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Diploma thesis

**Consequences of Common agriculture policy in Czech
Republic**

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Consequences of CAP in agriculture in Czech Republic

Summary:

Common Agriculture policy was historically one of the most important pillars at the beginning of European integration. Until this time is most discussed and most controversial topic in EU. Its form is influenced by serious long negotiation through all stakeholders. At the stake is only one thing financing of farming business for another 5 years. During this period are set same framework rules for all member states which have different impact in every single state.

Basic principle of CAP is creation sustainable agriculture which satisfies like farmers who expect acceptable profit for living condition, customers who expect the acceptable price and quality products, but even all stakeholders connect with this area.

What are the consequences of CAP and what is the recommendation for funding of sustainable solution of agriculture issues in Czech Republic and EU is key points, which are summarized in this work.

Key words: McSharry, family farms, reform, direct payment, recommendation, price land, consequences, business possibilities, market order

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1. Introduction

Common agriculture policy (CAP), one of the most important and most controversial part of European budget, which make up 48% of all expenditure. Every five year, we are witnesses of crucial debate in European Parliament, where is collides of ideas with the different interest of countries, stakeholders and lobyst strive to influence of direction CAP for another 5 year.

These diploma thesis is regarding of problematic of implemenatiton of same general rules of Common Agriculture Policy in EU, especialy analysing the situation in the Czech republic and France. This reporte is specialy available for beginners farmer, entrepreneurs, who looks new agriculture market options in the Czech republic, stakeholders, local communities and goverments body which are directly connecte with agriculture and issues of CAP. Right understanding of CAP and comparetion implication of CAP in different's state could bring us new and effectiness approach, which is complain of EU rules and obligations.

Target of this study is to introduce readers, students, stakeholders, especially devote to professional public in the Czech republic. I will try to analysis, how to effectively make this industry more profitable and sustainable with the respect to environmental aspects. There will be point out problematic of small farmer households, new business possibilities for this industry with the impact for local communities and environment. What's the impacts of CAP in these countries, that's the object of this science research.

This thesis is divided into two parts, a theoretical, practical and final part with recommendations.

In the first part, the general genesis of CAP in West Europe is introduced based on political-economic issues at the beginning of the 1960s and consequences on farm competitiveness, especially in France. The following part will present the agricultural philosophy of the post-war period of expropriation of land and property in East Europe and subsequent restructuring of the economic system after 1989 and finally will be analyzed after the access of new agricultural policy and European legislative standards after enlargement in 2004. The last theoretical part will be devoted to the new version CAP 2014-2020 and its consequences.

Regarding the practical part, quantitative and qualitative methods based on econometrics and statistical research, analysis of business possibilities of farms in the Czech Republic and France, which has similar assumptions (size of farm, location, fertility of land). Literature and resources are coming especially from international channels like local agricultural communities, Ministry of Agriculture in the Czech Republic and finally from supranational organizations like WTO, EUROSTAT, COPA COGECA.

The final part is aimed to find pitfalls in the practice implementation of CAP in the Czech Republic and find some optimal recommendations and practices for optimization of Czech agricultural implementation of CAP.

This study could be interesting for both sides, like Czech, France, especially for the European Union, because this study analyzes two different impacts in agriculture in two different countries which use the same EU rules, at last this topic is suitable for all European taxpayers for their image how they effectively allocate their money for this policy of the EU.

2. Objectives and methodic

Objectives of this work are on the basis of available resources compare real consequences of Common agriculture policy in Czech Republic with main core, ideology of CAP. Like indicator will be use the French agriculture because it's not only main funder and reformer of all reforms of CAP but mainly like a average sample of European agriculture. In work will be suggest some recommendation for sustainable development of next reforms CAP, especially suitable for Czech agriculture.

It will be use methodic from professional sources like from locals' communities, national (like from English and French materials) and also will be use the national and supranational statistics. Some information's regarding of specification aspects will be added by internet sources. It will be use methodic description, comparison and analyze.

3. Theoretical output

3.1 Characteristics of Czech agriculture and related sectors

Czech agriculture is characterized by a dual structure of production, where 87% of companies accounted for by holdings of natural persons, manages a total of 30% of the remaining 13% of agricultural enterprises are legal entities with mostly rented workforce, managing 70% of the area of agricultural land in the country. A high proportion of agricultural land is hired (in 2011 was 76%, but steadily declining, on average 1.2 percentage points per year). Czech agriculture has a European perspective one of the lowest densities of the various categories of animals on cultivated area and back in case of conversion the total number of livestock units per hectare of this area, the Czech Republic ranked in the first quarter of the countries with the lowest animal density (density of LU / ha UAA reaches 49%).

The average farm size increased from 178.4 hectares of utilized agricultural land in 2007 to 179.8 ha in 2010. Agricultural enterprises in 2010 showed the following size structure in terms of their numbers: companies with an area of <5 ha accounted for 15.4% of all businesses, with an area of 5-50 ha 54.7%, companies with an area of 50-100 ha 10.6% and enterprises over 100 ha accounted for 22.9% share. In terms of number of enterprises compared to 2007 (excluding the size range up to 5 hectares), the most increased share of farms in the size group with over 100 hectares and in the interval from 50 to 100 ha. In terms of cultivated acreage share increased only in the group of companies from 50 to 100 ha. In enterprises with over 100 hectares as a result of

the division of enterprises decreased the average size of cultivated land, but in this group of companies is to consolidate ownership of companies into larger units. The average economic size increased from 161.7 thousand. EUR in 2007 to 179.9 thousand. EUR in 2010.

The area of farmland according to Czech statistic office was in 2010 4,229 miles. Ha, while this figure is decreasing. For comparison, in 2007 the agricultural land 4,249 miles. Ha. Regarding the utilized agricultural land, its area in 2011 was 3,484 miles. Ha (compared to 2007 when it was 3,518 miles. Ha). The proportion of agricultural land and declined between 2007 and 2011 from 53.88 to 53.62% of the total area of the Czech Republic. Conversely, the proportion of area of forest land has increased and represents more than a third of the Land Fund. The area of forest land (according Czech statistic office) increased from 2,651,209 hectares in 2007 to 2,659,837 hectares in 2013. The acreage of arable land in the past decade has been steadily declining, especially in favor of expanding the areas of permanent grassland. Half of the agricultural land is in less-favored areas (LFA), but here's arable land is still high. LFA area did not vary much and made the area UAA 49.9% (details: mountain 14.6%, 29.6% and 5.7% other areas with specific restrictions) in 2007 and 50.3% (14.8% mountainous, 29.6% and 5.8% other areas with specific restrictions) in 2011. The area was favored areas in 2007 and 50.1% in 2011, 49.7% of agricultural land.

As well as the area of agricultural land, fell between 2007 and 2011 also livestock, from 1,640,380 livestock units (LU) in 2007 to 1,369,780 in 2010, DJ ie. 16.5%. Also declining numbers of farms - from a total of 19,560 in 2007 to 19,340 in 2010. However, based on evidence LPIS is clear that there is an increase in the number of users from 25,341 back in 2007, further to 30,052 in 2010 to 32,824 in 2013. At the same time decreasing the number of agricultural workers - their number from 2007 to 2010 decreased from 114,930 to 99,400 FTE

employees. The sector of agriculture, hunting and related activities in the total employment of the economy contributes 2.4% and the share is gradually diminishing. Agricultural production grew, while in 2007-2009 amounted to 1 216 EUR / ha while in 2010-2012 amounted to 1 312 EUR / ha.

Compared to European farmers is in Czech agriculture lower portion of the machine equipment per unit of land, which is due to the higher concentration of land in one entity and lower overall availability of capital and the rate of net investment. It is gradually improving (with the exception of a significant downturn in 2009 and 2010 due to the economic recession), because in 2011, compared to 2007, there was an increase in gross fixed capital values of 517 mil. EUR 661 mil. EUR, ie. 28%. When comparing the share of gross fixed capital formation to gross added value for the period 2010 to 20,122 compared to the pre-accession period 2001-2003, it has increased the value of 22.5% to 26.6%. While investment activity of agricultural enterprises is significantly influenced by the structural aid granted under the OP Agriculture and Rural Development Programme 2007-2013, as in 2005-2007 on average accounted for granted investment subsidies from these programs equivalent to 8.22% of total gross fixed capital formation and in the period 2010-2012 has been 16.88%. With an average of 30% co-financing rate to contribute to this form of support of 27.2% of the total gross fixed capital formation in 2005-2007, respectively. 56.11% in the period 2010-2012.

Average labor productivity in agriculture between the periods 2007-2009 and 2010-2012 increased, both in gross value added of 8 488 EUR / AWU 11 654EUR / AWU. In comparison with the EU 15 amounted labor productivity in Czech agriculture 66 percentage points, respectively. 77 percentage points over comparable periods 2007-2009 and 2010-2012, but in

different years were highly variable, very different between different size categories of enterprises.

