage in ha | | 1 881.3 | 1 869.8 | 1 867.5 | 1 396.3 | | 1 347.2 |
| Single area payments (acreage by IACS) | 2004 | 25% | 1 513.3 | 1 513.3 | 1 513.3 | 1 513.3 | | 1 513.3 |
| | 2005 | 30% | 1 918.9 | 1 918.9 | 1 918.9 | 1 918.9 | | 1 918.9 |
| | 2006 | 35% | 2 405.4 | 2 405.4 | 2 405.4 | 2 405.4 | | 2 405.4 |
| | 2004 | top-up 30% | 1 984.27 | 1 892.2 | 1 798.7 | 1 625.7 | | 1 221.1 |
| | 2005 | | 2 025.2 | 1 917.3 | 1 858.6 | 1 699.5 | | 1 280.4 |
| | 2006 | | 2 025.2 | 1 917.3 | 1 858.6 | 1 699.5 | | 1 280.4 |
| | 2004 | total | 3 497.57 | 3 405.5 | 3 312 | 3 139 | | 2 734.4 |
| | 2005 | | 3 944.1 | 3 836.2 | 3 777.5 | 3 618.4 | | 3 199.3 |
| | 2006 | | 4 430.6 | 4 322.7 | 4 264 | 4 104.9 | | 3 685.8 |
| | LFA | | 4 | 61 | 748 | 1 112 | | 2 394 |
| Single area payments (acreage by IACS) including HRDP | maintenance of permanent pastures | | 17 | 146 | 495 | 715 | | 1 450 |
| | organic agriculture | | 0 | 0 | 29 | 0 | | 236 |
| | total HRDP | | 21 | 208 | 1 272 | 1 827 | | 4 079 |
| | 2004 | 55% | 3 518.6 | 3 613.5 | 4 584 | 4 966 | | 6 813.4 |
| | 2005 | 60% | 3 965.1 | 4 044.2 | 5 049.5 | 5 445.4 | | 7 278.3 |
| | 2006 | 65% | 4 451.6 | 4 530.7 | 5 536 | 5 931.9 | | 7 764.8 |
| Rate of HRDP: total payments | | 2004 | 0.60% | 6.11% | 38.41% | 58.2% | | 149.17% |
| Rate of EU grants: grants 2002 | | 2004 | 185% | 269% | 213% | 190% | | 190% |

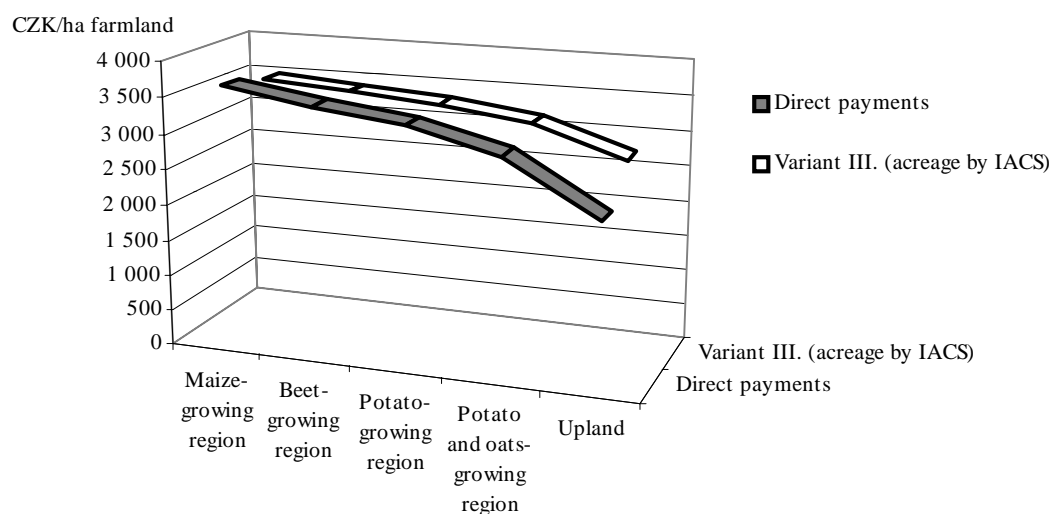


Figure 3. Direct payments compared to single payments (variantIII) in CZK/ha farmland

- This variant approximates more to the authorized reform of the CAP than both previous variants.

VARIANT IV

The single area payments independent from production (25%) and top-up in commodities set up in the direct payments with no restriction of stocking rate and production limits.

In this variant distribution of the guaranteed EU area payments (25%) and funds intended for top-up from the

national budgets (30%) are distributed per commodities supported by the direct payments but with no restriction of stocking rate and production limits.

The impact of variant IV on farm economies

- The gathering bill and the bills of livestock state and production will be the working papers for 30% distribution.
- Set amount of funds for top-up in overproduction corresponds to proportional reduction of commodity support so that the total amount of payments can be kept.
- The basic support rate would be set on the rules for the direct payments (owing to the limits of commodity pro-

Table 8. Guaranteed EU support level (25–35%) and top-up in an average farm in a set region in thousand CZK (25% by single payments + top-up in commodities with no restriction of stocking rate and production limits)

| | | | Number | 8 | 41 | 59 | 24 | 20 |
|--|------------------------|-------|----------------------|---------------------|-----------------------|--------------------------------|----|---------|
| Farm | Production region | | maize-growing region | beet-growing region | potato-growing region | potato and oats-growing region | | upland |
| | Farmland acreage in ha | | 1 881.3 | 1 869.8 | 1 867.5 | 1 396.3 | | 1 347.2 |
| Single area payments (acreage by IACS) | 2004 | 25% | 2 847 | 2 830 | 2 826 | 2 113 | | 2 039 |
| | 2005 | 30% | 3 610 | 3 588 | 3 584 | 2 679 | | 2 585 |
| | 2006 | 35% | 4 525 | 4 498 | 4 492 | 3 359 | | 3 241 |
| | top-up 30% | | 4 374 | 4 473 | 4 086 | 2 750 | | 1 848 |
| | 2004 | total | 7 221 | 7 303 | 6 912 | 4 864 | | 3 887 |
| | 2005 | | 7 984 | 8 061 | 7 670 | 5 430 | | 4 433 |
| | 2006 | | 8 899 | 8 971 | 8 578 | 6 109 | | 5 088 |

