

Ústav zemědělské ekonomiky a informací

**ČESKÉ ZEMĚDĚLSTVÍ ŠEST LET PO VSTUPU
DO EVROPSKÉ UNIE**

CZECH AGRICULTURE SIX YEARS AFTER EU ACCESSION

(Výzkumná studie)

**Zpracoval kolektiv řešitelů ÚZEI
pod vedením Ing. V. Baška, CSc.**

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Executive Summary

The research study presents the assessment of the current state and development tendencies of the Czech agriculture after EU accession. The presented analysis shall serve as a basis for an objective review of chances and risks of this sector to the future, particularly in the connection with the prepared reform of the EU Common Agricultural Policy (CAP) after 2013.

Czech agriculture went through essential changes already during the nineties of the last century. The EU accession has become a further important stage in its development. Since May 2004 the Czech agriculture has found itself in the framework of the EU single market and under the measures of the CAP.

During 2001/03 to 2007/09 there has been a further fall in the share of agriculture (including forestry and fishery) in GDP almost by one third to 2,4 %. In the same period the share of employment in the presented sector in the total employment of the national economy has fallen by one quarter to 3,1 %.

The average annual budgetary expenditures supporting the agrarian sector in 2004/09 compared with the pre-accession period of 2001/03 have increased by CZK 14,9 billions up to CZK 35,2 billions, that is by more than 73 %. In the same period the annual supports for the agriculture itself have grown more than twice times. Since 2007 supports from EU financial sources have surmounted supports from national sources. In the last observed years it represented the annual subsidies amounted to about CZK 9 200 per one hectare of agricultural land, or CZK 230 000 per one agricultural worker, respectively.

Especially operational subsidies have decisively contributed to an improvement of the economical situation on farms. Without the subsidies, many farms would not be profitable and viable. Compared with the previous period, the present agricultural policy stimulates more an extensive cattle breeding (suckler cows) in marginal areas on farms utilising various agro-environmental programmes, including organic farming. The consequence is a relatively very good economical situation of these farms and a dynamic growth of the net value added per worker (NVA/AWU) in mountain LFA. On the other hand, there is a more risky position of farms located out of LFA, particularly in the connection with increasingly variable weather conditions. It strengthens the importance of measures oriented to a complex risk management.

The level of the self-sufficiency for crop commodities, except rape seeds, has significantly increased; for all these commodities the domestic supply evidently surmounts the domestic demand. The level of the self-sufficiency for main livestock commodities (except beef) has decreased. Only pig and poultry have reached to a considerable overhang of the domestic demand to the domestic supply and to a dynamic growth of imports.

Compared with the pre-accession period, exports of cereals tripled (by 1,7 mil. t in annual average during 2004/09). The level of the self-sufficiency on about 130 % is higher by one third contrary to the pre-accession period. Similarly the trade balance for rape seeds in the same period has grown and the level of the self sufficiency has reached to nearly 140 % (including the non-food use). Following the measures aimed at the reduction of the production quotas for sugar, the acreage of sugar beet has decreased compared with the pre-accession period by 27 thousands ha to 44 thousands ha in 2008/09. In spite of this and because of higher yields, the Czech Republic has remained self-sufficient in this commodity (on the average level of 117 % during 2005/09).

A drop in the level of the self-sufficiency has occurred in all main livestock commodities, except beef. Following the reduction of dairy cows by 65,5 thousands of heads to 394 thousands of heads during 2003-2009, the average level of the self-sufficiency for milk in 2004/09 has declined by 8,4 percentage points to 123 %. However, compared with the pre-accession period 2001/03 the average milk yield in 2009 grew by more than 1 100 litres and amounted to 6 870 litres. The average stock of cattle has been reduced by 133 thousands of heads (by 8,7 %), whilst the stock of suckler cows has increased by 2009 to 160,3 thousands of heads (by about 60 %). Their share in the total stock of cows has reached to 29 %. Compared with the pre-accession period, the level of the self-sufficiency for beef has slightly increased (up to the yearly average 2004/09 about 113 %).

Pig and poultry commodities have shown a significant fall in the level of the self sufficiency. The both commodities have gotten to strong competitive pressures on the EU single market. The imports of pork meat (and also live animals in the last years) have rapidly grown, also as a consequence of a lower efficiency of producers and processors. The average annual production of pigs and pork meat have dropped by 20,9 % in 2004/09 compared with the pre-accession period, the level of the self-sufficiency in the same period has decreased by 18,9 percentage points to 79,5 % and the share of imports in the domestic consumption has grown from 5,4 % to 30,1 %. The decline for poultry has not been such high: its level of the self-sufficiency has decreased by 3,5 percentage points to 92,6 % as the yearly average in 2004/09.

The annual negative balance of the Czech agrarian trade has significantly increased by about CZK 5 billions, accompanied by a dynamic growth of exports particularly of agricultural raw materials and by the growing imports of higher value added products. The share of EU countries in the Czech agrarian trade has been significantly growing. However, the falling shares of domestic processed products in the domestic consumption and exports signalise a recession in the competitive position of some food industry branches (e. g. commodities in the category „Meat and Offal“ participates by 56 % in the average yearly growth of the negative trade balance in the period of 2005/09).

After EU accession, financial sources for agro-environmental objectives have been enlarged and better targeted. Whilst in 2001/03 the annual average budgetary expenditures for these objectives represented about CZK 1,2 billions, in 2004/09 it was about CZK 6,6 billions. The acreage of organic farming has been outstandingly enlarged (by 69 %), but prevailingly on grassland (83 % of the total acreage of organic farming). It is one of the reasons, why the share of foods produced by this way in the total food consumption is very low (0,75 %). In spite of a general positive development in the relations between farming and environment reserves in efficiency of agro-environmental measures, including the ways of their implementation and control, so far exist.

In the relations between agriculture and rural development it is evident that the significance of farming, hunting and forestry in many regions has further decreased. The diversification of farms to non-agricultural activities so far represents a less important additional source of farm incomes. However, the development especially agro-tourism can contribute to the creation of job opportunities in rural areas.

A substantially higher average size of farms, prevailingly farms as legal entities with more than 80 % leased, represents the main difference with agriculture in the EU 15 countries. The comparison of the economy between the Czech agriculture and the EU 15 agriculture confirms so far existing reserves in the increase of the competitiveness of Czech farms: in average roughly the same level of the operational subsidies per hectare in the combination with about half level of production and by about 30 % higher interim consumption leads to only about 60 % of the nominal value of NVA/AWU. It is true that the lower value of the indicator is so far compensated by about three times lower labour costs and by about five times lower land prices. These aspects together with potentials of the prevailing large-scale farming represent the main comparative advantages of the Czech agriculture towards the EU 15 countries. However, the share of subsidies in NVA amounted to about 70 %, which is almost double compared with the EU 15 countries, indicates an extreme dependence and sensitivity of the Czech agriculture to policy measures.