

Synthesis and assessment of the public debate on the reform of the CAP after 2013 – The Czech Republic

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Synthesis and assessment of the public debate on the reform of the CAP after 2013

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List of abbreviations

AK	Agricultural Chamber
ASZ	Association of Private Farmers
CAP	Common Agricultural Policy
EC	European Commission
LFA	Less Favoured Areas
LPIS	Land Parcel Identification System
MoA	Ministry of Agriculture
MEP	Member of the European Parliament
MS	Member State
NGO	Non-governmental organisation
PRO-BIO	Association of organic farmers
RDP	Rural Development Plan
SAPS	Single Area Payment Scheme
UAA	Utilised Agricultural Area
WTO	World Trade Organisation

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1 Introduction

This study was carried out in order to provide the Institute for Rural Development Studies (IfLS) with information concerning the discourse on the CAP in the Czech Republic. The positions of various stakeholders were collected during autumn 2011. These were found in documents and speeches, which were published since the discourse started (autumn 2010). Most of the statements were published in autumn 2011.

The document is structured according to the Terms of Reference (especially the final analysis). Not all stakeholders published their statements on each topic analysed in this document.

2 Contextual information

For a good understanding of the position of the stakeholders in the discourse on the CAP reform some specificities of the Czech farming sector should be explained. First of all, the average farm size is the largest in the EU. More than $\frac{3}{4}$ of farmland are managed by large corporate farms (e.g. cooperatives, limited liability companies, joint-stock companies), with 14.4 percent of farms representing 91.7 percent of agricultural land. According to the Land Parcel Identification System (Ministry of Agriculture, 2010), farms with acreage over 500 ha account for 71.1 percent of agricultural land. Therefore, these farms represent sufficient share of the UAA to be powerful in the policy discourse. One of their main points of interest is to maintain their economies of scale. There is not a high number of semi-subsistence farmers, but hobby farmers with sufficient income from other sources are more frequent.

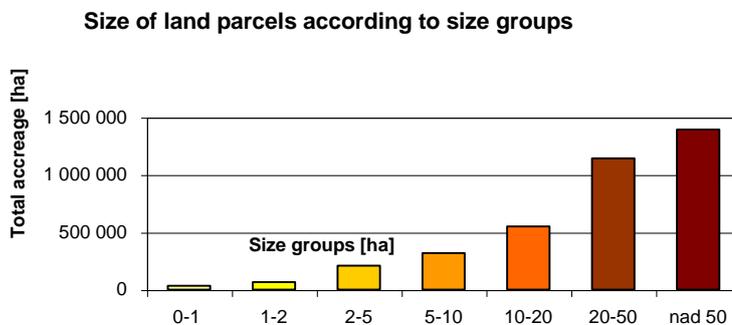
In 2008, the share of agriculture in GDP was 1.93 % and in 2009 it was 1.56 % (Ministry of Agriculture, 2010).

Table 1: Land use in 2009 (according to the Land Parcel Identification System):

Land use	Hectares	Percent
Arable land	2 548 029	72.29
Grassland	932 831	26.47
Orchards	21 430	0.61
Vineyards	13 613	0.39

Source: Ministry of agriculture of the Czech Republic (2010)

Figure 1: Size of land parcels at the time of preparation of the Land Parcel Identification System



Source: Ekotoxa Opava, Presentation of a database intended for land registry development at the Ministry of Agriculture, 2002

Table 2: Farm size groups in the Czech Republic (year 2003) Active entities: by agricultural land area; 30 September 2003

Size group (ha)		Active farms	Agricultural land area	% of UAA	2003/2000
Total		54 071	3 618 919,5	100.0	100.3
From	To				
	0.00	2 206	0.0	0.0	-
0.01	1.00	13 783	5 902.5	0.2	118.5
1.01	3.00	12 630	23 187.9	0.6	104.7
3.01	5.00	4 499	17 838.7	0.5	101.1
5.01	10.00	5 871	42 419.5	1.2	101.9
10.01	20.00	5 052	72 159.4	2.0	100.0
20.01	30.00	2 235	55 021.0	1.5	100.2
30.01	50.00	2 037	79 104.4	2.2	103.3
50.01	100.00	1 846	130 302.8	3.6	103.2
100.01	500.00	2 068	464 443.0	12.8	107.1
500.01	1 000.00	727	532 758.0	14.7	96.6
1 000.01	2 000.00	725	1 024 422.8	28.3	98.3
2 000.01	3 000.00	256	618 583.2	17.1	93.0
3 000.01	and more	136	552 776.6	15.3	111.0

Source: Results of Agrocensus 2000 and Structural Survey in Agriculture 2003 (Czech Statistical Office, 2004)

Current CAP is implemented in the Czech Republic in the following way:

- Pillar I in the form of SAPS (with some complementary payments from national budget), with some support of dairy cows based on article 68 and moderate additional national support (in line with CAP) to a few commodities.
- Pillar II in the form of Rural Development Plan (RDP). The second axis is rather important accounting for a high proportion of the RDP budget.

Table 3: Distribution of budget in the Rural Development Plan

Axis	Percent
I	23
II	54
III	17.5
IV	5
Technical assistance	0,5

Note: numbers are rounded

Source: Rural Development Plan (2008), Ministry of Agriculture, Prague

3 Overview of key stakeholders discussing agricultural policies in the Czech Republic

The rationale for selection of actors for their opinion analysis was as follows: it was necessary to have the major group of actors represented, e.g. Ministries, farmers' representatives, environmental NGOs which usually comment on agricultural policy. The second criterion was rather pragmatic: to collect all available comments and statements and check whether the composition of the commenting organizations respects the rule above. The second principle is stemming from the fact, that the political discourse in the Czech Republic does not produce so many documents. The reason is not only the specificity of policy culture in the Czech Republic (not sufficiently long tradition in public discourse), but also the state is not so large to have high number of different actors to produce numerous documents. A list of organizations/partners, which is used by the Ministry of Agriculture to facilitate debate on key policy documents, was used as a source of contacts. Partners are usually asked for comments on proposals of the Ministry. The list covers all key partners and some are not relevant at all in this context.

This section describes the key stakeholders who have produced statements so far, the only exception being the Ministry of the Environment which still has not published any comments or suggestions.

Several comments were identified as speeches, but with no record of the content, therefore the number of recorded comments or documents could give an impression that the Czech public discusses such topics even less than it is in reality.

Most of the comments were rather general and not going sufficiently deep in analysing the policy reform.

3.1 Czech Members of the European Parliament

Two reactions were identified, one of a member of the ČSSD (Czech Social Democratic Party) and one of the ODS (Civic Democratic Party). The comments were expected to be influenced by particular party preferences (ČSSD rather left centre and ODS right centre, i.e. more liberal).

