

**Czech University of Life Sciences Prague**

**Faculty of Economics and Management**

**Department of Economics**



**Diploma Thesis**

**The situation of young farmers in the Czech Republic  
under the perspectives of the Common Agricultural  
Policy**

**Martin Štolc**

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# CZECH UNIVERSITY OF LIFE SCIENCES PRAGUE

Faculty of Economics and Management

## DIPLOMA THESIS ASSIGNMENT

Bc. Martin Štolc

Economics and Management  
European Agrarian Diplomacy

### Thesis title

The situation of young farmers in the Czech Republic under the perspectives of the Common Agricultural Policy

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### Objectives of thesis

This thesis examines the European Union's Common Agricultural Policy and its impacts on the young farmers. The main aim is to identify what are the effects of the CAP on the young farmers. Among the partial aims, we include the following:

- identify the situation related to farmer ageing in the Czech Republic (and possibly) neighbouring countries.
- assess the spatial distribution of funds provided to farmers and young farmers.
- assess the development of funds provided to farmers and young farmers between 2017 – 2021.

### Methodology

Theoretical part of this thesis is based on literature review and primary sources analysis, states terms and theories related to European agricultural policies, the European Agricultural Fund for Rural Development (EAFRD), European agricultural guarantee fund (EAGF) and issues related to ageing in the farming sector across Europe.

The empirical part of this thesis represents both qualitative and quantitative approach. Within the quantitative analyses data from statistical offices and data from payment agency (SZIF) will be used. Qualitative part shall address institutional actors who are related to young farmer policy via qualitative semistructured interviews (association of young farmers, the ministry, etc.)



## **Declaration**

I declare that I have worked on my diploma thesis titled "The situation of young farmers in the Czech Republic under the perspectives of the Common Agricultural" by myself and I have used only the sources mentioned at the end of the thesis. As the author of the diploma thesis, I declare that the thesis does not break copyrights of any their person.

In Prague on 1. 4. 2023

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## **Acknowledgement**

I would like to thank my supervisor Pavel Kotyza, Ph.D., all the support, help, and providence of relevant materials and data, as well as for his endless patience. I would also like to thank Jirka Vícha for his help with the data processing. And my utmost gratitude belongs to Anička Cyková for all the mental support provided during the hard times with thesis, and for her help with selecting materials and the data processing.

# **The situation of young farmers in the Czech Republic under the perspectives of the Common Agricultural**

## **Abstract**

The Common Agricultural Policy had undergone plenty of reforms and had changed from the original concept, created after the World War II. The thesis reviews the reforms and contemplates the current situation of CAP implemented in the Czech Republic along with the Rural Development plan. The author analyses the situation of Young Farmers in the Czech Republic under CAP between years 2017 and 2020, and the supportive measures provided by the EU in cooperation with national programmes and Czech Agricultural Intervention Fund. Quantitative method of funding is used to underline the support and practices of Young Farmers in the Czech Republic.

**Keywords:** Common Agricultural Policy, Young Farmers, CAP Reforms, EAGF, EAFRD, Direct Payments, Support Measures

# Mladý zemědělec v ČR v návaznosti na Společnou Zemědělskou Politiku

## Abstrakt

Společná zemědělská politika Evropské unie prošla dlouhým vývojem a prodělala nespočet reforem. Tato diplomová práce se zaměřuje na rekapitulaci a analýzu jednotlivých reforem vedoucích k současné implementaci SZP v České republice. Autor analyzuje situaci Mladých zemědělců v České republice pod působením SZP, přínos dotačních principů a podpůrných opatření uskutečňovaných Evropskou unií ve spolupráci s českým Národním programem rozvoje venkova a Národním zemědělským intervenčním fondem. Fungování výplat podpor Mladým zemědělcům je zpracováno kvantitativní analýzou dat.

**Klíčová slova:** Společná zemědělská politika, mladý zemědělec, reformy SZP, EAGF, EAFRD, přímé platby, podpůrná opatření



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## List of abbreviations

ANC	Areas with Natural Constraints
BPS	Basic Payment Scheme
CAP	Common Agricultural Policy
CCEE	Countries of Central and Eastern Europe
CF	Cohesion Fund
CLLD	Community-Led Local Development (CLLD)
CMO	Common Market Organisation
EAFRD	European Agricultural Fund for Rural Development
EAGF	European Agricultural Guarantee Fund
EAGGF	European Agricultural Guidance and Guarantee Fund
EEC	European Economic Community
EMFF	European maritime and fisheries fund
ERDF	European Regional Development Fund
ESF	European Social Fund
ESIF	European Structural and Investment Funds
GATT	General Agreements on Tariffs and Trade
IACS	Integrated Administration and Control System
LAG	Local Action Group
LFA	Less Favourable Areas
MFF	Multiannual Financial Perspective
MS	Member State(s)
PE	Payment Entitlements
PVP	Transitional National Payments (redistributive payments)
UAA	Utilised Agricultural Area
URAA	Uruguay Round Agreement on Agriculture
RPD	Rural Development Programmes
SAPARD	Special Accession Programme for Agriculture and Rural Development
SFP	Single Farm Payment
SPS	Single Payment Scheme
SZIF	State Agricultural Intervention Fund
WTO	World Trade Organization
YFP	Young Farmer Payment



# 1 Introduction

The Common Agricultural Policy (CAP) is the agricultural policy of the European Union (EU), which aims to support European farmers and promote sustainable agriculture. It is the vital key of the EU in tackling the agricultural support and development.

Since the establishment of the European Economic Community (EEC), the CAP has undergone many reforms, vital for the functioning of the CAP as we know it today. The most important reforms may be seen in MacSharry reform from 1992, when the mechanisms of the CAP shifted from the export subsidies and price support towards more market oriented measures. (Daugbjerg, 2003). Another crucial point is often presented with the Fischler reform from 2003, when the direct payments began to be decoupled from the actual agricultural production of farms (Swinnen, 2015). Direct payments then became the strongest tool of the CAP. In the following programme periods, they represented the strongest support to young farmers (and farmers in general).

Young farmers are a key demographic targeted by the CAP, as they represent the future of farming in Europe. Under the CAP, young farmers can receive financial support to help them establish and develop their agricultural businesses. This support can take the form of direct payments, investment grants, and other measures aimed at reducing the financial risks associated with starting a new farming operation. Crucial role in the support of young farmers play the structural funds of the EU and national funds, co-financing the total support.

The CAP also includes measures aimed at encouraging young people to pursue careers in agriculture and promoting innovation in the sector. For example, the CAP provides funding for vocational training programs and research into new agricultural technologies.

All these measures are aiming at the engagement of young people with agrarian sector, as the current (or previous) agricultural community is getting older. Aging of the people working in agriculture is a problem, which will affect the entire population. According to Eurostat, the average age of farmers in the EU was 58.6 years in 2020. This is a significant increase from the average age of 54.4 years in 2005. (Eurostat, 2023) The aging of the agrarian population in the EU has several implications. One of the main

concerns is the potential decline in agricultural productivity and output as older farmers retire or pass away. This could lead to a shortage of skilled labor and a reduction in the amount of food and other agricultural products produced in the EU. (Gardner, Hatt, 2002)

In addition, the aging of the agrarian population could also have social and economic consequences, particularly in rural areas. Older farmers may be less able to take on physically demanding work, and there may be a lack of young people to take over their farms or start new agricultural businesses. This could lead to a decline in rural communities, as well as a decrease in economic activity and employment opportunities.

The development of rural areas and support of young farmers in the Czech Republic is rising, however, it is not yet clear, whether it can shift the negative decreasing trend of employment in agriculture.

## **2 Objectives and Methodology**

Under this chapter, the objectives of and aims of this thesis are set and introduced in the in the first section. In the second section, the methodology used during the work on this thesis is described

### **2.1 Objectives**

The aim of the thesis is to analyse the Common Agricultural Policy with respect to the agrarian community in the Czech Republic, specifically, young farmers entering agriculture and engaging in agricultural activities.

The purpose is to understand changes of policies and reforms of the CAP, which developed the current system of direct payments, as the CAP had undergone many reforms and complete shift in the means of agrarian support. The author aims to specify key players in policy-making and pressures (internal and external) for reforms of the CAP.

The main objective is to identify stimulants of the CAP and Rural Development programmes to young farmers. How do the policies engage young farmers and which means do they use to support them in either continuing their businesses in a sustainable and ecologically-friendly ways or starting up new agricultural businesses. The EU funds are described as the main tool of support to farmers and young farmers. It is important to observe, whether the direct supports actually stimulate young people to enter agriculture.

Analysis of direct payments to young farmers in the Czech Republic is laid to support the claims of rural development. Assessment of the development of the funds' structure and values is presented. Evaluation of age structure in the agricultural employment is also presented, complementary to the funding, as the aging of agrarian sector is widely seen as a critical issue of the EU.

### **2.2 Methodology**

The thesis consists of two parts. Firstly, theoretical part is written to describe and review the development of the Common Agricultural Policy and its reforms. This part is based on review of relevant literature and primary source analysis (academic journals and reports issued by the European Commission and Parliament) as it is important to lay down the background of evolution of the CAP and Rural Development.



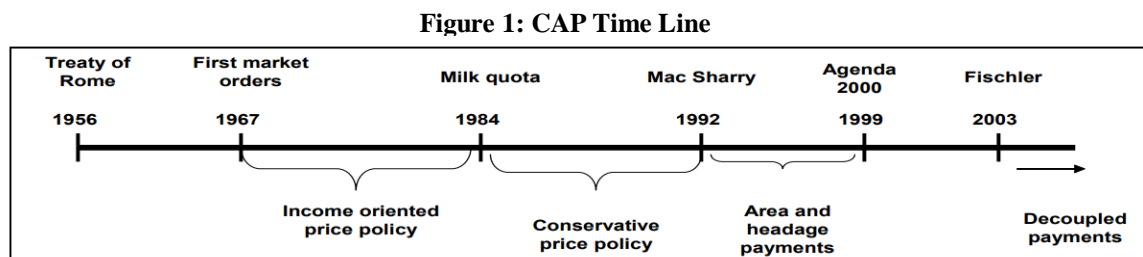
The empirical part is based on quantitative methods. Analysis of statistical data available from statistical offices (Eurostat, ČSÚ) and payment agency (SZIF). Quantitative data were mostly evaluated, edited, and processed by the author and partly by the aforementioned agencies and offices.

### 3 Literature Review

In this part of the thesis, the history of the Common Agricultural Policy is reviewed, beginning with the establishment of the European Community. Overall objectives and goals of the Common Agricultural Policy are presented. And the main shifts in the policy are introduced to understand which ways did the CAP take during its development towards nowadays policy. Main instruments, measures and tools are also presented to support the explanation of changes made to the CAP during the years.

#### 3.1 History of the Common Agricultural Policy

The Common Agricultural Policy has undergone a long development and many changes in its goals and tools during its effect. The following chapter shall explain the most important moments, which formed the Common Agricultural Policy throughout its history, and to help understand the form its taking nowadays. The reforms were necessary to make to challenge problems of surplus production and budgetary issues as well as to harmonize European trade with the international trade to face difficulties. (Daugbjerg, 2003)



##### 3.1.1 The Treaty of Rome

In the aftermath of the Second World War and at dawn of the Cold War, the Treaty of Rome represents the first step towards the European Union as is known today. After the end of the Second World War, the Europe was divided into the East and West, accordingly to the liberators' sides. The Eastern part joined the Soviet Union, while the Western part struggled on its own, cooperating with the United States of America and former British colonies. Exhausted and devastated nations sought a solution that would point them towards prosperous days. The countries decimated by the war faced severe food shortages, destroyed infrastructure and uncertainty. *'Although shortages had eased,*

*some basic items of food remained rationed in some west European countries into the 1950s.'* (European Commission, 2012) It was only a matter of time until they had decided to join forces and cooperate as an united Community. Thus, after long negotiations, six European countries gathered and signed The Treaty of Rome on 25 March 1957, coming into force on 1 January 1958. Signed by the heads of Belgium, Germany, France, Italy, Luxembourg and the Netherlands, the Treaty of Rome established the European Economic Community (EEC). The EEC may be seen as a predecessor to the current European Union. The aim of such collaboration of aforementioned countries was to create unified *'Community that implies having a responsibility for everyone in that community and shares common policies; such as a common agricultural policy, a common social policy, a common fiscal policy and so on.'* (Mansholt, 1970)

In the Part One of the Treaty of Rome is stated the establishment of the European Economic Community. *'The Community shall have as its task, by establishing a common market and progressively approximating the economic policies of Member States (MS), to promote throughout the Community a harmonious development of economic activities, a continuous and balanced expansion, an increase in stability, an accelerated raising of the standard of living and closer relations between the States belonging to it.'* (European Economic Community, 1957) In Article 3, main principles and activities of the EEC are set (European Economic Community, 1957):

- a) the elimination, as between Member States, of customs duties and of quantitative restrictions on the import and export of goods, and of all other measures having equivalent effect;
- b) the establishment of a common customs tariff and of a common commercial policy towards third countries;
- c) the abolition, as between Member States, of obstacles to freedom of movement for persons, services and capital;
- d) the adoption of a common policy in the sphere of agriculture;
- e) the adoption of a common policy in the sphere of transport;
- f) the institution of a system ensuring that competition in the common market is not distorted;
- g) the application of procedures by which the economic policies of Member States can be co-ordinated and disequilibria in their balances of payments remedied;

- h) the approximation of the laws of Member States to the extent required for the proper functioning of the common market;
- i) the creation of a European Social Fund in order to improve employment opportunities for workers and to contribute to the raising of their standard of living;
- j) the establishment of a European Investment Bank to facilitate the economic expansion of the Community by opening up fresh resources;
- k) the association of the overseas countries and territories in order to increase trade and to promote jointly economic and social development.

The EEC also established institutions to carry out tasks and duties of the new Community. These institutions are stated in Article 4 and are still recognized in the European Union. The institutions are (European Economic Community, 1957):

- an Assembly<sup>1</sup>
- a Council
- a Commission
- a Court of Justice

As may be seen from the objectives and activities stated in Article 3 (and further articles of the Treaty of Rome), the EEC wanted to create a political and economic entity on supra-national level, while ensuring free trade, movement of citizens, as well as labour and later on capital, and play united role in the world politics and economics.

For the topic of these thesis, the most relevant part of the Treaty of Rome is Title II about Agriculture (Articles 38 - 46), because in these articles the Common Agricultural Policy is mentioned for the first time. Specifically in Article 39, where the objectives of the common agricultural policy are stated (European Economic Community, 1957):

- a) to increase agricultural productivity by promoting technical progress and by ensuring the rational development of agricultural production and the optimum utilisation of the factors of production, in particular labour;
- b) thus to ensure a fair standard of living for the agricultural community, in particular by increasing the individual earnings of persons engaged in agriculture;
- c) to stabilise markets;

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<sup>1</sup> Nowadays it is the European Parliament

- d) to assure the availability of supplies;
- e) to ensure that supplies reach consumers at reasonable prices.

These points were only targets, not stating any specific operational rules and tools, because all the Member States of the EEC had their own policies, which were to be unified. Therefore, in Article 40 and 43 a transitional period is set, that gives the actual Common Agricultural Policy time to adjust to the needs of all Member States. The Commission was tasked to convene a conference of the Member States to compare their agricultural policies within two years after the Treaty of Rome entered into force. (European Economic Community, 1957)

### **3.1.2 The Mansholt Plan and the Direct Price Support Mechanism**

Sicco Mansholt was born on 13 September 1908 in a farmer's family running a farm in a northern province of the Netherlands. Until the Second World War, Mansholt continued in the family's work in agriculture on his own land in the region of Wieringermeer. During the Second World War, he was an active member of the Dutch resistance against the occupation, and he managed a broad distribution system that supplied people in need and mainly people in hideouts. After the Second World War, Mansholt was appointed to become Minister of Agriculture, Fishery and Food Distribution in the new government, because of his proven organisational skills and experience. *'Having witnessed the horrors of the Dutch famine at the end of the Second World War, Mansholt was convinced that Europe needed to become self-sufficient and that a stable supply of affordable food should be guaranteed for all.'* (European Commission)

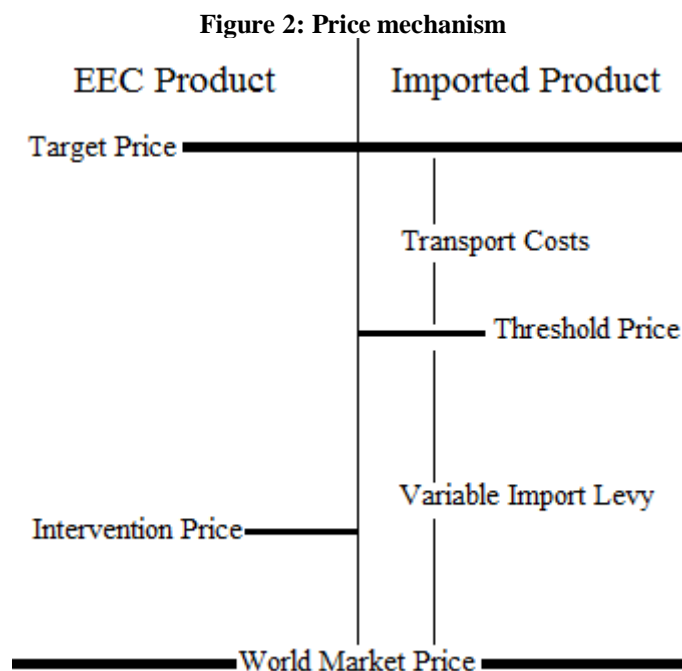
Sicco Mansholt played an important role in the negotiations during the transitional period while formulating the Common Agricultural Policy. In 1958, a few months after the Treaty of Rome entered into force, the Commission with representatives of the six Member States, along with representatives of agricultural and food industry, politicians and civil servants, held a conference in Stresa (Italy) to define problems and needs of agriculture in Europe, and tools to resolve those problems. (Zobbe, 2001) The outcome of the conference negotiations may be summarized in five crucial points. Firstly, agricultural policy must remain a part of the general economic strategy of the Community. Secondly, agricultural trade between the Member States of the Community shall be protected from negative effects of the world market. Thirdly, the optimal utility of production factors in agriculture should be achieved, using a price support tool that closely cooperates with

structural policy measures. Fourthly, agricultural community shall be promoted, as it is important part of agricultural industry. Lastly, to target inequalities in farmers' incomes (compared to other sectors in the economy), it was believed that price support, along with structural policy, would reduce (or best eliminate) such difference. (Zobbe, 2001)

In 1962, when the Common Agricultural Policy was formed, price support mechanism was chosen to meet the primary objective of food security in the Member States of the EEC, and farmers' income disparity. The price support mechanism was meant to protect farmers of the European Economic Community from cheap imports of competitive substitute products and ensure food supply independence. As it results from the Treaty of Rome, there were no internal customs duties within the Community<sup>2</sup>. The agricultural ministers of the Member States set annually threshold prices and intervention prices for basic agricultural commodities, beginning with cereals, poultry, meat, and dairy products, etc. (Mansholt, 1970) The threshold price was set for the world produce that was to enter the EEC market. In that way, the Community farmers were protected from external competition through variable import levy, increasing the price of imported products slightly above the intervention price. The variable import levy fluctuated to reflect the difference between world prices and the Community threshold price. Such mechanism allowed the Community farmers to sell their produce at high prices on a relatively stable market, protected from possible imports of cheaper imports. (Gardner, Hatt, 2002)

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<sup>2</sup> Article 12: Member States shall refrain from introducing between themselves any new customs duties on imports or exports or any charges having equivalent effect, and from increasing those which they already apply in their trade with each other. Article 13: 1. Customs duties on imports in force between Member States shall be progressively abolished by them during the transitional period in accordance with Articles 14 and 15 (European Economic Community, 1957).



Source: Created, based on F. Gardner, S. Hatt, and D. Shepherd.

But why was Sicco Mansholt so important for the development of the common agricultural policy? After nearly a decade of the Common Agricultural Policy was in use, new problems arose, and Mansholt was to tackle them. The price support mechanism was a tool so successful that it created surpluses and overproduction that domestic demand could not match. Because of the intervention purchasing as one of the key mechanisms of price support, farmers were stimulated to overproduce with a certainty, their products would be bought by official intervention agencies in the Member States. Produce had to meet specific quality levels to be bought by agencies, yet the certainty of artificially created demand created risk free market. Thus, overproduction resulted in "butter mountains, wine lakes, etc." (Grant, 2010) Mansholt criticised such outcome, pointing out threshold prices were set very high above the world market prices. In the Table 1 is shown price development of specific cereals since the Common Agricultural Policy's instruments resulted in overproduce. Thus, the price support mechanism cannot be seen as a suitable tool for future tendencies of the Common Agricultural Policy. Following tables show shifts in prices of some agricultural products under the effect of the price support mechanism as it was used.

**Table 1: Selected cereal product prices EUR/tonne**

Year / Product	1971	1975	1980
Soft wheat	9,65	13,05	17,18
Rye	8,61	12,52	16,26
Barley	8,59	12,36	15,52

Source: Eurostat

In the Table 2 is a comparison of the EEC common prices with the world market prices to show disproportional difference. The data reviewed is from year 1967-68 and display (with some products) prices four times higher above the world market prices, as is the example of sugar and butter.

**Table 2: EEC prices compared with World Market prices**

Product	EEC common price UC/100 kg (a)	World market price UC/100 kg (b)	(a) as a % of (b)
Soft wheat	10,7	5,8	184,48
Barley	9,1	5,7	159,65
Beef	68	38,8	175,26
Poultry	72,3	55	131,45
Butter	187,4	47,2	397,03
Sugar	22,3	5,1	437,25

Source: Zobbe, 2001

The overproduce created a necessity of new stabilising mechanisms, such as milk quotas introduced in 1984, set-aside schemes, and other agricultural stabilisers applied in the following years.

