

Possible Impacts of the Common Agricultural Policy Reform on Development of Agriculture in the Jihlava District

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Abstract

The Czech Republic entered into European Union on May 1, 2004. The commitment of the Common Agricultural Policy (CAP) led to unprecedented changes in agricultural sector. This article defines the situation of agriculture in the Jihlava district and possible impacts of CAP on development of agriculture in this region.

Keywords: Common agricultural policy reform, Jihlava district

Introduction

Until 1950's agriculture was defined as a primary strategic sector of every country which ensured primary national and strategic interest – sufficient food production. Later this conception was extended to ecological interests and social issues of rural population which means that primary conception (sufficient food production) was considerably widened and it got closer to conception of agrosocial system. In the period of transition of economics and reorganisation of agriculture in the sense of sustainable development there has been exceedingly topical study of agrostructures in selected regions.

The study of current development trends of agrorural structures is in geography literature predominantly identified with the analysis of territorial differentiation in process of societal transition. The main focus is naturally on problems of run up of social-economical disparities among individual regions, e.g. Jančák, Götz (1997), Věžník, Bartošová (2004), Spišiak (2006), Hasinski (1999). Concerning CAP EU, there is rising effort to measure individual preconditions of revitalization of agriculture and strengthening its non-production functions, enhanced by possibilities of development in rural area Spišiak (2002), Věžník (2006), Bičík, Jančák (2004), Woods (2005) etc. This is indirectly motivated by current form of CAP EU which still more and more leaves subsidies on production and for commodities and emphasizes environment protection, sustainable landscape, food safety and welfare of animals, e.g. Doucha, Divila (2005), Frohberg (2002) or Střeleček, Lososová (2005).

Possible Impacts of the Common Agricultural Policy on Czech Agricultural Sector

Politics of common market with agricultural products is one of the oldest political activities of European Communities/European Union (EC/EU). Obligation to build up this system in which the regulation of law and financing were in the hands of supranational commonwealth has been already held in agreement since 1957. It was also one of the most politically (concerning financing) sensitive spheres during all ES/EU function.

The Czech Republic entered the EU as a state in which less than 4 % population were employed in agricultural sector. In 1990's the sector went through significant restructuring, not only in this branch but also in ownership. Coherently with restructuring of agriculture and reorientation of markets to EU the Czech Republic had to face up to not always fair competition in the area of the agricultural production. It also had to adapt to situation on world agricultural market. Despite these difficulties Czech agriculture kept high efficiency in a lot of branches. Before the entrance in the EU the Czech Republic was second in production of plenty commodities (e.g. sugar, oil crops) among ten new EU-members just behind Poland and it overtook many producers in EU-15 (Fajmon et al., 2007).

The Czech agriculture became part of EU agriculture under very disadvantageous conditions. The best proofs of that are quotas on individual agricultural commodities and lower direct payments than in states of old EU-15. As consequence the Czech farmers are on the common EU market discriminated till 2013. This situation can be partly compensated by the government from national funds.

Entrance in the EU brought about some innovations in the Czech agriculture:

- Market regulation in the Czech Republic had to be adapted to the system of the EU. Moreover, it was regulated (or deformed) by entrance agreements for new countries, eg. prohibition of subsidies for sowing of new vineyards after entrance in the EU, quotas for growing pulse, milk production, potatoes starch or processed fruits and vegetables. This often causes (and will cause) changes in commodities' structure of the Czech agriculture.
- It had to adapt to evolution of EU legislation that does not develop in vacuum – it is influenced by liberalisation process of trade with agricultural products within World Trade Organisation (WTO).
- It had to accept deformed rules of financing of agriculture for new member states. It means that until 2013 they become just part of direct payments which now obtain states of EU-15.

Although entrance in the EU signified for our agriculture substantial growth of financial sources (according to analysis of Research Institute of Agricultural Economics (VÚZE) got in 2005 as opposed to 2001-2005 to almost double increase of subsidies for agricultural enterprises from 15 mld. to almost 30 mld. CZK) it got to considerable reduction of subsidies to food industry from 2,9 mld. to 0,6 mld. CZK. However, it is important that the finances from EU of all types have not so far significantly contributed to intended restructuring of Czech agriculture.

After 2007 more emphasis has been put on development of rural area and financing of non-agricultural activities which is connected with formation of quite new European Agricultural Fund for Rural Development (EAFRD).

In the future one of the main changes for the Czech Republic will be transformation of single area payment scheme (SAPS) to single payment scheme (SPS). After 2009 it will be necessary to fulfil cross-compliance which means that the subsidies for farms will have been on condition of nineteen union's norms. In longer time horizon after 2010 and mainly 2013, EU farmers may expect changes that would lead to larger rivalry. It could be advantage for Czech agriculture because it 's not as "spoilt" as farmers in old EU-15 and it also has a bigger produce concentration.