3.2 NGOs

Zeleny kruh (Green Circle) is an association of environmental NGOs who tend to act in coordination and draft together reactions to policy proposals. The association was founded in 1989 and should defend interests of its members (27 environmental NGOs). The reason for creation of the association was to increase the power on policy arena. Some of the members are already powerful NGOs who act also independently (e.g. Czech Society for Ornithology, Greenpeace).

Goals of the Green Circle are:

- Development of the civic sector in the field of environmental protection.
 - Facilitating cooperation and communication among environmental organizations.
-

- Helping the public to be involved in design and implementation of environmental policy.
- To increase public awareness of the activities of environmental organizations and current issues in environmental protection.

NGOs as partners of the Zeleny kruh (Green Circle) association¹:

- Arnika
Ateliér pro životní prostředí (Atelier for the environment)
- Auto*mat
- Bioinstitut, o.p.s
- Brontosaurus Praha 7
- Calla – Sdružení pro záchranu prostředí (Association for Preservation of the Environment)
- Centrum pro dopravu a energetiku (Centre for transport and energy)
- Děti Země (Children of the Earth)
- Econnect
- Ekologický právní servis (Environmental Law Service)
- Greenpeace CZ
- Hnutí Brontosaurus
- Hnutí DUHA (Friends of the Earth, Czech Republic)
- Jihočeské matky, o.s. (Mothers of South Bohemia)
- o.s. Konopa
- Liga Ekologických Alternativ (League of Ecological Alternatives)
- Nezávislé sociálně ekologické hnutí (NESEHNUTÍ) (Independent social-ecological movement)
- Oživení, o.s.
- Pražské matky (Mothers of Prague)
- Pražský institut pro globální politiku – GLOPOLIS o.p.s. (Prague Institute for Global Policy)
- PRO-BIO Svaz ekologických zemědělců (Association of organic farmers)
- Rosa – Jihočeská společnost pro ekologické informace a aktivity, o.p.s. (Southern bohemian association for ecological information and activities)
- Sdružení Krajina (Landscape Association)
- Síť ekologických poraden (STEP) (Network of environmental advisory centres)
- Společnost pro trvale udržitelný život (STUŽ) (Association for sustainable development)
- Středisko ekologické výchovy a etiky Rýchory – SEVER, Brontosaurus Krkonoše (Centre for environmental education and ethics)
- ZO ČSOP Společnost pro zvířata (Society for animals)
- ZO ČSOP Veronica

The Green Circle is a member of the European Environmental Bureau and Climatic coalition and a contact point of the Czech National Committee of UNEP.

3.3 Farmers' representatives

Some farmers' organizations are not specific (e.g. Czech-Moravian Association of Agricultural Entrepreneurs, Agricultural Chamber) but others have a specific focus and also agenda (e.g. Association of Marginal Areas, PRO-BIO). Farmers' organisations which published their opinion on the CAP reform are briefly characterised in this chapter.

¹ Zeleny kruh – Asociace ekologických nevládních organizací: Seznamte se - představení Zeleného kruhu. Brochure with introduction of the association. Downloaded from www.zelenykruh.cz on 21 October 2011

Agrarian Chamber is the biggest and general farmer's organization, which was created in early 1990s, based on a law, and is meant to open its membership to all types of farmers (i.e. irrespectively of production type or size). But some other farmer's organisations regard this organisation as a representative of large farms rather than small ones. The organization has therefore significant power and can effectively influence the policy discourse. Since the organization represents the biggest share of farmland and its structure has its rules laid down in a law, it is rather well organised (offices in each region), its lobbying power is quite apparent when there are topics important to general farming.

Agricultural Association (Zemědělský svaz): is an association of agricultural companies, farm and market cooperatives, farmers and other entrepreneurs, who are focused on agriculture. In general the association is focused on farms which are employers. This is one of the biggest organizations in farming and cover farms and other entrepreneurs employing 42% of all agricultural employees in the Czech Republic. The purpose of the Association is to defend/pursue interests of its members in areas of production and sale, and to promote the development of agriculture and rural areas. In helping to its members in their business the Association provides advice, services, and training in economics, entrepreneurship, law, and social issues.

Association of Private Farmers (Asociace Soukromého Zemědělství), does not represent corporate farms. This is a rather powerful organization, from the top representatives of which influential advisors of the Minister are recruited. The organization has a rather liberal approach with significant environmental accent. The main focus is competitiveness of family farms. As the average farm size in the Czech Republic is the largest in the EU, family or single owner farms are still rather large.

Association of marginal areas (Svaz marginálních oblastí) is a very influential organization (strong leadership), despite its focus mainly on less favoured areas, and it represents primarily farms with extensive cattle/sheep grazing.

PRO-BIO association of organic farmers (PRO-BIO svaz ekologických zemědělců) is an organization which in the past represented all organic farmers.. To date, it is still the most influential and nearly only organisation representing organic farmers, which is active in representing the farmers in discussions with Ministries on the CAP at the national level. Currently this organization has 656 members, of which 588 farmers and 68 shops. PRO-BIO Liga, which is a section of PRO-BIO for consumers, represents 241 members.

3.4 Research institute

Institute of Agricultural Economics and Information is a leading institute in agricultural economics, agricultural policy design and assessment in the Czech Republic. The institute, besides its international research activities, has its main activity in supporting the Ministry of Agriculture in development and administration of agricultural policy.

4 Comments, statements, position documents of different stakeholders

4.1 Comments of Members of European Parliament (MEPs)²

The key issue in the comments is „the same level of support for all European farmers“, which was envisaged to be reached by 2013, when the New Member states should get the same support as Old MS. The MEP from the ODS party stated that the envisaged same support will not be reached because of the **capping** principle which limits mainly Czech farmers with a high proportion of large farms. He expects that many large farms will lose a large amount of money and that the only positive message from the EU proposal is that saved financial resources could be used to support rural development (in the Second Pillar). The MEP also mentioned other key features of the CAP reform in the framework of the second pillar, but the comment was neutral and no judgement was mentioned. All in all he sends a message to Czech farmers that they should be “**young, small and green**” to get support from EU CAP after the reform.

Second MEP (CSSD party) who published his comments also described the reform as not favourable to Czech farmers³.

The MEP mentioned the key priorities with no judgement on them. Again also this MEP mentioned that the support (especially under the First pillar) should be **fairly distributed** among farmers in the Member States. From this point of view the **capping represents disadvantage** to Czech farmers. He believes that capping together with greening will bring higher **administrative costs** and will not lead to a simplification of the CAP. In addition, some parts of the greening will not only bring more administration but will limit competitiveness of farmers in general. The capping or “soft landing” of any reform could lead again to **unfair distribution of support**.

The same MEP after later meetings with EC representatives stressed even more that current reform proposal still does not remove large **differences between support** of farmers in different Member States. And again but even stronger accent is given to disagreement with further greening of the CAP. He stressed that capping will affect mostly large farms with extensive grazing along Czech borders, where regions experience significant economic difficulties. Therefore, he disagrees with the proposal and asks the Czech minister to negotiate in this sense during discussions on the CAP reform.