### 3.1.3 MacSharry Reform

As the tools used were no longer thought viable for European agriculture, the EU Commission (with the commissioner for agriculture Ray MacSharry) worked out a rather radical reform of the Common Agricultural Policy. The 1992 reform brought upon a change in the means of the farm support; from the traditional income support model and price support mechanisms towards more market oriented tools, emphasizing direct payments method. (Cunha, Swinbank, 2011) The main tools of the MacSharry reform noted by Nivievskyi (2015) may be presented as:

- a) Reduction in Price Support: was a gradual reduction of price supports for agricultural products with an aim to reduce the costs of agricultural products and



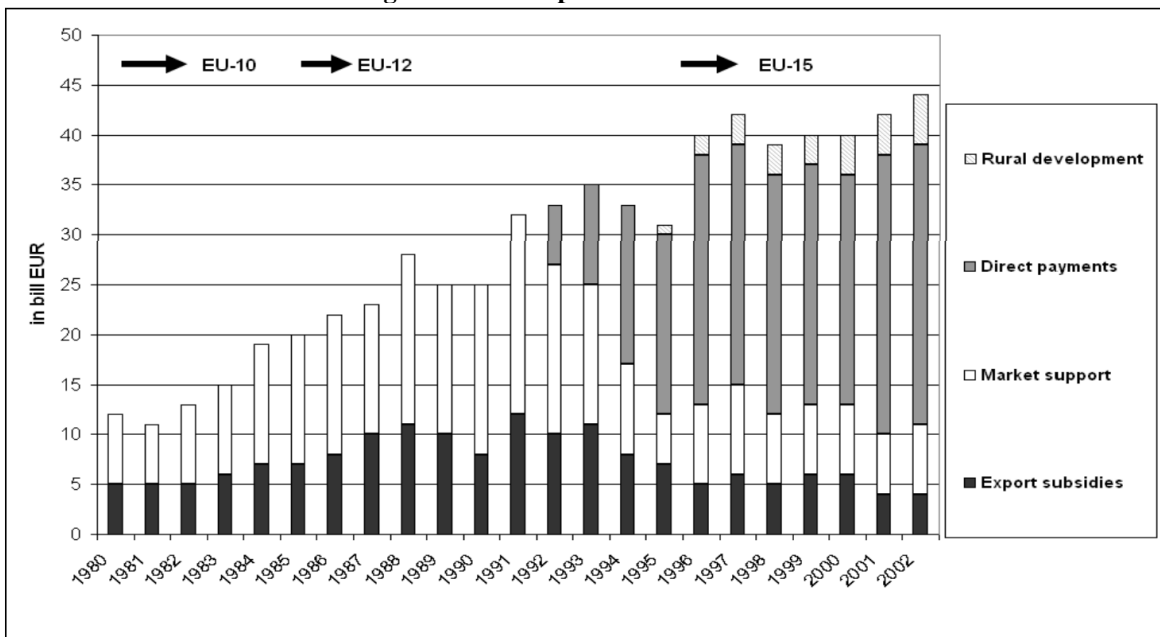
the CAP in general. However, this goal was not completely met, as the CAP expenses rose in the short run. (Keeler, 1996) The price reduction was mostly concerned cereal prices, which fell by approximately 30%, and greatly affected consumer prices and live stock feed costs, consequently reducing beef prices by 15% and butter prices by 5%. (Nivievskyi, 2015)

- b) Set Aside System: aimed at the reduction of surpluses created by the previous protectionist policy. Large farmers in the EU were to set aside 15% of their arable land to reduce the production, which would be compensated for by the direct payments (c). However, agri-economists noted that this may not be the right step towards the reduction of production, arguing that set-aside systems have never worked in the United States. The main reason was that the ongoing improvement of technology would almost always make up for the difference in production caused by the lower land use. (Patterson, 1997)
- c) Direct Payments: were considered the breaking point of the reform. It aimed at compensating farmers for price support cuts and set-aside system, pressuring large farms to lower the production. Direct payments were coupled to the specific products and cattle farms, and were calculated from previous yields and fixed prices. (Nivievskyi, 2015) It is thought, that this mechanism brought about transparency in the financial support system, as the payments are mainly funded by the national systems (in this case, by the EC's Community Budget) and are available for regular checks, evaluations, and scrutinies. (Patterson, 1997) The system of direct payments persists and will be discussed later in this work, as it was subject to changes.
- d) Rural Development Programs: as the last main mechanism of the MacSharry reform may be thought of as a by-product of the changes made to the Common Agricultural Policy. The reform had drawn attention to the rural development and environmental issues, therefore, implementing more strict rules into the MacSharry reform was inevitable. Nivievskyi (2015) points out several measures for environmental standards: reduction of the usage of agricultural chemicals and fertilizers, more focused extensive crop or livestock production, maintenance and enhancement of countryside, long-term set aside arable land due to environmental purposes, and availability of rural land for public recreation and access. Should the

farmers comply with the measures, they could be also supported financially doing so.

The MacSharry reform is widely seen as a success in a change of the Common Agricultural Policy overall, however, it has not met the goals as expected. The reform was an important shift from the previous farm income support and price subsidies to the direct income compensations and production reductions. (Cunha, Swinbank, 2011) The CAP budget was not reduced, and actually rose as demonstrated in the Figure 3.

**Figure 3: CAP expenditures 1980 - 2002**



Source: Nivievskiy, 2015

It can be interpreted as a rise in the overall expenses of the CAP's budget, yet the costs of the export subsidies and market support lowered as was expected when introducing the reform. The shift toward direct payments and coupled area payments from the market price support made the CAP expenditures more effective, transparent, and efficient in tackling the CAP objectives. (Nivievskiy, 2015)

The MacSharry reform also played an important role for the EC to meet their commitments imposed during the WTO Uruguay Round Agreement on Agriculture (URAA) negotiations, during which market access, domestic support, export subsidies, and import levies were discussed. As shown in the Figure 3, export subsidies were cut by nearly 50% after the acceptance of the MacSharry reform, until 2013, when they were almost completely abandoned. The reform has emerged partly because of the external pressure from other countries and WTO. Beside that fact, nearly 30% of import levies were lowered to zero or to a minimal value. (Cunha, Swinbank, 2011) It was also

necessary to prepare the reforms for the potential enlargement of the EU<sup>3</sup> towards the Countries of Central and Eastern Europe (CCEEs).

### 3.1.4 Agenda 2000

As mentioned in the previous paragraph, the most debated issues arising in the years after 1992 were the enlargement of the European Union and preparation for the launching of a new WTO Doha round of negotiations. Entrance of the CCEEs could have been interpreted as a risk to the Common Agricultural Policy budget due to the low yields and agricultural productivity. However, it was also expected these yields and productivity to increase after joining the European Union, therefore, further destabilize the CAP's expenditures. (Nivievskyi, 2015) Regardless the fact stated above, it was thought that the new countries of the post-Soviet bloc should gradually adopt 1992 model, with some adjustments.

The adjustments shall be seen in further decrease of support prices cereals, veal, beef, and dairy products; extension of milk quotas until 2008<sup>4</sup>; more efficient stabilisation of agricultural budget in the years 2000 to 2006 with a new financial framework aimed at an increase in the overall budget for agricultural spending, along with a redistribution of funding to different sectors and regions; and boosting financing of rural development, non-agricultural activities and enhancement of country-side life. (Cunha, Swinbank, 2011) Very simply said, Agenda 2000 continued improving and securing measures taken by the MacSharry reform, i.e., continuing cutting down the market support prices of cereals by 15% in two steps, as well as increasing the direct payment compensations for cereals increased as a reaction to the subsidies cuts. On the other hand, set-aside percentage of land, which was obligatory for large farms, was lowered to 10% of arable land. (Nivievskyi, 2015)

Deeper focus of the Agenda 2000 was set on the rural development, environment and food safety. For the means of rural development, several regulations were created to secure the direct payments for those farmers, who complied with such regulations. Under the cross-compliance<sup>5</sup>, a package of rules was set to ensure that EU farmers met certain minimum standards in specific areas, in exchange for receiving financial support. By

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<sup>3</sup> The European Union title replaced EC, as of signing the Maastricht Treaty in 1993.

<sup>4</sup> Legislation providing the milk quotas was to expire in the year 2000.

<sup>5</sup> Under the term *cross-compliance* is meant a system of direct payments to farmers '*subject to modulation, and to eco-conditionality criteria with heavy financial penalties for non-fulfilment*'. (Cunha, Swinbank, 2011)

linking direct payments to compliance with these rules, the EU aimed to encourage sustainable farming practices and promote the production of safe, high-quality food. The specific rules and standards of cross-compliance vary depending on the country and the type of farming activity. In general, the main areas were as indicated above: environmental protection, food safety, animal welfare, and development of rural areas. (Nivievskyi, 2015)

To secure the administrative processes of the direct payments, rural development policy was integrated, based on the principal of subsidiarity - decentralized policy. During the negotiations of the 2000 reforms, the EU proposed a Mid-term Review of the Agenda 2000, to make necessary changes easier and more open, should the new policy need to be reworked. (Cunha, Swinbank, 2011)

## **3.2 Shift towards Rural Development**

As it began with the MacSherry reform and then continued in the Agenda 2000 reform, the Common Agricultural Policy had put a stronger emphasis on the promotion and development of the rural areas. Nivievskyi (2015) states, that *'provisions for the Mid-term Review of the Agenda 2000 were directly incorporated in the original text of the Agenda 2000 reform, as the European Commission expected that further adjustments would be needed to ensure the agricultural sustainability in the EU and achieve the CAP goals in the globally integrated world.'*

Following is a review of changes to the CAP after the Agenda 2000 was implemented. Change in the nature of the direct payments is explained. The direct payment scheme becomes one of the strongest tools and is further modified ever since.

### **3.2.1 The 2003 Fischler reform**

Similarly, to the European Commissioner for Agriculture Ray MacSharry, the Fischler reform is named after one of the Austrian European Commissioner for Agriculture, Franz Fischler, who is considered to be the man behind the 2003 reform. Accordingly to Swinbank's (2011) observation, this reform is mostly interesting, for it worked out a system of direct payments decoupling the farm support from overall production.

In the previous years, farmers could only obtain direct payments only if they had produced certain agricultural products. Decoupling direct payments from the specified production made farmers eligible for the aforementioned payments regardless of their

production. Farms would have 'complete farming flexibility', but would have to comply with 'statutory environmental, food safety, and animal health and welfare standards' on the basis of *cross-compliance*. (Cunha, Swinbank, 2011) Nivievskyi (2015) states, that '*this decoupling allows the reduction of subsidy-induced overproduction and the restoration of market signals in so far as farmers will look at relative prices not relative subsidies in making their crops and livestock production decisions.*' To secure more fair distribution of the direct payments, a *single farm payment* (SFP) is implemented.

SFPs would be paid in total amounts relative to the total of farm's eligible area and based on historical claims for direct payments in the period 2000- 2002. The Member States may opt to delay implementation of the SFP by up to two years. The Commission employed *dynamic modulation* in the means of a progressive reduction of all direct payments (coupled or decoupled), '*starting at 3% in 2005, and increasing by 3% each year until reaching 20% at the end of the sixth year. Money raised by the cuts in the direct payments would be redistributed from intensive cereal and livestock producing countries to poorer and more mountainous countries, bringing positive environmental and cohesion effects.*' (Cunha, Swinbank, 2011) Such redistribution would bring a marginal boost to the second pillar of the CAP, which will be described later in the thesis. However, the package of the reforms in 2003 did not yet include SFP (Single Payment Scheme - SPS) as it was implemented later in 2005.

Member States had the option of adopting the SFP under the 'regional implementation' or 'farm-specific SFP' or 'hybrid' models. Under the farm model, each farmer receives similar amount of SFP based on the support the farm has received in the "reference" period, that is, when coupled subsidies were given. Therefore, this approach allows the differences in farm support among farms within the same region. Under the 'regional' model, all money that would have been paid in a particular region (or country) is allocated, and then paid on a flat rate regional level with some adjustments for different types of land (arable land, pastures, etc.). This scheme equalizes the SFP among farms within the region. Most countries have opted for the farm-specific model, and only Germany and England have decided to implement the regional model. (Ciaian, Kancs, Swinnen, 2014)

Decoupling of the payments was budget neutral, as the direct payments connected to the production were swapped to the decoupled Single Payment Scheme. The impact on farm revenues was also mainly neutral, with the exception of farmers producing under the

regionalized model schemes (England and Germany, as indicated above), because this model did not take in account the differences of each and every farm on such a scale as the 'farm-specific' model. *Modulation* reduced the farms' incomes, however, some of the 'losses' could have been obtained via the payments from the second pillar of the CAP. Some individual farmers would not eventually claim the difference in the payments back from the second pillar payments, which had led to a small redistribution of the CAP expenditures. Member States had kept 80% of modulated funds to distribute them fairly to the farmers, based on their needs and requests under the set rules. Therefore, receipts of the Member States from the CAP budget lowered by negligible amounts, leaving the CAP budgetary contributions mostly unchanged. This fact, along with the enlargement of the EU in 2004, had put pressure on making a *Multiannual Financial Perspective (MFF)* for the years 2007-2013. (Cunha, Swinbank, 2011)

As mentioned above, *modulation* of the CAP expenditures supported the so-called 2<sup>nd</sup> Pillar of the CAP. The 1<sup>st</sup> Pillar of the CAP refers to the expenditures for market support and direct payments, while the 2<sup>nd</sup> Pillar funds rural development and non-agricultural activities set by the EU to improve sustainability, animal welfare, ecological farming, and other factors. (Nivievskyi, 2015) Below is the list of supported activities of rural development programmes under the 2<sup>nd</sup> Pillar (European Parliament, 2022):

- Transfer of knowledge and information measures (training, information campaigns, etc.);
- Advisory services, farm management and farm relief services;
- Quality systems applicable to farm produce and foodstuffs (new ways for farmers to participate in quality systems);
- Physical investment (processing of farm products, infrastructure, improving the performance and sustainability of farms, etc.);
- Restoring agricultural production potential damaged by natural disasters and catastrophic events and introducing appropriate prevention actions;
- Development of farms and businesses (business start-up aid for young farmers, non-farm business operations in rural areas, etc.);
- Basic services and revitalisation of villages in rural areas (broadband, cultural activities, tourist facilities, etc.);
- Investment in the development of forests and improving their viability (afforestation and creation of woodland; establishment of agro-forestry systems,

prevention and restoration of damage to forests from forest fires, natural disasters and catastrophic events, including parasite infestations and diseases, as well as threats from climate change; investment to improve the resilience and environmental value of forest ecosystems and their potential for mitigating climate change; investment in forestry technologies and in processing, mobilisation and marketing of forest products);

- Setting-up of producer groups and organisations;
- Preservation of farming practices which have a beneficial effect on the environment and climate and foster the necessary changes (agri-environment-climate measures). These measures have to be included in rural development programmes. Commitments must go beyond the mandatory standards;
- Subsidies for organic farming (conversion or support payments);
- Payments linked to Natura 2000 and the Water Framework Directive;
- Payments for areas facing natural or other specific constraints;
- Animal welfare payments;
- Payments for forest, environmental and climate services and forest conservation;
- Encouragement of cooperation between farmers and forestry operators and those involved in the food production chain (establishment of centres and networks, operational groups of the European Innovation Partnership for Agricultural Productivity and Sustainability (EIP));
- ‘Risk management toolkit’: crop, livestock, and plant insurance; mutual funds for adverse climate events, animal and plant diseases, pest infestations and environmental incidents; income stabilisation tool, in the form of financial contributions to mutual funds, providing compensation to farmers for a severe drop in their income.

The increased importance of rural development in the reform is underlined by the open-ended budget for the 2<sup>nd</sup> Pillar programme in contrast to the strict budgetary limits placed on market support and SFP payments. The reform package has clauses to enable the European Commission to make extra cuts to direct aid if the Union looks to be in danger of exceeding its agricultural budget limits. In any year (from 2007) when direct support appears on course to get within €300 mill of the fixed ceiling, the Commission may propose reduction in direct subsidies. (Cunha, Swinbank, 2011)

In 2007 the European Agricultural Guidance and Guarantee Fund (EAGGF) was divided into two parts: (1) European Agricultural Guarantee Fund (EAGF), and (2) European Agricultural Fund for Rural Development (EAFRD). Accordingly, the 1<sup>st</sup> Pillar is funded by the EU from EAGF, while the 2<sup>nd</sup> Pillar is funded by the EU from EAFRD and may be co-financed by national or regional funds selected for the rural and agricultural development. This change further promotes the emphasis on 'green agriculture' and development of rural areas as one of the goals of the Common Agricultural Policy.

In conclusion, the 2003 Fischler reform had an institutional origin as the European Council insisted on inclusion of the Mid-term Review of the CAP (reforms under Agenda 2000) in the agreement. (Cunha, Swinbank, 2011) However, other factors played important role. One of the factors is pressure from WTO on price and export subsidies, and to orient the support of agricultural production to meet the world market levels. Another factor may be seen in deeper emphasis on rural development and rural society to address their issues and needs. *'In particular, a better balance of support between market policy and rural development would help solve these concerns.'* (Cunha, Swinbank, 2011)

Decoupling payments was the main and the most viable tool of the reform, which firstly should have served as a health-check of Agenda 2000 reforms. In the end, a set of changes was implemented. Decoupling from the agricultural production was intended as a suitable way of sheltering direct payments from likely future cuts in domestic support under new WTO agreements. Furthermore, another decrease in support prices (for example for dairy) would be necessary to cope with any commitments sealed during the Doha Round to remove export subsidies. (Nivievskyi, 2015)

The entry of the 10 new EU countries has nearly doubled agricultural labour and arable land, which has made a serious pressure on the CAP (van Berkel and Verburg, 2011). During the pre-accession negotiations, agriculture was comprised mostly of directives and other legal acts. For new members, EU has provided gradually joining to the system of direct payments, which covered the period 2004-2013, where 2013. presents the final year of full implementation to the system.

All these CAP reforms have caused determination of the agricultural prices by the free market. This means that the CAP is no longer deals with resource allocation and market stabilization. Now it has two new roles (Klevernic, Pavlovic, Puzic, 2014):



- i. The CAP has become a liberal welfare regime (according to Esping-Andersen typology), which means that the public programs are funded through taxation and that the social benefits are reserved for low income farmers;
- ii. With more attention on environmental issues, rural development and food security, the CAP aims to become a general public policy in interest of all nations within EU.

**Table 3: The EU's budget for 2006-2013 in mill € at 2004 prices**

	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
1. Structural funds	47.582	59.675	62.795	65.800	68.235	70.660	73.715	76.785
2a. Agriculture: market related expenditures and direct payments (Pillar 1)	43.735	43.500	43.673	43.354	43.034	42.714	42.506	42.293
2b. Rural development (Pillar 2)	12.280	13.680	14.227	14.761	14.856	15.136	15.319	15.512
3. Citizens, freedom, security and justice	1.381	1.630	2.015	2.330	2.654	2.970	3.295	3.620
4. The EU as a global partner	11.232	11.400	12.175	12.945	13.720	14.495	15.115	15.740
5. Administration	3.436	3.675	3.815	3.950	4.090	4.225	4.365	4.500
Total commitments	120.688	133.560	138.700	143.140	146.670	150.200	154.315	158.450

Source: Nivievskiy, 2015

Table 3 shows total budget of the EU for the programme period 2006-2013, when the reforms took effect, showing the rise of the budgetary choices for the 2<sup>nd</sup> Pillar. Rural development fund rose between year 2006 and 2013 by 26.32%. Nivievskiy (2015) notes, that *'agricultural and rural development budget accounts for 37% of the EU total expenditures in 2013. But this does not mean that the agriculture takes so huge share in budget expenditures, because there are only five EU activities outlined in this table which are financed from the common budget. All other expenditures such as education, health care, infrastructure, public administration and other expenses are financed from the*

*national and regional budgets of the EU Member States'*, as they may provide additional support from their own sources.

### **3.2.2 Programme period 2014-2020**

In the year 2013, another reform changed conditions for Single Payment Scheme as well as its budget. The SPS budget for specific Member States was changed for two reasons: the overall budget was to be reduced, and deeper harmonization of payments between the MS was implemented. The aim was to decrease single farm payments of large values to the main beneficiaries, and vice-versa, increase the amount of SFPs to small-value payments to smaller farmers. (Ciaian, Kancs, Swinnen, 2014)

The reform has introduced a system of more selective forms of support, targeting payments in a more suitable (fair) way with more equal distribution between farms, sectors and regions (as mentioned above). In addition to '*degressivity*' and '*external convergence*', the reform implemented distribution of *the per hectare basic farm payments* ('*internal convergence*'), payments for young farmers, a '*redistributive payment*', and payments for farms located in areas with natural constraints. (Swinnen, 2015)

In the new system, only some of the elements of direct payments are obligatory. Member States may choose to adopt some of the voluntary measures of the direct payments. This gives more 'freedom' to the MS to tailor the CAP to their specific needs and improve effectiveness of direct payment distribution. Mandatory components are (Swinnen, 2015):

- the basic payment,
- the payment for agricultural practices beneficial to the climate and the environment, or 'green payment',
- and the payment for young farmers.

From the voluntary components, MS may adopt the following financial aids (Swinnen, 2015):

- the redistributive payment,
- the payment to farms located in areas facing natural constraints,
- the payments coupled to production and the small farms scheme.

In addition to a certain freedom of adoption of the direct payment schemes, Member States were given authority to select a specific way of implementation - such as how per unit payments are calculated, or the possibility to use more restrictive criteria to

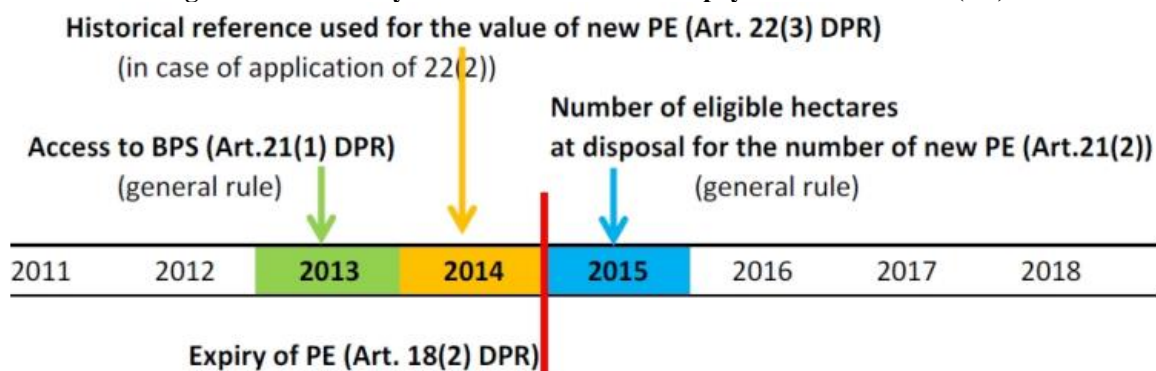
identify the beneficiaries of the specific payment, as is the case for the payment for young farmers. Each component of the direct payments is financed with a portion of each country's national ceiling for direct payments. (Swinnen, 2015)

Below, are introduced objectives of the 2013 reform with some of the elements of the direct payments as set in the Regulation (EU) No. 1307/2013.

a) *Basic Payment Scheme (BPS) / Single area payment scheme (SAPS) (mandatory for Member States)*

BPS is a new and more complex form of SPS which aims to secure fair and effective distribution of direct payments. Direct payments under the new basic payment scheme account for around 70% of Member States' national funding allocation after deduction of the amounts allocated to young farmers or other voluntary payments: less-favoured area top-ups, the small farmers scheme, redistributive payments and 'coupled' payments. For 12 Member States, the end date for the single area payments scheme will be deferred until 2020. With regard to '*internal convergence*', those Member States that, up to 2013, maintained allocations based on historic references must move towards more uniform levels of payment per hectare. To do so, they are offered a choice of options: they may take a national or regional approach enabling them to introduce a regional/national flat-rate payment by 2019, or ensure that those farms receiving less than 90% of the regional/national average rate see a gradual increase in payments, with the additional guarantee that every farmer receives a minimum payment equivalent to 60% of the national/regional average by 2019. According to Swinnen (2015), *internal governance* provisions are supposed to reduce (or completely remove) differences in the per hectare payments. The amounts available to farmers receiving more than the regional/national average are adjusted proportionally, with an option for the Member States to limit any support 'losses' to 30%. (European Parliament, 2022) In the Figure 4 a scheme of Payment Entitlements (PE) is shown with respect to calculation of the entitlements.