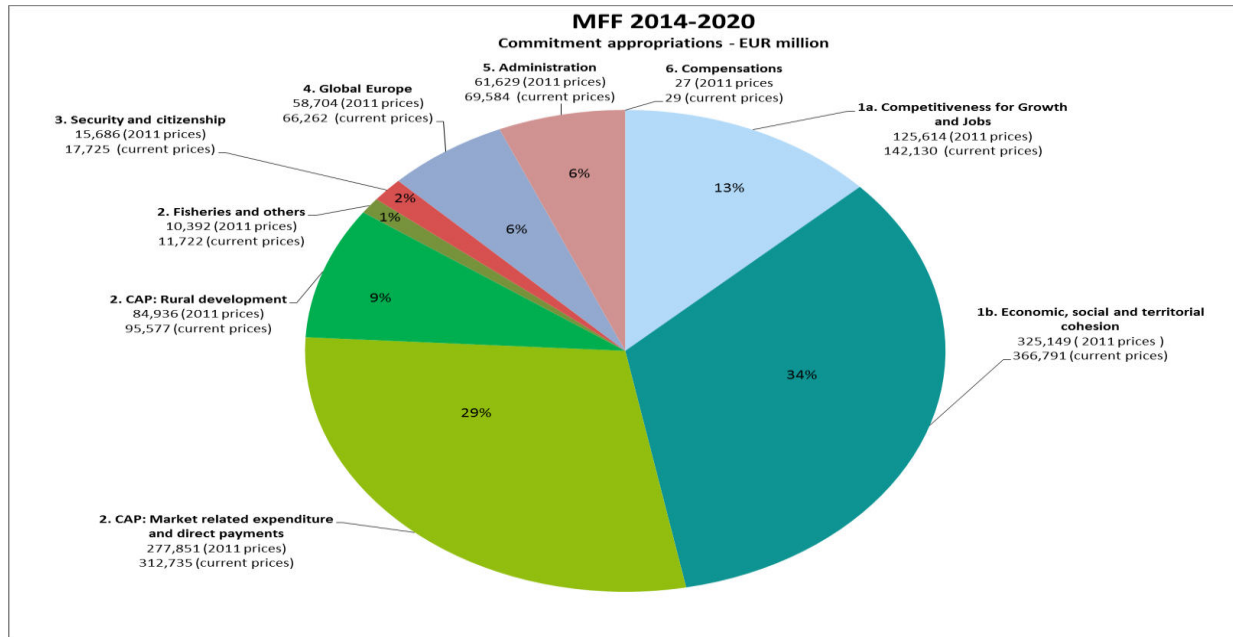
Total factor productivity is increasing slightly - reaching values of 104% on average in 2009 compared to 2011 in 2005 - earnings of most commodities and performance are at the same level (or sometimes even higher) compared to other EU countries, but at a much higher inputs.

3.2 Objectives of Common Agricultural Policy

The CAP (Common Agriculture Policy - CAP) is the oldest European Community's policy. Inceptions of these policy we can observed in 1962 and for at all times It's the most important policies of the Community. One figure says it all: In 1979, expenditure on European agriculture 75 percent of the budget of the then European Economic Community. At the present time is spent on the Common Agricultural Policy of the European Union budget about 38 percent in new CAP budget 2014-2020 as we can see from follow diagram. In 2001 amounted to approximately 43 billion euros. If we compare two completely different areas, and to promote student exchanges (Erasmus program) and training of young people published by the European Union in the same year amount of 428 million euros.

It is obvious that agriculture is and despite all efforts to reform the Common Agricultural Policy in the near future and will remain a key sector of the costliest European integration. Agricultural policy is also an area where the European Union has the largest legislative activity, as evidenced by the fact that out of a total of 80,000 pages of Community law, about half of them attributable to the Common Agricultural Policy.

Table 1 : Share of CAP on the EU budget



Source: European Commission, < http://europa.eu/rapid/press-release_IP-13-1096_en.htm>

Rome Treaty of 1957 established the Agriculture few basic goals. All of them were forty years of the Common Agricultural Policy met. Attain self-sufficiency in food supply, ensure stable incomes for farmers and eliminate big swings in the market. This benefit consumers who will be able to enjoy the stable prices. European agriculture has radically modernized and contributed to the growth of prosperity in Western Europe, even though its share in GDP fell in the European Union in 1995 to 1.7 percent. Global trend of this development is facing, the Common Agricultural Policy, however, he pressed some specific features, such as maintaining and supporting small family farms.

Despite these undeniable successes but now the Common Agricultural Policy is not accepted unambiguously and are often subjected to justified criticism. It is often stated that the Common Agricultural Policy become a "victim of its own success." The start of the Common Agricultural

Policy in the sixties were in fact hidden some tendencies that since the late '80s began to be unsustainable. Since 1992, therefore, a reform of the Common Agricultural Policy, which is far from complete.

Main tasks of Common Agricultural Policy¹

- increase agricultural productivity through technological development and optimum utilization of the factors of production, especially labor
- ensure a fair living standard for the agricultural community in particular by increasing the individual earnings of farmers
- stabilize of markets
- Regular supply of agricultural products
- ensure reasonable prices for consumers

Specially, last three points was most complicated, because agriculture was most important sectors in post-war Europe. Not only for supplying of goods to final consumer, but even from political point, Farmers represented significant electorate for conservative parties in Europe and

¹ Source:Agricultural Ministry of Czech republik< <http://eagri.cz/public/web/mze/ministerstvo-zemedelstvi/zahranicni-vztahy/cr-a-evropska-unie/spolecna-zemedelska-politika/vznik-vyvoj-a-reformy-spolecne/>>

last antitoxin against the strong leftist parties in Europe especially in France 1968 (people working in agriculture made up 25% of French population in 1968), when escalated the dispute between authority, family, ancien régime represented by Charles de Gaulle vs. leftist students.

An equally important reason for the creation of the CAP was to ensure adequate incomes for farmers and stable standard of living. Above all, the political party for which farmers represented at that time considerable voter group sought to protect this social category and to promote solutions to agricultural issues at the level of Community. Perceptions of political entities on a particular model of the common agricultural policy, however, has varied, for example, depending on the speed reduction, high proportion of employment in agriculture and shifting workforce from villages to cities agglomerations.

Like an important motive for integration into the CAP concept of the common market was already mentioned efforts to increase food production. Functional food market was in fact regarded as one of the basic conditions for the implementation of the Common market as a whole, mainly because of its impact on the cost of living, and thus the possibility of free movement of labor. Significantly higher price level of food in some Member States would act as the obstacles of movement of people and would thus disrupt the overall concept of the common market.

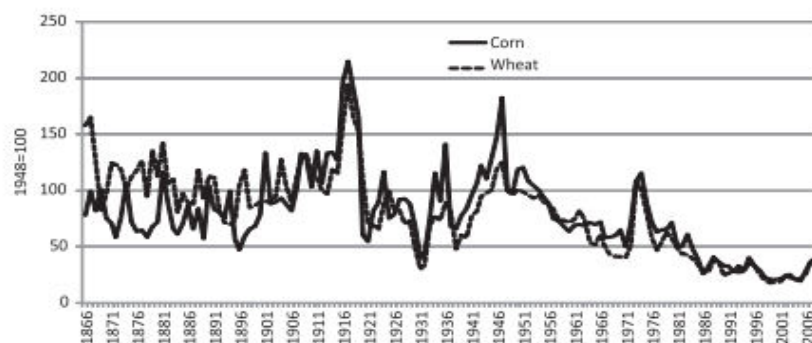
Community sought the establishment of the CAP is also about ensuring food self-sufficiency, as member countries have not been able to produce enough food for their needs at this time. Dependence on imports was in the 1950's and 60's also an important strategic and political dimension. Community therefore faced the challenge of achieving these increases in agricultural production,

thus ensuring its independence from imports. Gradually increase food self-sufficiency of the Community is shown in the table:

Table 2 : FOOD SELF-SUFFICIENCY OF EUROPEAN COMMUNITY IN 1958-1973

Comodity	EC 1958/59	EC 1972/73
wheat	92	97
coarse grained	75	107
sugar	108	92
butter	101	106
cheese	100	102
bovin	92	84
porc	101	100
chicken	97	102
eggs	90	99
fresh fruit	100	76
wine	92	89

Source:Fennel, R. Common Agricultural Policy



As we can observe from the previous graph, almost every crisis like socio-economic, natural, oil and nevertheless global climate change has always impacted on the price of agricultural commodities. For the founding fathers of CAP it was one of the biggest challenges, how to regulate the market with the commodities for achieving the main task of CAP.

Until the MacSharry reform² in 1993, the system used was based on the regulation of prices of agricultural products, which was made a proposal by the Commission and subject to the approval by the Council of Ministers. In addition, agreements on prices were determined by three basic principles of CAP, which were set up during the conference in Stresa 1958³. The first of these was the unity of the market, respectively CAP's relevance to the common market, built on the open market and four freedoms (free movement of people, capital, services and information). The second was the principle of preference for Communities, which implies preferential consumption of products within the common market over imported products. Preference was a tricky point for the United Kingdom, because they used to Imperial preference⁴ in the framework of the Commonwealth, where prices of agricultural products were cheaper than in the EEC (European Economic Community). The third principle was to determine the principles of financial solidarity, which meant the distribution of the costs of the CAP among all member countries of the European Economic Community.

3.3 Compensation principle

The genesis of the agreement on the CAP as efforts to stimulate industry to produce more, as well as efforts to raise the living standard of the population living in rural areas. Control common

² MacSharry reform: <http://ec.europa.eu/agriculture/cap-history/1992-reform/index_en.htm>

³ Stresa conference <http://penguincompaniontoeu.com/additional_entries/stresa-conference/>

⁴ Imperial preference: <<http://www.britannica.com/topic/imperial-preference>>

market ranging through rates were in this respect considered ideal means because the level of guaranteed prices ensure adequate income and thus directly acted to increase production. In addition, the CAP to enable countries with high employment in agriculture to share the cost of expensive measures with other Member States.

For agreement on specific mechanisms of the CAP was probably the greatest importance to the mentioned principle compensation, which was contained in the EEC Treaty itself, which was signed by both agrarian-oriented countries such as France and the Netherlands, as well as industrialized countries such as Germany and Belgium.