Table 9. Guaranteed EU support level (25–35%) and top-up in an average farm in a set region in CZK/ha farmland (25% by single payments + 30% top-up in commodities with no restriction of stocking rate and production limits)

| | | | Number | 8 | 41 | 59 | 24 | 20 |
|---|-----------------------------------|-------|----------------------|---------------------|-----------------------|--------------------------------|----|---------|
| Farm | production region | | maize-growing region | beet-growing region | potato-growing region | potato and oats-growing region | | upland |
| | farmland acreage in ha | | 1 881.3 | 1 869.8 | 1 867.5 | 1 396.3 | | 1 347.2 |
| Single area payments (acreage by IACS) | 2004 | 25% | 1 513.3 | 1 513.3 | 1 513.3 | 1 513.3 | | 1 513.3 |
| | 2005 | 30% | 1 918.9 | 1 918.9 | 1 918.9 | 1 918.9 | | 1 918.9 |
| | 2006 | 35% | 2 405.4 | 2 405.4 | 2 405.4 | 2 405.4 | | 2 405.4 |
| | top-up 30% | | 2 325.0 | 2 392.2 | 2 188.0 | 1 969.5 | | 1 371.7 |
| | 2004 | total | 3 838.3 | 3 905.5 | 3 701.3 | 3 482.8 | | 2 885.0 |
| | 2005 | | 4 243.9 | 4 311.1 | 4 106.9 | 3 888.4 | | 3 290.6 |
| | 2006 | | 4 730.4 | 4 797.6 | 4 593.4 | 4 374.9 | | 3 777.1 |
| Single area payments (acreage by IACS) including HRDP | LFA | | 4 | 61 | 748 | 1 112 | | 2 394 |
| | maintenance of permanent pastures | | 17 | 146 | 495 | 715 | | 1 450 |
| | organic agriculture | | 0 | 0 | 29 | 0 | | 236 |
| | total HRDP | | 21 | 208 | 1 272 | 1 827 | | 4 079 |
| | 2004 | 55% | 3 859.3 | 4 113.5 | 4 973.3 | 5 309.8 | | 6 964.0 |
| | 2005 | 60% | 4 264.9 | 4 519.1 | 5 378.9 | 5 715.4 | | 7 369.6 |
| | 2006 | 65% | 4 751.4 | 5 005.6 | 5 865.4 | 6 201.9 | | 7 856.1 |
| Rate of HRDP: total payments | | 2004 | 0.54% | 5.06% | 25.58% | 34.41% | | 58.57% |
| Rate of EU grants: grants 2002 | | 2004 | 203.3 | 306.5 | 231.0% | 203.0% | | 194.0% |

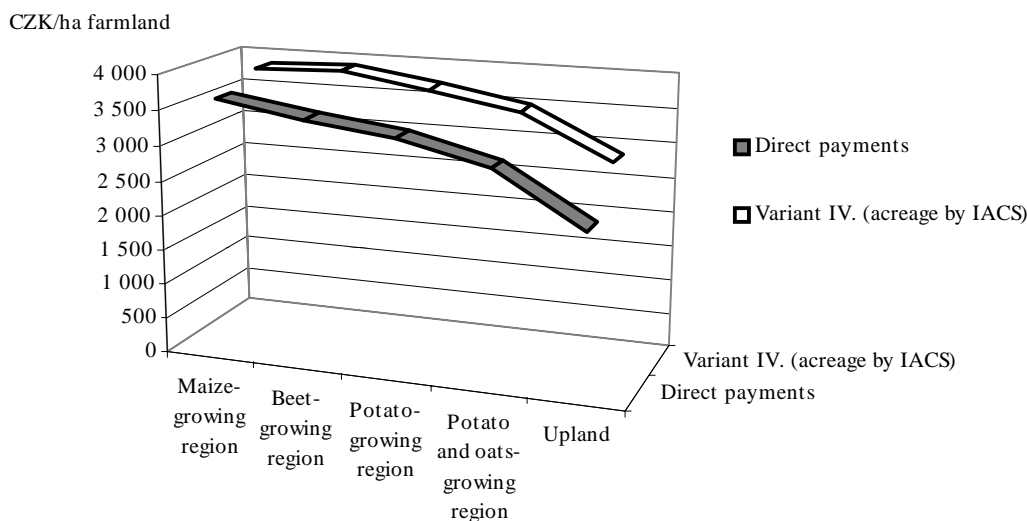


Figure 4. Direct payments compared to single payments (variant IV) in CZK/ha farmland

duction). In overproduction, the set rate would be equally reduced.

- In commodities the production of which got over in the present year, the part of payments from the national budgets would reduce and this way the system would support commodities of lower market value and profitability. So this payment part would compensate production structure with respect to less profitable but needed commodities.
- Comparing the grants distributed like that (Tables 8, 9) in an average farm in a set production region to the direct payments, then the average farm in the maize-growing region gets by 5% more than using direct pay-

ments dependent on production, in the beet-growing region by 14%, in the potato-growing region by 12%, in the potato and oats-growing region by 17% and in uplands by 29%. It results in the fact that this variant would mean the simplicity of the system compared to the direct payments, the alleviation of impact on the farms with a higher rate of permanent pastures and the support of commodities subsidized in the EU. On the contrary, less assurance of the payment rate for the farms (Figure 4).

Comparing all three variants of simplified payments to standard direct payments, the most considerable difference is evidently seen in the influence of variant II, i.e. distribution of all funds per farmland area. Converted per

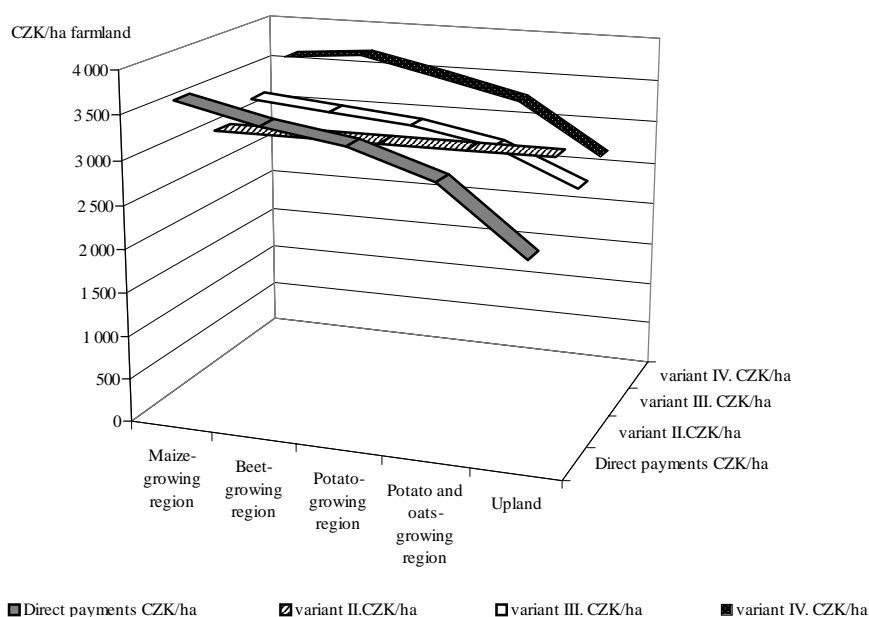


Figure 5. Simplified payments compared to direct payments in CZK/ha farmland.