4.2 Opinions of environmental NGOs

Based on common press releases of CSO (Czech Society for Ornithology), Daphne, Green Circle, Compassion in World Farming, Společnost pro zvířata (Association for animals), Glopolis, Hnutí DUHA (Friends of the Earth, Czech Republic):

The NGOs mentioned do not believe the proposal really contributes to **greening** of the CAP. Despite the proposed conditions for greening the proposal in reality does not prevent the growing of monocultures of maize or oilseed rape, which can expand even more. In addition,

² Based on an article from 16.10.2011 9:38: Accessed at <http://www.parlamentnilisty.cz/parlament/politici-volicum/210835.aspx>, downloaded on 25.10.2011

³ Based on an article from 12.10.2011 14:24.

the proposal **does not support animal welfare** sufficiently and is not strong enough in prevention of soil degradation.

The greening was regarded as a positive step but still there is a space at national level for compromising the potential for real environmental gain.

The devotion of 7% of land to **ecological purposes** is regarded as a step in the right direction. But there are still uncertainties regarding the definition of the land used for these purposes (e.g. what kind of land could be included under these 7% and how this land should be managed).

The association of NGOs has several suggestions concerning the greening of the CAP. For example, the 7% of area earmarked for ecological purposes should cover: wet depressions in fields, field banks, valuable pieces of grassland and other specific landscape features. These areas have significant potential to increase diversity in landscape, help in prevention of soil erosion (both water and wind erosion), and help in water accumulation in the landscape. Finally, these landscape features can support biodiversity in European nature.

NGOs see the possible coupling of support with production as a potential threat. According to their opinion this could accelerate already steep increase of areas under some crops not favourable to landscape and soil protection (e.g. maize and oil seed rape).

What is highly problematic is that small farms are not obliged to observe the **minimum standards** for protection of environment and health. It is well known that these farms usually contribute more to nature protection and therefore the welcome release of administrative burden, but standards should apply to all, otherwise this is a step back.

There was complaint that the proposed reform does not sufficiently stress the protection of **valuable sites** on agricultural land (e.g. Natura 2000 or other biodiversity rich grasslands). These should be addressed in a more targeted way.

One of the specific statements came from a NGO dealing with animal welfare: there is a strong disagreement with support of transport of live animals over long distances. In addition, the reform should be more explicit in facilitating the shift from large scale and intensive animal keeping in favour of more sustainable ways. Also NGOs do not see measures which could help supporting animal welfare and which could be equivalent of current Art. 68. The measure supporting animal welfare under Pillar II is not regarded as sufficient because of the nature of the support in question (e.g. the length of period of support).

The Green Circle made a presentation on CAP reform at the seminar “**Is new CAP going to be sensitive to environment?**” held in Prague on 22 November. The key statements were as follows:

- The 30% of funds for **greening** is regarded as adequate, but when the allocation is less than 30% they believe the measure will not be effective.
- It is necessary that the greening is compulsory for the Member States
- Concerning the **diversification of crops** on arable land the suggestions are:
 - Crop rotation should be required.
 - Increase of minimum area of one crop up to 10-15%.
 - Requirement of sowing at least one flowering plant producing nectar for insects.
 - Minimum four crops.
 - The maximum area of main crop should be up to 50%.
- The suggestion is to have more requirements for **grassland maintenance** (differentiated cutting, i.e. different times on different parts of land parcel; decrease of intensity, i.e. lower use of fertilisers).
- They support **7% for ecological purposes** (as the most effective measure in Pillar I) and suggest the following list of possible types of areas: set-aside, terraces, landscape features, buffer strips, and woodland. The support could be even more targeted by differential payments according to the value of the site concerned.

- The areas for ecological purposes should be: extensively managed (e.g. no fertilisers), different management than on surrounding areas, targeted (e.g. wet sites, edge of parcel).
- Further suggestion is to leave even some **grasslands as areas for ecological purposes**.
- The organisation suggests:
 - to increase the **budget** for measures in Pillar II targeted at natural resources,
 - to pursue better targeting of agri-environmental measures,
 - to stress animal welfare as a new priority,
 - energy crops should not be supported under coupled payments,
 - it should not be allowed to transfer part of the budget from Pillar II to Pillar I.

4.3 CAP reform and farmers' organizations

4.3.1 PRO-BIO's views on the CAP reform proposal⁴

The most influential association of organic farmers sees the CAP reform as a significant chance for positive shift in the policy. But at the same time they can see possible hindrances to this trend which could change this positive direction of improvement.

Representatives of this organisation see the threat in several vague expressions in the policy which could lead to pressures and easier change of the positive parts of the proposal (e.g. **7% of land left for ecological purposes**). Putting it simply, the proposal is vulnerable to pressure of politics and therefore the outcomes are difficult to predict.

They appreciate especially: promotion of mitigation of and adaptation to climate change as one of the leading priorities, the focus on small and young farmers, decrease of bureaucracy, or support of research.

On the other hand the support of **organic farming** is regarded as insufficient.

4.3.2 Agricultural Association (Zemědělský svaz):

In its **commentary**⁵ and actual reports on 08.06.2011: one of the representatives of the Association expressed their view on the capping. The article showed disappointment with the Polish presidency, which does not have the prevention of **capping** as a priority. The author explains that Poland does not have large farms and therefore it is not its priority (quoting Minister of Agriculture Mr. Marek Sawicki).

Mr. Jirovsky stated that the **convergence of direct payments** between Old and New Member States should be finished in 2013 as envisaged. He also announced that farmers will support the CAP budget at the same level as in 2013. Support of farmers in some Member States outside of the CAP was mentioned as a sensitive issue which could disturb competition. He also refused an introduction of capping.

⁴ Source: Pro-Bio: <http://www.pro-bio.cz/cms/clanek/60198/navrh-reformy-spolecne-zemedelske-politiky-jako-sance-na-ozeleneni-a-zmenu-ale-take-prostor-pro-lobbing>

⁵ **Article** based on statements of the Chairman of the Agricultural Association (Mr. Jirovsky) from 25 August

In an **article**⁶ the Agricultural Association mentions, in addition to the **refusal of capping** and the need for support of competitiveness, firstly also further transition period for EU 12. Farmers are disappointed, that any transition period is needed, because they assumed from previous talks, that from this reform all supports will be the same.

The focus on **competitiveness and innovation** is not sufficient. **Greening** will increase the costs of production and even decrease competitiveness. They believe that the two together will increase unemployment in rural areas and deepen the differences between cities and villages. In addition, this is going to happen at a time of growing need for food in the world and calls for more renewable sources of energy.

But there are also some positive parts: the definition of **active farmer** can help to avoid supporting entrepreneurs with no farming activity at all. Also **crisis fund** is regarded as beneficial as is the promotion of the role of farmers in the market chain. The unified system of direct payments could be also one of the positive points.

The Agricultural Association provided quite a substantial analysis of the CAP reform proposals with a rather detailed overview of their opinions (as a reaction to the publication of final reform proposals in October).