According to the Conception CAP EU, Czech farmers would receive in the period of 2004-2013 in principle the following five kinds categories of supports: direct payments, structural (non investment) supports under the Horizontal Rural Development Plan (a half of which represents payments in Less Favourable Areas – LFA), structural (investments) supports under the Operational Programme for Agriculture, state aid and market price supports. Besides the supports, Czech farms will be influenced by other measures like cross compliance (conditions for direct payments) and other general conditions for farming.

Situation in Agriculture in the Jihlava District

Level of agriculture in the selected region is predetermined by its geographical location and natural conditions that provide only average prerequisites in the Vysočina region. The whole district is situated in typical terrain of the Czech-Moravian Highlands where the conditions for intensive agricultural development are rather low. Considerable part of the territory is situated in a potato-growing region (92,3 %), in the highest areas there is a mountain-growing region (7,7 %) of the district's area.



Fig. 1: Location of the Jihlava district within the Czech Republic

In spite of mentioned facts agricultural land takes about 69 845 ha which is 59,2 % of the whole district area, that is much more than the average in CR (54,0 %). Acreage of agricultural land per one inhabitant in the Jihlava district is 0,65 ha, average in the CR is only 0,41 ha. Also coefficient of tillage 75,1 % is in the Jihlava district higher than the average in CR (71,6 %).

Production force of agricultural land in the Jihlava district is only 44,7 points whereas the average in the CR reaches 58,3 points. Value of agricultural land derives from production force.

An average value of land in the Jihlava district isn't too high (2,57 CZK/m²) which is the lowest value among all districts in the Vysočina region and demonstrates low soil quality (the average in the CR is 5,24 CZK/m²). However, land prizes differ considerably within the district – the lowest value of land is in c.a. Hutě – 1,09 CZK/m², on the contrary the highest value is in c.a. Knínice (4,73 CZK/m²). Most of cadastral areas (37,8 %) are placed in the category with the land value from 2,01 to 3,00 CZK/m².

The Jihlava district belongs due to its unfavourable conditions (except the territory of the town Jihlava) to less favourable areas - LFA. Territory in the east of the district (from community Jindřichovice to community Kamenice), south-west and also north-western part of the district belong to LFA, in the mountain area. The rest of the territory is belongs to other LFA. Support of LFA in the Jihlava district should contribute to stable use of agricultural land, preservation of the landscape, maintaining and development of appropriate farm systems and to fulfil requirements of environment.

Concerning organisation, the development of agriculture after the World War II proceeded in the Jihlava district in the same way as in other regions in the Czech Republic. It was period of socialization of agriculture. Co-operative farms and state farms made up the base of organized administratively directed farming. At the end of 80s there were farming 18 cooperative farms, one state farm and two school farms in the region. Proportion of cooperative farms in the total area of agricultural land in the Jihlava district was 78,5 %.

After 1989 Czechoslovak economics was transformed into free market economy. Agricultural subjects passed through the biggest changes mainly at the beginning of 1990s. All cooperatives went through the transition process and without larger changes transformed into private cooperative farms. It got just to reduction of their size due to restitution demands. State farms passed through process of privatization on its bases developed many new trade companies. As a result of restitution some natural entities started their own business as private farmers. In mid-90s farms went through so called second stage of transition and it resulted in cooperative farms conversion of some trade companies.

Nowadays there are 33 legal entities in the Jihlava district, 17 of all which are cooperative farms, 13 companies with limited liability and 3 stock companies. Besides these big companies there are 161 private farmers. After 1990 there was a slight increase in number of agricultural subjects and a gradual decrease of their average area. Whilst in 1989 an average area of agricultural land per farm was 2645,7 ha, it was only 1577,7 ha in 2005. An average area per a private farmer is nearly 113 ha. Cooperative farms cover 39,7 % of agricultural land in the district (it is much more than the average in the CR – 24,4 %), trade companies about 34,5 % (it is on the contrary less than average in the country 45,4 %). Private farmers manage 26,0 % of agricultural land, which is slightly less than the average in the CR (29,2 %).

Agricultural production in the Jihlava district is predominantly oriented to combined form of farming but animal farming rather prevails. Trends in utilizing arable land in the Jihlava district after 1990 are similar to the trends in all the CR. Dominant position is held by cereals, especially winter wheat and then spring and winter barley. Areas of potatoes and flax decreased but areas of oil crops, mainly of rape, increased (see Tab. 1). In 2003 cereals took altogether 53,7 % of arable land in the district, oil crops 14,0 %. As a result of suppression of cattle breeding there has also been a decrease in forage crops areas and forage was replaced by various other crops. During 1990s the proportion of animal farming on total agricultural production also decreased but the animal farming is still more important than plant production. After 1990 livestock population has significantly fallen. The biggest decrease was noticed in cattle and poultry population, numbers of pigs decreased only slightly, sheep breeding was almost eliminated (see Tab. 1). Intensity of cattle breeding that is a number of pieces per 100 ha of agricultural land is an indicator of the level of animal breeding. In 2003 the intensity was 54,2 heads pieces/100 ha in 2003, which is above average of the whole Vysočina region – 53,2 heads pieces/100 ha and higher than country average which was only 40,4 heads pieces/100 ha.