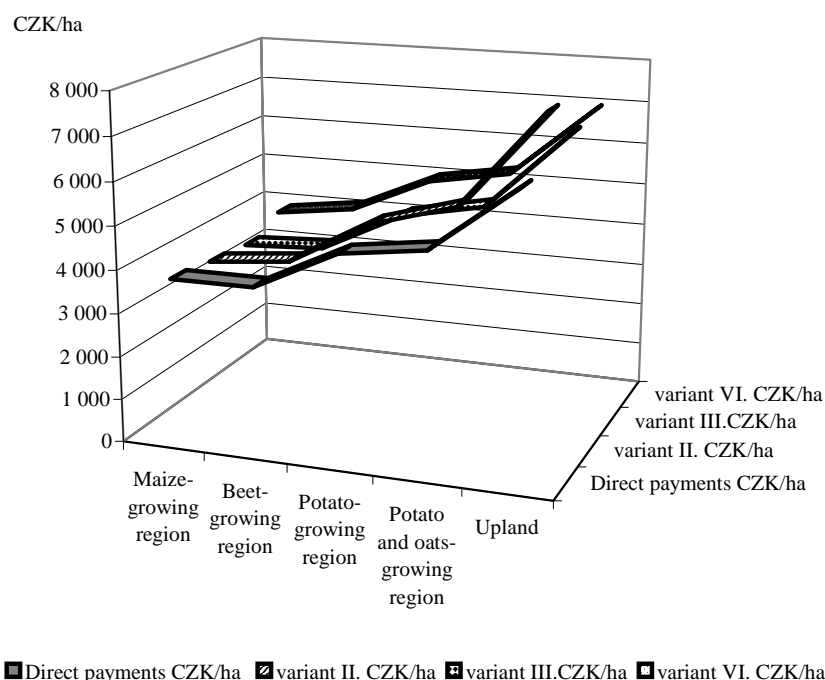


Figure 6. Comparison of individual variants including main HRDP measures in CZK/ha f.l. (rate is 55%)

1 ha farmland (Figure 5), only variant II works the same way regardless the production region. Variants III and IV alleviate the unpropitious impact of the direct payments towards the deteriorated regions. The influence of the main HRDP measures on total subsidies in different production region is given in Figure 6.

VARIANT V

Single payments (25%) and top-up from the national sources (30%) allocated to chosen commodities and a reserve to compensate the price loss of the farmers.

This variant calculates with the amount of 7.6 billion CZK from the national budgets (Table 3) that would be

divided into 4.015 billion CZK for the support of chosen commodities and 3.585 billion CZK as a reserve to stabilize the possible loss at farmers' prices (Table 10).

When the commodities are chosen, it is advisable to follow these aspects:

- The inclusion of the crops for non-food purposes causes yield increase of the farms and at the same time no overpressure of food products follows (starch, set-aside).
- The commodities supported by the EU and Czech agricultural policy permanently connected with the loss (suckler cows, sheep).
- The commodities made for stabilization of the farm economies in less-favoured areas (bulls, milk, dried fodder).

Table 10. Suggestion for subsidizing chosen commodities

| Crops | Acreage in ha /production in t | Rate per unit | Total grants |
|---------------------|--------------------------------|---------------|---------------|
| Set-aside (ha) | 306 800 | 4 366 | 1 339 488 800 |
| Starch potatoes (t) | 188 994 | 386 | 72 951 684 |
| Dried fodder (t) | 35 000 | 2 065 | 72 275 000 |
| Hops (ha) | 11 232 | 7 920 | 88 957 440 |
| Category | Stock numbers in CR | Rate per unit | Total grants |
| Bulls | 244 349 | 3 465 | 846 669 285 |
| Suckler cows | 100 000 | 6 000 | 600 000 000 |
| Slaughter cattle | 483 382 | 1 320 | 638 064 240 |
| Slaughter – calves | 27 380 | 825 | 22 588 500 |
| Sheep | 66 733 | 630 | 42 041 790 |
| Milk in t | 2 827 200 | 103.2 | 291 767 040 |
| Total CZK | | | 4 014 803 779 |

- Making reserves to cover the temporary loss of the commodities set by unpredictable unpropitious market factors.
- Using the reserve depends on permission by the EU. The impact of variant V on the farm economies:
- Lower amount of grants in an average farm in potato and oats-growing regions and in uplands is only made by less acreage of the average farm in these regions. In relation to the direct payments the farm in the maize-growing region would get 77% of the amount of the direct payments possibly reached in 2004, 96% in the potato-growing region, 106% in the potato and oats-growing region and 142% in uplands (by the acreage of IACS, Table 11).
- The variant was drafted to compensate the difference in the loss between plant and livestock production and to support the quality increase of some products. Above all, the subsidies set like that are not as advantageous

Table 11. Guaranteed EU support level (25–35%) and top-up in an average farm in a set region in thousand CZK (25% by single payments + subsidy of chosen commodities + reserve/top-up)

| Number | | | 8 | 41 | 59 | 24 | 20 |
|--|------------------------|-------|----------------------|---------------------|-----------------------|--------------------------------|---------|
| Farm | Production region | | maize-growing region | beet-growing region | potato-growing region | potato and oats-growing region | upland |
| | Farmland acreage in ha | | 1 881.3 | 1 869.8 | 1 867.5 | 1 396.3 | 1 347.2 |
| Single area payments (acreage by IACS) | 2004 | 25% | 2 847 | 2 830 | 2 826 | 2 113 | 2 039 |
| | 2005 | 30% | 3 610 | 3 588 | 3 584 | 2 679 | 2 585 |
| | 2006 | 35% | 4 525 | 4 498 | 4 492 | 3 359 | 3 241 |
| | commodities | | 1 125 | 1 380 | 1 744 | 1 318 | 1 295 |
| | top-up to 30% | | 1 315 | 1 307 | 1 305 | 976 | 942 |
| | 2004 | total | 5 287 | 5 517 | 5 876 | 4 407 | 4 276 |
| | 2005 | | 6 049 | 6 275 | 6 633 | 4 973 | 4 822 |
| | 2006 | | 6 965 | 7 185 | 7 541 | 5 653 | 5 478 |