**Figure 4: Reference years for the calculation of payment entitlements (PE)**



Source: European Parliament, Think Tank, 2016

The SAPS model consists of a payment per each eligible hectare declared annually without payment entitlements. The direct payments regulation allows Member States which applied the single area payment scheme in 2014 to continue its application until 31 December 2020. The payment per hectare is calculated each year by dividing the annual financial envelope allocated to SAPS by the total number of eligible hectares declared by farmers. (European Parliament, Think Tank, 2016)

b) *Schemes for the redistribution of basic payments (voluntary)*

Member States have the right to use a redistributive payment for the first hectares whereby they can take up to 30% of the national allocation and redistribute it to farmers on their first 30 hectares (or up to the national average farm size if greater than 30 hectares). A further option is to apply a maximum payment per hectare. Member States making use of the redistributive scheme may be exempted from mandatory capping of basic payments above EUR 150 000 (a minimum of 5%). (European Parliament, 2022)

This voluntary element tackles the redistribution goal of shifting direct payments from large farms to smaller (family) farms.

c) *Young farmers scheme (mandatory for Member States)*

This component aims at promotion of agricultural sector and motivating more (young) people to engage in agricultural activities. As a mandatory element, it is a direct payment for young farmers<sup>6</sup> - newcomers under 40 years of age established in the previous

<sup>6</sup> A 'young farmer' is defined as a natural person who (a) becomes for the first time the head of an agricultural holding, or who has become the head of a holding during the five years preceding the first submission of an application to receive the basic payment, and (b) is no more than 40 years of age in the year of the submission. (Swinnen, 2015)

five years - that may complement the start-up aid which may be granted to young farmers as a part of the 2<sup>nd</sup> Pillar. (Swinnen, 2015) To encourage generational renewal, the basic payment awarded to young farmers is increased by 25% for the first five years. 2% of the national budget allocation is used to finance this supplement. (European Parliament, 2022)

Member States may apply specific requirements for applicants, for example desired level of skills or training. More about the *Young Farmers Payments (YFP)* is discussed in the Chapter 5 of this thesis.

d) *Greening (mandatory for Member States, with flexible application)*

'Green payments' are encouraging farmers to employ practices that are in line with ecological and sustainable farming. Each farm receives, in addition to the basic payment or the single area payment, an additional payment per hectare for using climate-friendly and environment-friendly farming practices. The Member States are required to use 30% of their national funding allocations for this greening payment. There are three measures, namely (European Parliament, 2022):

- Crop diversification: the farmer must cultivate at least two different crops if he has more than 10 hectares of arable land; if he has more than 30 hectares, he must cultivate at least three crops; the main crop may cover no more than 75% of the arable land, and the two main crops no more than 95%;
- Maintaining existing permanent grassland;
- Maintaining an 'ecological focus area' of at least 5% of the arable area of the holding on farms with more than 15 hectares of arable land (excluding permanent grassland and permanent crops): edges of fields, hedges, trees, fallow land, landscape features, biotopes, buffer strips, afforested areas or nitrogen-fixing crops.

This component of direct payments includes strict penalties for non-compliance with the set criteria. If a farm does not meet the requirements for 'green payments', not only it will not receive the payment, it will also be a subject to an administrative penalty.<sup>7</sup> Penalties for failing to meet the requirements were gradually implemented: no sanction imposed in 2015, and 2016, and the maximum penalty equal to 20% of the 'green' payment in 2017, and 25% from 2018. (Swinnen, 2015)

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<sup>7</sup> Regulation (EU) No. 1307/2013 specifically states '*extremely severe penalties for failing to meet greening requirements*'.

To avoid penalising farmers who are already addressing environmental and sustainability issues, the regulation establishes a ‘greening equivalency’ system under which environmentally beneficial practices already in place are deemed to meet these basic requirements. For example, no additional requirements are imposed on organic producers, as the practices they use have been shown to provide clear ecological benefits. The new regulation contains a list of measures regarded as equivalent. (European Parliament, 2022)

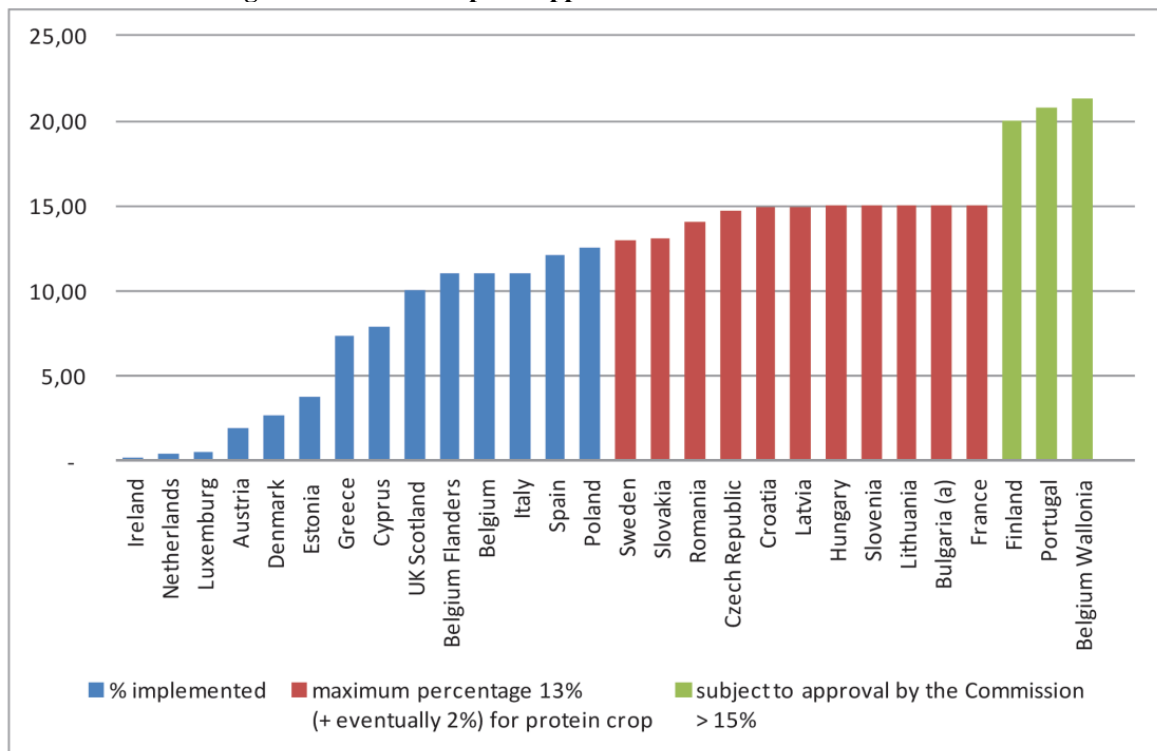
e) *Coupled payments (voluntary for Member States)*

Coupled payments were implemented to soften the implementation of the new direct payments system and to protect particularly sensitive sectors or areas, important for specific Member States, whilst the payments are linked to specific products. It is to help regional production, where specific agricultural activity plays a particularly important economic, social or environmental role.

Such payments must account for no more than 8% of the national funding allocation in Member States that currently provide coupled support, and no more than 13% if the current level of coupled support is higher than 5%. The Commission may approve a higher rate where justified. In addition, ‘coupled’ support (no more than 2%) may be provided for protein crops. (European Parliament, 2022)

Swinnen (2015) notes, that this measure is to maintain and protect specific amount of production, not to increase it and cause over-production. For such reason, total value of aid is capped as shown in the paragraph above. The Figure 5 shows level of coupled support in the Member States.

**Figure 5: Level of coupled support in the Member States in 2015**



Source: European Parliament, Think Tank, 2016

f) *Areas with natural constraints (ANC) / Less favoured areas (LFA) (voluntary payment)*

A voluntary component that allowed Member States to choose, whether they want to support rural areas with less favourable conditions. Farmers are eligible to receive this form of payment if their holdings are located in ‘areas with natural constraints’. These areas are specified in rural development policies of the Member States, that adopt this component. This form of support aims at maintaining presence of farmers, and farming in such areas by providing additional payments. It may be seen as a complement to the similar payments for ANCs or LFAs under the 2<sup>nd</sup> Pillar. (Swinnen, 2015)

Member States (or regions) may grant an additional payment of up to 5% of the national funding allocation for areas classified as being subject to natural constraints.

g) *Active farmers (mandatory for Member States, with flexible application)*

To tackle one of the stated objectives of the 2013 reform, this tool is implemented to remove previous rents and support for persons, for which the agricultural activity is not the main focus. Due to a number of legal loopholes, companies whose primary business

was not farming, were allowed to claim direct payments. This was not an intended feature of a change from coupled payments, yet it had emerged.

The reform has tightened up the rules defining active farmers, as well, as it required Member States to create a 'black-list' of business activities in respect of which direct payments could not be made. Black-listed entities who could not be considered 'active farmers' included those operating airports, railway services, waterworks, real estate services, permanent sport, and recreational grounds. As mentioned above, Member States were required to extend the 'black-list'. (Swinnen, 2015)

h) *Small farmers scheme (voluntary)*

This component became a simplified scheme of direct payments to small-sized farms. It is a voluntary tool for the Member States as well as for the farmers applying for support, however, they had to apply until certain deadline, or else they would not have been eligible for the payment. *Small farmers scheme* aimed at reduction of bureaucratic load for both, the public administration, and recipients of the direct payments (small farmers).

Participants were subject to less stringent cross-compliance requirements and did not have to meet greening requirements. The total cost of the small farmers' scheme should not account for more than 10% of the national funding allocation, except when Member States decided to ensure that small farmers receive what they would have been paid without the scheme. Member States could adopt a simplified scheme benefiting small farmers if an annual payment of up to EUR 1 250 was made, irrespective of farm size. (European Parliament, 2022)

In the year 2014, about 54.8% of the total number of the direct payment beneficiaries were subject to *small farmers scheme*, obtaining less than EUR 1 250. In this regards, the administrative overload was greatly reduced. In some countries (Cyprus, Latvia, Lithuania, Romania, Malta) beneficiaries of the direct payments lesser than EUR 1 250 were higher than 70% of all direct payment receivers. (European Parliament, Think Tank, 2016)



i) *Cross-compliance (mandatory)*

As of previous change to the CAP in 2003, direct payments were subject to cross-compliance, but the rules and number of direct payments concerned were reduced. A simplification was introduced in the CAP 2014 - 2020 as in the meaning of compliance by farmers with a) standards laid down by the Member State on environmental and agronomic conditions with a view to limiting soil erosion, maintaining soil structure and organic matter levels and ensuring minimum standards of upkeep; b) EU rules on public health, animal health, the environment and animal welfare.

Cross-compliance aims to contribute to the development of sustainable agriculture through better awareness on the part of beneficiaries of the need to respect those basic standards. It aims also to improve consistency of agriculture policy with environment, public health, animal health, plant health and animal welfare policies. (European Parliament, Think Tank, 2016)

If a farmer did not comply with the requirements, his/her direct payments were stopped or reduced. Penalisation of a farmer was applied only in the case when not meeting the requirements was a result of direct negligence. (European Parliament, 2022)

j) *Budgetary and financial discipline mechanism (mandatory)*

With the reform, new budgetary constraints entered into practice to keep expenditure on the 1<sup>st</sup> Pillar of the CAP below the annual budget ceilings set under the multiannual financial framework. Should the expenditure exceed the budget given for a specific financial year, a proposition of an adjustment of the direct payments would have been laid. Any reduction would not apply to the first EUR 2 000 paid to each farmer. The direct payments allocated to farmers could also be reduced in each financial year in order to free up funding for the new ‘*crisis reserve fund*’ (up to a ceiling of EUR 400 million). The crisis reserve fund can be used to finance exceptional measures to counteract market disruption. (European Parliament, 2022)

k) *The Integrated Administration and Control System (IACS) (mandatory)*

This component was an aim at digitalisation process and ease of access for applicants (farmers) for the aid payments. As a modern trend, digitalisation should also secure better control of payments and applications as well as making the administration more feasible to process.

The minimum elements of IACS are set as a computerised database, a system for the identification of agricultural parcels, a system for the identification and registration of direct payment entitlements, an integrated control system and a system for identifying each farmer who submits an aid application. (European Parliament, 2022)

The 2013 reform changing the game of direct payments in the programme period 2014-2020 brought upon important redistribution of support between the Member States with changes in distribution of national funds for rural development policies. It also modified the amount of support paid between single farms in respective Member States *'through the extension of direct payments to virtually all farms, internal convergence, capping, degressivity, the redistributive payment and the payment to young farmers.'* (Swinnen, 2015) Such redistribution greatly helped Member States which received 'smaller' support from the CAP than other main beneficiaries.

As of the inclusion of the new Member States in 2004, and requirement of adoption of the direct payments, this reform introduced mostly flexible implementation of large amount of voluntary components. This gave certain freedom in decision-making for the Member States. Swinnen (2015) argues, that even though the 'freedom' was to be enjoyed under a set of specific compulsory rules, the implementations differed vastly in each Member States. He then notes, that the Common Agricultural Policy might not be so 'common' in each Member State. However, he concludes the reform to be rather positive, yet complicated in its complexity.

The reform has been widely accepted for the positive innovation in the terms of *small farmers scheme*, increased focus on research and rural development activities, and *green payments*, which were thought a great step forward towards environmental improvements as the requirements were set in a rather 'friendly way' to be met. (Swinnen, 2015)

## 4 Czech Agricultural Development in Context with CAP

Czech agriculture had undergone a tremendous transformation from the Velvet revolution in 1989 to the Czech Republic's entrance to the European Union in 2004. Further changes in the agricultural production, employment, land use, and financing has then taken place. In this chapter, the progression from the central-planned agriculture towards the open (single) market of the EU is discussed. It is necessary to lay out an overview of these turbulent changes to describe the effects of the Common Agricultural Policy of the EU on Czech agrarian sector.

### 4.1 Czech Agriculture: from the Soviet Union to the EU

Before the fall of the Soviet Union, widely acknowledged to be started by the Velvet Revolution in the Czech Republic in 1989, Czechoslovakian agriculture was subject to a centrally planned economy. The aim of such controlled planning was to achieve self-sufficiency through increases in agricultural production, while maintaining low consumer prices. To meet the aforementioned goal, a strong support of agrarian sector was applied with obligatory collective and state-run farming systems being employed as a result of the process of collectivisation of the private agrarian sector after the year 1948 (Tomšík, 2010) Collective farms operated on the utilised agricultural area (UAA) under approximately 2 500 ha, while the state-run larger farms owned and managed average areas of 6 000 ha. Tomšík (2010) states an interesting fact, that although the agrarian sector does not have a huge importance in the national economy (on average 2,07 % of the total GDP in the years 2004 - 2022)<sup>8</sup>, the UAA covered more than half of the territory of the Czech Republic in 2010. To partly explain the phenomenon, Tomšík (2010) adds, that more than 50 % of the UAA lays in the less favoured areas.

Boučková and Shepherd (2004) described the '*ruthless Stalinist style of collectivisation*' providing several attributes characterising the process. As the key elements of the 'full' collectivisation, which took place from 1948 until 1960, they stated (Shepherd, 2004):

- low agricultural purchase prices,
- peasants and collectives both subjected to compulsory deliveries,

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<sup>8</sup> Author's calculation based on the statistics provided by the Czech Statistical Office, 2023

- agricultural incomes generally low, and often in kind,
- machinery held in state owned tractor stations,
- private household plots barely tolerated,
- minimal diversification out of agriculture.

They further add comments on the development of the 'Stalinist' model of agriculture, which was developed and slowly undergone some changes and gradual modifications after the full collectivisation was complete, from 1960 and on. The main changes are a shift from the previous strict regulations<sup>9</sup> (Shepherd, 2004):

- agricultural purchase prices to be increased,
- contract sales to replace compulsory deliveries,
- regular wages instead of benefits in kind,
- income levels in agriculture to approximate to those in industry,
- provision of pension and social security payments for agricultural workers,
- diversification out of agriculture,
- household plots.

The following Table 4 shows that 61 % of the UAA was managed by the collective farms, and majority of the rest of UAA was operated by state-run farms, approximately 24.4 %. The Table 4 also illustrates the change of farms' ownership after the Velvet Revolution and privatisation of land.

**Table 4: Shares of agricultural land in the Czech Republic operated by different types of farm organisations in %**

	1989	1991	1993	1994	1995	1997
State farm	25.4	25.6	12.9	2.8	1.2	0.5
Collective farm	61.0	60.7	-	-	-	-
Cooperative	-	-	49.4	47.7	42.8	38.7
Company (a)	-	-	14.6	20.5	25.0	23.5
Partnership	-	-	-	0.3	0.3	-
Sole proprietorship	0.3	3.3	13.4	20.4	22.3	25.1
Other (b)	13.3	10.5	9.8	8.3	8.3	12.2
Total	100.0	100.0	100.0	100.0	100.0	100.0

(a) limited liability companies

(b) joint stock companies and other legal forms

Source: Boučková, Shepherd, 2004

<sup>9</sup> Not that the changes would ease the political and 'full-control' tensions, however, they were more feasible for the agrarian production and management of the collective farms.

#### 4.1.1 Czech Agricultural Transformation in 1990s

As partly shown in the Table 4, a specific structure of farms (and land) ownership characterised the transformation of Czech agrarian sector (as well as the whole economy has changed). Tomšík (2010) finds the creation of vast variety in farming structure to have resulted in a decline of agricultural production, accompanied by a decline of competitiveness and for the most farms became their survival rather uncertain. Agricultural production was also an aftermath of the general economic decline due to radical economic changes and a quick process of liberalisation, along with a collapse of the former agricultural policy.

The EU 'pre-accession' period can be seen as divided into two phases: a) *revitalisation*, aiming at stabilisation of the agrarian sector, and b) *adaptation* to meet the requirements of the EU accession to implement the CAP in the Czech Republic agricultural policies. The first phase, can be interpreted as a quick privatisation and de-collectivisation of farms and agricultural land. (Tomšík, 2010)

The problem of the first phase (a), after the transition to the market oriented economy and agricultural policy, was steady decline in share of agricultural GDP<sup>10</sup> and employment, even though only minor changes in land use were implemented. In the Table 5 is shown the percentage of agricultural GDP as a share of national GDP of the Czech Republic. (Boučková, Shepherd, 2004)

**Table 5: Agriculture's share of GDP and employment in the Czech Republic in %**

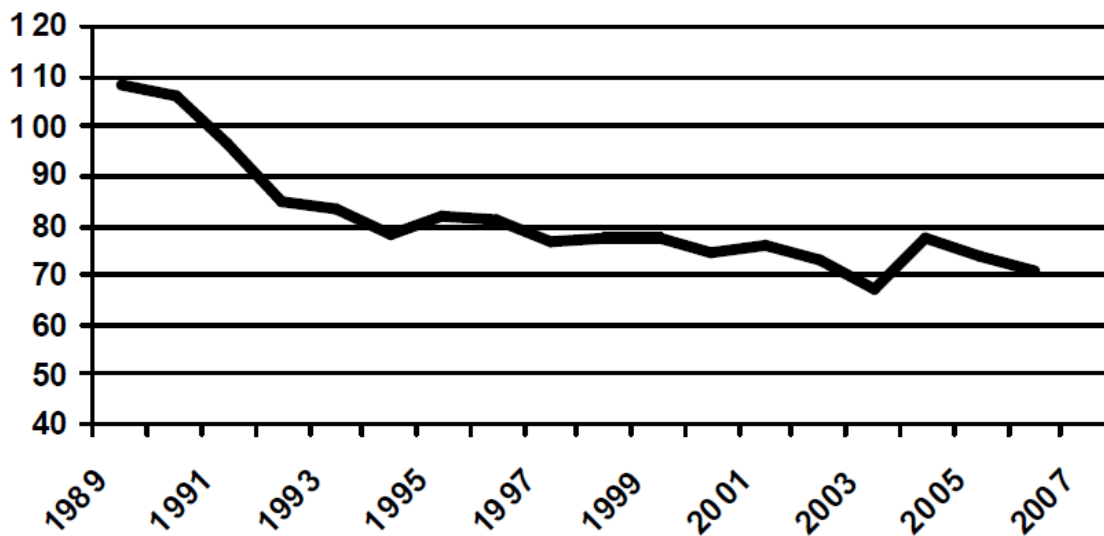
Year / factor (%)	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
GDP	4,21	4,04	3,9	3,49	3,51	3,23	3,25	3,2	2,66	2,44	2,42
Employment	7	6,6	6,2	5,8	5,5	5,1	4,5	n/a	n/a	n/a	n/a

Source: Own presentation based on Czech Statistical office, 2023

The following Figure 6 presents decline in total agricultural production. Production fell dramatically during the transition period, then was slightly stabilised in 1999, and lightly increased in 2004 as a result of the negotiations and meeting requirements for the EU accession. 'A weak agricultural output did not enable to negotiate desired conditions for Czech farmers. Setting-up the milk quota can be a typical example; the milk production drop during the reference period limited possibilities to acknowledge the original production level.' (Tomšík, 2010)

<sup>10</sup> Share of agricultural GDP declined ever since, even after the accession to the EU. (Czech Statistical Office, 2023)

Figure 6: Total agricultural production (at constant prices 1989, bn. CZK)



Source: Tomšík, 2010

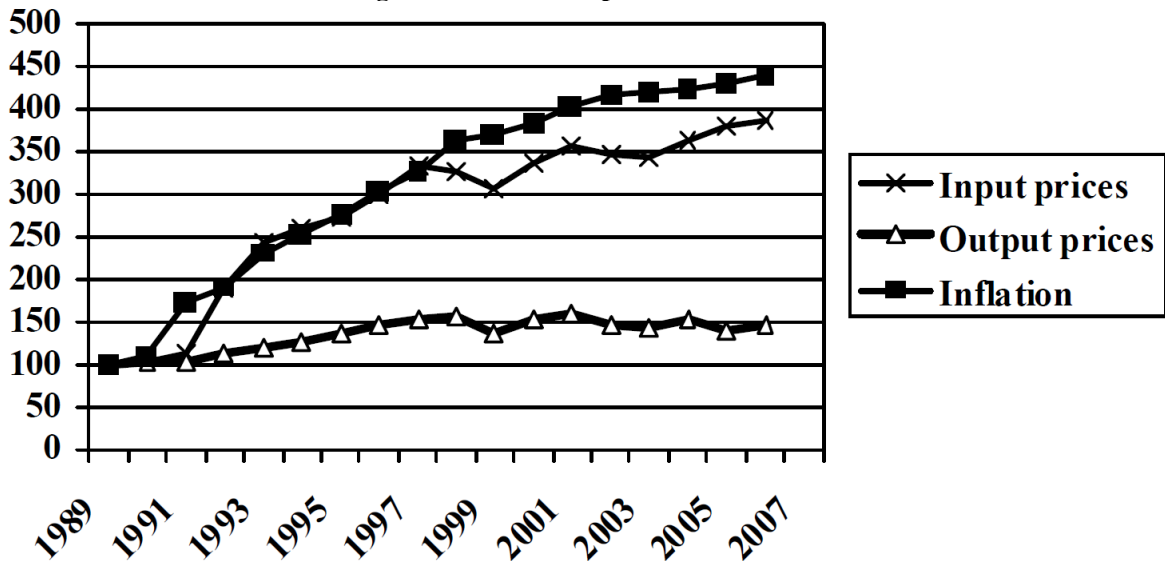
During the second phase (b) occurred a partial stabilisation of the agrarian sector. It was necessary to prepare the national economy for standards for joining the EU. The most important pre-accession support tool was the Special Accession Programme for Agriculture and Rural Development (SAPARD). It focused on two main goals and lines of support. Firstly, to secure competitiveness of the (soon-to-be) new Member States' agrarian sectors and prepare farmers for changes, and sustainable development of rural areas. Secondly, to prepare national administrative structures for adoption of the CAP components and tools, and improve "absorption capacity" (the ability to utilize EU funds)' (Baun, Kouba, Marek, 2009) Administrative procedures were more or less the same as the ones used in the CAP for the Member States, thus preparing the new Member States for the bureaucracy.<sup>11</sup>

It is suitable to notice, that the Czech Agriculture was impaired by a significant and continuous cost/price problem. According to Tomšík (2010), the growth of input prices was influenced by a collapse of many domestic agricultural suppliers and their replacement by foreign suppliers (offering inputs for higher prices), whereas the customers of agriculture were not prepared (or willing) to accept changes in the price level. Boučková and Shepherd (2004) add, that the cause was a progressive world trade liberalisation and

<sup>11</sup> In the Czech Republic, a total of 1,692 projects (out of more than 3,000 applications) worth €137.9 million were approved and funded through SAPARD; in fact, the Czech Republic surpassed all other candidate countries in absorbing SAPARD funds and disbursing allocated expenditures. (Baun, Kouba, Marek, 2009)

the long-term decline in world agricultural commodity prices, together with failures to achieve productivity gains. The increase in price inputs is presented in the Figure 7, below.