For an agrarian country like France was the contract was managed by the EEC sales of agricultural products, which would be nekonkreneschopná thanks to high prices on world markets. For industrial-oriented country like Germany it means conversely that imports of food at cheap world prices had to be stopped. Most prominently the problem proved after the adoption of the Great Britain as a member of the EEC, which escalated into a problem for the British government of Margaret Thatcher The ban on importing food cheaper at world prices for industrial land was appreciable financial loss, but this disadvantage should be within the common market compensated for their industrial exports production.

The market price on the internal market was to be stabilized through a system of intervention. In order to maintain the (high) prices at all times, the market organizations were combined with a system of variable import levies and export restitutions. In connection with this system, a Community preference was introduced to further protect the farmers in the six countries. The principle of common financing meant that all costs and benefits of the CAP were a matter of common interest and were to be handled through the Community budget. After a period of

transition, the CAP was fully implemented in the late 1960s. The institutional prices for the major products we can compare in table 2

Table 3 : Price of commodities in EC and world price

Table 2. Prices for certain agricultural products in the EEC compared with world price levels, 1967/68^a

Product	EEC common price UC/100 kg. (1)	World market price UC/100 kg. (2)	(1) as a %age of (2)
Soft wheat	10.7	5.8	185
Hard wheat ^b	16.1	8.1	200
Husked rice	18.0	15.3	117
Barley	9.1	5.7	160
Maize	9.0	5.6	160
White sugar	22.3	5.1	438
Beef	68.0	38.8	175
Pig meat	56.7	38.6	147
Poultry meat	72.3	55.0	131
Eggs	51.1	38.7	132
Butter	187.4	47.2	397
Olive oil ^b	115.6	69.8	166
Oil seeds ^c	20.2	10.1	200

Source: Fennel, CAP

Gradually, nevertheless, the basic compensation agreement between industrial and agricultural countries become a source of conflict. As shown in the previous table, the Community prices had grown and receded to the level of world prices. For industrialized countries, this trend meant that there was a constant de facto reduction of compensation offered and that it got into less favorable position within the common market in comparison with the agrarian-oriented states.

Solving agricultural issues had a significant impact on all countries in the Community without ohldu on whether it should rather industrial or agricultural chrakter. The CAP is in fact directly dtoýkal area of state subsidies, regulation and employment significantly orking manifested

already mentioned to strong interest groups. The influence of agricultural interest groups operating in the common market, which due to increasing farm income has become a major cause of subsequent financial instability Community. The Council of Ministers failed to prevent the growing demands of the farming community and the Commission was unable, without the full support of the Council to push through proposals to restructure agriculture.

Thus, the Community could not face a disproportionate financial burden, and gradually it could not cover the increasing financial demands of this region. Implementation of the CAP has become one of the most expensive compromises Community.

The answer to the question why there has been this development and why, despite rising costs for basic principles of the CAP so long preserved, it is necessary first of all to look at the benefits that CAP offered many Member States of the Community. Especially agrarian states allow distribution is actually reduced their own costs on agriculture. All countries then brought effectively stimulate the development of this sector, plus the possibility of transferring responsibility for negotiations on agriculture at the Community institutions.

3.4 Market order

An order that an investor makes through a broker or brokerage service to buy or sell an investment immediately at the best available current price. A market order is the default option and is likely to be executed because it does not contain restrictions on the buy/sell price or the timeframe in which the order can be executed.⁵

⁵ Market order: <<http://www.investopedia.com/terms/m/marketorder.asp>>

The individual price level for agricultural products, along with other conditions for their movement determined within regulation systems, which are sometimes also any weather conditions, as market orders. Regulatory systems have different forms and intensity of which depends on the specific agricultural products. Strategic products such as grain, milk, sugar and beef fall within category of most strongly regulated products, and vice versa in fruit and vegetables are least regulated. At the time of the CAP was the main objective of the individual market orders to offer farmers the conditions of production that is stimulated to produce more strongly than it did just the pressure of demand.

Target price

CAP prices are set in several different versions, which have different purposes. The most common basic price is the price target, which the Council of Ministers endorses the need for orientation of farmers and the public. The purpose is to inform the target prices set by the value of the goods. It is thus a price that determines the value of production in the market and affect the price paid by the consumer

Threshold price

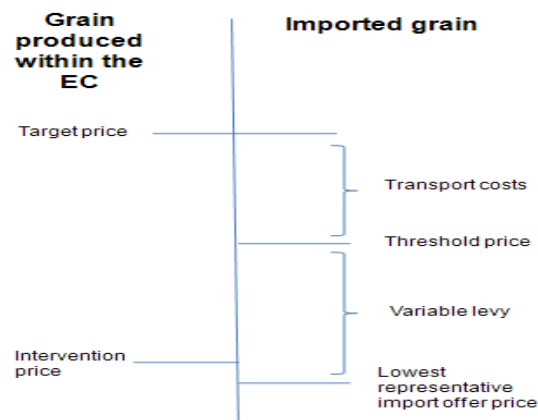
Below the target price is determined by the price threshold that is used when importing agricultural produce from abroad. height threshold price is in fact the lowest possible value for what you can bring a competitive product from abroad. The threshold price used to compare the difference between the value of the product produced in the Community and imported products

and is also used to calculate benefits on the basis of variable premiums, ie the amount granted import duty.

Minimum price

From the perspective of the common agricultural policy isakmpd is of utmost importance third lowest value price, which is referred to as the minimum price or intervention price. This award sets the minimum value for which the Community is willing odkoupti produce from farmers in the event of a decline in market prices due to low demand. Minimum price gives farmers the information about what value for Community redeem their overproduction and allows them to better prepare production strategies. Community institutions respektivly agricultural agencies in each country by buyout basically intervene in favor of stabilizing the market. The height of the intervention price and the specific procedure agencies depends on the type of goods and therefore has at various products entirely different character. Follow picture show us the basic principal of Price Support Mechanism

Table 4 : Price Support Mechanism



Currently facing Common Agricultural Policy still following main issues:

- through the reforms is the Common Agricultural Policy still too expensive. The European Union is investing billions of euros to stabilize a small, albeit important sectors, instead of resources channeled into more promising areas such as education, research, industrial policy, regional development, financing of European Union enlargement, defense and security etc.
- The Common Agricultural Policy provides mechanisms that limit the business activity of farmers and preserve the state. Many European farmers are also satisfied with this situation and urges conservation subsidies.
- The Common Agricultural Policy must adapt to opening up world trade in agricultural products. A new round of negotiations at the WTO will begin in November 2001. The program includes further liberalization of agricultural trade and the downward pressure on domestic subsidies to farmers.

- The Common Agricultural Policy will need to meet new requests and concerns of consumers, who until recently paid little attention. Will have to restore confidence in livestock production (overcoming the crisis of confidence caused to the beef market mad cow disease), to support the type of agriculture that is respectful of the environment, including organic farming, objective information about the impact of GM crops on human health and environment.
- Finally, before the Common Agricultural Policy costs the difficult task of EU enlargement candidate countries. That will require considerable financial costs and problems of temporary management of the Common Agricultural Policy so as not to disrupt the unity of the internal market to the detriment of farmers' current or future member countries.

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3.5 History Of The Common Agricultural Policy

Create a common market for agricultural products has been more difficult than in the case of industrial products. The common agricultural policy was in its infancy already contained in the Treaty of Rome by Germany, France, Italy and the Benelux countries signed on 25 July 1958. In her acceptance exert pressure especially France. French Agriculture worked in the fifties still one fifth of the working population, which resulted in significant economic and social impact. The votes of farmers also reported significant local politicians. France was the largest agricultural producer among the founding countries of the European Economic Community and intended surplus to export its products to the markets of its trading partners. The same concern was also shared by Italy and the Netherlands in particular, which began with the building of a highly competitive and intensive agriculture geared for export. The adoption of the Common Agricultural Policy also France must affect its agreement with the introduction of free trade in

industrial products. Concerns about the competitiveness of domestic enterprises and was exported hope to find new outlets for French farmers. The French position was in some respects different from the intentions of Germany. It urged the creation of a common market with free movement of goods. At the same time it would not object to it if the creation of the Common Agricultural Policy, as decided by the Treaty of Rome, took more delays. Germany too happy about the introduction of the principle of Community preference in this area. Establishment of the German Democratic Republic, West Germans cut off from very fertile cereals areas in the east, with the result that Germany had to buy grain on international markets, but where grain prices were lower than in France. By introducing high tariffs to protect the European market would be such imports planted a mortal wound and Bonn would have to switch to a more expensive purchase of French wheat. French prices were also lower than the German, and due to the geographical proximity of the two countries could supply the French peasants mean fierce competition for German colleagues. To that end the Bonn government with the final shape of the Common Agricultural Policy agreed, was a clear concession, which was offset by the abolition of customs duties on industrial products. The emergence of the Common Agricultural Policy is the first example of the so-called negotiations. "Packages", which should ensure a balance of interests of individual countries in all stages of the negotiations.

All founding members of the European Economic Community had, in fact, in the field of agriculture and some of the same interests. Their main aim was to develop agricultural production to ensure food self-sufficiency and lighten deficits in its trade balance. European agriculture was very different, and in many areas are properly supplemented. Each country had a comparative advantage, the use of which could have secured a place in the sun. French grain surpluses could find outlets in Germany. Italy was in 1958 the only Mediterranean country with a

typically southern agriculture and the Netherlands could supply the common market of meat and meat products at low prices. European leaders also agreed in opinion on the future of agriculture. Should be ensured its modernization, which would free the necessary workforce for the booming industry. Participants in the Intergovernmental Conference in the years 1956-1957 had available detailed reports on the performance of US agriculture. They spoke for themselves: while in the future the European Economic Community helped 17.5 million farmers on 65 million hectares to feed 150 million people in the US with more than 200 million people could rely on just 4 million farmers who worked the 400 million hectares. Backwardness of European agriculture could be expressed more clearly. It was necessary to ensure an increase in investment. Farmers have had to ensure their return, which was a market with strong price fluctuations unthinkable without state intervention. In fact, none of the founding members of a larger problem. Each of them had already been financially supported agriculture. Yet simple enough for the introduction of high tariffs against agricultural imports from third countries. Because agricultural trade within the Community should be as commerce industry is exempt from duties and quotas, national systems had to be replaced by a system of aid uniform throughout the Community. Only then can a level playing field for all competitors.