Table 12. Guaranteed EU support level (25–35%) and top-up in an average farm in a set region in thousand CZK (25% by single payments + subsidy of chosen commodities + reserve/top-up)

| Number | | | 8 | 41 | 59 | 24 | 20 |
|---|-----------------------------------|-------|----------------------|---------------------|-----------------------|--------------------------------|---------|
| Farm | Production region | | maize-growing region | beet-growing region | potato-growing region | potato and oats-growing region | upland |
| | Farmland acreage in ha | | 1 881.3 | 1 869.8 | 1 867.5 | 1 396.3 | 1 347.2 |
| Single area payments (acreage by IACS) | 2004 | 25% | 1 513.3 | 1 513.3 | 1 513.3 | 1 513.3 | 1 513.3 |
| | 2005 | 30% | 1 918.9 | 1 918.9 | 1 918.9 | 1 918.9 | 1 918.9 |
| | 2006 | 35% | 2 405.4 | 2 405.4 | 2 405.4 | 2 405.4 | 2 405.4 |
| | commodities | | | 738.0 | 933.9 | 943.9 | 961.3 |
| | top-up to 30% | | | 699.0 | 699.0 | 699.0 | 699.0 |
| | 2004 | total | 2 810.3 | 2 950.4 | 3 146.2 | 3 156.2 | 3 173.6 |
| | 2005 | | 3 215.9 | 3 356.0 | 3 551.8 | 3 561.8 | 3 579.2 |
| | 2006 | | 3 702.4 | 3 842.5 | 4 038.3 | 4 048.3 | 4 065.7 |
| Single area payments (acreage by IACS) including HRDP | LFA | | 4 | 61 | 748 | 1 112 | 2 394 |
| | maintenance of permanent pastures | | 17 | 146 | 495 | 715 | 1 450 |
| | organic agriculture | | 0 | 0 | 29 | 0 | 236 |
| | total HRDP | | 21 | 208 | 1 272 | 1 827 | 4 079 |
| | 2004 | 55% | 2 831.3 | 3 158.4 | 4 418.2 | 4 983.2 | 7 252.6 |
| | 2005 | 60% | 3 236.9 | 3 564.0 | 4 823.8 | 5 388.8 | 7 658.2 |
| | 2006 | 65% | 3 723.4 | 4 050.5 | 5 310.3 | 5 875.3 | 8 144.7 |
| Rate of HRDP: total payments | | 2004 | 0.74% | 6.59% | 28.79% | 36.66% | 56.24% |
| Rate of EU grant: grants 2002 | | 2004 | 149.2% | 235.4% | 205.2% | 190.5% | 202.0% |

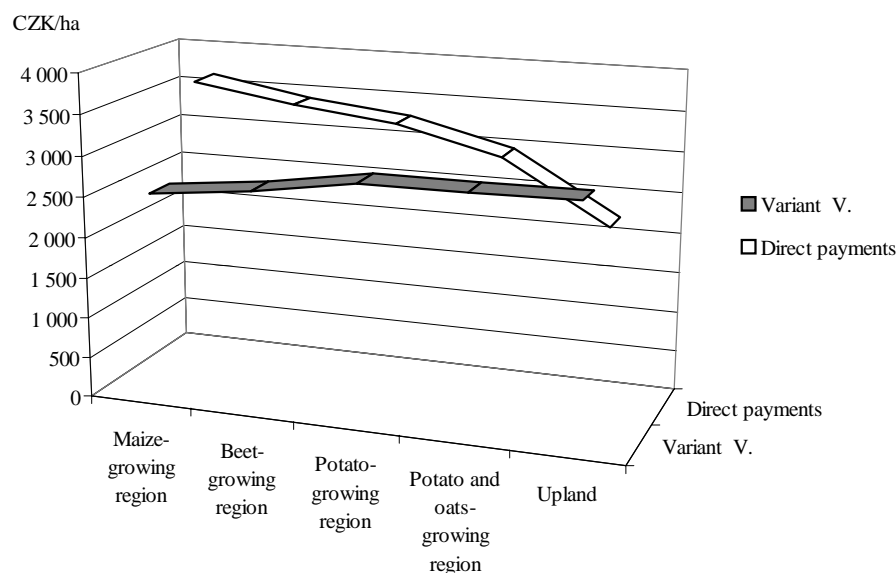


Figure 7. Variant V compared to the direct payments in CZK/ha

Table 13. Guaranteed EU support level (25–35%) and top-up in an average farm in a set region in thousand CZK (all funds per 1ha arable land)

| Number | | | 8 | 41 | 59 | 24 | 20 |
|--|-----------------------------------|-----|----------------------|---------------------|-----------------------|--------------------------------|---------|
| Production region | | | maize-growing region | beet-growing region | potato-growing region | potato and oats-growing region | upland |
| Farm land acreage in ha | | | 1 881.3 | 1 869.8 | 1 867.5 | 1 396.3 | 1 347.2 |
| Arable land in ha | | | 1740 | 1717 | 1440 | 952 | 635 |
| Permanent pastures in ha | | | 31 | 119 | 420 | 435 | 772 |
| Grants 2002 in CZK/ha f.l. | | | 1 898.0 | 1 342.0 | 2 153.0 | 2 616.0 | 3 590.0 |
| Amount of payments in 1000CZK/farm | 2004 | 25% | 3 161 | 3 119 | 2 617 | 1 730 | 1 039 |
| | 2004 | 55% | 7 508 | 7 409 | 6 214 | 4 108 | 2 467 |
| | 2005 | 30% | 4 008 | 3 955 | 3 317 | 2 193 | 1 317 |
| | 2005 | 60% | 8 637 | 8 523 | 7 149 | 4 726 | 2 837 |
| | 2006 | 35% | 5 024 | 4 958 | 4 158 | 2 749 | 1 651 |
| | 2006 | 65% | 10 330 | 10 194 | 8 550 | 5 653 | 3 394 |
| Amount of payments in CZK/ha f.l. | 2004 | 25% | 1 680 | 1 668 | 1 401 | 1 239 | 771 |
| | 2004 | 55% | 3 991 | 3 962 | 3 328 | 2 942 | 1 831 |
| | 2005 | 30% | 2 130 | 2 115 | 1 776 | 1 571 | 977 |
| | 2005 | 60% | 4 591 | 4 558 | 3 828 | 3 385 | 2 106 |
| | 2006 | 35% | 2 670 | 2 651 | 2 227 | 1 969 | 1 225 |
| | 2006 | 65% | 5 491 | 5 452 | 4 579 | 4 048 | 2 519 |
| Amount of payments in CZK/ha f.l. including HRDP | LFA | | 4 | 61 | 748 | 1 112 | 2 394 |
| | maintenance of permanent pastures | | 17 | 146 | 495 | 715 | 1 450 |
| | organic agriculture | | 0 | 0 | 29 | 0 | 236 |
| | total HRDP21 | | 208 | 1 272 | 1 827 | 4 079 | |
| | total 55% | | 4 012 | 4 170 | 4 600 | 4 769 | 5 910 |
| | total 60% | | 4 612 | 4 766 | 5 100 | 5 212 | 6 185 |
| | total 65% | | 5 512 | 5 660 | 5 851 | 5 875 | 6 598 |
| Rate of HRDP: total payments | | 55% | 0.52 | 4.99 | 27.65 | 38.31 | 69.02 |
| Rate of EU grants: grants 2002 | | 55% | 211.4 | 310.7 | 213.6 | 182.3 | 164.6 |