Summary of opinions: there are positive but also negative news in the proposal. It is seen as negative that the reform does not address the **fair distribution of support** (especially First Pillar) sufficiently and the disproportionate support will persist even after 2013 (despite previous expectations, discussions, and promises in autumn 2010). In addition, the reform focuses even more on environmental role of agriculture. Positive changes are especially in its focus on risk management (e.g. crisis fund creation), definition of active farmer, intention to promote farmers in vertical market chain, or greater flexibility of Rural Development Programme by widening of its priorities.

Detailed comments:

The CAP reform does not reflect an increase in demand for food on global market, limited production capacity, price volatility, and climate change. EU farmers slowly lose **competitiveness** on global markets, especially when compared with main exporters. The production growth is slower than in other countries and therefore the share of EU production on global markets decreases. In spite of this, the CAP reform focuses primarily on the environmental role of agriculture but not so much on competitiveness and the production role of agriculture. The aim should be a dynamic and developing agriculture producing food with high quality standards .

Beside these general comments, here are some more specific ones:

- The proposal to unify support and conditions for all farmers in the EU by 2019/2028 is not acceptable/sufficient. The proposal continues with **unfair distribution of direct payments**.
- The proposal introduces a new way of **discrimination and it is related to large farms**. The means are **capping**, exclusion of large farms from some measures in Rural Development Plans (RDP) and degressive payments of LFA support. When financial resources are saved from direct payments and shifted to RDP a co-financing is needed to use these resources. This puts a new burden on budgets of Member States. This approach to large farms is against competitiveness and innovation because these farms are more competitive and have higher potential for innovation than small farms.

⁶ from 5.10.2011 placed on website (http://www.agroweb.cz/zpravodajstvi/Zemedelskemu-svazu-se-nelibi-navrh-reformy_s43x57724.html),

- Another factor preventing growth of competitiveness is the introduction of **greening**, which will motivate farmers to re-introduce set-aside. This is introduced at the time, when the demand for food grows and governments support the use of renewable energy. It means that this part of the reform is against another priority – competitiveness of EU farmers.
- There are no signs of decreasing **administrative burden** (except for simplified support of small farmers). For example, greening will increase the need for additional administration both on farmers and state administration side (e.g. need for more inspections).
- Introduction of targeted **coupled payments** is appreciated, because some sensitive commodities need that. But there is a need for some additional commodities which need such support in order to have more balanced agricultural production. These are pigs and poultry. Especially pig production suffers across the whole EU.
- Promotion of the **position of farmers** in the market chain is also appreciated. However, the support is not well balanced, because it **excludes large farms** and does not support an integration of existing associations into bigger groups.
- This association is disappointed by the proposal for **harmonisation/simplification of cross-compliance**, but the association cannot see the simplification which failed to fulfil its promises. When the income of farmers is associated with extremely high costs of compliance with complicated standards, the market cannot pay for it, and consumers should understand this.
- Positive aspects of the proposal include a new group of measures which could help in **crisis management** on markets, stabilisation of income or support for innovation.
- Also higher **flexibility** of RDP created by new priorities and the new institution of active farmers were found helpful.

4.3.3 Association of Private Farmers (ASZ)⁷

Comments of this association focused on the proposal for creation of a new institution “**eligible hectare**” or in other words “entitlements to support”, and the representatives of this association expect that this new arrangement will influence land market. The entitlements to support are owned by those, who apply for support (relevant from 2011), but not by the owner. According to the ASZ, the original motivation for such an arrangement was to prevent speculations. But this organization believes that the EC reduced property rights and influenced land market. This new institution reduces the chances to enter the agricultural business. All newcomers do not have the right to apply for support after 2014 but paradoxically they can apply for SAPS in 2012/2013. Apparently EC failed to anticipate this undesirable impact and separated ownership from application for support. This could create a similar situation as in the case of milk quotas, where a black market was created and the quota was for sale for 33 cents per litre of milk. The same situation will occur when an owner of entitlements to support will lose the land (formerly rented) but will remain the owner of the entitlements. Consequently he/she will enter a black market where the entitlements could be sold. There should be an increase in **administrative costs** because based on the legislative bases designed at the EU level, the state should create a system of records of the entitlements, create a state reserve of the entitlements and reallocate the entitlements, simply said a mechanism for regulation of the entitlements exchange. But this will not prevent creation of a black market. By this the EC prepared a situation when bureaucrats will get still more power. As a result of the market in support entitlements, the price of land will increase. The only de-

⁷ ASZ, downloaded at: <http://www.asz.cz/redakce/index.php?clanek=56494&lanG=cs&xuser=&slozka=5880>

fence of the owner is an increase of rent. And this will cause further leaking of the support out of agriculture (as already described by the Court of Auditors). WTO discussions will prevent preservation of the simple and functioning system of payments based on the LPIS. But the replacement of the system is substantially wrong. The ASZ suggests to the government to refuse the system and to keep a system similar to SAPS.

In addition there are other implications of the reform. The definition of **active farmer** could lead to an increase in administrative costs – distinguishing of farmers etc.

Capping as mentioned elsewhere will punish large and effective farmers and will lead to increased administrative costs (again distinguishing of the size groups). The suggestion for the government is to refuse the proposal for capping.

Greening has significant implications and the ASZ suggests to propose greening as a **voluntary** measure or at least to have the earmarking of the 7% of land for ecological purposes as voluntary. Moreover, there is a clear increase in **administrative costs** according to this organization.

Limited **coupled support** should not be linked to nearly all commodities but only those, which are developing (in the Czech Republic these are for example vegetables and milk production and products).

ASZ welcomes proposals for **simplification** of compliance checks related to cross-compliance and suggests keeping a minimum level of control. Another suggestion is to avoid combination of controls related to national legislation and cross-compliance.

Source: presentation at a meeting of the organization in Horoměřice, 19.10.2011.

Another article brings additional comments⁸:

The way how employees are counted for the purposes of final calculation of direct payments at the farm level will lead to unfavourable conditions for the most progressive farmers who pursue competitiveness through high input efficiency.

4.3.4 Agricultural chamber (AK)⁹:

In response to the announcement of proposals for the CAP after 2013 the AK representatives stated that an **unfair distribution of support** will remain in place also after the CAP reform despite promises that this unfairness especially for New Member states, would be resolved in the next programming period. The promise was made after the Berlin declaration (1999), when it was stated, that the different level of support will be replaced during the next process of CAP reform.

There is no real argument for the **capping for large farms** after the announcement of the new reform. And farming in the Czech Republic will be hit most severely. This situation could become even worse if the total budget is decreased in the future! Representatives of this organisation strongly believe that the claim for the same direct payments for large farms as for the smaller ones is fully legitimate. They farm their land in accordance with all the CAP rules and therefore there is no argument for decreasing the payments they would receive. Therefore, capping constitutes an unfair treatment of the Czech farms and will lead to higher administrative costs.