However, negotiations were very difficult, as evidenced by the articles of the Treaty of Rome, which relate to agriculture. The agreement on the detailed functioning of the Common Agricultural Policy was most difficult task. The Treaty does not contain specific provisions on how the agriculture in the European Economic Community supported. It was set only aim, basic principles and the timeframe in which the entire system should be created. Article 39 (now Article 33 of the consolidated version) defined five basic goals that should maintain the Common Agricultural Policy, which include increasing agricultural productivity, ensuring a fair standard

of living for the agricultural community, stabilizing markets, assuring the availability of supplies and ensuring that supplies reach consumers at reasonable prices .

Some of these objectives were difficult to reconcile with each other. For example, ensure that the living standards of farmers expected subsidies and higher prices for products while consumers would prefer low prices. These objectives, however, clearly reflect the will of the creators of the contract: to build a modern and subsistence farming to a regulated market to ensure stability of prices of food and income for farmers. In order to fulfill their treaty also mentioned the two instruments. Counted with the creation of the common market organizations for various agricultural commodities and the foundation - one or more - financial funds. Concrete fulfillment of these provisions has been entrusted to the future of the Community institutions. The contract also identified the exact time frame: the beginning of the second stage of the transitional period - 1 January 1962 - should be common agricultural policy already on the table.

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1.2 The Common Agricultural Policy until the end of the 80s

Due to time constraints, the European Commission immediately put to work. For Agriculture Commissioner Sicco Mansholt was a major test to demonstrate the ability to put into practice the first common policy. In July 1958 took place in the Italian Stresa conference of ministers of agriculture, experts and organizations defending the interests of farmers. Based on its conclusions, the Commission has developed the first proposals in 1959 and is presented to Member States. At the end of 1961 but still no agreement was reached and negotiations stuck in a deadlock. Yet States wanted to agree. It proved even "stopping the clock" which acceded Council on December 31 1961až until then, until it was during marathon lasting until January 14

agreement actually reached. The main contribution to the success of the negotiations was the position of German Chancellor Adenauer, who finally agreed to the introduction of import levies *zdražující* imports from abroad. The agreement of January 1962 clarified how the Common Agricultural Policy work in practice. To guarantee the free movement of goods and agricultural commodities. For each product group envisaged the creation of a common market organization, which was based on a system of guaranteed prices. The Council should annually an indicative price. It determined the ideal level of prices in the market. In the case of the collapse of community farmers markets provide a price guarantee. If market prices go below the fixed intervention price, opened before farmers an attractive opportunity for intervention, which were required products for the price to redeem. The price guarantee and was also introduced unlimited guarantee sales. The combination of both guarantees eliminate risks in the market and guarantee farmers convenient outlets. High prices compared with world markets should guarantee sufficient income to farmers and provide resources for investments aimed at improving productivity. They also promote stability back to the market, guaranteeing safe return. In 1967, they should be created of the common organization of the market in cereals, pork, eggs, poultry and oilseeds. A year later, he foresaw the emergence of the CMOs for milk and beef. In all countries should apply the same rules: it was the principle of the unity of the market. Prices were determined on a community level and apply in all countries equally. The problem, which made difficult the unity of prices, the exchange rate movements of currencies among themselves. It was therefore necessary to adopt measures known as agri-monetary compensation.

In relation to third countries has been established principle of Community preference. Since most agricultural products sold on world markets at lower prices, were imposed on imports moving doses. Ty is compensated their price at a level indicative prices and allowing to keep the price

level in the community at a significantly higher level than on world markets. In order to ensure that export their own products, providing community exporters compensation related to exports. These subsidies allow you to shrink their prices to the world level. The financing was accepted rule of financial solidarity. The Council of the European Economic Community established the European Agricultural Guidance and Guarantee Fund. The task of the Guarantee Section, which swallowed up the largest part of the budget, the payment of levies and finance the purchase of goods in intervention stores. In addition, the fund still Guidance Section, which aims to promote structural reform of European agriculture. Until June 30, 1965 June financial resources of the Fund came from national contributions. After this date should be decided on the introduction of Community own resources.

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13. Financing the common agricultural policy

Now disagreements about the financing of the CAP caused a crisis in the community in 1965, which was resolved called. Luxembourg compromise. However, it soon became clear that the issue of the Common Agricultural Policy was merely a pretext vicarious broader problem, where France has clashed with its partners on the issue of deeper political direction communities. In March 1965, the European Commission proposal for a definitive solution to the problem of financing the Common Agricultural Policy. An ambitious plan assumed that the European Economic Community own resources obtained funds. To the Brussels coffers have run out of money moving import levies and largely duties on industrial products. The proposed amount of funds raised at the time exceeded the needs of the budget. The Commission, led by its Chairman W. Hallstein, however, went further and suggested that the solution to the budget was

supplemented by strengthening the powers of supranational institutions of the European Economic Community. There would be the Commission itself and the Parliamentary Assembly, which was the forerunner of the later European Parliament. This proposal proved to be unacceptable for France. He also refused to support Italy and the Netherlands. The aim of the Commission was likely to join the issue of the Common Agricultural Policy, which had a strong French support, with the aim of strengthening the trans-national elements at the expense of intergovernmental cooperation in the European Economic Community. If, however, the Commission calculated the right way, lost by a wide margin. In relation to the French proposal appeared to be an obvious provocation. Former French President Charles De Gaulle gave earlier on several occasions indicated that the development of the European Economic Community to multinational Federation is unacceptable for him. De Gaulle on this issue conflicted with its partners and in 1963 refused to UK applied for membership in the European Economic Community. While the negotiations on the shape of the common agricultural policy in the year there was a "stop the clock" and was continued in 1965, everything was different. June 30 De Gaulle withdrew French representatives of the authorities and the community began obstruction of its activities. He also revealed the real reason for his intransigence. It was not the issue of the Common Agricultural Policy, but the effort to retreat from the provisions of the Treaty of Rome, which required it since the beginning of the third stage in 1966, most decisions are taken by qualified majority. This policy of "empty chair" was resolved only in January 1966 adopting the Luxembourg compromise. It said that when one of the parties considered the matter under consideration as a key matter of national interest, will vote unanimously. It was a de facto revision of the Treaty of Rome, which stopped the development community to supranational integration for the next 20 years. For the financing of the common agricultural policy, it meant

only one thing: after the emergence of the first CMO in cereals in 1967 were expenditures continue to be funded by contributions from individual countries. After the departure of De Gaulle of high politics adopted in 1970 by the Council Regulation on Community own resources.

There were three main sources of income:

- agricultural levies (premium surcharges and compensation benefits, which are levied on trade in agricultural products with third countries)
- customs duties levied on the basis of the Common Customs Tariff EC trade with third countries
- revenues from the value added tax levied in the Member States, initially to the level of 1 percent income tax. After the accession of Spain and Portugal in 1986, this threshold was raised to 1.4 percent.

In 1988 it was introduced called. Fourth resource Community budget, which is calculated as the share of each country's gross domestic product. The revenue side of the budget, of course, served to finance all expenditure communities. Those from the 80s recorded rapid growth, which also involved the other Community policies. Since the accession of the Iberian country in 1986 recorded a strong growth mainly spending on regional policy, which between 1980 and 1990, increased almost fourfold. But as evidenced by the following table, the CAP has always been the biggest budget item. Expenditure on her in absolute terms throughout the growing, although their proportion recorded since 1980 decline. The structure of the budget of the EC / EU in the years 1958-2001 (in million units of account (until. 1970), EUA (to dir. 1980 ECU since 1990) shown in the following table

3.6 Common Agricultural Policy after 1992 reform and Mac Sharry reform

Internal and external pressures for reform of the Common Agricultural Policy

In the late '80s it became clear that the common agricultural policy needs to change the overall philosophy. In some sectors, particularly in the area of cereal crops and rearing livestock for slaughter, critical situation occurred again, similar to that which the community has had to deal with a few years earlier in the milk sector. In 1991, the European Community should in their stores more than 15 million tons of grain, which had not found an outlet, and the total expenditures to support farmers exceeded the originally planned assumption. The internal reason to reform the Common Agricultural Policy was not the only one. To change the concept of European agriculture subsidies pushed well as significant external influence. Thus, the negotiations in the Uruguay Round of GATT, which consisted of questions of trade in agricultural products an important part of the agenda.

General Agreement on Tariffs and Trade (GATT) was established in 1948 and signatory States it set the objective of progressive liberalization of world trade. Given the seriousness of the political and economic issues at stake in the negotiations There has form called. Wheels, which always took several years. Liberalisation of agricultural trade was formally part of the agreement, in fact, but for many years on the agenda of almost gotten. Negotiations are always focused on the decline in customs duties in trade in industrial products and agriculture were rojednávány only marginal issues. Some, however, also had a significant impact on trade between the European Economic Community with other countries. For example, in 1962 the European Economic Community at the end of the so-called. Dillon round pledged to reduce tariffs on agricultural products applied to imports from third countries. At the same time,

Community agreed to US demands that imports of oilseeds will be levied no import duties. FIELD oil was thus in Europe unlike grain from the outset substantially liberalized. It also caused problems for European producers of cereals. Zero duty on imports of oil and some kinds of substitute feed caused these commodities are squeezing due to low prices and high nutritional European grain on the domestic market of feed for livestock. Increased competition from overseas contributed to the growth of unsaleable stocks of cereals in European warehouses. Through the liberalization of oil to the liberalization of trade in agricultural products not undergone comprehensive negotiations under GATT. In 70 years, the US increasingly challenged European protectionist policies, failed to have with a few concessions to achieve substantial changes.