for the farms as it were with the direct payments. But, on the contrary, the funds are transferred to less-favoured regions and to support highly loss-making commodities produced mostly by the farms in less-favoured regions.

- Figure 7 presents the influence of the direct payments per 1ha of the farmland in different production regions in comparison with the influence of variant V. Apparently, the direct payments (variant I) per 1ha farmland sharply decrease in line with worse production regions, the simplified area payments (variant II) are given as a line, i.e. it will equal in all production regions.
- Variant V has a rather reverse impact than the direct payments and variants III, IV – it present on explicit advantage for uplands.
- Besides, this variant extremely supports ruminant breeding, hops, starch potatoes, dried fodder and set-aside.
- This variant approximates most to the reform of the state agricultural policy.

- After compensation up to HRDP, the payments per 1ha farmland double in uplands (218.74%).

VARIANT VI

Single area payments (25%) and top-up from national budgets (30%) converted per 1 ha arable land – all payments independent from production

All funds are divided by hectares of the arable land in the Czech Republic and the rate calculated like that is paid to the farms according to the acreage (Table 13).

The impact of variant VI on the farm economies:

- In this variant, both EU funds (25%) and the top-up are converted per 1 ha of the arable land, so the rate of cultivated land is obvious to be considered the most important factor. It means that the arable crops and the livestock production dependent on them will be supported more than production connected with permanent pastures.

Table 14. Guaranteed EU support level per 1ha a. l. and top-up in an average farm in a set region in chosen commodities

| | Number | | 8 | 41 | 59 | 24 | 20 |
|--|-----------------------------------|-----|----------------------|---------------------|-----------------------|--------------------------------|---------|
| Farm | Production region | | maize-growing region | beet-growing region | potato-growing region | potato and oats-growing region | upland |
| | Farm land acreage in ha | | 1 881.3 | 1 869.8 | 1 867.5 | 1 396.3 | 1 347.2 |
| | Arable land in ha | | 1740 | 1717 | 1440 | 952 | 635 |
| | Permanent pastures in ha | | 31 | 119 | 420 | 435 | 772 |
| | Grants 2002 in CZK/ha f.l. | | 1 898.00 | 1 342.0 | 2 153.0 | 2 616.0 | 3 590.0 |
| Amount of payments in 1000 CZK/farm | 2004 | 25% | 3 161 | 3 119 | 2 617 | 1 730 | 1 039 |
| | 2005 | 30% | 4 008 | 3 955 | 3 317 | 2 193 | 1 317 |
| | 2006 | 35% | 5 024 | 4 958 | 4 158 | 2 749 | 1 651 |
| | commodities | | 1 125 | 1 380 | 1 744 | 1 318 | 1 295 |
| | top-up 30% | | 1 315 | 1 307 | 1 305 | 976 | 942 |
| | 2004 | 55% | 5 601 | 5 806 | 5 666 | 4 024 | 3 276 |
| | 2005 | 60% | 6 448 | 6 642 | 6 366 | 4 487 | 3 554 |
| | 2006 | 65% | 7 464 | 7 645 | 7 207 | 5 043 | 3 888 |
| Amount of payments in CZK/ha f.l. | 2004 | 25% | 1 680 | 1 668 | 1 401 | 1 239 | 771 |
| | 2004 | 30% | 2 130 | 2 115 | 1 776 | 1 571 | 977 |
| | 2005 | 35% | 2 670 | 2 651 | 2 227 | 1 969 | 1 225 |
| | 2005 | 55% | 2 977 | 3 105 | 3 034 | 2 882 | 2 431 |
| | 2006 | 60% | 3 427 | 3 552 | 3 409 | 3 214 | 2 638 |
| | 2006 | 65% | 3 967 | 4 088 | 3 859 | 3 612 | 2 886 |
| Amount of payments in CZK/ha f.l. including HRDP | LFA | | 4 | 61 | 748 | 1 112 | 2 394 |
| | maintenance of permanent pastures | | 17 | 146 | 495 | 715 | 1 450 |
| | organic agriculture | | 0 | 0 | 29 | 0 | 236 |
| | total HRDP | | 21 | 208 | 1 272 | 1 827 | 4 079 |
| | total | 55% | 2 998 | 3 313 | 4 306 | 4 709 | 6 510 |
| | total | 60% | 3 448 | 3 760 | 4 681 | 5 041 | 6 717 |
| | total | 65% | 3 988 | 4 296 | 5 131 | 5 439 | 6 965 |
| Rate of HRDP: total payments | | 55% | 0.70 | 6.28 | 29.54 | 38.80 | 62.65 |
| Rate of EU grants: grants 2002 | | 55% | 158.0 | 246.9 | 200.0 | 180.0 | 181.3 |

- As a result the payment per 1ha of the farmland decreases with decreasing cultivated land rate and in uplands the payments only reaches 45.87% payments in maize-growing regions. This is the essential disadvantage of this variant, the mentioned payments would demand guide a high top-up from HRDP funds.
- The calculation of the payments per arable land is very simple and administrative demands of this variant are quite low.
- Topped-up payments would be 114.65% in potato-growing regions and 147.31% in uplands compared to maize-growing regions.

VARIANT VII

Single area payments (25%) converted per 1ha a. l. and top-up from national budgets (30%) divided per chosen commodities and a top-up reserve to compensate farmers' price loss (variant V and VI combination).