Thus, the farmers are not happy with the proposals in general.

⁸ <http://asz.cz/redakce/index.php?clanek=56890&lanG=cs&xuser=&slozka=5880>

⁹ Source: admin AK, 13 October 2011, downloaded from: <http://www.apic-ak.cz/?path=m1|mt4|mo15081>

In the event that the capping will be implemented in spite of the intended goals for negotiations, the next best goal is to increase the **ceiling for support by 100 000 EURO** above the current proposal. This target will include also counting with all labour costs of employees involved in agricultural production on the farm.

In reaction to the proposal for too slow adjustment of direct payments in the New Member States, the Czech farmers ask for bigger national financial envelope in Pillar II (RDP). In addition they mention the serious situation in sectors like pig and poultry production, which are in sharp decline leading to decreasing rural employment.

Czech farmers strongly **disagree with the proposal for leaving 7% of agricultural land for ecological purposes**. This is in contradiction with the apparent need for more and healthy food for the EU and the simultaneous goal of obtaining 20% of energy from renewable sources (in which agriculture plays an important role). They believe that if green organisations manage to retain this provision, there will be further use of nuclear and coal burning power plants. Again, the greening will increase the administrative costs for farmers as well as the public administration.

4.3.5 Results of a survey among farmers in the Plzen region¹⁰

The survey covered 134 farms (including corporate farms and family farms) and gave an indication of the understanding and perception of the CAP reforms. The survey was undertaken by the Prague office of the European Parliament.

There is a great amount of uncertainty and **fear** among the questioned farmers because of the CAP reform. The reason for that are the unequal payments between farms in different Member States (especially the inequality between Old and New Member States), inconsistent implementation of policies, frequent changes to policy, more demanding requirements and standards. Farmers do not want an increase in co-financing from national budgets. Nearly 95% do not want the budget for the CAP to decrease by 2020. Most respondents wish the CAP to focus mainly on the following: increase of production quality and food safety, improvement of the environment for next generations, rural development, and pursuing the stability for farmers and keeping young farmers in agriculture. The farmers questioned believed they are competitive, 94% of them at the national level but less than 20% on the EU market.

4.4 Ministries

4.4.1 Ministry of the Environment

This Ministry produced its position on the CAP reform but this was not made public at the time when this report was drafted.

4.4.2 Ministry of Agriculture

Two waves of documents and statements could be distinguished. The first one after the announcement of intentions for the CAP reform from autumn 2010 and then statements, press releases etc. appeared close to the announcement of final reform proposals and afterwards.

¹⁰ Sources: downloaded (5.10.2011) from http://www.agroweb.cz/zpravodajstvi/Diskusni-forum-o-reforme_s43x57726.html, and http://www.agroweb.cz/zpravodajstvi/Chteji-platby-jako-stari-clenove-EU__s43x57732.html (6.10.2011)

The only substantial document with detailed comments on the CAP reform, which is publicly available, was a reaction to the communication paper from the end of last year on the planned CAP reform. Later, after the issuing of the CAP reform proposal on 12 October the Ministry produced another detailed position paper, but this is still not available publicly, because it should go first to the government.

The most frequent concern appearing in all comments of the MoA is the **capping** of direct payments, which should affect large farms in the Czech Republic.

4.4.2.1 Summary of the document produced as a reaction to the first announcement of intentions for CAP reform (COM (2010) 672 final) from the end of 2010.

Shortened version of the position document which passed through the Czech Government¹¹:

a) Future shape of the EU Common Agricultural Policy beyond 2013

General

The Czech Republic supports the EC efforts to reduce differences in support and to replace historical basis for amount of payments and also to improve targeting. The provision of more public goods is also supported. At the same time preservation of sectors endangered by the reform should be taken into account. The concept of an **active farmer** is also welcome.

On the other hand, the Czech Republic refuses the concept of **capping and of extending the transition period** for replacing the historical base for payments. The proposal does not cover explicitly the need for investment support in EU-12 in order to improve competitiveness.

Therefore the Czech Republic will insist on **promotion of competitiveness** as one of the most important priorities of the reform. And the Czech Republic will also insist on elimination of differences in direct payments and their historical bases. Simplification, reduction of administrative costs, increase of effectiveness, targeting, and payments flexibility will also be supported. Integration of other EU policies with RDP is also an important issue.

In general the Czech Republic agrees with the three goals of future CAP -competitiveness, environmental concerns, and balanced development of areas.

But what is crucial is the set of measures designed to achieve these goals. The Czech Republic will support **first of all competitiveness** and fair conditions for direct payments distribution.

Preconditions for the prosperity of Czech agriculture:

- Reduction of financial incentives from national budgets in order to create equal conditions for competition;
- Financial support for the provision of public goods, responding in a flexible way to regional differences;
- Investments in new technologies for production and non-production functions of agriculture, in diversification, research, training, and advice provision;
- Ensuring the income stability of farmers.

¹¹ Ministry of Agriculture of the Czech Republic: The Common Agricultural Policy after 2013 – an opportunity for modernisation - A perspective from the Czech Republic, 16 March, vision 6

The Czech Republic will support promotion of rural development in the CAP, while ensuring this will not lead to increased co-financing burden for the national budget.

1. It is in the interest of the Czech Republic and the EU that the CAP is retained as a common policy. The Czech Republic will not support proposals to introduce co-financing from national public resources and will continue in its efforts to limit the level of aid provided from public budgets of individual Member States as much as possible (with the exception of measures aimed at large-scale emergencies and crisis situations).

2. The current two-pillar structure of the CAP provides a solid basis to meet future goals. The Czech Republic will support the modernisation of the first pillar provided that more support is provided also for rural development policies, but this must come from an equitable mechanism that replaces the current, for the Czech Republic unfavourable, arrangement. The Czech Republic will support increased coherence between CAP and other EU policies.

3. The Czech Republic welcomes the reinforcement of the principles of rural development policies in the CAP.

b) First Pillar of the CAP

Direct Payments

4. The Czech Republic is convinced of the need to undertake a fundamental reform of the direct payment system, which will ensure fair treatment for farmers throughout the EU, including a reform of the level of direct payments.

5. The future form of the direct payment system, as one of the CAP instruments, must be considered in conjunction with market measures and rural development instruments.

6. The Czech Republic will support a direct payment model that would be simple, efficient and justifiable to EU citizens and to third countries. Direct payments should be more closely linked to the provision of public goods than at present.

7. As a part of the efforts to ensure closer link between direct payments and the response to new challenges, the Czech Republic will pay attention to the issue of the proper targeting of direct payments.

8. Direct payments should be available to farmers active in farming while responsible to the environment and to countryside. The new system should take into account the need to preserve sectors that may be put at risk by the new system of payments (livestock production and other sensitive sectors).

9. The support based on past production levels is no longer justifiable. The Czech Republic will support **comparable flat rate payments** with respect to regional and sectoral criteria, which has to be fair, simple, efficient and justifiable to the public. The **national envelopes** according to the area of farmed agricultural land seem to be the best solution.