The turning point occurred in 1986. That was when it launched the Uruguay Round of GATT negotiations. The initial declaration of Ministers of Trade and Industry (or appropriate equivalent) was laid special emphasis on the liberalization of trade in agriculture. The attack against a European system of subsidies resulted primarily the US supported the so-called Cairns group. US feared the loss of world markets for European farmers and there is no doubt that these concerns have some basis in reality. With this system, aid granted to farmers have increased their own countries of the European Economic Community significantly its share of the world market for cereals from 14 percent in 1981 to 20 percent in 1991. The share of the US in the same period decreased significantly from 47 to 32 percent, yet maintain still dominant. From their perspective, however, they were critical tendencies, not achieved state. US-backed allies Cairns group first raised at meetings of the requirement for the elimination of protective tariffs and any aid granted by EU farmers, which was unacceptable for European countries.

Communities were willing to accept the proposed principles of liberalization, but on condition that his application will occur gradually.

This round undermine the basic instruments of the Common Agricultural Policy, which included support for exports of agricultural products to third countries and high duty burden on imports of selected agricultural products into the European Union. If, however, the European Economic Community acceded to the elimination of export subsidies, it would be its agricultural goods due to high domestic prices on world markets unsaleable. Abolition of customs duties and taxes again threatened to flood Community market much cheaper products from abroad. European countries, however, could worry for another reason. As part of the Uruguay Round negotiations had also been discussed system, structure and amount of funding from the EU budget to farmers. Particularly disadvantageous in a new constellation for Europe showed the current model of aid based on the guarantee of purchase prices of certain agricultural commodities. Prices of major agricultural commodities, which determine each year the Council of Ministers, were often much higher than the prices achieved on world markets.

After several failed negotiations was ultimately between the European Community and the USA reached an agreement in Blair House in 1992. It was officially consecrated the signing of a final compromise agreement at Marrakesh in 1994, which formally concluded the Uruguay Round of GATT and established the World Trade Organization (WTO). These agreements included several key provisions on agriculture. Their provisions were in force for all signatory countries and significantly influenced and continues to influence the present and the future shape of European agriculture.

Reduction of export levies: Signatory countries agreed that by the year 2000 will reduce the amount of provided export subsidies by 21 percent. In terms of value was a decline of 36 percent.

Access to markets: signing agreements with countries committed to the overall change in the philosophy of protecting the domestic market. Henceforth been banned slippery amounts levied on imported goods, which will be replaced by a system of fixed tariffs. This would cover much the current system of the Common Agricultural Policy, which were moving doses key element in the protection of the domestic market in the so-called Community preference.

Reduction of domestic support: Along with the change of market access was the most important provisions, which necessitated an overall reform of the Common Agricultural Policy. The signatory states undertook to require a reduction in domestic support to farmers by 20 percent compared to the reference period 1986-1988. In fact, it meant that the European Union is committed to a gradual degradation of subsidies. This would cause a shock to the hitherto protected by European farmers.

Therefore, the European Union recover exemption to the mandatory reduction of subsidies to direct payments to farmers. This is where the path led to an acceptable reform of the Common Agricultural Policy, which consisted in the transition from the system of subsidies that depend directly proportional to the amount of production to a system of direct payments, which are provided to farmers regardless of the amount of production that is able to deliver to the market (eg criterion. acreage of arable land or number of slaughtered cattle).

Mac Sharry reform

Main points:

New business relation of European Community (EC) with GATT

The dispute between the Community and global food exporters started since the beginning of 60's in the framework of Kennedy round. But, the most escalation culminated in the mid-80s during Uruguay round, especially under pressure of US and other world food exporters who demanded the removal of all financial support for exports during the ten years.

New direction of European integration

Decomposition of Soviet bloc and especially reunification of Germany recalled new requirements for integration process. We must take a count that reunification of Germany was considered by France and United Kingdom (Mitterrand and Thatcher position)⁶ like a destruction of post-war order and new threats for future develop of European integration.

Surplus regulation of farming productions

Original conception of self efficiency from inception period of CAP was almost accomplished at the end of 1970's. During 1980's Community started suffering by overproduction of some kind of farming products, especially milk and wheat. It was necessary gradually reduced EU support prices for the main agricultural products (such as grains and beef) and compensated farmers for

⁶Der Spiegel Interantional < <http://www.spiegel.de/international/europe/the-iron-lady-s-views-on-german-reunification-the-germans-are-back-a-648364.html>>

the consequent revenue loss in the form of direct payments. With this instrument, producers received a direct support based on their historical levels of production (areas, yields, number of animals).

Social stability program

The largest volumes of funds in the framework of CAP weren't spend for the needs of farmers, but earmarked for export subsidies. Even, it was in contradiction with social-market economy⁷ of post-war philosophy.

For these points was created a new form of subsidies direct payment and rural development in the framework of SAPS (Single Area Payment scheme) for stable wellbeing condition and income for farmers. The amount of the payment is calculated for each state based on agricultural production. In addition to direct payments, there are other "flat" payments. These are payments to less favored areas (LFA), Agri-environmental payments and payments to organic farming. These payments are in different states vary significantly and are unique. They are paid only to farmers who operate in difficult conditions or undertake to comply with the "order" of the state according to predefined conditions and at certain times.

The reform of 1992 was not the first proposal for a fundamental change in the proportion of European agriculture. Already in 1968, designed by former European Commissioner for Agriculture Sicco Mansholt plan, whose objectives were boosting the competitiveness of farms. The plan submitted by the Member States included radical measures to for regulation of surpluses beginning. Contained a number of suggestions going to right direction, sparked alarmed reactions of farming public. The grinding plant conflicting interests him finally after

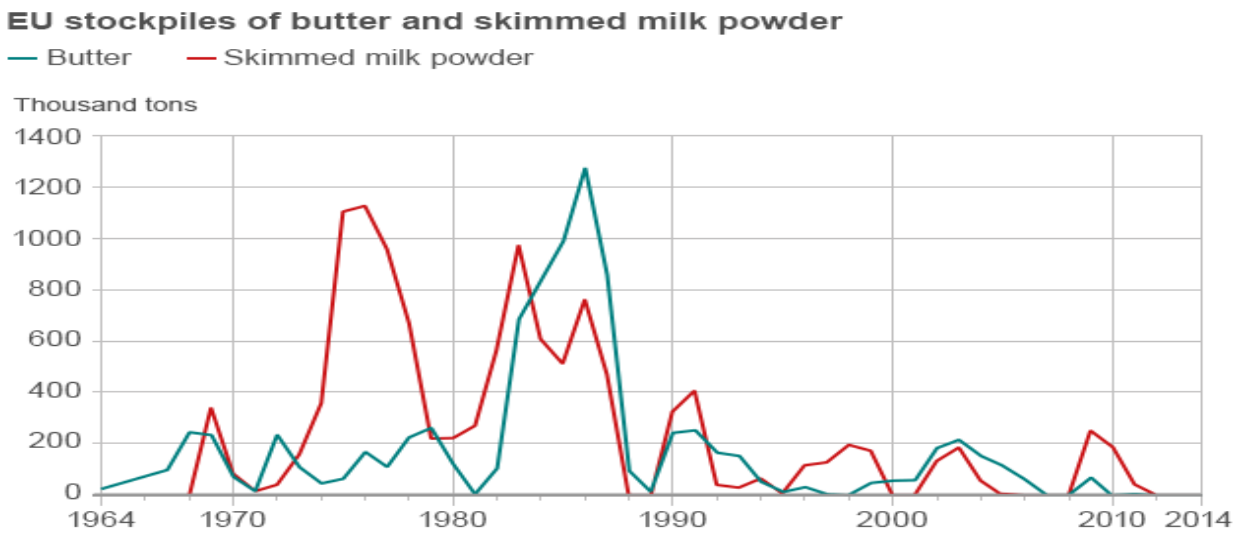
⁷ Social-market economy <<http://www.adamsmith.org/wp-content/uploads/social-market-economy.pdf>>

voting in the Council in 1972 remained only a torso. The major reforms were not strong will, certainly, because the proposed measures come at a time when the crisis of the current model of the Common Agricultural Policy has not been so strongly felt.

Twenty years later, the situation was quite different. Suggestions for reform were many and although the rising financial demands of agriculture has been the subject of criticism in the long term, the immediate reason for the reform is the need to adapt to the requirements of GATT negotiations. But it was the internal political debate rather obstructed to many critically minded farmers arouses the impression that Europe is in negotiations succumbed to US demands liberalization. In fact, most of the countries of the European Economic Community (later the European Union) recognizes that the gradual liberalization is necessary. This path is supported mainly the Netherlands, whose powerful agriculture from liberalization promised the possibility of further expansion into foreign markets. In any case, the further isolation of the European Union in agricultural trade considered economically and politically counterproductive. With this in mind sanctified eventually reform as Germany and France.

Follow graph show us the consequences of CAP during the decades on the milk and butter stockpiles . One hand we can observed the primery target of self-sufficiency was succesfull achived by the intervention prices. Another hand garanties prices seted up by EAGGF (European Agricultural Guidance and Guarantee Fund) caused of negative aspect in the form of surplus production in Community. At the end 1980's price for stockpiles was higher that world price. it was neccesery to reduction of stockpiles in Community warehouses. Since 1993 untill theses days we can observe signaficance reduction of stockpiles due to Mc Sharry reforme.