The impact of variant VII on the farm economies:

- In this variant the EU funds (25%) are converted per 1 ha of the arable land and the top-up is divided per chosen commodities and a reserve, as it was in variant V (Table 10).

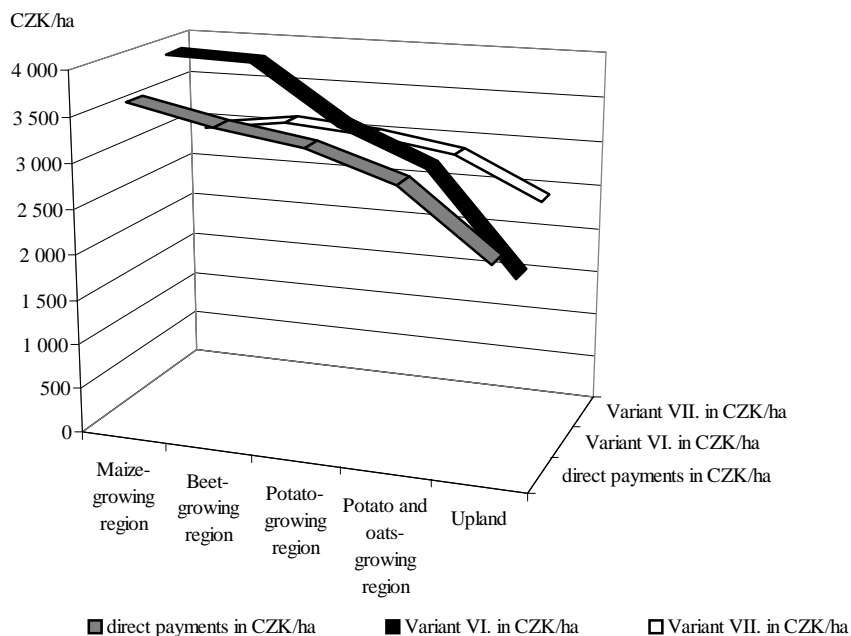


Figure 8. Variants VI and VII compared to direct payments (variant I)

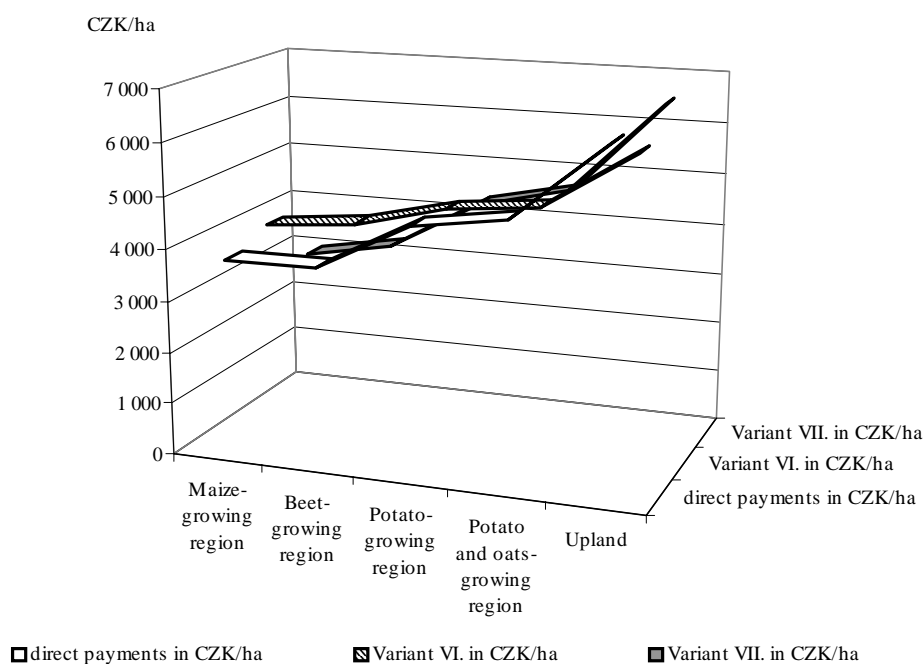


Figure 9. Direct payments (variant I) compared to variants VI and VII using 55% rate including main measures HRDP in CZK/ha farmland

- High rate of cultivated land, an essential factor in variant VI, is alleviated by 30% top-up for chosen commodities. The payment per 1 ha of the farmland is the highest in beet-growing regions. In maize-, beet- and potato-growing regions, the payments almost equal. It differs in uplands where the payments per 1 ha of the farmland are 74% compared to beet-growing regions.
- It is to be expected that this variant will support arable crops and supported commodities. As the range of supported commodities is wide no distortion of production structure especially in profitable crops need not occurred.
- With top-up payments from HRDP, the payments in uplands are double (196.49%) compared to beet-growing regions.

VARIANT VIII

Single area payments (25%) converted per 1 ha of the farmland and a top-up from national budgets (30%) distributed to less profitable commodities.

The method of calculation:

1. An unitary payment per 1ha (3 652 thousand efficient area) was calculated from the subsidiary EU direct payments (25–35%)
2. Top-up payments were divided as follow:
 - With arable crops, the real principle per ha abstracted from crops was used.
 - With milk, the part of national payment composed of slaughter bonuses, extra bonuses for bulls (oxes), extensive bonuses and additional bonuses were used for topping-up direct payments.
 - With suckler cows and sheep, the national complementary payment up to 75% EU rates was used.
 - With hops, all national complementary payments (max. up to 30% EU rates) were allocated per 1ha of the hop-garden (the total acreage 6 100 ha).
 - With potato starch, the rate per 1t was set up to 75% EU rate and up to total quotas for the potato starch – 33 600 t. This payment will be oriented to the producers (Table 15).