Figure 7: Price development and inflation



Source: Tomšík, 2010

#### 4.1.2 Czech Agriculture and Accession to the EU

Boučková and Shepherd (2004) states four benefits for the new Member States upon their accession, derived directly from the supportive components of the CAP explained above in this thesis. The four elements are:

- access to the single market for farm products,
- direct income support for farmers,
- rural development funding,
- membership of a powerful negotiating bloc in world agricultural trade talks.

Prior to the entrance of the EU, some commentators remarked that advantages of market access and higher prices might be more theoretical than real, as far as the new Member States were concerned, including the Czech Republic. However, these fears did not happen in the Czech case of the EU accession. (Tomšík, 2010)

The Figure 8 shows the CAP implementations adopted by the Czech Republic (and selected countries)<sup>12</sup>.

<sup>12</sup> Relevant to the year 2013.

**Figure 8: CAP modules implemented by the Czech Republic**

	Flexibility between 'pillars'	Internal convergence		Basic payments/SAPS <sup>a, b</sup>	Payment for young farmers <sup>b</sup>	Redistributive payment <sup>b</sup>	Degressivity and capping	Payment for areas with natural constraints <sup>b</sup>	Coupled support <sup>b</sup>	Small farms scheme
		Convergence model	National/regional model							
Czech Republic	YES from I to II, 1.30%		SAPS	54.8%	0.2%	NO	YES (cut of 5% above 150,000 €)	NO	YES, 15%	NO
Estonia	YES from I to II, 15%		SAPS	65.3%	0.5%	NO	YES (cut of 5% above 150,000 €)	NO	YES, 4.2%	YES
Romania	YES from I to II, 0% in 2019 <sup>e</sup>		SAPS	51%	2%	YES, 5%	NO	NO	YES, 12%	YES
Slovakia	YES from II to I, 21.3%		SAPS	56.4%	0.6%	NO	YES (cut of 5% above 150,000 €)	NO	YES, 13%	NO

Source: Swinnen, 2015

The Czech Republic chose the Single Area Payment Scheme (SAPS) with uniform payment per hectare as the most viable tool to implement for the direct payments to farmers. Employing the direct payments had led to a drastic increase of farmers' income. Even though the direct payments were lower than for the main beneficiaries of the EU-15 Member States, an increase was negotiated to progressively reach a comparable level by the year 2013. National support was also meant to reduce the difference between the values of direct support between the new Member States and former EU-15. Tomšík (2010) presents a figure (Figure 9), showing the positive outcome of the financial inflow and its gradual increase, which was of an utmost importance for the Czech agrarian sector.

**Figure 9: Direct payments and other market support (CZK million)**

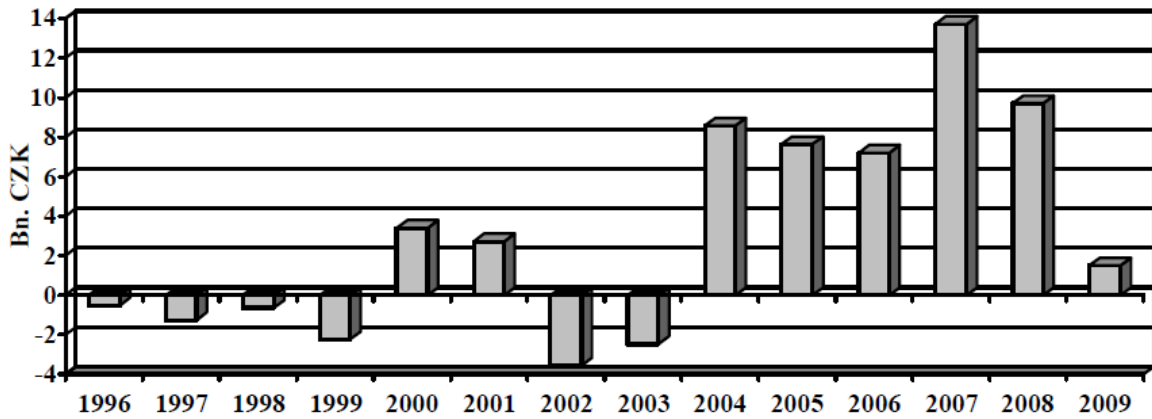
Year	National	EU	Total
2004	6,185	6,302	12,487
2005	6,948	7,339	14,287
2006	7,473	9,308	16,781
2007	7,322	10,479	17,801
2008	7,093	11,693	18,786

Source: Tomšík, 2010

Total support of the Czech agriculture totalled more than CZK 12 billion in 2004 and rose by 50 % in the year 2008 to more than CZK 18.7 billion. In comparison with the year 2003, the total support rose nearly three times in the year 2004, due to the EU payments. Tomšík (2010) then argues that the implementation of the CAP boosted Czech agrarian sector tremendously, as shown in the Figure 10. He explains the drop in 2009 as a result of the global economic crisis and a rise of the food products' prices.



Figure 10: Profitability of the Czech agriculture



Source: Tomšík, 2010

Boučková and Shepherd (2004) expected significant benefits for the Czech agrarian sector upon accession to the EU, which is in line with Tomšík's claims upon his further analysis. The CAP and its supportive measures increased economic results and stabled farmers' incomes. Connection to the single market brought more opportunities and increased competitiveness for Czech farmers (mainly for the larger farms). Therefore, it may be seen as a double-edged benefit (or loss).

## 5 Young Farmers in the Czech Republic

In this chapter, the thesis finally focuses on the aspect of Young Farmers in the Czech Republic under the Common Agricultural Policy of the EU. European Agricultural Guarantee Fund (EAGF) and European Agricultural Fund for Rural Development (EAFRD) are described. Following is the analysis of the direct payments to Young Farmers according to the data available<sup>13</sup>.

### 5.1 European Agricultural Guarantee Fund

The EAGF provides financial support for a wide range of measures, including direct payments to farmers, market support measures, as detailed in the chapter 3.2.2.. It is a fund representing the 1<sup>st</sup> Pillar of CAP.

Direct payments are the most significant part of the fund, accounting for more than 90 % of the total budget. These payments are designed to provide income support to farmers and help them meet the costs of production. In the table 6 the expenditure of the EAGF budget is detailed.

**Table 6: EAGF expenditures in EUR million**

Year	2014		2015		2016		2017	
<b>Total</b>	<b>44292,7</b>	<b>100%</b>	<b>44948,1</b>	<b>100%</b>	<b>44285,1</b>	<b>100%</b>	<b>44758,8</b>	<b>100%</b>
Storage	5,1	0,01%	18,4	0,04%	52,6	0,12%	27,6	0,06%
Export refunds	4,5	0,01%	0,3	0,00%	0,6	0,00%	0	0,00%
Direct Payments	41659,7	94,06%	42168	93,81%	40984,1	92,55%	41551,2	92,83%
Other market measuers	2579,6	5,82%	2698	6,00%	3185,2	7,19%	3061,1	6,84%
Direct management payments	45,2	0,10%	64,7	0,14%	63,9	0,14%	119,4	0,27%
Rural development	-1,4	0,00%	-1,3	0,00%	-1	0,00%	-0,5	0,00%
<b>Index</b>	100%		101,48%		99,98%		101,05%	
Year	2018		2019		2020		2021	
<b>Total</b>	<b>44364,5</b>	<b>100%</b>	<b>43962,4</b>	<b>100%</b>	<b>44314,8</b>	<b>100%</b>	<b>40776,5</b>	<b>100%</b>
Storage	182,3	0,41%	3	0,01%	23,4	0,05%	34,3	0,08%
Export refunds	0,2	0,00%	1,1	0,00%	0	0,00%	0	0,00%
Direct Payments	41496,5	93,54%	41335,7	94,03%	41396,3	93,41%	37878,8	92,89%
Other market measuers	2544,6	5,74%	2427,8	5,52%	2736,9	6,18%	2863,6	7,02%
Direct management payments	141,4	0,32%	195,3	0,44%	158,6	0,36%	164,2	0,40%
Rural development	-0,5	0,00%	-0,5	0,00%	-0,4	0,00%	-0,2	0,00%
<b>Index</b>	100,16%		99,25%		100,05%		92,06%	

\*Rural development figures are shown as refunds form the policies.

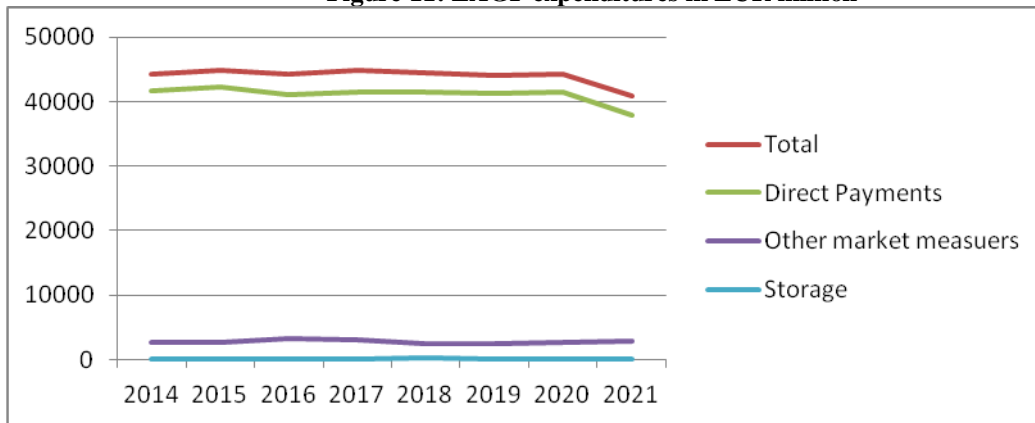
Source: Own presentation based on European Commission, 2022

Market support measures, such as intervention buying and private storage aid, are used to stabilize agricultural markets and ensure fair prices for farmers. Rural development

<sup>13</sup> Data available for year 2016 - 2020 from SZIF.

programs aim to improve the economic, environmental, and social conditions in rural areas, with a particular focus on promoting sustainable agriculture and forestry. Figure 11 shows the rather stable budgetary restrictions between years 2014 - 2021.

**Figure 11: EAGF expenditures in EUR million**



Source: Own presentation based on European Commission, 2022

Despite the fact that market measures only comprise of 6.29 % on average, they still play an important role in the CAP tools. Expenditures are used to support and stabilise agricultural markets, including intervention buying, private storage aid, sector-specific supports (wine; fruit & vegetables; olive oil; hops), exceptional market disturbance measures, and the EU school fruit, vegetables and milk scheme. These market measures operate as part of the common market organisation (CMO), which sets out the parameters for intervening in agricultural markets. In addition, the EAGF finances agricultural information and promotion actions. (European Commission, 2022)

Beside the BPS (and SAPS), *green payments*, and other voluntary schemes mentioned in the chapter 3.2.2., young farmers are supported by the fund from the EAGF. Approximately only 11 % percent of farms in the EU are managed by farmers under the age of 40. Tackling the issue of aging rural community in the EU is one of the CAP's objective since the 2013 reform with a remarkable shift to the sustainability and *green farming*. Motivating young farmers is a very difficult task, as the agrarian sector is not as compelling as many other sectors of economy. In the Czech Republic, in 2020, approximately only 2.94 % of the paid support contributed to the payments under the *Young Farmers* direct support.

The Member States are obliged to:

- set aside up to 2% of their total allocation of income support funding for the YFP;

- decide on the number of hectares per farm to be supported under the YFP (up to 90 ha);
- choose one of the YFP calculation methods (up to 50% of farmers' income support payments);
- decide whether the YFP beneficiaries should have appropriate skills and/or fulfil certain training requirements;
- grant the YFP for a period of five years after the setting up of the eligible young farmers;
- prioritise young farmers when it comes to receiving basic payment entitlements from the national/regional reserve (in EU countries that implement the basic payment scheme, this priority is important for young farmers who do not have payment entitlements, who have less payment entitlements than hectares of agricultural land or who have low value payment entitlements).

In addition, rural development programmes often provide additional measures to help young farmers get started. This support can include grants, loans or guarantees designed to help the development of rural businesses or advice on how best to enter farming. (European Commission, 2022)

## **5.2 European Agricultural Fund for Rural Development**

The EAFRD is one of the five fund sheltered by the European Structural and Investment Funds (ESIF):

1. *European Regional Development Fund* (ERDF) - focused on even development of differentiated regions of the EU;
2. *European Social Fund* (ESF) - aims at investments in human capital and employment projects;
3. *Cohesion Fund* (CF) - funds transport and environment projects in countries where the gross national income (GNI) per inhabitant is less than 90% of the EU average. In 2014-20, these are Bulgaria, Croatia, Cyprus, the Czech Republic, Estonia, Greece, Hungary, Latvia, Lithuania, Malta, Poland, Portugal, Romania, Slovakia and Slovenia;
4. *European agricultural fund for rural development* (EAFRD) - described below

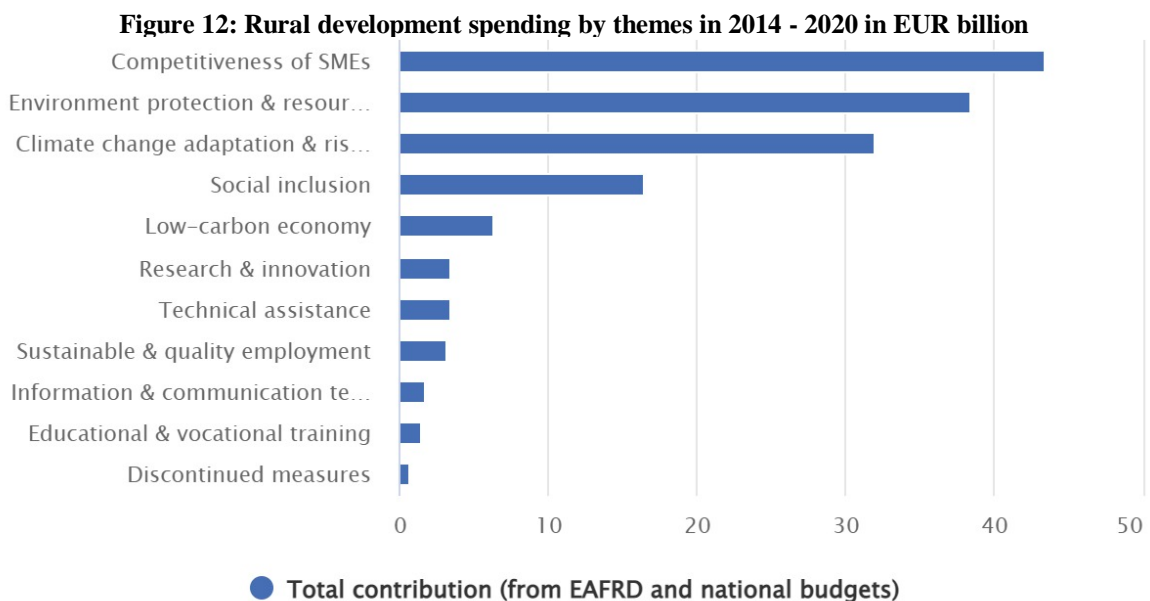
5. *European maritime and fisheries fund (EMFF)* - which supports fishermen in adoption of sustainable fishing practices and improvement of socio-economic features in the coastal regions of the EU.

The EAFRD is the fund for the 2<sup>nd</sup> Pillar of CAP, and focuses on the EU's objectives on rural development, which may be set into three main categories (European Commission, 2022):

- improving the competitiveness of agriculture,
- encouraging sustainable management of natural resources and climate action,
- achieving a balanced territorial development of rural economies and communities.

In comparison with the 1<sup>st</sup> Pillar, investments made through the EAFRD are more focused on intangible skills and promotion of rural society. Objectives mentioned above are realised via national and regional Rural Development Programmes (RPDs). National (and regional) RPDs are co-financed by national budgets of the Member States and the EAFRD.

In the following Figure , the total support co-financed by the EAFRD is shown in total value of EUR 100 billion over the period 2014 - 2020.



Source: European Commission, 2022

### 5.3 Direct payments to Young Farmers in 2014 - 2020

The number of Young Farmers in the Czech Republic changes each year and according to the data observed below, it is steadily growing. However, whether the number

will stagnate or eventually fall again will be seen in the future years, once the 5-year period of former applicants will come to an end.

Below is an overview and analysis of the payments to the young farmers in the years 2017 - 2020. Firstly, some of the measures are introduced, then total amounts and sums are analysed.

From the EAGF (1<sup>st</sup> Pillar), young farmers receive direct payment under the three main instruments: young farmer payments, greening (green payments), and per hectare payments under the SAPS.

Under the 2<sup>nd</sup> Pillar, young farmers receive support from the EAFRD on specific areas of agricultural production and activities. Applicants for specific measures are subject to Regulations of the European Council (and other bodies of the EU) and national regulations, and may be mutually exclusive. These support payments are defined by measures, which are described below, in relevance to the applications of young farmers for such support (SZIF, 2023):

*a) Investments in tangible assets (M04)*

The measure is aimed at increasing the competitiveness of small and medium-sized agricultural holdings. The purpose is to contribute to achieving a competitive agriculture, food, and forestry sector and also to contribute to achieving sustainable management of natural resources. It is composed of four sub-measures.

*i. 4. 1. 1. Investment in farms / agricultural holdings*

Investments in livestock and crop production leading to a reduction in production costs, modernisation or improvement in the quality of the products produced, increased efficiency in the use of production factors and easier access to new technologies with significant innovation potential where renewal is essential for continued activity.

*ii. 4. 2. 1. Processing and marketing of agricultural products*

The operation is aimed at increasing the production efficiency and overall competitiveness of SMEs in the processing of agricultural products. Support for investment in equipment related to the processing of agricultural products and the marketing of products will enable agricultural entrepreneurs, and food and feed producers to make use of modern technologies. Last but not least, the operation contributes to the development of local markets and the shortening of supply chains.

b) *Farm and business development (M06)*

The aim of the measure is to promote generational renewal in agriculture while facilitating the entry of sufficiently qualified farmers into the sector. The measure is composed of four sub-measures.

i. *6. 1. 1. Start-up of young farmers*

The aim of this measure is to encourage young farmers to start active businesses (in livestock and crop production) on farms by supporting the implementation of a business plan. In the course of the start-up process, the applicant carries out the tasks associated with the start-up process, such as completing vocational training, purchasing or renting land and animals (including their registration in the relevant registers), or securing other material components necessary for agricultural activity.

ii. *6. 4. 1. Investment in non-agricultural activities*

Investments in setting-up or developing non-agricultural activities leading to the diversification of farm incomes, the creation of new jobs, and the strengthening of economic potential in rural areas by supporting selected economic activities. These are mainly in the areas of manufacturing and retail. Among other things, the production of food products, beverages, textiles, paper, wood processing, wood, metal, glass products, machinery, equipment, etc. shall be supported. Construction, research and development, and a wide range of retail activities may also be supported. Both construction expenditure and the machinery and technology needed to run the activity shall be supported.

iii. *6. 4. 2. Promotion of agro-tourism*

Under this operation, investments in the diversification of activities for agricultural entities in the field of agro-tourism leading to income diversification, the creation of jobs also for unskilled labour, the promotion of wider use of agricultural farms and the use of rural brownfields shall be supported.

c) *Agri-Environmental-Climatic measures (M10)*

The aim of the measure is to promote uses of agricultural land that are consistent with the protection and improvement of the environment, the landscape, and its features. The measure promotes the conservation of cultivated areas of high natural value, natural

resources, biodiversity, and landscape maintenance. It consists of the Integrated production sub-measure aimed at growing fruit, vines, and vegetables using environmentally friendly practices, the grassland management sub-measure aimed at maintaining valuable habitats in permanent grassland, and the arable land grazing sub-measure, with the aim of preventing soil erosion, a bio banding sub-measure to promote the biodiversity of birds, small vertebrates and pollinators in agricultural landscapes, and a conservation sub-measure to protect the breeding habitat of the lapwing and other bird species nesting in agricultural landscapes.

d) *Organic farming (M11 - ecological farming)*

The aim of the measure is to promote environmentally friendly farming systems - to strengthen the prevention of soil degradation, to preserve and restore valuable habitats on agricultural land in terms of species diversity, and to increase the ecological stability and aesthetic value of the landscape. The subject of the subsidy is agricultural land managed under the transitional or organic farming regime with the type of agricultural crop permanent grassland, standard arable land, grassland on arable land, fallow land on arable land, permanent crops orchard, vineyards and hop-growing areas and other permanent crops - landscape orchard.

e) *Natura 2000 payments (M12)*

The aim of the measure is to help farmers address the specific disadvantages resulting from the implementation of the European Directives for *Natura 2000*.

f) *Less-favoured areas (M13)*

Payments to farmers in LFAs should contribute to the preservation of the rural landscape and the maintenance and promotion of sustainable farming systems by encouraging the sustainable use of agricultural land.

g) *Animal welfare (M14)*

The aim of the measure is to improve the conditions of livestock - meeting their natural needs, and contributing to the introduction of innovative farming practices and technologies. Support under this measure is targeted at the dairy cattle and pig production.



*h) Forestry, environmental, and climate services and forest protection (M15)*

The measure allows application for subsidies under Article 34 of Regulation (EU) No 1305/2013 of the European Parliament and of the Council. This measure consists of two sub-measures.

*i. 15. 1. 1. Preservation of forestation*

This measure sets specific requirements for support under *Natura 2000* regulation and provides support in a form of compensation payments for lesser profits and benefits because of '*setting aside*' protected parts of land.

*ii. 15. 2. 1. Protection and reproduction of forest gene pool*

This measure is again a compensation payment for the additional costs and lost income in collecting reproductive material from trees in a way that does not damage the trees and seed material, in order to ensure sufficient seed to grow seedlings of the required quality and origin.

*i) Co-operation (M16)*

The measure is aimed at strengthening research, technological development, and innovation, increasing the competitiveness of small and medium-sized enterprises and the agriculture, fisheries, and aquaculture sectors. It aims to contribute to the competitiveness of the agriculture, food, and forestry sectors and to contribute to the achievement of sustainable management of natural resources. This measure is composed of six sub-measures.

*j) LEADER (M19)*

The LEADER method is an initiative linking activities developing the rural economy, the main objective of which is to intensively support rural development through local people. The implementation of the LEADER method is carried out through Local Action Groups (LAGs). A LAG is a local partnership between the private and public sectors operating in a defined sub-regional territory for which it proposes and implements a strategy. This measure aims at a Community-Led Local Development (CLLD). The measure is composed by two sub-measures.

*i. 19. 2. 1. Support for the implementation of actions under CLLD*

*ii. 19. 3. 1. Preparation and implementation of LAG activities*

Measures listed above are common for young farmers to apply for. The complete list of measures can be found at the website of the Czech Agricultural Intervention Fund (SZIF). Following is the analysis of the payments to young farmers, which is legally based on Regulation (EU) No 1306/201 of the European Parliament and European Council.

### 5.3.1 Support payments in 2017

The total value of financial support for young farmers and all their applications (25 066 specific payments) in 2017 was CZK 1 411 557 518, out of which the EU funded with 82 % of total payments.