In the event this solution finds no wider support from the EU Member States, the Czech Republic could support:

a. the establishment of a common base for calculating direct payments, based on decoupled EU payments and the area of cultivated agricultural land in each MS,

b. finding criteria for calculating a **fair level for direct payments** through additional payments to farmers in Member States (according to different economic conditions of farming).

10. The Czech Republic will not support any strengthening of social criteria in calculations of payments, because the direct payments should not constitute a financial transfer, aimed at meeting social policy goals.

11. From the perspective of the Czech Republic, any requirement for a **transitional period** for the abandonment of historical reference criteria would be difficult to justify.

12. For the sake of **competitive farming**, the Czech Republic will oppose any proposals for direct payments that would restrict farmers' ability to decide freely on the size of their farm or that would even result in an artificial splitting up of large agricultural holdings. The Czech Republic will particularly stand against proposals for payment limits related to the size of farms (so called "**capping**").

13. As far as the source of funding is concerned, the Czech Republic will request that direct payments and market measures continue to be fully financed from the EU budget.

c) Market Measures

14. Market measures should remain in Pillar I and should be able to respond to market developments in a more flexible and effective way, making them a real "safety-net".

15. The Czech Republic will support a transformation of the measures into a real **safety-net**, compensating the negative impacts of fluctuations in market prices that cannot be effectively addressed by other instruments.

16. The Czech Republic sees the importance of developing **risk and crisis management tools** (especially for uninsurable risks), which complement the safety-net instruments. They should act during periods of sharp price falls, provided supplementary funding is covered under the first pillar in addition to the funds allocated to direct payments.

d) Rural Development Policy

1. The Czech Republic will support a further strengthening of the Rural Development Policy as a key tool for increasing the **competitiveness** of the agricultural sector, to support sustainable development in rural areas and to deal with their challenges (particularly issues related to depopulation and job opportunities).

2. To ensure improved **transparency and equal treatment**, the Czech Republic will promote a consistent approach in determining allocations for rural development based on objective criteria, particularly the need for modernisation of agricultural holdings and rural areas.

3. The Czech Republic will promote agricultural **competitiveness** and the competitiveness of related food industry, particularly encouraging innovation and improvements in the quality and added value of agricultural products.

4. At the same time, the Czech Republic will support the provision of **public goods** through targeted aid for rural development measures to meet the environmental and other non-production functions of agriculture, particularly the maintenance of biodiversity and care for the countryside.

5. The Czech Republic will support measures supporting adaptation of European agriculture and forestry to **climate change** and also mitigation. In terms of adaptation, support will be targeted at new technologies, at an increase in the ecological stability of the countryside and agricultural management measures improving the soils' water retention capacity and reducing water erosion. Training for farmers and the best practices sharing will also be supported.

6. The Czech Republic will continue to support the **diversification** of business activities in order to improve the quality of life and the viability of rural areas. Attention will be paid to strengthening the ties between the agri-food sector and other sectors and areas and the protection and development of our natural, cultural and social heritage (support of partnership) – for example through the Leader initiative.

7. The Czech Republic will seek to ensure an equal approach to define objective and clear criteria for eligibility for payments in **disadvantaged areas**.

8. The Czech Republic will consider contributing to the costs associated with the use of farmers' insurance from Rural Development Plan and other commercial instruments to mitigate the effects of volatility in agricultural commodity prices on farmers' income.

e) Other Measures

1. Developments in the regulation of food safety and food quality, animal welfare and environmental protection must be an integral part of the CAP.

2. Attention must be paid to the competitiveness of European producers, primarily with regard to the high standards of hygiene, welfare and quality of production that must be met by producers in the EU.

3. A key factor should be a support for research, development and innovation and the subsequent introduction of their results into agricultural and food manufacturing practices.

4.4.2.2 Statements from mid 2011 until the end of 2011: the Minister of Agriculture presented some statements at a meeting of the ministers of the Visegrad group¹²

The discussion of participating Agriculture Ministers and the Czech Minister (Mr. Fuksa) led to statements concerning the production of biomass as a source of renewable energy. The Czech Minister stated that although there is a need for production of renewable energy (locally important) the primary aim of agriculture should be the production of food.

Concerning the CAP reform itself the Minister sees the key principle in a **fair treatment of** all the Member States. The CAP should be simple, market oriented, with administrative costs not being high for both, farmers as well as the public administration.

Another principle is stemming from the need for equal or fair treatment of all Member States and it is the refusal of **capping** which undermines the competitiveness of Czech farms. Again and repeatedly, the Minister stated that the CAP should focus on competitiveness, which is a clear requirement resulting from changes on the market during the last months/years.

¹² (24.8.2011 in Ceske Budejovice) published in a press release.

4.4.2.3 *Statements of the Minister from an informal meeting with experts from nine countries in Prague*¹³

The Czech Minister realised that more countries are not satisfied with proposed capping, which could limit the support to large/effective farms. One of the outcomes (besides the undermining of competitiveness) would be an increase in **administrative costs** which is in clear contradiction the priorities of the Czech Ministry of Agriculture. The **greening** is understood as a positive principle, which can provide more public goods in exchange for EU financial resources. But there was an agreement that the proposed means to pursue the greening are not well designed. Especially the earmarking of the 7% of agricultural land for ecological purposes will prevent the CAP from being a means for increasing the competitiveness and will increase administrative burden/costs. With such proposal the CAP could perhaps become too complicated.

Another principle created uncertainties among partners in discussion and the Ministry of Agriculture (MoA) and this is the definition of an **active farmer**. It was agreed that the definition is vague and perhaps it would be more beneficial if the CAP is focused more on pursuing existing principles and definitions than introducing a new one with uncertain outcome and potential increase of administrative burden.

Concerning rural development the experts and the MoA agreed that greater flexibility is appreciated. The partnership contracts between Member States and the EC are observed with suspicion. It seems that a new level of administrative process for negotiations of national RDPs will emerge and according to most of the participants this will complicate the whole system.

4.4.2.4 *Statements from a meeting of the Czech Minister of Agriculture with his French counterpart*¹⁴

Both partners agreed that the new CAP should be more oriented on the support of **competitiveness, should be simpler, and fairer to all Member States**. Both parties agreed that the current proposals did not offer such options. This applies also to the greening, which should not increase administrative costs and should not complicate the CAP beyond reasonable level. Both partners see the capping and greening as obstacles to increased competitiveness. Currently some farmers shift their production to other countries without such a burden. As a result, the level of employment is also influenced by this process.

In response to estimates from the Institute of Agricultural Economics and Information and estimates of EC regarding the potential reduction of direct payments in the Czech Republic (a rather small reduction), the Ministry of Agriculture announced that the negative attitude to the **capping** will remain the key position of this Ministry. The argument was that this policy would still increase administrative costs.