The impact of variant VIII on the farm economies:

- As no restrictions based on non-kept limits (stocking rate, the rate of permanent pastures to the feeding area, etc.) comparing to the direct payments follow, the suggested variant fully uses the total amount of grant funds (6.8 billion CZK in 2004).
- Comparing the simplified administrative variant to the direct payments system, it is to be said that payments increase (Table 16) in individual production regions (except maize-growing regions in 2004)
- The standard direct payments per 1ha of the farmland are the highest in maize-growing regions and decrease with worse production regions. Using the simplified payment system, guaranteed EU funds are shared equally (25–35%) in area. It results in higher payment rate per 1ha of the farmland towards worse regions compared to direct payments.
- Regarding individual components, their relevance differs in production regions. In maize- and beet-growing regions, the payments for arable crops are the most significant, their amount ranges from 1 772 to 1 785 CZK per 1 ha of the farmland. In potato-, potato and oats – growing regions and in uplands single payments per 1ha of the farmland become highly significant while in beet- and maize-growing regions, this payment places second in its significance. These payments are followed by payments for milk, which range between 292 and 521 CZK/ha farmland in 2004. This payment plays the most important role in potato- and potato and oats-growing regions and positively influences the top-up of the payments in comparison with production regions. The payment rate for suckler cows is unimportant in beet- and maize-growing regions, a little bit significant in potato- and potato and oats-growing regions, only in uplands this payment converted per 1ha farmland is higher, 303 CZK in 2004. Bonuses for arable crops converted per 1ha farmland in potato-, potato and oats-growing regions and in uplands exceed bonuses for milk, sheep and suckler cows and it results in disunity with the demand of grassing in these regions, they even work controversially.

Table 15. Suggestion of top-up of individual commodities

| | Top-up (rate in CZK/unit) | | | Total top-up in CZK | | |
|------------------------------|---------------------------|-------|-------|---------------------|---------------|---------------|
| | 2004 | 2005 | 2006 | 2004 | 2005 | 2006 |
| Single area payment | 1561 | 1930 | 2317 | 5 700 490 000 | 7 048 620 000 | 8 461 994 000 |
| Commodity | 2004 | 2005 | 2006 | 2004 | 2005 | 2006 |
| Arable crops in CZK/ha f.l.* | 1 930 | 1 930 | 1 930 | 5 365 400 000 | 5 365 400 000 | 5 365 400 000 |
| Starch in CZK/t | 527 | 492 | 457 | 17 738 820 | 16 560 720 | 15 382 620 |
| Hops in CZK/ha | 4 320 | 4 320 | 4 320 | 26 352 000 | 26 352 000 | 26 352 000 |
| Suckler cows in CZK/head | 4 500 | 4 200 | 3 900 | 406 350 000 | 379 260 000 | 352 170 000 |
| Ewe in CZK/head | 497 | 463 | 430 | 33 166 301 | 30 897 379 | 28 695 190 |
| Milk in CZK/t | 372 | 541 | 700 | 996 792 650 | 1 482 201 650 | 1 915 913 650 |
| Total | | | | 6 845 799 771 | 7 300 671 749 | 7 703 913 460 |

Source: Ministry of Agriculture 2003

* calculation: top-up rate (30%) × limit/arable land (2 780 thousand ha)

Table 16. Guaranteed EU support level (25–35%) per 1ha farm land and top-up in an average farm in a set area of less profitable crops

| | Number | | 8 | 41 | 59 | 24 | 20 |
|---|-----------------------------------|-------|----------------------|---------------------|-----------------------|--------------------------------|---------|
| Farm | Production region | | maize-growing region | beet-growing region | potato-growing region | potato and oats-growing region | upland |
| | Farm land acreage in ha | | 1 881.3 | 1 869.8 | 1 867.5 | 1 396.3 | 1 347.2 |
| | Arable land in ha | | 1740 | 1717 | 1440 | 952 | 635 |
| | Permanent pastures in ha | | 31 | 119 | 420 | 435 | 772 |
| | Grants 2002 in CZK/ha f.l. | | 1 898.00 | 1 342.0 | 2 153.0 | 2 616.0 | 3 590.0 |
| Direct payments in CZK/ha | 2004 | 25% | 1 654 | 1 577 | 1 499 | 1 355 | 1 018 |
| | 2005 | 30% | 2 025 | 1 917 | 1 858 | 1 699 | 1 280 |
| | 2006 | 35% | 2 363 | 2 237 | 2 168 | 1 982 | 1 493 |
| | 2004 | 55% | 3 639 | 3 432 | 3 293 | 2 983 | 2 239 |
| | 2005 | 60% | 4 051 | 3 835 | 3 717 | 3 398 | 2 560 |
| | 2006 | 65% | 4 388 | 4 154 | 4 026 | 3 681 | 2 773 |
| | 55% including HRDP | | 3 660 | 3 640 | 4 565 | 4 810 | 6 318 |
| Simplified system in CZK/ha | 2004 | 25% | 1 561 | 1 561 | 1 561 | 1 561 | 1 561 |
| | 2005 | 30% | 1 930 | 1 930 | 1 930 | 1 930 | 1 930 |
| | 2006 | 35% | 2 317 | 2 317 | 2 317 | 2 317 | 2 317 |
| | 2004 | 55% | 3 640 | 3 740 | 3 591 | 3 510 | 3 113 |
| | 2005 | 60% | 4 141 | 4 281 | 4 156 | 4 108 | 3 653 |
| | 2006 | 65% | 4 653 | 4 830 | 4 727 | 4 710 | 4 200 |
| Simplified system in CZK/ha including HRDP | LFA | | 4 | 61 | 748 | 1 112 | 2 394 |
| | maintenance of permanent pastures | | 17 | 146 | 495 | 715 | 1 450 |
| | organic agriculture | | 0 | 0 | 29 | 0 | 236 |
| | total HRDP | | 21 | 208 | 1 272 | 1 827 | 4 079 |
| | total 55% | | 3 661 | 3 948 | 4 863 | 5 337 | 7 192 |
| | total 60% | | 4 162 | 4 489 | 5 428 | 5 935 | 7 732 |
| | total 65% | | 4 674 | 5 038 | 5 999 | 6 537 | 8 279 |
| Rate of HRDP: total payments 55% | | 0.57 | 5.27 | 26.16 | 34.23 | 56.71 | |
| Rate of simplified direct payments: grants 2002 | | 192.9 | 294.2 | 225.9 | 204.0 | 200.3 | |
| Rate of simplified direct payments: direct payments | | 100.0 | 108.5 | 106.5 | 111.0 | 113.8 | |