In the year 2017, a total amount of 3 932 applications was accepted and supported by the direct payment within the 1st Pillar, under the *Young Farmer Payment*. The total amount of direct support (YFP) paid to young farmers was CZK 64 308 445 as illustrated in the Table 7. All this support was provided by the EAGF. Out of 3 932 payments under YFP, applicants received additional payments. 3 448 of them received transitional national payments (PVP - Přechnodné vnitrostátní platby) in total amount of CZK 21 875 997. 1 492 young farmers received coupled payments in total amount of CZK 61 356 817. Detailed distribution of coupled payments is shown in Table 8. 4 075 young farmers received *green payments* in total amount of CZK 210 150 037. And 4 081 of the total YPS received SAPS payments in total amount of CZK 381 601 275.

**Table 7: I. Pillar payments and total payments to Young Farmers - 2017**

	No. of pay.	-	% of YF	CZE	EU	Total
Young Farmers Payments	3932	-	-	-	64 308 445,06 Kč	64 308 445,06 Kč
YPS under UI*	965	-	-	-	-	-
PVP	3448	-	87,69	21 875 997,02 Kč	-	21 875 997,02 Kč
Coupled payments (VCS)	1492	-	37,95	-	61 356 817,96 Kč	61 356 817,96 Kč
Greening	4075	-	103,64	-	210 150 037,09 Kč	210 150 037,09 Kč
SAPS	4081	-	103,79	-	381 601 275,52 Kč	381 601 275,52 Kč
<b>YF payments - total</b>	<b>25066</b>	<b>-</b>	<b>-</b>	<b>259 995 728,43 Kč</b>	<b>1 151 561 790,33 Kč</b>	<b>1 411 557 518,76 Kč</b>

\*UI - Unified Identifier

Source: Own presentation based on SZIF, 2022

**Table 8: Distribution of coupled payments - 2017**

	No. of pay.	%	% of YF	CZE	EU	Total
<b>Coupled payments</b>	<b>1492</b>	<b>100%</b>			<b>61 356 817,96 Kč</b>	<b>61 356 817,96 Kč</b>
Ewes and Goats (VCS)	451	30,23	11,47	-	9 287 006,18 Kč	9 287 006,18 Kč
Protein crops (VCS)	238	15,95	6,05	-	4 461 709,97 Kč	4 461 709,97 Kč
Potatoes for consumption (VCS)	40	2,68	1,02	-	1 637 026,76 Kč	1 637 026,76 Kč
Starch potatoes (VCS)	16	1,07	0,41	-	2 395 573,81 Kč	2 395 573,81 Kč
Sugar beet (VCS)	30	2,01	0,76	-	4 652 838,11 Kč	4 652 838,11 Kč
Dairy cows (VCS)	75	5,03	1,91	-	9 428 598,56 Kč	9 428 598,56 Kč
Hops (VCS)	6	0,40	0,15	-	530 060,30 Kč	530 060,30 Kč
Fruit with very high labour intensity (VCS)	13	0,87	0,33	-	1 251 315,54 Kč	1 251 315,54 Kč
Fruit with high labour intensity (VCS)	17	1,14	0,43	-	835 192,47 Kč	835 192,47 Kč
Calves (VCS)	575	38,54	14,62	-	23 248 824,38 Kč	23 248 824,38 Kč
Vegetables with very high labour intensity (VCS)	22	1,47	0,56	-	3 377 519,25 Kč	3 377 519,25 Kč
Vegetables with high labour intensity (VCS)	9	0,60	0,23	-	251 152,63 Kč	251 152,63 Kč

Source: Own presentation based on SZIF, 2022

Young farmers applying for YPS (3 932 applicants) also applied and obtained additional payments from the 2<sup>nd</sup> Pillar, co-funded by the EAFRD and SZIF, as demonstrated in the Tables 9 and 10. 'Project measures' paid under the 2<sup>nd</sup> Pillar totalled CZK 348 824 749, while 'non-project measures' totalled CZK 330 046 770.

**Table 9: II. Pillar payments to Young Farmers - 2017**

	No. of pay.	-	% of YF	CZE	EU	Total
4.1.1. - Investment in farms	68	-	1,73	26 808 963,00 Kč	26 278 053,00 Kč	53 087 016,00 Kč
6.1.1. - Start-up of young farmers	466	-	11,85	143 074 116,00 Kč	140 240 836,00 Kč	283 314 952,00 Kč
6.4.1. - Investment in non-agricultural activities	3	-	0,08	1 379 386,00 Kč	1 352 069,00 Kč	2 731 455,00 Kč
6.4.2. - Promotion of agro-tourism	1	-	0,03	564 149,00 Kč	552 976,00 Kč	1 117 125,00 Kč
15 - Preservation	32	-	0,81	219 635,37 Kč	658 932,62 Kč	878 567,99 Kč
15 - Compensation	2275	-	57,86	0,00 Kč	7 695 653,89 Kč	7 695 653,89 Kč
<b>Total</b>	<b>2845</b>			<b>172 046 249,37 Kč</b>	<b>176 778 520,51 Kč</b>	<b>348 824 769,88 Kč</b>

Source: Own presentation based on SZIF, 2022

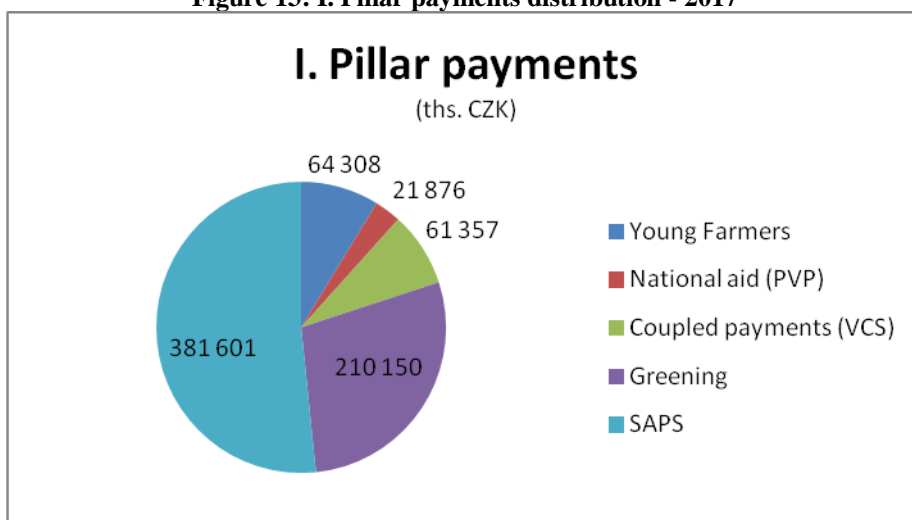
**Table 10: Non-project measures under the II. Pillar payments to Young Farmers - 2017**

	No. of pay.	%	% of YF	CZE	EU	Total
<b>Non-project measures</b>	<b>4283</b>	<b>100%</b>		<b>83 675 511,38 Kč</b>	<b>246 371 258,82 Kč</b>	<b>330 046 770,20 Kč</b>
10 - AECm	1585	37,01	40,31	35 710 075,89 Kč	107 134 954,28 Kč	142 845 030,17 Kč
11 - Organic farming	547	12,77	13,91	17 865 743,44 Kč	53 599 324,83 Kč	71 465 068,27 Kč
13 - LFA	2087	48,73	53,08	27 706 351,28 Kč	83 120 910,86 Kč	110 827 262,14 Kč
12 - Natura 2000	35	0,82	0,89	84 235,52 Kč	252 705,19 Kč	336 940,71 Kč
Early-retirement	14	0,33	0,36	952 156,69 Kč	933 301,31 Kč	1 885 458,00 Kč
14 - Animal welfare	15	0,35	0,38	1 356 948,56 Kč	1 330 062,35 Kč	2 687 010,91 Kč

Source: Own presentation based on SZIF, 2022

More than 50 % of the direct payments under the 1<sup>st</sup> Pillar are contributed to SAPS payments (in thousands, CZK), while more than 25 % of the direct payments values were green payments.

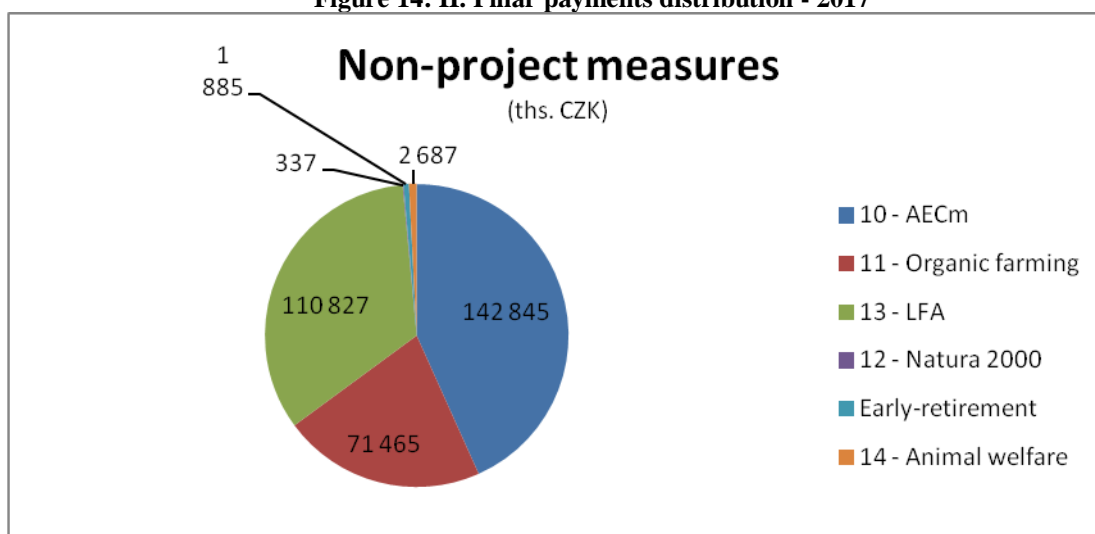
**Figure 13: I. Pillar payments distribution - 2017**



Source: Own presentation based on SZIF, 2022

Under the 2nd Pillar payments, the most common are Agri-Environmental-Climatic measures, LFA payments and Organic Farming payments.

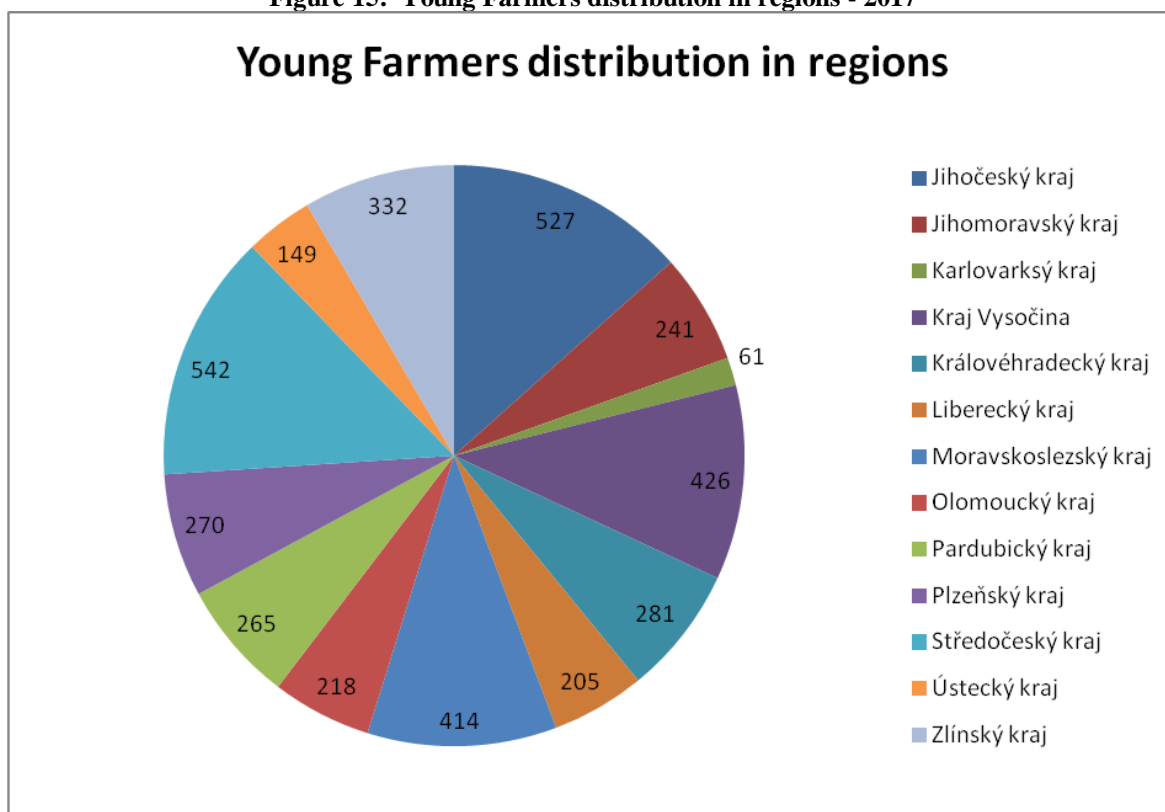
**Figure 14: II. Pillar payments distribution - 2017**



Source: Own presentation based on SZIF, 2022

In the Figure 15 is distribution of farmers receiving payment under YFP scheme in regions of the Czech Republic. The biggest concentration of young farmers in 2017 was in the Central (542, Středočeský kraj) and Southern Bohemia (527, Jihočeský kraj), in the central part of the Czech Republic (426, kraj Vysočina), and in Silesian region (414, Moravskoslezský kraj).

Figure 15: Young Farmers distribution in regions - 2017



Source: Own presentation based on SZIF, 2022

In the following Table 11 are stated per hectare tariffs for the year 2017.

Table 11: Per hectare tariffs - 2017

Payment	CZK	Unit
SAPS	3 377,73	ha
YFP	844,43	ha
Greening	1 853,35	ha

Source: Own presentation based on SZIF, 2022

### 5.3.2 Support payments in 2018

The total value of financial support for young farmers and all their applications (25 506 specific payments) in 2018 was CZK 1 319 382 311, out of which the EU funded with 83 % of total payments.

In the year 2018, the total amount of applications accepted and supported by the direct payment within the 1st Pillar, under the *Young Farmer Payment*, increased only slightly to 3 991 (only more than 60 new young farmers). The total amount of direct support paid to young farmers was CZK 62 840 954 as illustrated in the Table 12. Support was provided by the EAGF. 3 414 of young farmers received transitional national

payments (PVP - Přechodné vnitrostátní platby) in total amount of CZK 26 793 963. 1 636 young farmers received coupled payments in total amount of CZK 60 098 440. Detailed distribution of coupled payments is shown in Table 13. *Green payments* in total amount of CZK 196 785 909 were received by 4 098 young farmers. And 4 111 applicants received SAPS payments in total amount of CZK 361 197 659.

**Table 12: I. Pillar payments to Young Farmers - 2018**

	No. of pay.	-	% of YF	CZE	EU	Total
Young Farmers Payments	3991	-	-	-	-	62 840 954 Kč
YPS under UI*	1455	-	-	-	-	-
PVP	3414	-	85,54	19 420 744 Kč	-	26 793 963,39 Kč
Coupled payments (VCS)	1636	-	40,99	-	60 098 440 Kč	60 098 440 Kč
Greening	4098	-	102,68	-	196 785 909 Kč	196 785 909 Kč
SAPS	4111	-	103,01	-	361 197 659 Kč	361 197 659 Kč
YF payments - total	25506	-	-	225 504 416 Kč	1 093 877 894 Kč	1 319 382 311 Kč

\*UI - Unified Identifier

Source: Own presentation based on SZIF, 2022

**Table 13: Distribution of coupled payments - 2018**

Coupled payments	1636	100%	-	-	60 098 440 Kč	60 098 440 Kč
Ewes and Goats (VCS)	487	29,77	12,20	-	9 401 712 Kč	9 401 712 Kč
Protein crops (VCS)	255	15,59	6,39	-	4 361 455 Kč	4 361 455 Kč
Potatoes for consumption (VCS)	43	2,63	1,08	-	1 041 672 Kč	1 041 672 Kč
Starch potatoes (VCS)	26	1,59	0,65	-	2 393 998 Kč	2 393 998 Kč
Sugar beet (VCS)	35	2,14	0,88	-	5 627 881 Kč	5 627 881 Kč
Dairy cows (VCS)	73	4,46	1,83	-	7 324 800 Kč	7 324 800 Kč
Hops (VCS)	6	0,37	0,15	-	541 190 Kč	541 190 Kč
Fruit with very high labour intensity (VCS)	10	0,61	0,25	-	1 196 549 Kč	1 196 549 Kč
Fruit with high labour intensity (VCS)	14	0,86	0,35	-	677 662 Kč	677 662 Kč
Calves (VCS)	659	40,28	16,51	-	25 957 719 Kč	25 957 719 Kč
Vegetables with very high labour intensity (VCS)	18	1,10	0,45	-	1 267 337 Kč	1 267 337 Kč
Vegetables with high labour intensity (VCS)	10	0,61	0,25	-	306 461 Kč	306 461 Kč

Source: Own presentation based on SZIF, 2022

Young farmers applying for YPS also applied and obtained additional payments from the 2<sup>nd</sup> Pillar, co-funded by the EAFRD and SZIF, as demonstrated in the Tables 14. The total amount of support under the 2<sup>nd</sup> Pillar was CZK 633 809 209.

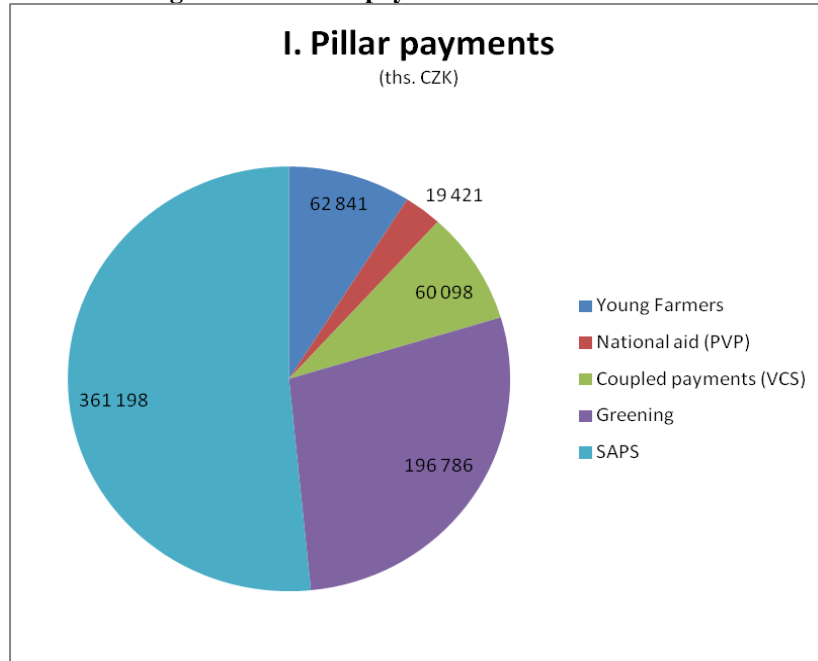
**Table 14: II. Pillar payments to Young Farmers - 2018**

	No. of pay.	-	% of YF	CZE	EU	Total
4.1.1. - Investment in farms	267	-	6,69	64 848 632 Kč	63 564 392 Kč	128 413 024 Kč
4.2.1. - Processing and marketing of agricultural products	9	-	0,23	3 587 806 Kč	3 516 754 Kč	7 104 560 Kč
6.1.1. - Start-up of young farmers	205	-	5,14	59 512 878 Kč	58 334 077 Kč	117 846 955 Kč
6.4.1. - Investment in non-agricultural activities	6	-	0,15	2 157 073 Kč	2 114 354 Kč	4 271 427 Kč
8.6.1. - Technology in forestry	16	-	0,40	1 211 552 Kč	1 187 550 Kč	2 399 102 Kč
10 - AECm	1806	-	45,25	38 239 548 Kč	114 744 178 Kč	152 983 726 Kč
11 - Organic farming	611	-	15,31	20 383 599 Kč	61 163 679 Kč	81 547 279 Kč
12 - Natura 2000	34	-	0,85	105 340 Kč	316 281 Kč	421 622 Kč
13 - LFA	2145	-	53,75	28 123 471 Kč	84 391 923 Kč	112 515 395 Kč
14 - Animal welfare	11	-	0,28	529 613 Kč	519 277 Kč	1 048 890 Kč
15 - Preservation and Compensation	2366	-	59,28	82 148 Kč	7 379 939 Kč	7 462 087 Kč
15 - Forestry	2	-	0,05	14 431 Kč	43 293 Kč	57 724 Kč
19.2.1 - Support for the implementation of actions under CLLD	37	-	0,93	6 385 478 Kč	11 351 940 Kč	17 737 418 Kč
Early-retirement	7	-	0,18	346 118 Kč	339 263 Kč	685 382 Kč
<b>Total</b>	<b>7522</b>			<b>225 181 569 Kč</b>	<b>408 627 637 Kč</b>	<b>633 809 209 Kč</b>

Source: Own presentation based on SZIF, 2022

The distribution of the 1st Pillar payments remained mostly unchanged as shown in the Figure 16, with SAPS and Greening payments being of the largest values.

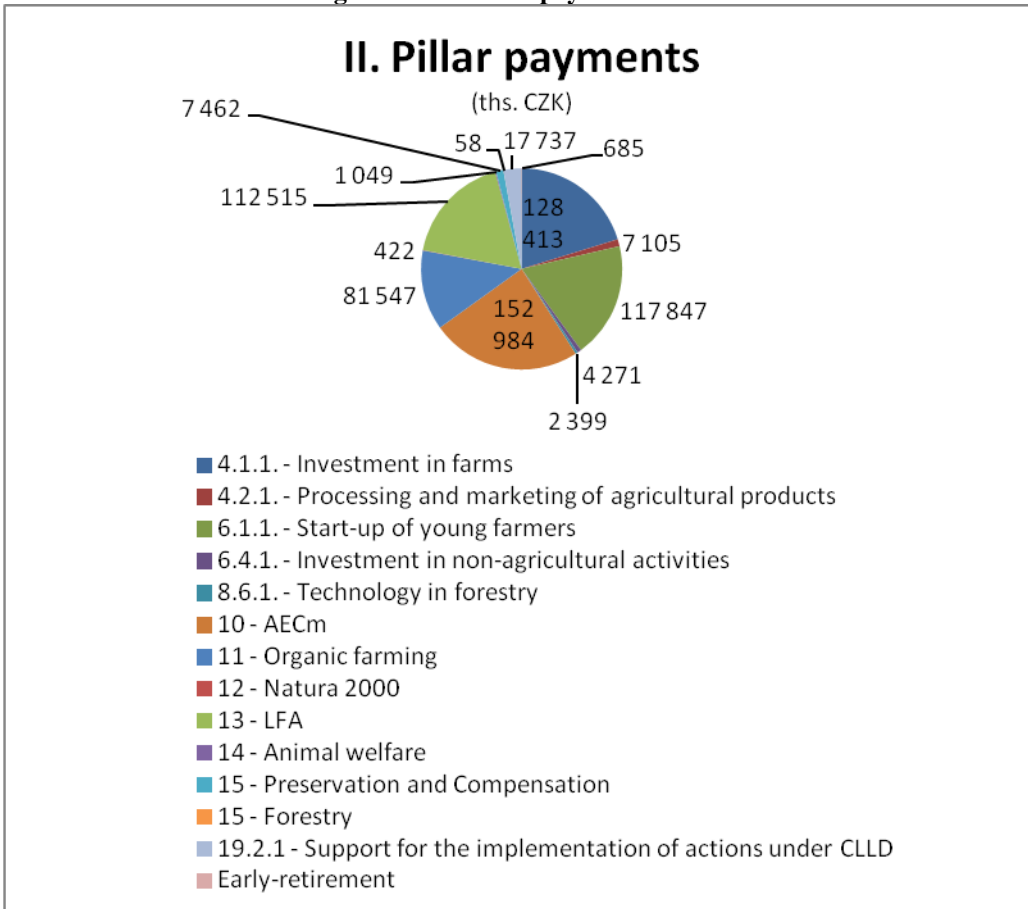
**Figure 16: I. Pillar payments distribution - 2018**



Source: Own presentation based on SZIF, 2022

The following figure illustrates the distribution of total amounts under the 2nd Pillar, where payments for environmental-friendly agriculture, start-up support, and LFAs amount for a vast proportion of all payments.