Table 1 Selected indicators of agricultural production in the Jihlava district

Indicator	1989	2003	Index 03/89 (in %)
Cereals (area under crops in ha)	24 138	28 162	116,7
Potatoes (area under crops in ha)	4 874	1 993	40,9
Oil crops (area under crops in ha)	923	7 331	794,3
Cattle altogether (pieces)	58 799	37 926	64,5
from that cows	20 227	13 046	64,5
Pigs altogether	79 211	68 047	85,9
Poultry altogether	376 737	257 248	68,3

Source: Czech Statistical Office

Number of employees in agriculture has constantly decreased after 1990. During the transition between 1991 and 1995 there was the greatest decrease in number of employees. It was caused mainly by the change of statistical evidence and progressive privatization of many associated productions in large agricultural enterprises of socialistic type. Whilst in 1989 7,068 people worked in agriculture in the Jihlava district, i.e. 12,9 % of all employed, it was only 1,541 employees on 31st Dec 2004, which is a fall of 78,2 %.

Impacts of Structural EU Funds on Restructuralization of Agriculture in the Jihlava District

It is natural that in this part of the work it is possible to assess only impacts of closed or ending subsidies from EU. Definitely the most important programme of pre-entrance period was SAPARD. This programme was assigned to ten candidate states that could use it between 2000 and 2006, until the date of entrance in the EU. The goal of the programme was implementation of EU law to the sphere of common agricultural policy and dealing with preferential and specific problems connected with permanently sustainable changes in agricultural sector and in rural areas in candidate countries.

Until 30.9.1994 1203 projects amounting to 2,93 mld. CZK were financed/covered by SAPARD. In the Jihlava district subsidies were provided to 47 projects amounting to nearly 73 mil. CZK. As for projects that directly influence agriculture in the region, it was the Jihlava district that obtained the highest subsidy in the first stage (until 26th June 2002). The subsidy was assessed to triangulation of plots, reconstruction of field paths and revitalization of water courses. A relatively important subsidy was the one for slurry for ZD Brtnice, for Zemědělská společnost Stará Říše, s.r.o for modernization of stable and also for replacement of technology in cowshed in Markvartice.

In the second stage, run until 30th Jan 2003 it was again Land Office in Jihlava that obtained the highest subsidy for similar projects as previously. The subsidy was mainly allocated to complex land adjustments in the region. Large amount of finances obtained also: ZD Brtnice (construction of tanks for slurry – Pánská Lhota), Zemědělské obchodní družstvo Vysočina Polná (construction of tanks for slurry – Záborná), Zemědělské hospodářské družstvo Jersín (reconstruction of calf house) and Zemědělské a obchodní družstvo Luka nad Jihlavou (structural adaptation of stable for dairy cows).

In the third stage of subsidies, run until 27th Aug 2003, It was again Land Office in Jihlava that obtained the highest subsidy. It was assessed to GPL. Next there was Dobrosev a.s. Dobronín (reconstruction of farrowing house for sows and replacement of technology for piglet breeding).

Operational programme (OP) „Rural Development and Multifunctional Agriculture“ was another important EU fund that provided subsidies for agriculture and rural areas after the entrance of the Czech Republic in the EU. It was possible to obtain finances from EU funds between 2004 and 2006. For this period it should have been paid to Czech farmers, processors and fishermen about 250 mil. Euro. OP agriculture was elaborated firstly to support agricultural basic needs and to process of agricultural products, to support of forest and water management and to ensure sustainable development of rural areas. In the first round, ran spring 2004, 8 projects were approved in the Jihlava district amounting to more than 16 mil CZK.

From the list mentioned it is obvious that the EU considerably leans to bigger subsidising of rural areas as a complex than just to subsidising of agricultural production. While subsidies for production will be surely still discussed in the future, it is evident that non-productional functions of agriculture and rural areas will be considerably strengthened.

At the same time it was possible to obtain EU subsidies from Horizontal Rural Development Plan (HRDP). Its goal was to reduce disparities in profitability of enterprises in less favoured areas, as a result of different natural conditions, to improve unfavourable age structure of farmers, to reduce tillage of land, prevent erosion etc. The Jihlava district obtained 112 mil. CZK from this fund most of which, 66 %, went to support the enterprises farming in LFA and 33 % to agro-environmental measures.

Conclusions

The decisions about the future Czech agricultural policy under EU conditions, particularly as regards the ways of distribution of direct payments and the legislation related to the land market, can significantly influence the farm and land usage structure and the further restructuring of the Czech agriculture. The restructuring, not the conservation of the present farm and production structure of Czech agriculture, should be one of the most important priorities of the agricultural policy.

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