Table 5 : Develop of volume of butter and milk in first decades of CAP



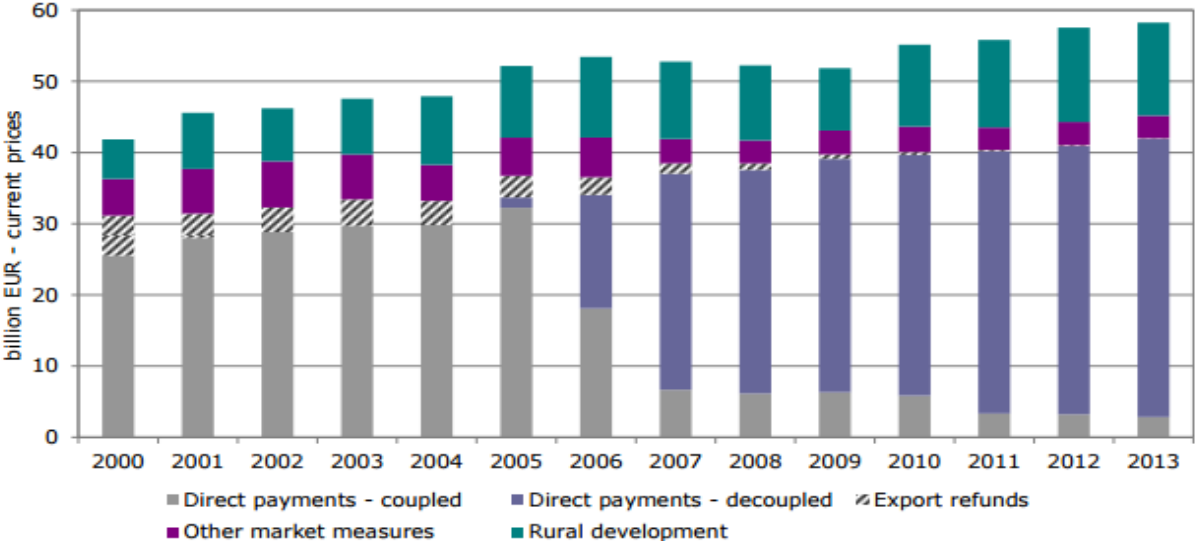
Source: European Commission

In 1992 and adopted a package of measures for a fundamental reform of the Common Agricultural Policy. The aim of the amendments adopted was to increase the competitiveness of European agriculture on the global markets, reduce the increasing financial demands of the Common Agricultural Policy and cut long-term trends leading to the creation of surpluses. These changes included a reduction in the intervention price set centrally with the current compensation of the reduction of direct payments to farmers paying so as not to affect their income. Direct payments have the added advantage that it did not fall under the statutory commitment to reduce the subsidy to which they gave the European Union agreed in the framework of GATT negotiations.

We can observed from this period, how is show us in next diagram that in financial year 2013, direct payments reached EUR 41.7 billion and represented 71% of the whole CAP; 93% of them were already decoupled. Overall expenditure for direct payments increased by EUR 778.2

million between 2012 and 2013 financial years (+1.9%), mainly due to the increase of payments in the EU-N12 (+14%), owing to the scheduled increments of such payments in those Member States. The key characteristics of the architecture of the EU Rural development policy remain untouched by the reform. As in the past, it will be implemented through national or regional rural development programs. In the future we must expect that the Rural development will be more significance in CAP.

Table 6 : Share of rural development and direct payment



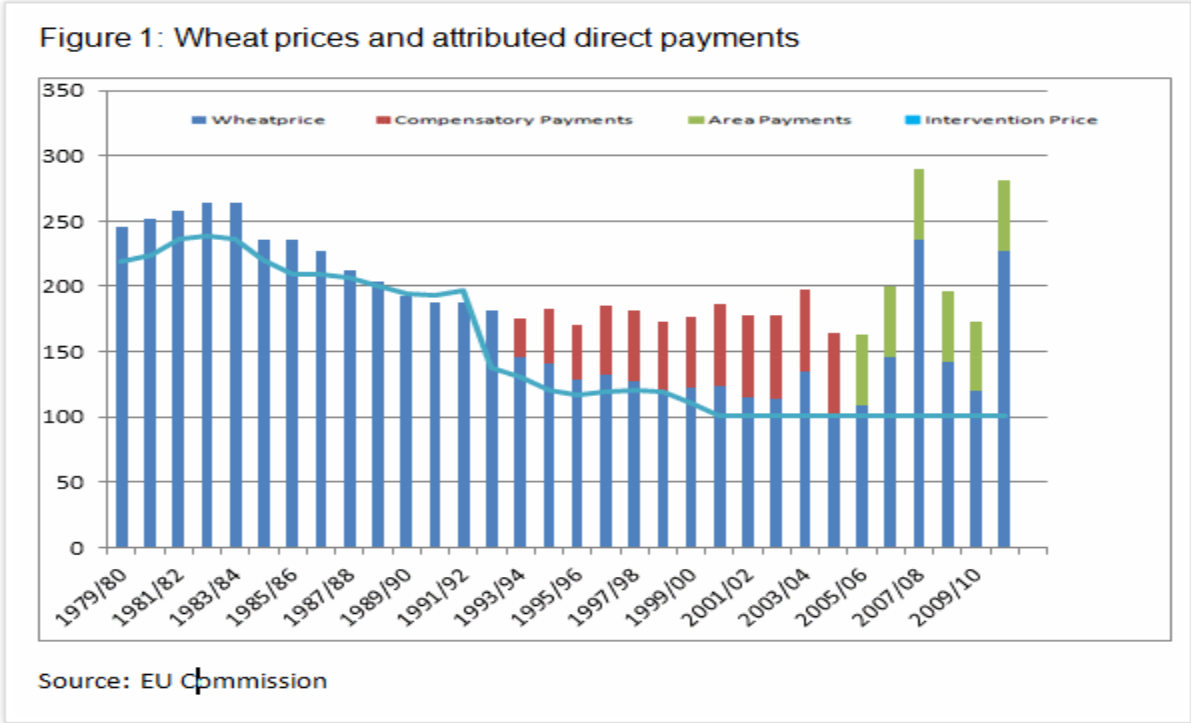
Source: < http://ec.europa.eu/agriculture/cap-funding/beneficiaries/direct-aid/pdf/annex2-2013_en.pdf>

In the cereal has been providing aid conditional on the mandatory retention of part of the arable land fallow. It was a radical step that should lead to a reduction of arable land and the total supply of grain in the market. The reform of the Common Agricultural Policy will not cover all sectors of production. Significantly affected cereal and beef production, to a lesser extent, affected the production of milk and butter, tobacco and lamb. Other areas were not affected at all or only marginally. Important steps have been taken so particularly in areas where the costs were

high and the situation demanded a significant change. Growing of cereals and beef production has led to the creation of the largest surpluses. Both sectors have traditionally been even after the reform of the Common Agricultural Policy remain the most expensive item of the common agricultural policy currently. Any change had to be started here.

Follow figure show us the development of intervention and market prices for wheat and the attributed direct payments. It is obvious that market prices did not decline as much as intervention prices; but the latter had been taken for the quantification of the income loss.

Table 7 : Principle of intervention



Moreover, market prices in recent years have even been higher than the prices prior to the price cut. Most likely, prices will stay above the former price level in the coming years . However,

independent of the development of market prices, direct payments cannot be justified anymore by the need of adjustment aid⁸

Overall, the reform of the Common Agricultural Policy of 1992 has fulfilled main purpose. European Union to meet its commitments made under the GATT negotiation rounds, while there was a significant reduction in stocks of intervention stocks. This helped not only the results of the reform, but also extremely favorable conjuncture on the international markets in the mid-90s, particularly in the cereals market, where strong demand and high prices allow the EU cereals exports.

3.7 Agenda 2000

Spending on the Common Agricultural Policy reform despite McSharry reform in 1994 still represented around 40 billion Euros. In July 1997, the Commission presented a comprehensive document called Agenda 2000 - For a stronger and wider Europe. In this analysis, the Commission has identified five key areas where the need to implement reforms, including in agriculture. Taken reform helped reduce market intervention by reducing the intervention price. Agenda 2000 also emphasized the importance of rural development.

Mid-term Review

The aim of the revision in 2003 was to increase the competitiveness of agriculture, both inside the EU and outside as well as, the transition from aid granted to a product on the support to producers focus on environmental protection, food quality and safety and animal welfare. Basically, agricultural producer to be due to these reform steps still to focus more on their

⁸ CAP reforme 2014-2020 <<http://capreform.eu/basic-direct-payments-for-eu-farmers-the-proposal-of-the-commission-of-the-eu/>>

decisions according to market signals and demands of society (consumers) and not to produce commodities for which there is no interest or are in the market hardly applicable.

The reform focused on the following areas:

Breaking the link to production (decoupling) - decoupling of aid for agricultural production introduction of the single farm payment, which in practice means that the agricultural producer receives one payment instead of multiple payments.

Respecting standards at farm level (cross - compliance) - basis defined legal management requirements (public health, animal and plant health, the environment, animal welfare officer) and good agricultural and environmental conditions.

Modulation - this is a transfer of direct aid to farmers to rural development.

Financial discipline - degressivity should be applied on farms with payments above € 5 000. Farms with payments 5 000 euro were exempted from this measure.

Rural Development - support the following areas: food quality, animal welfare, new technologies for food processing. There will also be encouraged young farmers, food quality schemes, groups of producers (70% of costs). They will also be provided to support the implementation of standards on farms and participate in the so-called. Advisory system.