Figure 17: II. Pillar payments distribution - 2018

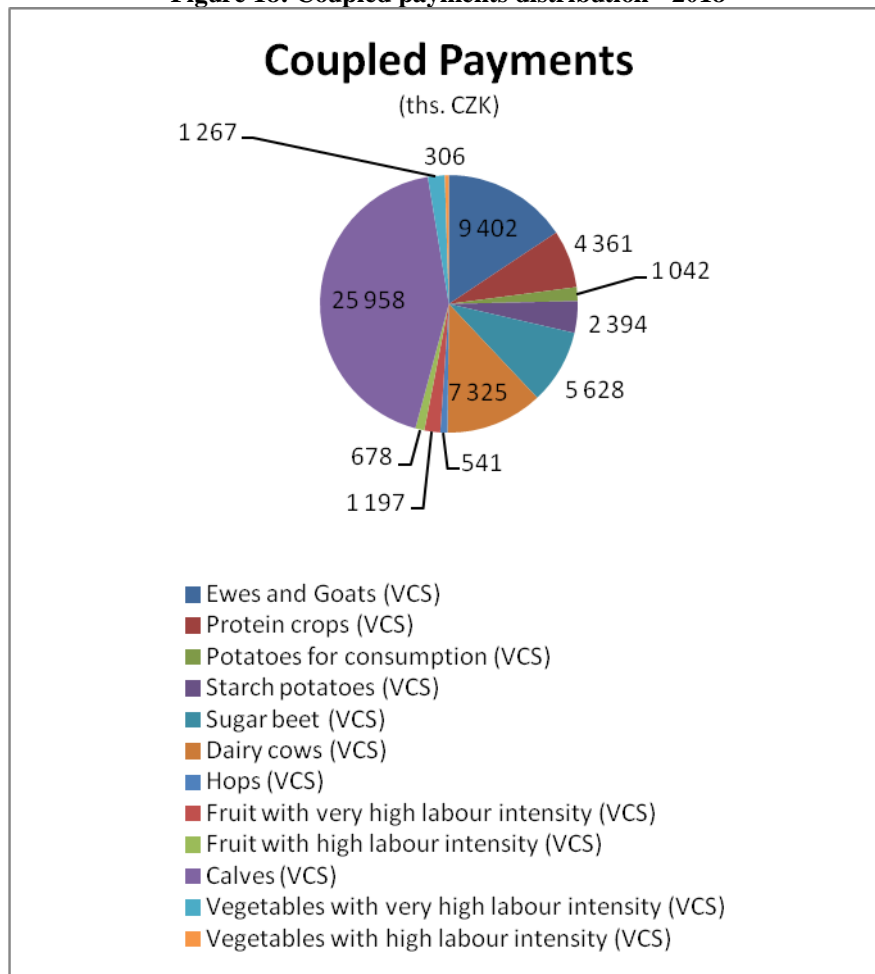


Source: Own presentation based on SZIF, 2022

In the case of coupled payments, it can be noted, that calves, eweves and goats production amount for approximately 70 % of total amounts paid, as shown in the following figure.



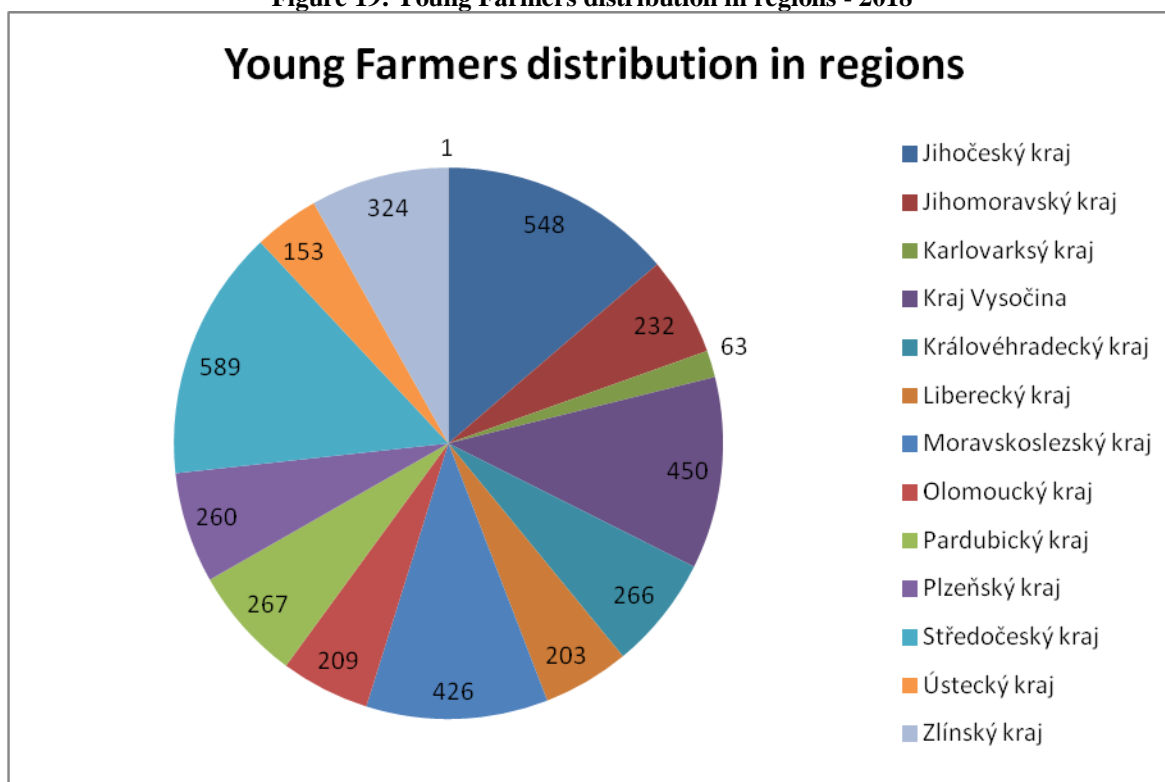
**Figure 18: Coupled payments distribution - 2018**



Source: Own presentation based on SZIF, 2022

The distribution of young famers across the regions is shown in the Figure 19, while Central Bohemia (589, Středočeský kraj), Southern Bohemia (548, Jihočeský kraj), central part of the Czech Republic (450, kraj Vysočina), and in Silesian region (426, Moravskoslezský kraj) remain predominant.

Figure 19: Young Farmers distribution in regions - 2018



Source: Own presentation based on SZIF, 2022

Table 15 lists per hectare tariffs for 2018.

Table 15: Per hectare tariffs - 2018

Payment	CZK	Unit
SAPS	3 644,19	ha
YFP	1 694,00	ha
Greening	2 013,64	ha

Source: Own presentation based on SZIF, 2022

### 5.3.3 Support payments in 2019

The total value of financial support for Young Farmers and all their applications (36 445 specific payments) in 2019 was CZK 2 343 515 680 out of which the EU funded with 81 % of total payments.

In the year 2018, the total amount of applications accepted and supported by the direct payment within the 1st Pillar, under the *Young Farmer Payment*, increased rapidly slightly to 5 159 (more than 29 % compared to the year 2018). The total amount of direct support paid to young farmers was CZK 178 775 975 as illustrated in the Table 16. 4 418 of young farmers received transitional national payments (PVP - Přechnodné vnitrostátní platby) in total amount of CZK 25 884 708. 2 891 young farmers received coupled

payments in total amount of CZK 115 378 410. Detailed distribution of coupled payments is shown in Table 17. *Green payments* in total amount of CZK 297 663 213 were paid in 5 384 payments to young farmers. And 5 402 SAPS payments to young farmers were provided in total amount of CZK 540 087 108.

**Table 16: I. Pillar payments to Young Farmers - 2019**

	No. of pay.	-	% of YF	CZE	EU	Total
<b>Young Farmers Payments</b>	<b>5159</b>	-	-	-	<b>178 775 975 Kč</b>	<b>178 775 975 Kč</b>
YPS under UI*	922	-	-	-	-	-
PVP	4418	-	85,64	25 884 708 Kč	-	25 884 708 Kč
Coupled payments (VCS)	2891	-	56,04	-	115 378 410 Kč	115 378 410 Kč
Greening	5384	-	104,36	-	297 663 213 Kč	297 663 213 Kč
SAPS	5402	-	104,71	-	540 087 108 Kč	540 087 108 Kč
<b>YF payments - total</b>	<b>36445</b>	-	-	<b>443 109 099 Kč</b>	<b>1 900 406 581 Kč</b>	<b>2 343 515 680 Kč</b>

\*UI - Unified Identifier

Source: Own presentation based on SZIF, 2022

**Table 17: Distribution of coupled payments - 2019**

Coupled payments	2891	100%	-	-	115 378 410 Kč	115 378 410 Kč
Ewes and Goats (VCS)	607	21,00	11,77	-	12 738 312 Kč	12 738 312 Kč
Protein crops (VCS)	722	24,97	13,99	-	13 489 050 Kč	13 489 050 Kč
Potatoes for consumption (VCS)	71	2,46	1,38	-	2 899 434 Kč	2 899 434 Kč
Starch potatoes (VCS)	37	1,28	0,72	-	3 495 358 Kč	3 495 358 Kč
Sugar beet (VCS)	69	2,39	1,34	-	10 564 680 Kč	10 564 680 Kč
Dairy cows (VCS)	135	4,67	2,62	-	14 577 253 Kč	14 577 253 Kč
Hops (VCS)	5	0,17	0,10	-	406 077 Kč	406 077 Kč
Fruit with very high labour intensity (VCS)	21	0,73	0,41	-	2 101 075 Kč	2 101 075 Kč
Fruit with high labour intensity (VCS)	24	0,83	0,47	-	1 185 274 Kč	1 185 274 Kč
Calves (VCS)	1099	38,01	21,30	-	46 814 209 Kč	46 814 209 Kč
Vegetables with very high labour intensity (VCS)	35	1,21	0,68	-	6 765 776 Kč	6 765 776 Kč
Vegetables with high labour intensity (VCS)	16	0,55	0,31	-	341 905 Kč	341 905 Kč

Source: Own presentation based on SZIF, 2022

Table 18 shows young farmers applying for YPS who also applied and obtained additional payments from the 2nd Pillar, co-funded by the EAFRD and SZIF. The total amount of support under the 2nd Pillar was CZK 1 121 192 990.

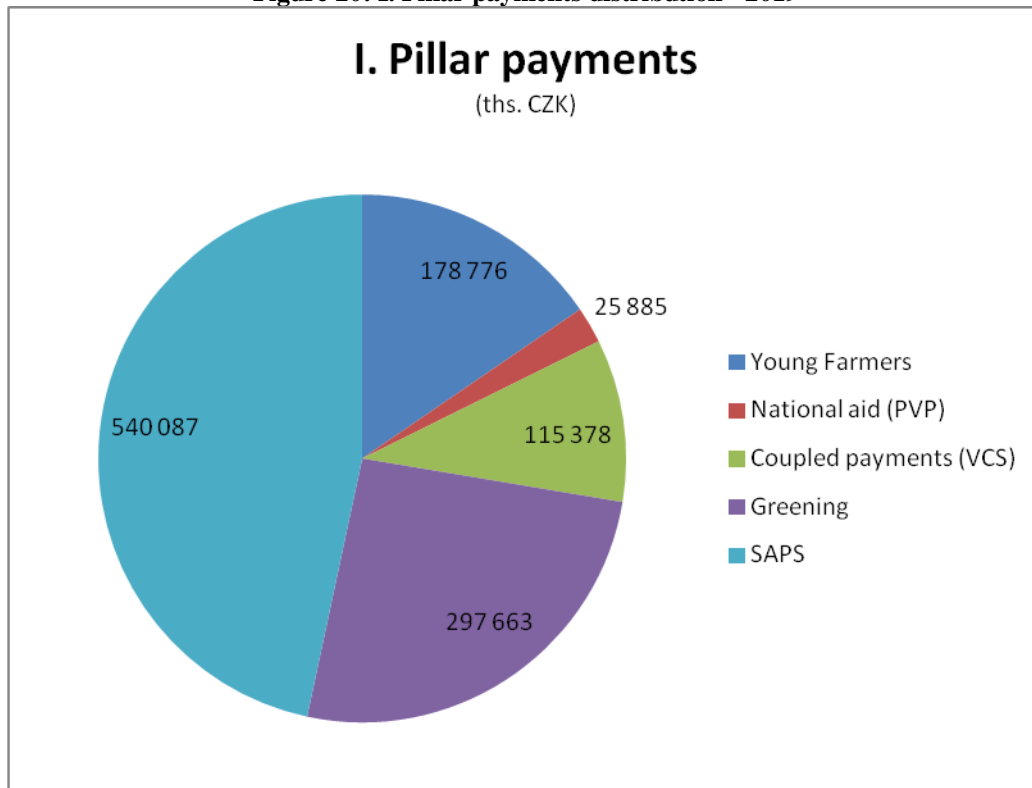
**Table 18: II. Pillar payments to Young Farmers - 2019**

	No. of pay.	-	% of YF	CZE	EU	Total
4.1.1. - Investment in farms	287	-	5,56	99 410 931 Kč	97 442 243 Kč	196 853 175 Kč
4.2.1. - Processing and marketing of agricultural products	12	-	0,23	7 955 966 Kč	7 798 416 Kč	15 754 382 Kč
6.1.1. - Start-up of young farmers	539	-	10,45	141 581 153 Kč	138 777 067 Kč	280 358 221 Kč
6.4.1. - Investment in non-agricultural activities	10	-	0,19	7 919 338 Kč	7 762 514 Kč	15 681 852 Kč
6.4.2. - Promotion of agro-tourism	2	-	0,04	1 661 348 Kč	1 628 448 Kč	3 289 796 Kč
8.4.1. - Forest renewal	1	-	0,02	203 698 Kč	199 664 Kč	403 362 Kč
8.6.1 - Technology in forestry	5	-	0,10	279 649 Kč	274 111 Kč	553 760 Kč
10 - AECm	2420	-	46,91	51 565 179 Kč	154 710 066 Kč	206 275 246 Kč
11 - Organic farming	292	-	5,66	29 577 296 Kč	88 739 046 Kč	118 316 343 Kč
12 - Natura 2000	51	-	0,99	211 997 Kč	635 990 Kč	847 988 Kč
13 - LFA	4123	-	79,92	63 097 121 Kč	189 306 291 Kč	252 403 413 Kč
14 - Animal welfare	27	-	0,52	2 691 998 Kč	2 639 376 Kč	5 331 374 Kč
15 - Preservation and Compensation	3530	-	68,42	73 462 Kč	12 509 810 Kč	12 583 272 Kč
15 - Forestry	5	-	0,10	47 641 Kč	142 925 Kč	190 567 Kč
16 - Co-operation	1	-	0,02	1 436 323 Kč	1 407 879 Kč	2 844 202 Kč
19.2.1 - Support for the implementation of actions under CLLD	196	-	3,80	34 221 918 Kč	60 841 118 Kč	9 506 037 Kč
Early-retirement	21	-	0,41	1 434 722 Kč	1 406 310 Kč	2 841 033 Kč
<b>Total</b>	<b>11522</b>	-	-	<b>441 935 018 Kč</b>	<b>764 814 964 Kč</b>	<b>1 121 192 990 Kč</b>

Source: Own presentation based on SZIF, 2022

The distribution of the 1st Pillar payments remained mostly unchanged as shown in the Figure 20, with SAPS and Greening payments being of the largest values.

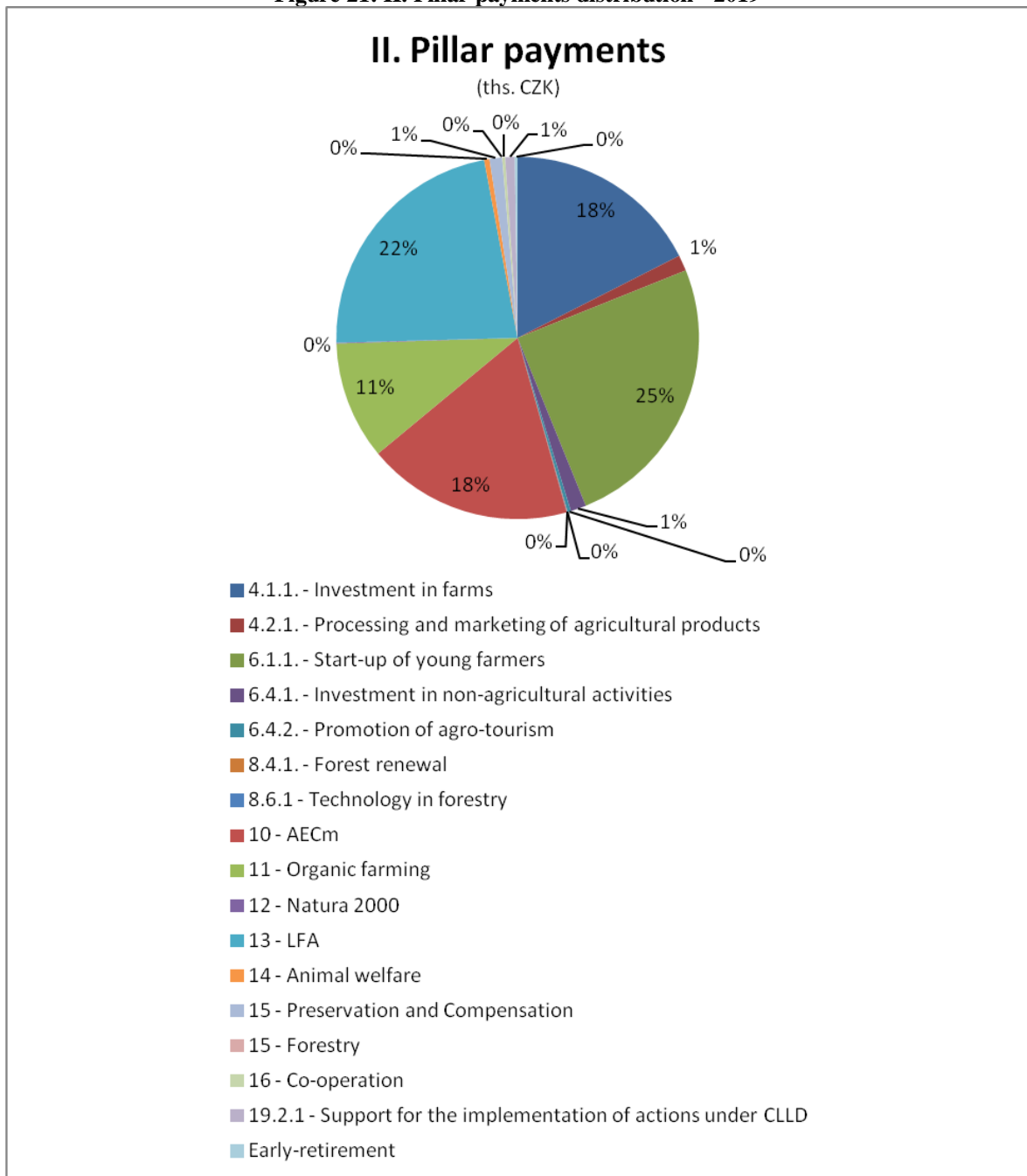
**Figure 20: I. Pillar payments distribution - 2019**



Source: Own presentation based on SZIF, 2022

The figure below illustrates the distribution of total amounts under the 2nd Pillar, where payments for environmental-friendly agriculture, start-up support, and LFAs amount for a vast proportion of all payments. There is a noticeable rise in support of *investment to farms*.

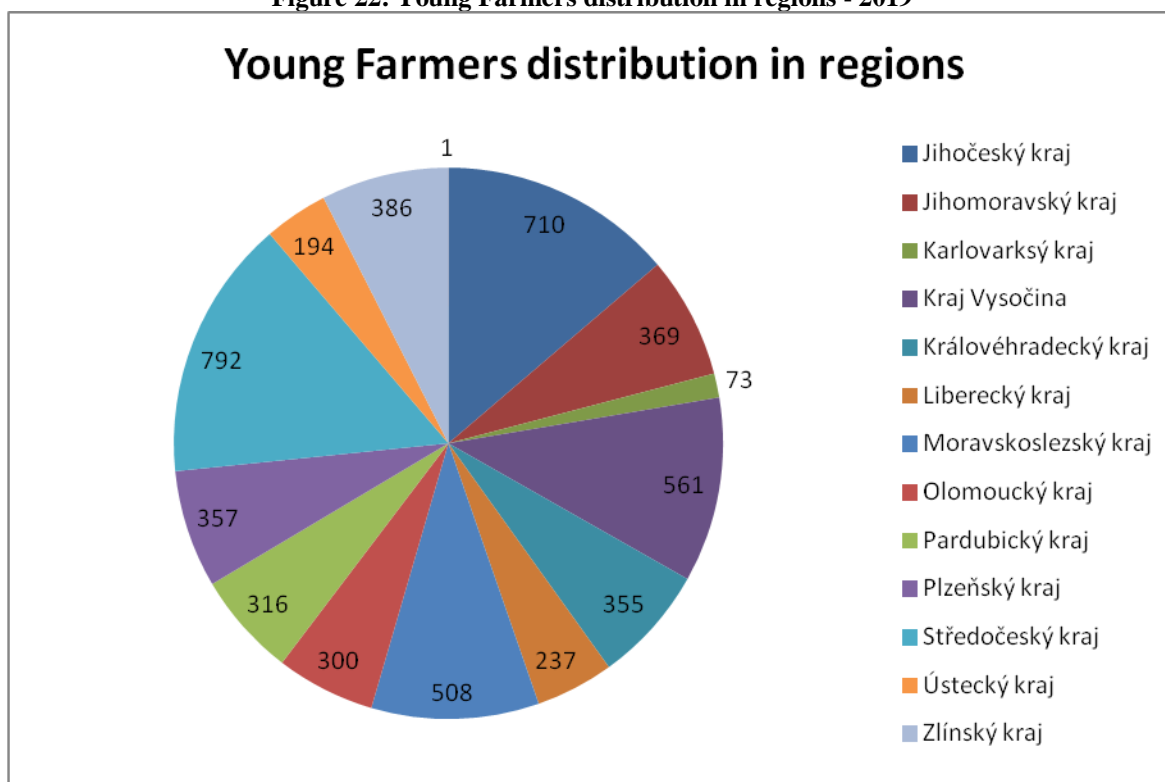
**Figure 21: II. Pillar payments distribution - 2019**



Source: Own presentation based on SZIF, 2022

The distribution of young farmers across the regions in 2019 does not dramatically change, considering the rise in the number of young farmers receiving support. Dominant regions mentioned above grew, while the other regions remained unchanged (or the number of young farmers slightly decreased).