Another concern related to the **capping** was a potential split of large farms, which had been spelled out by the MoA for a long time before the announcement of the new proposal in mid

¹³ (source: 5.10.2011 (http://eagri.cz/public/web/mze/tiskovy-servis/ministerstvo-zemedelstvi/tiskove-zpravy/x2011_praha-hostila-experty-na-spolecnou.html)).

¹⁴ (source: 6.10.2011 (http://eagri.cz/public/web/mze/tiskovy-servis/ministerstvo-zemedelstvi/tiskove-zpravy/x2011_francouzsky-ministr-zemedelstvi-dnes-v.htm))

October 2011. Source: Published on 8.3.2011 18:48 Later statements of the Minister of Agriculture (statements from a meeting of ministers on 21 October)¹⁵:

Source: admin –website of Agricultural Chamber, 24. October 2011

The proposed measures do not reflect the goals of the reform, which were expected. For example the emphasis on competitiveness and reduction of administrative costs is not sufficient.

The Minister stressed that the Czech Republic cannot identify itself with the planned replacement of SAPS and the implementation of a new system of entitlements to direct payments. The Minister reiterated his **disagreement with the capping** for large farms.

Also the **greening** was not fully welcomed (especially the earmarking of 7% of agricultural land for ecological purposes). Besides expected adverse effects on competitiveness, he stated that farmers will pay rents and taxes for areas, where there will be no income, while the fixed costs will remain the same.

4.4.2.5 From 7.11.2011:

The MoA has its position on specific issues when preparing for **consultations with the EC** (based on personal communication).

In general the MoA requires a large number of clarifications where the text of the proposed Regulations is too vague (e.g. designation of disadvantaged areas is required but no sufficiently clear criteria are given) or where there could be even potential conflicts between different provisions (e.g. small farmers are not obliged to observe Good Agricultural and Environmental Conditions, but when they want to join agri-environmental measures they have to). The required **degressivity in payments** in disadvantaged areas (Pillar II) is regarded as discriminatory to Czech farming given the large size of farms in the Czech Republic. The suggestion is to implement this provision as a voluntary one.

The MoA suggests that payments in disadvantaged areas are kept only in Pillar II.

4.5 Research institute

Institute of Agricultural Economics and Information¹⁶

A representative of the Institute stressed that **capping** will have a moderate impact on Czech farms and should reduce the support only for a few farms with truly high acreage (it is estimated that 99% of farms will not be affected by the reduction). “The EC was finally favourable to Czech farms” he said. Farmers can count with the costs of employees, which could be deducted from the original amount. Because there is still a high share of employees in some farms, this factor should help to most of the farms. Therefore the support will be reduced only for a few farms with extremely high acreage (around 10 000 ha) and a small number of employees (less than one per 100 ha). Such farms could be found for example along the Czech

¹⁵ (<http://zpravy.e15.cz/byznys/zemedelstvi/francouzsti-agrarnici-podpori-cechy-v-boji-proti-limitum-u-dotaci-512893>).

¹⁶ Source: downloaded from <http://www.euractiv.cz/zemedelstvi0/clanek/reforma-szp-zastropovani-dotaci-se-ceskych-farem-prakticky-nedotkne-009256>, the article is from 19.10.2011

borders. Of the 900 million EUR, which are expected for direct payments, the Czech Republic could lose about 1% (about 9 million EUR in total). And these resources should be available for the Rural Development Plan.

Mr. Jean-Jacques Jaffrelot from the EC estimated even smaller amount of financial resources which Czech farmers could lose from direct payments because of the capping at national level (only 200 000 EUR in total). But the EC explained that the figure is only a rough estimate based on 2009 data¹⁷.

5 Comparative analysis

There are five groups of actors who expressed their views on the reform of the CAP during the last year and statements of which were available at the time of preparation of this study.

Czech Members of European Parliament

Environmental NGOs

Farmers' organizations

Ministry of Agriculture

Research institute

About 30 statements, documents, press releases, articles and position documents were collected, but in most of them only a few topics were repeated again and again.

5.1 The most sensitive issues and differences of opinions among the stakeholders

In general, in all studied statements of stakeholders there is not a strong disagreement with the priorities, challenges, and goals as stated by the EC in the CAP reform proposal. But there is a strong disagreement with some of the measures designed in order to reach the goals, meet the priorities, and cope with the challenges.

The Ministry of Agriculture and farmers' organizations agree with the need for support of competitiveness/viable food production, environment (including climate change), and balanced territorial development. But there is a strong disagreement with the balance of the priorities expressed in the measures.

For example, the MoA and farmers' representatives believe that the reform is not going far enough in pursuing support to increase competitiveness (investments not emphasised enough). On the contrary, **greening** – especially 7% of land for ecological purposes - and capping go against this priority. This group stresses, that competitiveness is the most important priority in the CAP.

By contrast, environmental NGOs stress mostly **environmental concerns** and put them as the first priority. These organisations believe that the CAP reform is not strong enough to achieve a real improvement in environmental protection.

¹⁷ EUROSKOP <http://www.euroskop.cz/46/19763/clanek/reforma-szp-spravedлива-a-zelenejsi/>

Virtually no stakeholder made any comments concerning a balanced territorial development. Only a few stakeholders expressed concerns dealing with rural economics, depopulation, etc.

It means that challenges, targets, and priorities are not discussed as such. The discussion revolves around the ways how these should be pursued by particular measures.

The measures will be discussed separately at the end of this section.

There are no proposals for a type of reform that would be substantially different from the EC proposal. The difference is not in the concept of the policy but in the way how the measures are defined and in the relative importance of priorities and goals.

The only substantial difference is that all agricultural stakeholders (MoA and farmers) do **not agree with capping** in relation to large farms. Environmental NGOs do not stress this issue and the Institute of Agricultural Economics and Information gave an opinion, that the capping does not pose a real threat to Czech farming.

The differences in the opinion on the capping are quite interesting and could mean that a great part of farmers' representatives did not analyse the potential outcomes of the reform deeply enough. One example is one environmental NGO which is also a representative of a group of farmers and it showed a rather shallow understanding of the potential impact of the proposed reform. This organization expressed quite high expectations concerning organic farming and environmental impact of the CAP reform. But the organization did not realise some potential but quite significant and real changes in the support of organic farming.

- How are the measures proposed by the Commission assessed with regard to the challenges and targets defined by the Commission or to the challenges and targets considered most important by the author?

The following aspects require particular attention: first of all the measures were found inadequate to deliver announced goals and address relevant challenges. Farmers and the MoA lack more targeted efforts to increase **competitiveness**, which is according to them not well expressed in the measures and not enough stressed in the wording of the documents. In addition they believe that the greening would hinder competitiveness and would bring increased administrative costs. Czech MEPs share the views of the MoA and farmers. Environmental NGOs on the other hand are of the opinion that the CAP reform is not going far enough in pursuing good management of natural resources and regard the reform as insufficient and not fulfilling its potential.