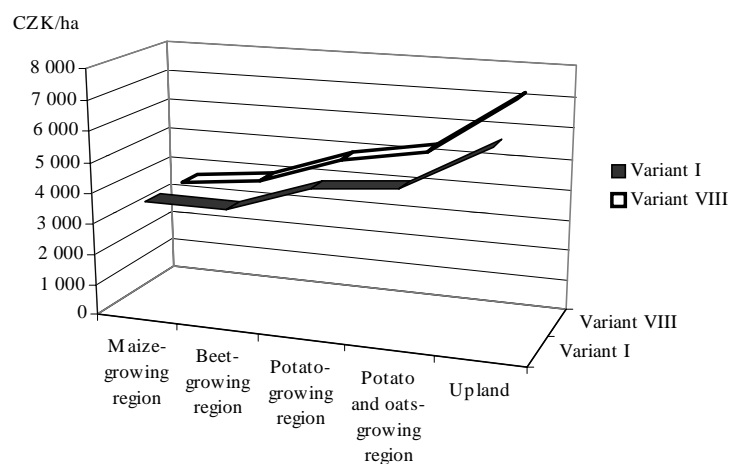


Figure 10. Variant VIII compared to direct payments

- The compensatory allowance to the LFA, the allowance for the maintenance of permanent pastures and the allowance for organic agriculture are the most important payments in terms of the HRDP and are the essential factors increasing the subsidy level in potato-, potato and oats-growing regions and in uplands. These suggested allowances in terms of the HRDP become a necessary condition for farm economies in potato-, potato and oats-growing regions and in uplands. Total payments set by the simplified system without the HRDP would be higher in production regions than in less-favoured areas (Figure 10).
- It is necessary to mark out clearly defined all grants of the suggested system, its administrative simplicity and above all, its approaching to the Reform of the Common Agricultural Policy as agreed in Luxembourg in June 2003.

The influence of individual variants on the payment trend in production regions

CONCLUSION

All eight described variants of the direct payment distribution in years 2004–2006 come from the rates of the standard direct payments and these payments more or less follow their influence in production regions. Some variants are presented just only to compare the influence of some suggestions for the implementation of these payments as they were discussed by the representatives

of interested institutions in effort to solve the problem as just and pragmatic as possible.

To be compared, chiefly the variants VI and VII were presented in which the means guaranteed by the EU (25–35% in 2004–2006) are distributed per 1 hectare of the arable land and not per 1 hectare of the farmland as defined in the accession document. Less possible is variant IV in which the funds distribution for top-up (30%) follows the standard direct payments with no production limits. The demand for simplicity and administrative facility is not observed in this variant because the payments would have to be reduced. Variant III is administratively demanding, the top-up is divided according to the rules of the standard direct payments. The Czech Republic refused variant I, the standard direct payments, as administratively demanding. The other reason is that we are not prepared enough for this variant.

It means that, as a simplified system of the direct payments distribution, variants II, V and VIII are considered to be used. Variant II is preferred mainly because of its administrative simplicity and maximum fairness because all means are distributed per 1 ha of the farmland. However, the total independence of the payments from production means a serious disadvantage. It may cut both the production of non-profitable commodities and the agriculture production in less-favoured areas as well. The agriculture in these areas would play a role of just a sponsor of nature conservation what would result in lower employment and further country depopulation.

Table 17. Payments at 55% rate including main measures of HRDP in CZK/ha farmland

| Payment in CZK/ha farmland at 55% rate | | | | | |
|--|----------------------|---------------------|-----------------------|--------------------------------|---------|
| | maize-growing region | beet-growing region | potato-growing region | potato and oats-growing region | upland |
| Variant I | 3 660 | 3 640 | 4 565 | 4 810 | 6 318 |
| Variant II | 3 616 | 3 803 | 4 867 | 5 422 | 7 674 |
| Variant III | 3 518.6 | 3 613.5 | 4 584 | 4 966 | 6 813.4 |
| Variant IV | 3 859.3 | 4 113.5 | 4 973.3 | 5 309.8 | 6 964 |
| Variant V | 2 831.3 | 3 158.4 | 4 418.2 | 4 983.2 | 7 252.6 |
| Variant VI | 4 012 | 4 170 | 4 600 | 4 769 | 5 910 |
| Variant VII | 2 998 | 3 313 | 4 306 | 4 709 | 6 510 |
| Variant VIII | 3 661 | 3 948 | 4 863 | 5 337 | 7 192 |
| Payment rate in regions | | | | | |
| | B/M | P/M | P-O/M | U/M | |
| Variant I | 99.5 | 124.7 | 131.4 | 172.6 | |
| Variant II | 105.2 | 134.6 | 149.9 | 212.2 | |
| Variant III | 102.7 | 130.3 | 141.1 | 193.6 | |
| Variant IV | 106.6 | 128.9 | 137.6 | 180.4 | |
| Variant V | 111.6 | 156.0 | 176.0 | 256.2 | |
| Variant VI | 103.9 | 114.7 | 118.9 | 147.3 | |
| Variant VII | 110.5 | 143.6 | 157.1 | 217.1 | |
| Variant VIII | 107.8 | 132.8 | 145.8 | 196.5 | |

On the contrary, the funds distribution for top-up in variants V and VIII is prepared to support some unprofitable commodities, where the production restriction would oppose the agricultural state policy. These variants differ only in the choice of the supported commodities and the support amount for individual commodities. The fundamental difference between these variants consists in abolishing the support of arable crops in variant V (it supports only set-aside). So only in this variant the support amount per 1 ha of the farmland increases in line with worse production regions.

The impact of these three variants on the farms (Table 17) would result in the fact that they reach the direct payments level only using variant VIII, in variant II the payments are reduced by 1.2% and in variant V by 21.9% in maize-growing regions. In beet-growing regions, variants II and VIII mean the increase by 4.5% and 8.5% in comparison with the standard direct payments. Variant V means the reduction of payments by 13.2% in both mentioned regions. Also in potato-growing region, variants II and VIII mean the increase (by 6.6% and 6.5%) and variant V the reduction of payments by 3.2%. On the contrary, in potato and oats-growing regions and in uplands, all of the three variants result in the increase of payments compared to the standard direct payments. In variant II, the payments reach the highest increase in these regions, i.e. the single payments for area independent from production, which is by 12.7% in potato and oats-growing regions and by 21.5% in uplands.

Most of the mentioned variants solving the direct payments distribution in years 2004–2006 are reported to have a similar effect, due to different production and climatic conditions, i.e. the amount of payments per 1 ha of the farmland declines in line with worse production regions. Only variants II and V differ. In variant II, all means

are distributed equally and variant V works contrary to standard direct payments, which means that the amount of payments per 1 ha of the farmland increases in line with worse production and climatic conditions.

Whatever mentioned or other similar way of the direct payment distribution will be used, the direct payments will not compensate the unpropitious impact of the differential rent, which results in necessity of compensation by means of other supportive acts, chiefly by the provisions of the HRDP.

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Contact address:

Prof. Ing. František Střeleček, CSc., Ing. Jana Lososová, Jihočeská univerzita v Českých Budějovicích, Studentská 13,
370 05 České Budějovice, Česká republika
e-mail: strec@jcu.cz, lososova@zf.jcu.cz