Figure 22: Young Farmers distribution in regions - 2019



Source: Own presentation based on SZIF, 2022

Lastly, Table 19 lists per hectare tariffs for 2019.

Table 19: Per hectare tariffs - 2019

Payment	CZK	Unit
SAPS	3 644,19	ha
YFP	1 697,00	ha
Greening	2 013,64	ha

Source: Own presentation based on SZIF, 2022

### 5.3.4 Support payments in 2020

The total value of financial support for Young Farmers and all their applications (39 164 specific payments) in 2020 was CZK 2 475 863 897, out of which the EU funded with 84 % of total payments.

In the year 2020, the total amount of applications accepted and supported by the direct payment within the 1st Pillar, under the *Young Farmer Payment*, increased to 5 500. The total amount of direct support paid to young farmers was CZK 205 645 202 as illustrated in the Table 20. Support was provided by the EAGF. Out of 5 500 payments under YFP, again, applicants received additional payments. 4 713 of them received

transitional national payments (PVP - Přechnodné vnitrostátní platby) in total amount of CZK 26 793 993. 3 276 young farmers received coupled payments in total amount of CZK 127 517 938. Detailed distribution of coupled payments is shown in Table 21. 5 742 applicants (above YPS applicants) received *green payments* in total amount of CZK 338 977 675. And 5 758 applicants received SAPS payments in total amount of CZK 613 142 538.

**Table 20: I. Pillar payments to Young Farmers - 2020**

	No. of pay.	-	% of YF	CZE	EU	Total
<b>Young Farmers Payments</b>	<b>5500</b>	-	-	-	<b>205 645 202,41 Kč</b>	<b>205 645 202,41 Kč</b>
YPS under UI*	909	-	-	-	-	-
PVP	4713	-	85,69	26 793 963,39 Kč	-	26 793 963,39 Kč
Coupled payments (VCS)	3276	-	59,56	-	127 517 938,72 Kč	127 517 938,72 Kč
Greening	5742	-	104,40	-	338 977 675,36 Kč	338 977 675,36 Kč
SAPS	5758	-	104,69	-	613 142 538,65 Kč	613 142 538,65 Kč
<b>YF payments - total</b>	<b>39164</b>	-	-	<b>406 083 408,97 Kč</b>	<b>2 069 780 488,69 Kč</b>	<b>2 475 863 897,66 Kč</b>

\*UI - Unified Identifier

Source: Own presentation based on SZIF, 2022

**Table 21: Distribution of coupled payments - 2020**

	No. of pay.	-	% of YF	CZE	EU	Total
<b>Coupled payments</b>	<b>3276</b>	<b>100%</b>	-	-	<b>127 517 938,72 Kč</b>	<b>127 517 938,72 Kč</b>
Ewes and Goats (VCS)	584	17,83	10,62	-	14 232 275,46 Kč	14 232 275,46 Kč
Protein crops (VCS)	948	28,94	17,24	-	16 281 483,09 Kč	16 281 483,09 Kč
Potatoes for consumption (VCS)	78	2,38	1,42	-	1 784 298,86 Kč	1 784 298,86 Kč
Starch potatoes (VCS)	34	1,04	0,62	-	3 535 193,00 Kč	3 535 193,00 Kč
Sugar beet (VCS)	74	2,26	1,35	-	12 684 937,54 Kč	12 684 937,54 Kč
Dairy cows (VCS)	156	4,76	2,84	-	15 985 342,57 Kč	15 985 342,57 Kč
Hops (VCS)	7	0,21	0,13	-	690 399,22 Kč	690 399,22 Kč
Fruit with very high labour intensity (VCS)	22	0,67	0,40	-	2 205 973,95 Kč	2 205 973,95 Kč
Fruit with high labour intensity (VCS)	29	0,89	0,53	-	1 267 898,64 Kč	1 267 898,64 Kč
Calves (VCS)	1296	39,56	23,56	-	56 391 067,01 Kč	56 391 067,01 Kč
Vegetables with very high labour intensity (VCS)	33	1,01	0,60	-	2 110 879,87 Kč	2 110 879,87 Kč
Vegetables with high labour intensity (VCS)	15	0,46	0,27	-	348 189,51 Kč	348 189,51 Kč

Source: Own presentation based on SZIF, 2022

Young farmers applying for YPS also applied and obtained additional payments from the 2nd Pillar, co-funded by the EAFRD and SZIF, as demonstrated in the Tables 22 and 23. 'Project measures' paid under the 2nd Pillar totalled CZK 514 862 920, while 'non-project measures' totalled CZK 66 3513 552.

**Table 22: II. Pillar payments to Young Farmers - 2020**

	No. of pay.	-	% of YF	CZE	EU	Total
19.2.1 - Support for the implementation of actions under CLLD	293	-	5,33	46 429 148,00 Kč	82 540 532,00 Kč	128 969 680,00 Kč
4.1.1. - Investment in farms	314	-	5,71	103 302 849,00 Kč	101 257 066,00 Kč	204 559 915,00 Kč
6.1.1. - Start-up of young farmers	313	-	5,69	65 517 427,95 Kč	64 219 763,86 Kč	129 737 191,81 Kč
6.4.1. - Investment in non-agricultural activities	19	-	0,35	12 369 208,00 Kč	12 124 259,00 Kč	24 493 467,00 Kč
6.4.2. - Promotion of agro-tourism	5	-	0,09	4 748 697,00 Kč	4 654 663,00 Kč	9 403 360,00 Kč
6.4.3. - Investments on renewable energies	2	-	0,04	1 386 242,00 Kč	1 358 788,00 Kč	2 745 030,00 Kč
15 - Preservation	30	-	0,55	58 693,98 Kč	176 081,19 Kč	234 775,17 Kč
15 - Compensation	3838	-	69,78	0,00 Kč	14 719 502,01 Kč	14 719 502,01 Kč
<b>Total</b>	<b>4814</b>			<b>233 812 265,93 Kč</b>	<b>281 050 655,06 Kč</b>	<b>514 862 920,99 Kč</b>

Source: Own presentation based on SZIF, 2022

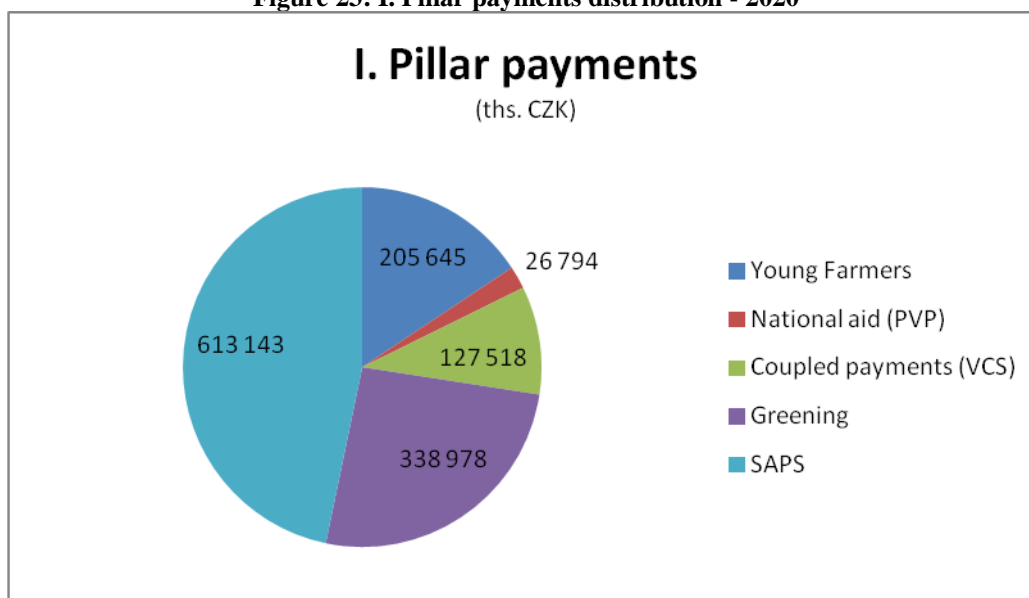
**Table 23: Non-project measures under the II. Pillar payments to Young Farmers - 2020**

	No. of pay.	-	% of YF	CZE	EU	Total
<b>Non-project measures</b>	<b>8237</b>	<b>100%</b>	<b>-</b>	<b>167 826 982,84 Kč</b>	<b>495 686 569,34 Kč</b>	<b>663 513 552,18 Kč</b>
10 - AECm	2687	32,62	48,85	58 294 858,81 Kč	174 900 098,77 Kč	233 194 957,58 Kč
13 - Areas with natural restrictions	4374	53,10	79,53	71 675 966,17 Kč	215 047 034,11 Kč	286 723 000,28 Kč
11 - Organic farming	1005	12,20	18,27	33 665 704,83 Kč	101 003 980,60 Kč	134 669 685,43 Kč
13 - LFA	14	0,17	0,25	-56 276,31 Kč	-188 404,89 Kč	-244 681,20 Kč
12 - Natura 2000	66	0,80	1,20	253 996,55 Kč	761 985,04 Kč	1 015 981,59 Kč
Supported areas with natural restrictions	35	0,42	0,64	95 688,88 Kč	287 087,77 Kč	382 776,65 Kč
Early-retirement	24	0,29	0,44	1 472 915,35 Kč	1 443 746,65 Kč	2 916 662,00 Kč
WLF-Dobré životní podmínky zvířat (Welfare/DŽPZ)	28	0,34	0,51	2 396 939,87 Kč	2 349 475,32 Kč	4 746 415,19 Kč
15. 1. 1. Preservation of forestation	1	0,01	0,02	6 245,79 Kč	18 737,36 Kč	24 983,15 Kč
15. 2. 1. Protection and reproduction of forest gene pool	3	0,04	0,05	20 942,90 Kč	62 828,61 Kč	83 771,51 Kč

Source: Own presentation based on SZIF, 2022

Distribution of the direct payments under the 1<sup>st</sup> Pillar in 2020 remained in similar proportions with the biggest value put on SAPS and Greening payments.

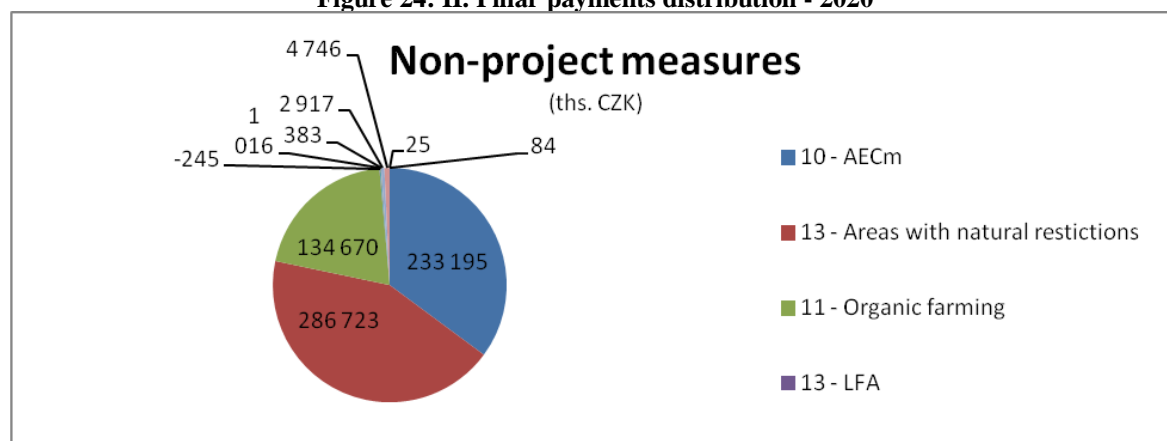
**Figure 23: I. Pillar payments distribution - 2020**



Source: Own presentation based on SZIF, 2022

Similarly, with the 2<sup>nd</sup> Pillar distribution, only little changes happened, with main emphasis on Agri-Environmental-Climatic measures and LFA payments.

**Figure 24: II. Pillar payments distribution - 2020**

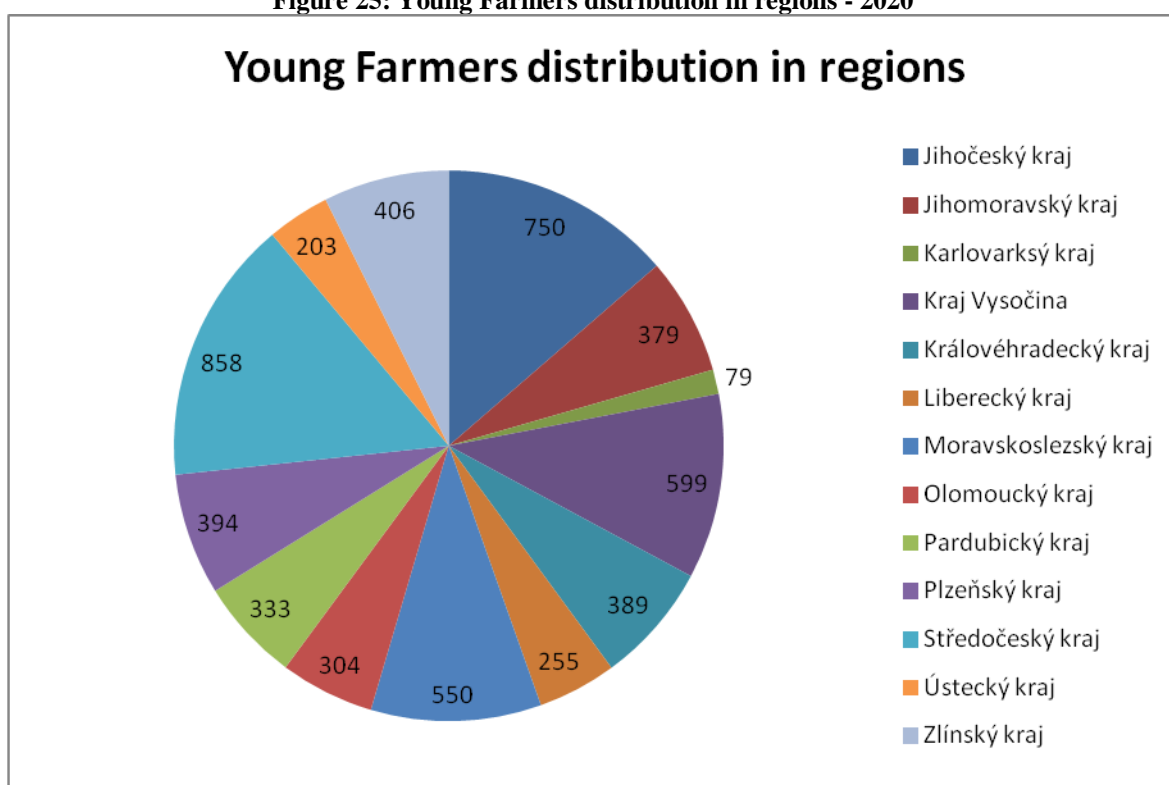


Source: Own presentation based on SZIF, 2022



The Figure 25 shows distribution of young farmers within the Czech regions. As the whole number of young farmers in the Czech Republic, numbers of young farmers rose very evenly to the distribution in 2017. The only exception is Central Bohemia (858, Středočeský kraj), where the number rose by nearly 2 % of the overall amount of Young Farmers between years 2017 and 2020. The rest of the main regions Southern Bohemia (750, Jihočeský kraj), central part of the Czech Republic (599, kraj Vysočina), and Silesian region (550, Moravskoslezský kraj), kept their percentual representation.

**Figure 25: Young Farmers distribution in regions - 2020**



Source: Own presentation based on SZIF, 2022

Lastly, the Table 24 shows the annual per hectare tariffs for the direct payments in 2020.

**Table 24: Per hectare tariffs - 2020**

Payment	CZK	Unit
SAPS	3 644,19	ha
YFP	1 822,09	ha
Greening	2 013,64	ha

Source: Own presentation based on SZIF, 2022

### 5.3.5 Conclusion

From the rising numbers, it could be argued that direct payments and rural development policies motivating young people to engage in agricultural activities are actually positively stimulating them into entering the sector. However, the number of direct payments rose by nearly 40 % and at the same time, the support was more than doubled. Therefore, it can be concluded that the amount of support corresponds with the rise in applications of young farmers, should we include factoring inflation and higher input/output prices of agricultural products.

The following Table 25 overviews the changes in the years 2017 - 2020. Before 2017, young farmer payments in the Czech Republic were in the measures of single units (SZIF, 2022)

**Table 25: Young Farmers support 2017 - 2020**

	2017	2018	2019	2020
<b>No. Of YF</b>	3 932	3 991	5 159	5 500
<b>Annual change</b>	-	+2%	+29,2 %	+6,6 %
<b>Total YFP (ths. CZK)</b>	64 308	62 840	178 775	205 645
<b>Total support</b>	1 411 557	1 319 382	2 343 515	2 475 863
<b>YFP per ha (CZK)</b>	844	1 694	1 697	1 822
<b>SAPS per ha (CZK)</b>	3 377	3 644	3 644	3 644

Source: Own presentation based on SZIF, 2022

The EU contributes to all direct payments to farmers receiving direct payments under the YPS in amounts of 81 - 84 % of the total payments<sup>14</sup>. Such contribution benefits greatly Czech agrarian sector and innovations in agriculture. The changes to the support of young farmers are usually made based on Multiannual Financial Perspectives of the EU and budgetary restrictions. In the programme period 2007 - 2013, support of young farmers was mostly linked to the programme of early retirements. In the programme period 2014 - 2020, young farmers enjoyed stronger support with more specific rules and areas of support. In the next programme period 2021 - 2027, increases in budget spending on young farmers' support is gradually increased, yet no dramatic changes in the regulations nor administration occurred. (Brož, Kotyza, Malec, Smutka, 2021) Table 26 lists the MFF 2021 - 2027 propositions.

<sup>14</sup> In the respective years 2017 - 2020. (SZIF, 2022)

**Table 26: Multiannual financial framework (EU-27) (EUR million, 2018 prices)**

Commitment appropriations	2021	2022	2023	2024	2025	2026	2027	Total2021-2027
1. Single market, innovation and digital	19 712	19 666	19 133	18 633	18 518	18 646	18 473	132 781
2. Cohesion, resilience and values	49 741	51 101	52 194	53 954	55 182	56 787	58 809	377 768
2a. Economic, social and territorial cohesion	45 411	45 951	46 493	47 130	47 770	48 414	49 066	330 235
2b. Resilience and values	4 330	5 150	5 701	6 824	7 412	8 373	9 743	47 533
3. Natural resources and environment	55 242	52 214	51 489	50 617	49 719	48 932	48 161	356 374
of which: market-related expenditure and direct payments	38 564	38 115	37 604	36 983	36 373	35 772	35 183	258 594
4. Migration and border management	2 324	2 811	3 164	3 282	3 672	3 682	3 736	22 671
5. Security and defence	1 700	1 725	1 737	1 754	1 928	2 078	2 263	13 185
6. Neighbourhood and the world	15 309	15 522	14 789	14 056	13 323	12 592	12 828	98 419
7. European public administration	10 021	10 215	10 342	10 454	10 554	10 673	10 843	73 102
of which: administrative expenditure of the institutions	7 742	7 878	7 945	7 997	8 025	8 077	8 188	55 852
<b>TOTAL COMMITMENT APPROPRIATIONS</b>	<b>154 049</b>	<b>153 254</b>	<b>152 848</b>	<b>152 750</b>	<b>152 896</b>	<b>153 390</b>	<b>155 113</b>	<b>1 074 300</b>
<b>TOTAL PAYMENT APPROPRIATIONS</b>	<b>156 557</b>	<b>154 822</b>	<b>149 936</b>	<b>149 936</b>	<b>149 936</b>	<b>149 936</b>	<b>149 936</b>	<b>1 061 058</b>

Source: European Parliament, 2018

Under the measure 6. 1. 1. *Start-up of young farmers*, the total of 1 532 payments were made in the Czech Republic within the analysed years 2017 - 2020. *Start-up of young farmers* is a 'project measure', meaning, that young farmers must present their project<sup>15</sup> of setting up a business in agrarian sector. The submitted projects are evaluated and the chosen possible projects are selected for financing under the measure 6. 1. 1. (Brož, Kotyza, Malec, Smutka, 2021) In the year 2017, 466 projects were financed in total amount of 283 314 thousands CZK. In the year 2018, 205 projects were selected and supported in total amount of 117 846 thousand CZK. Then, in 2019, the total amount of

<sup>15</sup> Projects proposed (not only under measure 6. 1. 1.) can be found at: [https://enrd.ec.europa.eu/projects-practice/\\_en?project\\_keywords\\_filter=19763&project\\_country=All&field\\_enrd\\_prj\\_measure\\_tid=All&field\\_enrd\\_prj\\_focus\\_area\\_tid=All&f%5B0%5D=sm\\_enrd\\_eu\\_countries%3ACzech%20Republic](https://enrd.ec.europa.eu/projects-practice/_en?project_keywords_filter=19763&project_country=All&field_enrd_prj_measure_tid=All&field_enrd_prj_focus_area_tid=All&f%5B0%5D=sm_enrd_eu_countries%3ACzech%20Republic)

starting businesses was 539 and were paid total amount of 280 358 thousand CZK. In the last analysed year, 2020, the number of new young farmers was 313 and the support was in total amount of 129 737 thousand CZK.

The numbers of young farmers entering the agrarian sector may seem prospective, however, it is not possible at this time to evaluate any real effects with the limited data analysed. The fluctuation between specific years is noticeable, however, the average of 380 new applicants per year may be interpreted as a small success in motivating young people to engage in agriculture.

The data analysed above show, that more than 50 % of farmers receiving YPS also received payments for *less-favoured areas (M13)*, which supports the claims by Tomšík (2010), that vast area of Czech agricultural land lies in unfavourable areas. Also, on average, 45 % of aforementioned farmers obtained payments on *Agri-Environmental-Climatic measures (M10)* as it is one of the most promoted aim of the CAP and RD programmes.

Discrepancies in the numbers of young farmers receiving YPS and numbers of paid Greening payments and SAPS payments is explained by the fact, that some of the young farmers operate (manage) more than one farm or business. In that case, they are not entitled for multiple payments under YPS.

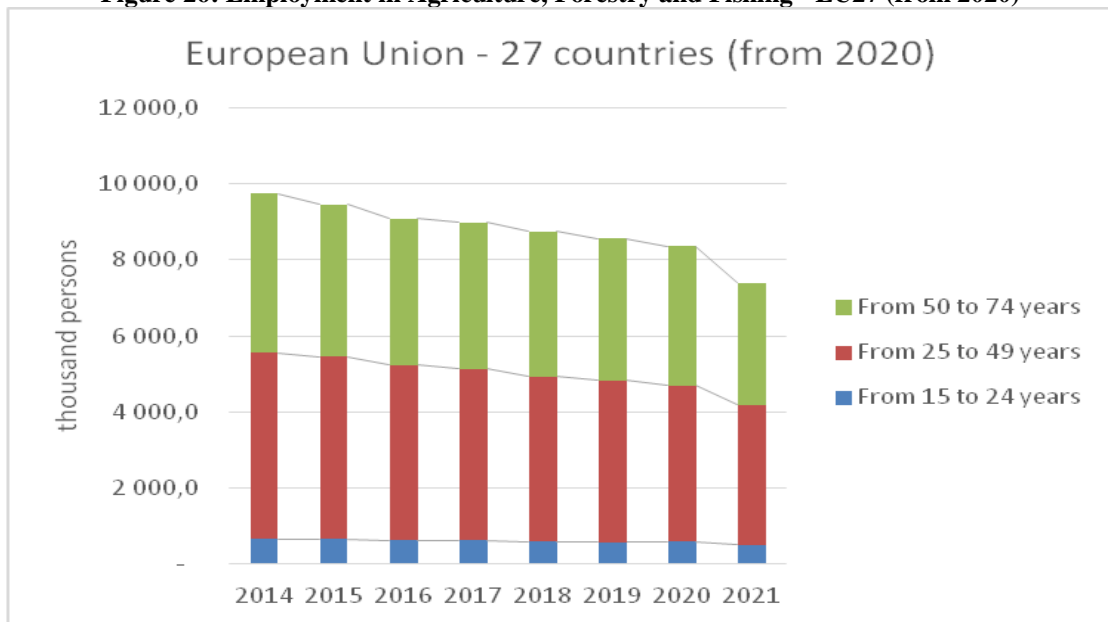
The focus of farmers under YPS is wide, however, the main field of their activities may be seen in production of calves, ewes and goats, and protein crops.