Advisory system (audit farms) - The introduction of the farm advisory system is to assist agricultural producers in the application of standards in the field of agri-environment, quality and food safety and animal welfare (cross - compliance).

3.8 CAP reforme 2003

This landmark reform moved the CAP into a new era by changing the nature of EU support to the farm sector and the rural economy.

The new CAP 2003

- be geared towards consumers' and taxpayers' interests while continuing to assist farmers
- safeguard the rural economy and environment
- keep budgetary costs stable and manageable
- help in negotiating a World Trade Organisation (WTO) agricultural agreement that meets the needs of EU agriculture and society.

Compulsory cross-compliance

The reformed CAP puts greater emphasis on cross-compliance. Hitherto cross-compliance was voluntary for Member States and applied to environmental standards only. Cross-compliance is now compulsory. All farmers receiving direct payments will be subject to cross-compliance. A 'priority list' of 18 statutory European standards in the fields of environment, food safety, and animal health and welfare has been established and farmers will be sanctioned for non-respect of these standards, in addition to the sanctions generally applied, through cuts in direct payments.

Modulation and financial discipline

The need to reinforce rural development has been an important element in the discussion on the CAP over the last years. In this respect and in order to finance the additional rural development measures agreed, direct payments for bigger farms will be reduced (the mechanism known as

‘modulation’), by 3 % in 2005, 4 % in 2006 and 5 % from 2007 onwards (see table). Direct payments up to an amount of EUR 5000 per farm will remain free of reductions.⁹

Health Check" of the Common Agricultural Policy¹⁰

Among a range of measures, the agreement abolishes arable set-aside, increases milk quotas gradually leading up to their abolition in 2015, and converts market intervention into a genuine safety net. Ministers also agreed to increase modulation, whereby direct payments to farmers are reduced and the money transferred to the Rural Development Fund. This will allow a better response to the new challenges and opportunities faced by European agriculture, including climate change, the need for better water management, the protection of biodiversity, and the production of green energy.

Risk management¹¹

In order to help farmers develop viable risk management strategies with the objective of mitigating the effects of physical production risks (alongside improving farmers' awareness of, and encouraging compliance with, prevention and control strategies in the case of animal and plant diseases) and managing their income variation, the review of the policy framework for risk management should:

- improve the availability of risk management tools, especially prevention tools and those related to price risks
- adapt the modalities of the current framework to the evolving diversity of needs

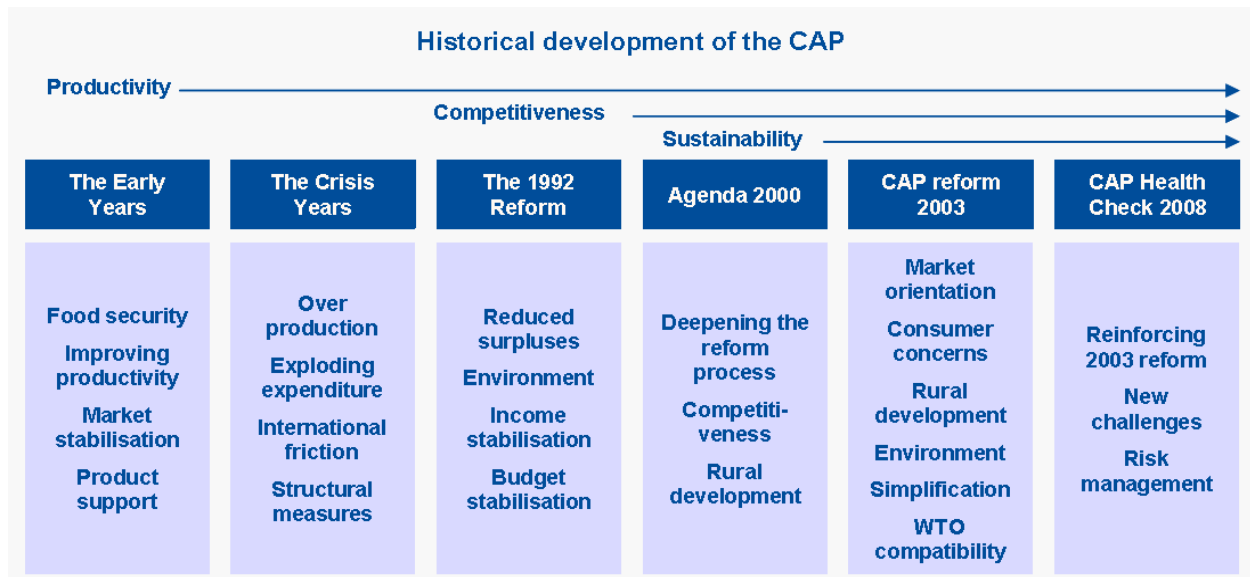
⁹ CAP reforme 2003 <http://ec.europa.eu/agriculture/mtr/sum_en.pdf>

¹⁰Health Check< http://ec.europa.eu/agriculture/healthcheck/index_en.htm>

¹¹ Risk management, European Commission <http://ec.europa.eu/agriculture/policy-perspectives/impact-assessment/cap-towards-2020/report/annex6_en.pdf>

Last diagram show us shifting of production quantity to boosting of quality in the historical development. We can expect these process will be continue in next decades of CAP development. Quality of products and sustainable agriculture with responsibility to environmental became the trace elements of CAP.

Table 8 : Historical development of the CAP



Source: <http://ec.europa.eu/agriculture/cap-history/cap-history-large_en.png>

3.9 Agricultural Situation and Perspectives in the Central and Eastern European Countries

The Czech economy contracted sharply in the first years of transition, but started to recover in 1993 reaching steady growth in 1995 and 1996. In 1997, however, economic growth dipped considerably as a number of underlying structural problems started to surface.

A lack of structural change in the enterprise and financial sectors, combined with excessive growth of wages and private consumption, caused increasing tensions that became manifest during 1997.

The Czech authorities took several initiatives to counter the problems. The Czech National Bank abandoned the policy of pegging the currency to the dollar and the DM and let the currency depreciate, giving the economy some air in the short term. Of a more structural nature were moves to accelerate the privatisation of banks, to limit the extent of direct ownership of enterprises by banks and investment funds and to amend the bankruptcy law.

As the restructuring of enterprises and in the banking sector takes hold a modest recovery of economic growth starting in 1998 and continuing in 1999 can be expected.

Agriculture in the national economy

The contraction in agriculture was longer and deeper and the recovery has been virtually non-existent compared to the economy in general. The share of agriculture in GDP has dropped to around 3% in recent years, as has the share in employment to around 4%.

The agricultural economy

In volume terms agricultural output has dipped further in 1997 according to the latest estimates. After a certain stabilization in 1995 and 1996 it reached its lowest point at 70% of the pretransition level, in particular due to a further drop in livestock production, which has been most affected and stood at less than 65% of the 1989 level. Crop output seems to have stabilized at around 80% of its 1989 level in recent years, after hitting a low in 1994.

In addition to the reduction in quantities produced agriculture has suffered from a worsening terms of trade. Input prices have tended to increase faster than producer prices, increasing the cost-price squeeze and leading to a negative income situation for the agricultural sector. Although the farm sector has cut its losses to a certain extent in recent years, it has not yet managed to return to profitability.

Agricultural production and consumption

Over half of the arable land is planted to cereals, mainly wheat and barley, and about a quarter to fodder crops, mostly maize silage for cattle, although fodder area and its share have been declining as livestock production went down.

Cereals area has remained fairly stable with a tendency to increase in recent years under the influence of favourable producer prices. With an average yield of around 4.2 t/ha production has fluctuated in the range of 6 to 7 million t, close to domestic needs.

Oilseeds area expanded rapidly during the first half of the nineties, but has tended to stabilise in recent years. Over 80% of oilseed production is rape seed with some increase in sunflower seed in recent years. The domestic crush has steadily risen as the demand for vegetable oils and fats has grown.

Sugar beet area declined from its pre-transition level and has fluctuated between 90,000 and 100,000 ha in recent years. Sugar yields (as a measure of the combined efficiency at farm and plant level) have improved, but at 5 to 6 t/ha are still below the EU average of 7.5 to 8 t/ha. Production has tended to exceed domestic use, leading to exportable surpluses.

The livestock sector has been relatively hard hit during the transition process. In particular cattle (including dairy cows) and sheep numbers have dropped considerably to around 50 and 20% respectively of pre-transition levels with no signs as yet to an end in the downward trend. Poultry and to a lesser extent pig numbers have started to recover and are at around 10 to 15% below pre-transition levels.

In the dairy sector the large drop in domestic use of milk of nearly 40% compared to pre-transition levels has been reflected in a downward adjustment of production of a similar magnitude. In particular less milk has been used for butter and skimmed milk powder (SMP), of which production and consumption continue to decline, while production and consumption of cheese has been recovering to close to pre-transition levels. For butter and skimmed milk powder

the Czech Republic is a net exporter, while for cheese exports and imports have been more or less in balance in recent years.

In the meat sector the continued liquidation of the cattle herd has led to a significant drop in beef production, which has followed the strong downward adjustment in consumption. After relatively high exports in the first years of transition, when production peaked following the initial herd liquidation and consumption dropped significantly as consumption subsidies were abolished, the Czech Republic has become a smaller net exporter in recent years.

Both pig meat and poultry meat production have started to recover as consumption again started to increase in recent years. In particular poultry production has not kept up with the rise in demand, leading to increasing net imports in recent years.. The most preferred meat is still by far pig meat. Production and consumption of pig meat have been more or less in balance in recent years, with a slight tendency to net imports.

