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**HOSPODAŘENÍ ZEMĚDĚLCŮ V OBLASTECH
S PŘÍRODNÍMI OMEZENÍMI PO VSTUPU ČR DO EU**

**FARMING IN AREAS WITH NATURAL CONSTRAINTS
AFTER THE CZECH REPUBLIC ACCESSION INTO THE EU**

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EXECUTIVE SUMMARY

A comprehensive analysis of the effects of the Common Agricultural Policy is necessary as a preparation for the 2014-20 programme period. This research study focuses on analysing aid granted to farmers in less-favoured areas – LFAs. The system of compensatory payments to farms in LFAs is to be significantly changed from 2014, including the areas' redefinition. Presented comparative analyses should form one of the foundations for future modifications of Czech measures under the LFA system.

We compare recent developments in LFA support in the EU (including the Czech Republic). These have led to a long-criticized disparity across the EU in the criteria for determining LFA status, calculations of support and also in the bases for such calculations. In contrast to its neighbours, Czech LFA payments are based only on acreage of grassland; there is no differentiation according to farm size, and differentiation by the degree of natural handicap is applied only in a limited fashion. Large imbalances were identified in the Czech Republic in the sizes of subsidies to farms working under comparatively similar conditions.

At regional level, clusters of EU NUTS 2 regions were formed based on of similar ranges of less favourable conditions. Resulting comparisons help to put the current state of land use, in livestock, in demographic and economic characteristics of Czech regions in the context of the whole EU.

For individual types of LFAs in the Czech Republic we evaluate the trends in agricultural land use after 2000 in general and after the EU accession in particular. We follow changes in sown areas of basic crops, in livestock populations and farm equipment in the period 2000-2010 (or 2011). These trends reveal that a process of extensification of Czech agriculture is under way, even in areas outside of LFAs. This is reflected in a decrease in the number of employees, increase in the share of grassland in UAA, reduction of livestock (since 2007 especially in pig production), substitution of dairy cows by sucklers, sheep and goats. Reduction of acreage of perennial forage crops and growth in the share of maize in crop rotation even in mountainous LFAs have an adverse impact on soil fertility.

We also analyse trends in economic indicators over the period 2001-2010 for groups of farms according to their LFA classification. But for the subsidies, in all types of LFAs worse economic outcomes were consistently being achieved than on naturally better endowed farms. On the other hand, we discovered rather extreme differences in economic results among LFA farms of different sizes and specializations. We conclude that the current system of providing subsidies to farms in the LFA is not well adjusted.

The publication is complemented by authors' methodological approaches to the definition of LFAs in the Czech Republic for the period after 2014 and examples of documents derived from them for the European Commission. The concluding section offers food for thought for improving the system of LFAs in the Czech Republic.