#### **5.4 Age structure of farmers in the Czech Republic**

In this section, the age structure of workers in Czech agriculture is shown and briefly compared with other neighbouring countries (Visegrád Group) and the EU27. The aging of agricultural community is widely seen as a problem which the whole EU is facing. Regardless of the efforts made to stimulate young people to engage in agricultural activities, the problem still persists.

The following figure demonstrates decline in employment in agriculture, forestry and fishing, according to NACE classification.

**Figure 26: Employment in Agriculture, Forestry and Fishing - EU27 (from 2020)**



Source: Own presentation based on EUROSTAT, 2023

According to the Figure 26, the problem of the employment in agrarian sector is not only a steady decline in the total number of workers, but also aging of the agrarian community. Young people often do not tend to continue business their parents started. The table below shows numbers of workers in agriculture, forestry and fishing, separated by the age groups of 15 - 24 years, 25 - 49 years, and 50 - 74 years<sup>16</sup>.

<sup>16</sup> Unfortunately, the author did not manage to find a suitable filter for the middle-aged group to further separate it.

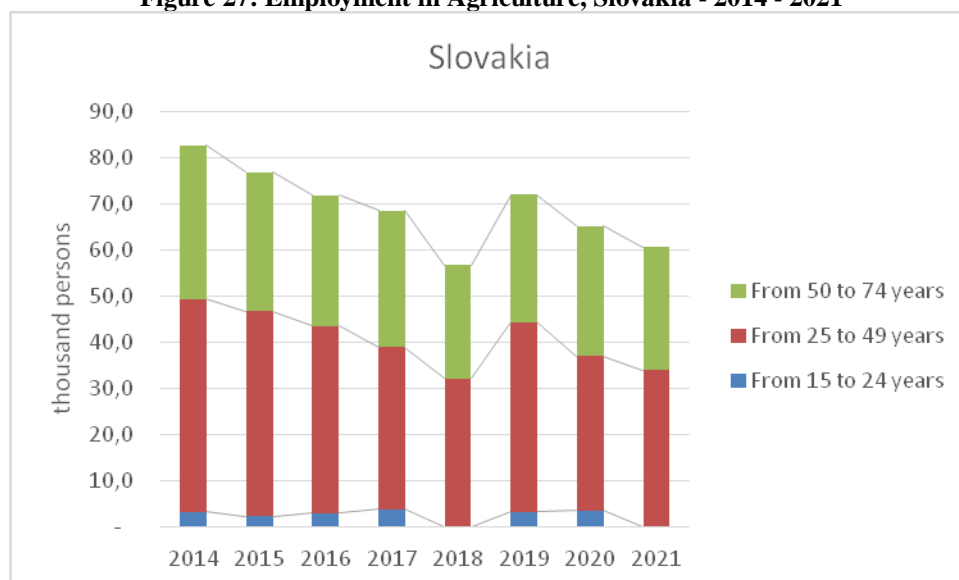
**Table 27: Employment in Agriculture, Forestry and Fishing in 2014 - 2021**

Agriculture, forestry and fishing								
Thousand persons								
From 15 to 24 years	2014	2015	2016	2017	2018	2019	2020	2021
European Union - 27 countries (from 2020)	655,4	668,1	633,0	627,8	590,2	573,3	590,4	506,9
Czech Republic	7,7	7,0	6,6	5,5	7,1	5,9	6,9	7,8
Hungary	11,7	13,4	12,5	13,8	11,3	14,5	12,7	12,8
Poland	96,9	96,2	94,4	93,9	82,5	71,4	65,7	56,5
Slovakia	3,3	2,3	3,0	3,8	-	3,3	3,6	-
V4	119,6	118,9	116,5	117,0	100,9	95,1	88,9	77,1
Thousand persons								
From 25 to 49 years	2014	2015	2016	2017	2018	2019	2020	2021
European Union - 27 countries (from 2020)	4 904,2	4 792,3	4 600,2	4 502,0	4 344,7	4 260,6	4 098,0	3 677,9
Czech Republic	72,3	79,3	79,7	80,1	76,5	76,6	76,3	69,6
Hungary	107,1	115,2	127,7	126,0	120,0	119,0	119,7	111,5
Poland	1 005,9	1 036,5	941,9	905,2	865,2	836,6	869,3	745,4
Slovakia	46,1	44,4	40,5	35,1	32,2	41,0	33,4	33,9
V4	1 231,4	1 275,4	1 189,8	1 146,4	1 093,9	1 073,2	1 098,7	960,4
Thousand persons								
From 50 to 74 years	2014	2015	2016	2017	2018	2019	2020	2021
European Union - 27 countries (from 2020)	4 181,5	3 984,7	3 844,5	3 851,6	3 818,2	3 720,4	3 671,8	3 206,0
Czech Republic	56,7	61,0	62,0	60,5	64,4	57,7	52,8	55,3
Hungary	72,2	77,4	78,9	82,9	85,4	79,6	79,7	79,3
Poland	704,6	708,4	663,2	664,2	623,0	585,1	628,8	585,3
Slovakia	33,2	30,1	28,4	29,6	24,5	27,7	28,2	26,7
V4	866,7	876,9	832,5	837,2	797,3	750,1	789,5	746,6

Source: Own presentation based on EUROSTAT, 2023

The worst situation may be observed in Slovakia, as they are experiencing a dramatic decline in the number of employees in agriculture. Between the years 2014 and 2021, the total number of workers dropped by approximately 26 %.

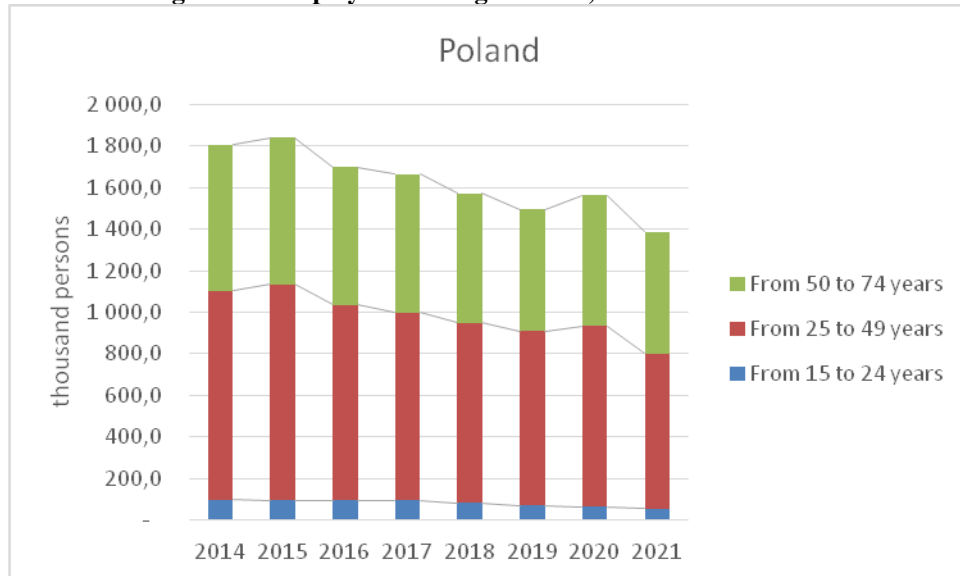
**Figure 27: Employment in Agriculture, Slovakia - 2014 - 2021**



Source: Own presentation based on EUROSTAT, 2023

Similar worrismatic situation is taking place in Poland, which is a strong agricultural country, even though the share of GDP only attributed to 2.22 % of the national GDP. The drop in total employment in agriculture was approximately 23 %.

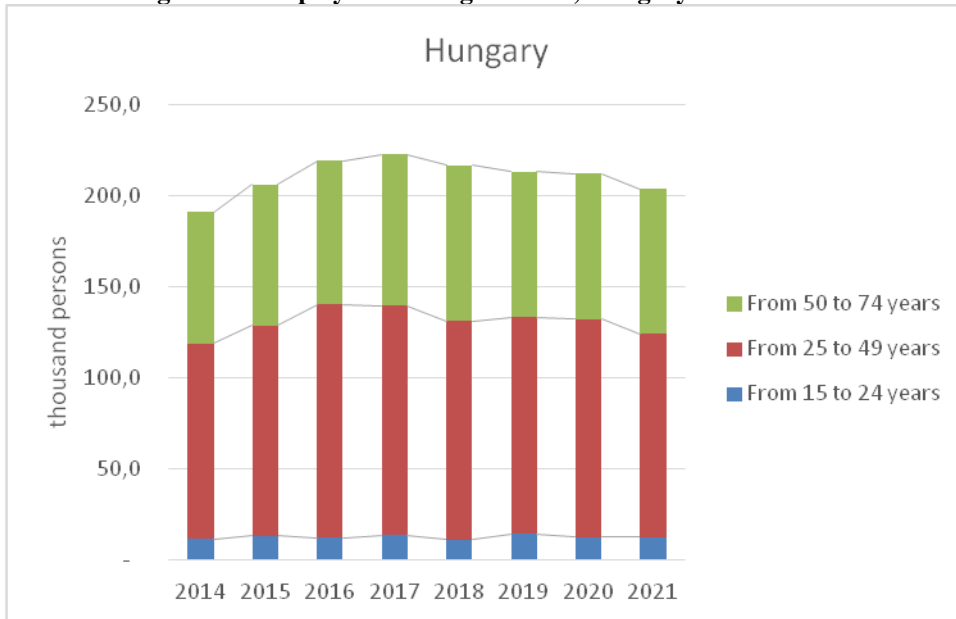
**Figure 28: Employment in Agriculture, Poland - 2014 - 2021**



Source: Own presentation based on EUROSTAT, 2023

Worth mentioning is Hungary, where employment in agrarian sector actually rises against the trend of the majority of the EU countries. Hungarian agriculture experienced a boom in employment of workers of the age between 25 and 49 years in the years 2014 and 2017, when the total amount of workers in aforementioned age group rose by 17,6 %, building up a solid base of farmers, who can potentially continue their agricultural businesses.

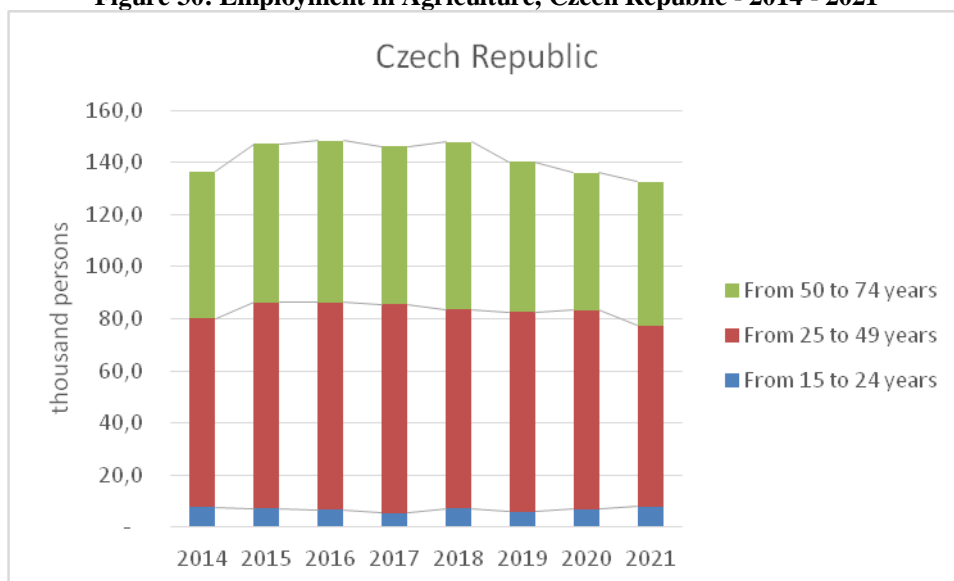
**Figure 29: Employment in Agriculture, Hungary - 2014 - 2021**



Source: Own presentation based on EUROSTAT, 2023

In the Czech Republic, the situation is not pleasing but is not dramatically worsening either. Similarly to Hungary, the employment in agriculture rose between years 2014 and 2018, however, is steadily declining ever since. Positive boost is a rise in farmers aged between 25 and 49 years in 2015, while stabilising the number of these workers until 2020. While Hungary managed to build up a decent base of young people (aged from 15 to 24 years) engaged in agriculture, the Czech Republic is following a similar trend, although in much lower numbers.

**Figure 30: Employment in Agriculture, Czech Republic - 2014 - 2021**

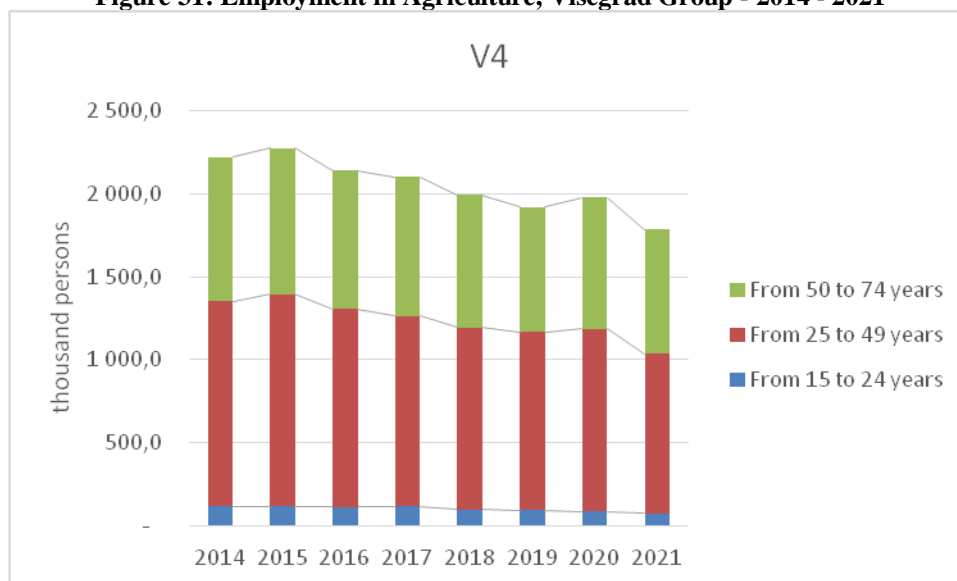


Source: Own presentation based on EUROSTAT, 2023



Last supportive figure shows overall view of V4 countries employment in agriculture, forestry and fishing.

**Figure 31: Employment in Agriculture, Visegrád Group - 2014 - 2021**



Source: Own presentation based on EUROSTAT, 2023

## 6 Conclusion

Reforms to the CAP play vital role in adjusting and tailoring measures and tools used to support agriculture, its production, competitiveness, and sustainability. Since the establishment of the EEC, many reforms were applied to CAP to tackle current issues. Most important changes may be seen in MacSharry reform in 1992. The reform brought upon a change in the means of the farm support; from the traditional income support model and price support mechanisms towards more market oriented tools, emphasizing direct payments method. (Cunha, Swinbank, 2011) Direct payment methods were then adjusted and improved and are now one of the main tools of the CAP.

The second reform worthy of mentioning was the Fischler's reform in 2003 which implemented decoupling direct payments from the specified production. That allowed farmers eligible for the payments regardless of their production. Farms thus maintained 'complete farming flexibility', but must have complied with 'statutory environmental, food safety, and animal health and welfare standards' on the basis of *cross-compliance*. (Cunha, Swinbank, 2011) Cross-compliance helps forcing some of the mandatory measures to be followed and used.

As the Czech Republic entered the EU in 2004, it became a part of rather strong negotiating bloc with regards of international negotiations. (Boučková, Shepherd, 2004) In the negotiations, key players figure on the regional, national, and international levels. For the CAP reforms, the main policy-makers are the EU institutions and other players (Cunha, Swinbank, 2011):

- the Commission - the Directorate General and its management committees,
- the Council - the Agricultural council, working groups and committees,
- the European Council,
- the European Parliament - parliamentary committees,

Beside the institutions, other players influence the negotiations. European farm interest groups and lobbies (European Council of Young Farmers - CEJA), the Member States and their institutions, and also third countries and international organisations. During the 90' and early 2000's reforms, international organisations (and third countries, such as the USA, some of the South-American and African countries) affected some of the changes made, as the CAP reforms were obliged to meet commitments made during the

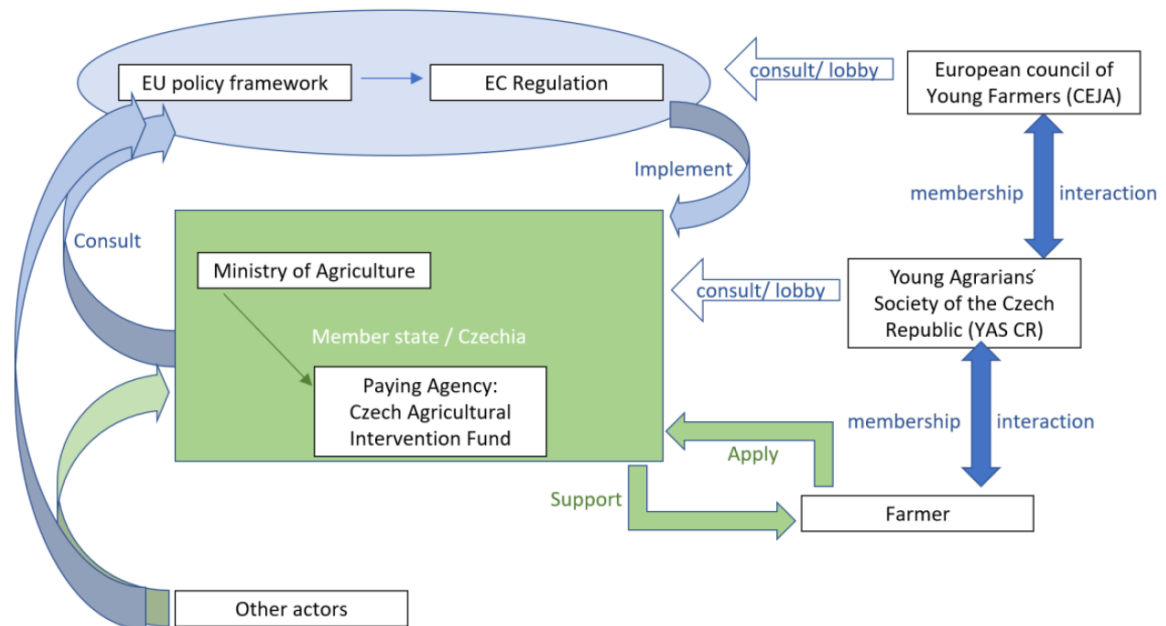
GATT negotiations rounds. WTO also plays an important role in negotiations with respect to the CAP changes.

On the national level of the Czech Republic, Brož, Kotyza, Malec, and Smutka (2021) list several institutions and organisations, that represent and voice problems and concerns of farmers:

- Agricultural Association of the Czech Republic,
- Association of Family Farming,
- The Young Agrarians' Society of the Czech Republic<sup>17</sup>,
- Czech-Moravian Association of Agricultural Entrepreneurs.

Brož, Kotyza, Malec, and Smutka (2021) also present a scheme of policy makers, interest groups, and the final support flow, as shown in the Figure

**Figure 32: Policy Actors and Support Flow**



Source: Brož, Kotyza, Malec, Smutka (2021)

While the reforms took place, another shift can be seen in the implementation of the CAP in the new Member States, joining the EU in 2004. Some of the 'freedom' was given

<sup>17</sup> 'Based on processed overview of their activities, it needs to be mentioned, that all abovementioned institutions are involved in voicing young farmer interests. However, in 4 out of 5 organisation, young farmer agenda is only part of the general agenda. Only the Young Agrarian Society of the Czech Republic is exclusively focused on the topic. Thus, on the Figure 1 below, only The Young Agrarians' Society of the Czech Republic is highlighted even though there are not the only lobbyist on the national and the European level.' (Brož, Kotyza, Malec, Smutka, 2021)

in a way of how the new Member States would adopt the CAP policies. Yet, the direct payments proved successful and thus were further improved.

With the establishment of the European Structural Funds, the direct support took full speed. The EAGF provides financial support for a wide range of measures under the 1<sup>st</sup> Pillar, in a form of direct payments to farmers, market support measures, and storage support. While the EAFRD co-funds the 2<sup>nd</sup> Pillar for rural development, along with the other ESIF funds (European Regional Development Fund (ERDF), European Social Fund (ESF), Cohesion Fund (CF), European maritime and fisheries fund (EMFF)). Under this funding structure, the National Rural Development programmes are implemented and co-financed by EAFRD and national budgets for agriculture.

Under these measures and tools of financing, the current issues are tackled, with the respect of this thesis mainly ecological and sustainable farming with aim at the aging of the agrarian community and farm succession.

Young farmers in the Czech Republic enjoy vast amounts of fixed payments under the 1<sup>st</sup> Pillar. In the year 2020 the total amount was more than 200 000 thousand CZK, which is a tremendous increase from the year 2007, when the total amount of YFP was 'only' over 64 000 thousand CZK. Beside the flat-rate payments, many of the young farmers receive payments under the 2<sup>nd</sup> Pillar. Generally, the payments are subsidies for compliance with the EU Regulations on Agri-Environmental-Climatic rules, and also Greening payments. In the period from 2017 to 2020, on average 48,75 % of beneficiaries of YPS received coupled payments on the production. This number was steadily rising during the observed years, up to 60 %. This may be an indication of young farmers becoming more certain with their business and support measures.

Kotyza et. al. (2021) notes, that the young farmers support was formerly *'interconnected with farm succession – supporting at the same time young farmer (as push-in motivation) and retiring famers (as pull-out motivation). This kind of logics ended in the Czech Republic by the 2013 perspective'* and the schemes introduced in this thesis were applied. However, Šimpachová Pechrová and Šimpach (2020) say, that one of the main motivational tool for young farmers was relieve of the tax on the acquisition of property in the case of a family transfer. They further notice that *'entrance to the sector should be kept provided with the tax relief on farm transfer, combined measures for retirement and setting up of young farmers and provided investment subsidies for start-up.'* (Šimpachová Pechrová, Šimpach,2020)

According to the numbers observed, the motivation is rising as there were 5 500 young farmers receiving YPS in the year 2020. A significant rise compared with the total number of young farmers in 2017, when there were 3 932 young farmers.

As the aging of agrarian community continues, the author does not see a horrific scenario in the case of the Czech Republic, as in Poland. It may be concluded, that the age structure of Czech agrarian workers is rather stable and will prevail in the future years. During the observed years, 1 523 entered the agrarian sector under the measure *6. 1. 1. Start-up of young farmers*, which is not an insignificant number in the respect of the Czech Agriculture.

Based on the evaluated numbers, the support and pushing motivations for younger generations are concluded to be efficient and showing rather promising results, as the MFF 2021-2027 promises further increase in the support of young farmers.

## 7 References

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