5.2 Analysis according to different parts of the reform

5.2.1 Orientation

1. more **equitable distribution** of EU expenditures between Old and New Member States; This particular factor was commented on by most stakeholders in the Czech Republic (especially those close to farming and the Ministry of Agriculture). **Capping** and the transition period for implementation of the same support across the EU were the most frequently mentioned comments. The only different statements on this matter could be found in the case of environmental NGOs, which did not stress this factor so much. All farmers' representatives and the MoA expressed strong disagreement with the capping as a method to provide less support to large farms, and the same applies to the **transition period** for reducing differences in the distribution of support among the EU Member States (especially between the Old and the New Member States). There was one sug-
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gestion in the event that the capping is adopted in the CAP. In that case, farmers' representatives want to introduce higher ceiling for this measure.

2. continuation of the structure of the CAP in two complementary pillars;
The only stakeholder addressing this issue was the Ministry of Agriculture, which expressed a need for retaining the current structure of two Pillars. The rest of the stakeholders did not address this issue.
3. proposals with regard to the future contents of the two pillars; concerning the future contents of the two pillars, not many comments were found.
4. principles of co-financing; both the Ministry of Agriculture and some farmer's representatives expressed their will not to support measures requiring an increase of **national co-financing**. One example is the saving of some financial resources from capping, which are then shifted to Pillar II but that would require additional financial resources for co-financing (limited national budget).

5.2.2 Direct payments

- ceiling on direct payments per farm resp. coupling with employment;

As mentioned in previous paragraphs there is a strong disagreement with capping among farmers, Czech MEPs, and the MoA. The Institute of Agricultural Economics and Information argued that when calculating also the costs of employees, there will be really only a small number of losers. One business oriented farmers' organization expressed a concern related to the coupling with employment – it could punish those farms with high efficiency of factors or production (labour).

- limiting direct payments to **active farmers**;

This particular concept is welcome by most of the farming community. The only concern was expressed in early statements of the MoA over the concept which could be misleading and could increase administrative burden.

- linking direct payments with participation in at least two resource preservation programmes (or other requirements such as rotations comprising at least four crops, a specified percentage of farm land allocated to ecological compensation);

No concerns have been raised in relation to the diversity of crops or to the maintenance of grasslands. But there is a relatively strong disagreement with the seven percent which should be allocated to ecological services, especially among farmers and the MoA. This measure will, according to this group of stakeholders, push back the increase of competitiveness and it does not respond to real needs for food production in the EU and globally. By contrast, environmental NGOs see these measures as insufficient and a great disappointment¹⁸.

- additional direct payments for special environmental services within pillar I;

There is a rather high agreement with an increase in the provision of public goods by Pillar I and relevant targeting among the stakeholders, especially the Ministry of Agriculture, and environmental NGOs. Farmers are not so open on this issue and do not comment it much.

- definition of such special services;

No specific comments were made on this, so it could be assumed that the stakeholders do not have concerns on the definition of them. The only exception was the disagreement with leaving some land out of production, which was challenged by farmers, Czech MEPs and the MoA.

- treatment of the special challenges “climate protection” and “preservation of biodiversity”;
- There were nearly no direct comments on the provisions dealing with climate change, but especially farmers mentioned the EU goals for the production of renewable energy when

¹⁸ It could be heard from time to time, that it should be 10% of land devoted to ecological services for example (not found in documents, but personal communication of author of this analysis)

trying to show a lack of coherence of the proposal for seven percent of land allocated to ecological services. Concerning biodiversity, NGOs expressed their disagreement with low ambitions of the reform and showed an example of declining numbers of farmland birds in the EU and the Czech Republic.

- additional direct payments to farmers suffering from specific natural constraints within Pillar 1;

No specific comments were made on this part of the CAP, but farmers and the MoA expressed their satisfaction with the general interest of the CAP to support disadvantaged areas. It could mean that there is no specific concern related to this provision.

- specific support for small farmers.

As this is not a particular issue in the Czech Republic not many stakeholder even touched the provision. But especially the MoA and some farmers' organizations expressed satisfaction with the provision (simplification of policy for them). The only exception concerned one farmers' organisation and especially environmental NGOs, which disagree with the proposal not to require these farmers to **comply with cross-compliance standards**.

There is one additional issue which is worth mentioning and this is the change from the **SAPS** system to support entitlements. This proposal is regarded as really dangerous as it could initiate black market in those entitlements in some countries (similar to black market in milk quotas).

A similarly important remark relates to simplification: farmers appreciate simplification of cross-compliance but at the same time they see high potential for increased administrative costs both for farmers and the public administration from the new provisions proposed. So they see that the overall result will be an increase in administrative burden.

5.2.3 Market measures

- policy with regard to quality, declaration of products and strengthening of producers within the food supply chain;

Most of the stakeholders were satisfied with retaining an option for some coupled support, but some of them were asking for a rather targeted support (really support only for endangered sectors) and some of them mentioned especially pigs, poultry, and milk. By contrast environmental NGOs see this provision as a threat to the environment. The strengthening of farmers within the market chain was generally welcomed by all stakeholders who commented on this particular provision.

- risk insurance (with or without financial support by redeploying direct payment funds);

This provision was regarded as really beneficial to farming especially by farmers and the MoA. There was no criticism on this provision.

- keeping up of the previous decisions on the elimination of milk quotas and the reform of the sugar market organization;

Nearly no comments on this provision. Indirectly some stakeholders showed milk quotas as a bad example of policy during discussions.

- EU position within the WTO negotiations (refraining from concrete statement concerning export subsidies).

This position was not directly commented on by stakeholders.

5.2.4 Rural development

- linking of compensatory payments to biophysical and climatic criteria;

No real concerns were voiced in relation to this provision, but there was a clear call for clear and transparent criteria (called "objective criteria") for designation of the disadvantaged areas (expressed mainly by the MoA and some farmers' organizations).

- linking measures for rural areas to objective criteria and achieving concrete targets;

This principle did not raise any real concerns. On the contrary, some stakeholders called for these objective criteria.

- adaptation of regulations between the RDP and other EU funds (common strategic framework);

The only remark came from some farmers' organizations and the MoA. There was concern with this arrangement (partnership contract) in a sense that this could create **additional level for decision making** (between the EU and the MS level) and provide especially a bigger space for administration to grow. On the other hand, there was a call for integration of policies especially for rural development (comments by the MoA).

- simplification of administrative procedures.

This initiative is appreciated by stakeholders in general, but most of the stakeholders gave several examples, where they expect that the **administrative burden will actually grow**. They sometimes did not distinguish between the Pillars in this sense, but they share the view that the current proposal for the CAP reform supports a sharp increase of administrative costs on both sides (farmers and the Member State administration). At the same time those stakeholders who commented on this issue appreciated the fact that cross-compliance is going to be simplified at least in terms of the number of provisions (e.g. requirements).

It should be mentioned, however, that most of the disappointments with expected growth of administrative costs are related to Pillar I and not so much to Pillar II.