Agricultural trade

While agro-food exports have stagnated, imports have continued to rise in recent years, leading to a rapidly increasing deficit, the largest part of which is with the EU. The EU is the Czech Republic's biggest trading partner with a share in Czech imports of around 50% and in Czech exports of around 35%, although with a declining tendency for both in the last three years.

The main import items are (tropical) fruit and animal feed, which together account for over 20% of imports, while the main export items are dairy products, beverages and oilseeds, which together account for 30 to 40% of export value.

Farm structures

The privatization of Czech agriculture, which in the pre-transition period was dominated by very large scale collective (the "old" cooperatives) and state farms, has led to the emergence of basically three new forms of farming: the transformed coops, other companies (joint stock or limited liability) and individual farms (family or otherwise).

Still 43% of agricultural land is in hands of the newly formed cooperative farms. Although the average size has decreased from over 2500 ha in the pre-transition period to around 1450 ha, these farms in general show a conservative and reluctant attitude to further restructuring.

The joint stock and limited liability companies, which have been created from the former state farms and from property withdrawn from the former coops, farm about 32% of agricultural land on average 690 ha (compared to an average size of the former state farms of over 9000 ha).

The remaining quarter of agricultural land is farmed by individual producers, often on very small plots of less than 3 ha, producing mainly for own consumption and local markets. Of the individual farms exceeding 3 ha, the average size is above 30 ha, with quite a number of larger farms of over 100 ha operating on leased land and with hired labour.

Rural development

About 25% of the population (2.6 mio) live in rural communities with less than 2000 inhabitants.

The rural areas are characterised by an insufficient technical and social infrastructure such as limited public transport, an underdeveloped communications network and a lack of schools. A

tendency to depopulation has negatively affected the demographic structure of rural areas, leading to an overrepresentation of the 55+ age class.

The less densely populated regions tend to have the highest share of agricultural land and also the highest share of agricultural employment. In rural communities the average share of agricultural employment reaches 25% (compared to less than 5% for the national average).

About 46% of agricultural land lies in Less Favoured Areas (LFAs) with natural handicaps such as hills and mountains.

Agriculture and environment

The main environmental problems related to agriculture are erosion, water pollution by agro-chemicals and manure disposal in areas with a heavy concentration of animal production.

During the transition the application of fertilisers and agro-chemicals decreased substantially, with some delayed effect on pollution levels. In more recent years there has been a slight tendency to again increase the use of inputs, but still remaining at less than half of the pre-transition level.

Up- and downstream sectors

In the upstream sector, the input supplying industries (chemicals, machinery, seeds, feed, animal breeders) although now privatised, still have a monopoly position on the domestic market, but are subject to increasing import competition.

In the upstream sector, in the course of the subdivision and privatisation process the total number of food processing enterprises jumped from 69 large state-owned companies in 1989 to many hundreds of private companies currently. The former state monopolies were mostly vertically integrated, covering the purchase of raw material, the processing and the distribution of food products, and often regionally based. After the break-up of the state owned conglomerates the reestablishment of market based links in the food chain has been a slow process. Although ownership has changed, in particular in the first processing stage many enterprises are still struggling with overcapacity.

Market policy

The main instruments for market price support are border measures (tariffs, import/export licensing and export subsidies) and direct (through the state agency) or indirect (through market agents) intervention in the market. The main institution for market support is the State Fund for Market Regulation (SFMR). In the period 1994-96 support was mainly limited to wheat (of bread making quality) and dairy products. More recently the SFMR has introduced more indirect forms of intervention, as has also the Support and Guarantee Fund for Farmers and Forestry (SGFFF), thus far mainly dealing with structural adjustment.

Expenditure on market support has tended to decrease over the last couple of years, but for 1998 more than a doubling is foreseen compared to 1997, in particular due to increased expenditure on cereals.

When comparing price support levels the gap between the Czech Republic and the EU would seem to be decreasing, more rapidly so for wheat than for milk. Also for beef (supported until 1994 and then only in 1997) the gap has decreased.

The border measures, which underpin market support, are to a large extent conditioned by the Czech Republic's Uruguay Round commitments on market access and export competition.

Most Czech tariffs are considerably lower than the EU-15 ad valorem equivalents with the exception of poultry, potatoes and oilseeds, which enjoy a higher protection, and of pig meat, which has a similar level of protection.

On the export side the Czech Republic is allowed to subsidise a limited range of products.

Against the background of policy interventions and domestic and world market developments producer prices have generally moved up in recent years, somewhat more so for crop products than for animal products, but have also in most cases not kept up with general inflation. Expressed in ECU the domestic price rises have been to some extent mitigated by the depreciation of the Koruna. Nevertheless, the price gaps at farm gate level with the EU have tended to decline over time.

Structural policy

Credit subsidies and loan guarantees, which are administered by the Support and Guarantee Fund for Farmers and Forestry (SGFFF), play an important role in facilitating structural adjustment. The credit facilities are available for investment as well as working capital needs. Credit policy

has shifted away from providing interest-free loans to farmers towards loan guarantees and partial interest subsidies.

In 1995 direct payments in the form of headage and area payments were introduced to encourage specialised beef production in less favoured areas (LFAs). In 1998 these measures were taken up in a new scheme. A generalised agricultural area payment was introduced, the level depending on the administrative land price and intended as a support to farming in general (maintenance of the landscape), organic farming and afforestation in particular, and in LFAs also to livestock activities (beef cattle and sheep). In addition an annual headage payment for dairy cows in LFAs was introduced.

In total expenditure on direct payments could increase by 117% in 1998 compared to 1997, overtaking credit subsidies as the largest structural expenditure item.

Medium term outlook

On the policy front the expectation is that, in the period up to accession, the Czech Republic will gradually adapt its market and structural policy instruments to the foreseeable Community acquis, but that level of support and of border measures will not increase much above or remain at current levels due to budgetary constraints and GATT commitments, and will only be aligned after accession.

For the general economic background the assumption is that with the structural problems which have surfaced it will take the economy some years to again reach its full growth potential.

Modest income growth will lead to some limited further growth in food demand, in particular for certain livestock products. The increased demand will be partly met by imports, but will also offer opportunities for the domestic agro-food sector in as far as it is able to improve its competitiveness in price and quality.

In the food processing industry restructuring and rationalisation of capacity can be expected to continue at a gradual pace, slowly improving efficiency and allowing for more remunerative prices to be paid upstream.

In the farm sector itself the cooperatives can be expected to remain dominant over the period under consideration. The reorganisation of management and a reduction in overmanning can be expected to continue to a certain extent to restore profitability. Some of the redundant agricultural workforce can maybe be absorbed elsewhere as the economy recovers its growth potential and as economic diversification in rural areas is encouraged. Private farming can be expected to continue to grow, but will also continue to be hampered by a lack of economies of scale, in particular in crop activities.

Under these conditions a modest growth in agricultural output over the projection period could be expected. In the crop sector the exportable surpluses for cereals and oilseeds would be in the same order as in recent years. In the livestock sector the Czech Republic would continue to be a net exporter of dairy products and more or less self sufficient in meats.

Overall, we can summarized the Czech agriculture by follow information's which are point out in SWOT analyse which in Appendix

4. Theoretical part

4.1 CAP Reform 2014-2020

Since the role of the CAP is to provide a policy framework that supports and encourages producers to address these challenges while remaining coherent with other EU policies, this translates into three long-term CAP objectives: *viable food production, sustainable management of natural resources and climate action and balanced territorial development.*

This reform first introduced into the first pillar of the CAP direct payments multipart structure including a strong environmental component, called Greening. The greening should now be bundled as a condition for payment of thirty percent of the total amount of direct payments. Prerequisite for direct payments will remain conditionality (cross-compliance). The Commission intends to cross-compliance requirements also include new Water Framework Directive and other directives relating to the protection of wild species of birds and the Directive on the sustainable use of pesticides. Also in the area of rural development are preferred targets for sustainable management of natural resources and climate action, such as restoration, conservation and enhancement of ecosystems, promoting resource efficiency and low-carbon climate resilient agriculture.

In short, EU agriculture needs to attain higher levels of production *of safe and quality food*, while preserving the natural resources that agricultural productivity depends upon. This can only be achieved by a competitive and viable agricultural sector operating within a properly functioning

supply chain and which contributes to the maintenance of a thriving rural economy. In addition, to achieve these long-term goals, better targeting of the available CAP budget will be needed.¹²

Key objectives of CAP 2014-2020:

New Basic Payment System (BPS) – direct payments are better targeted by limiting support to those who are actively engaged in agricultural activities.

Greening Payment- the Commission's proposal to make 30% of the direct payment received by farmers dependent on environmental criteria. MEPs and governments insist on flexibility, to allow for the diverse circumstances of Europe's farms. So these greening targets have been watered down, environmentalists say: the requirement for arable farmers to grow at least three different crops, to promote biodiversity; for farmers to leave 7% of their land fallow, to encourage wildlife; and for farmers to maintain pasture land permanently, rather than ploughing it up.

Other payments (disadvantaged areas, new entrants and small farmers) - newly defined mandatory scheme for small farmers, for whom the obligation member States allocate up to 10% of the national envelope. Its use is for small farmers on the contrary, voluntary and depends on his decision whether to program logs. Under this scheme then receives a single annual payment, which replacing all the direct payments (basic direct payment, payment for landscaping, or other payments made from the cover direct payments).

¹²European Commission, Overview of CAP Reform 2014-2020 < http://ec.europa.eu/agriculture/policy-perspectives/policy-briefs/05_en.pdf>

Continuation of cross-compliance - the importance of all payments from the national envelopes of direct payments will continue and will be connected with respect to the essential requirements related to environmental protection, care and welfare of animals and the fulfillment of animal and plant standards. It also proposed a regulation on the protection of water and the sustainable use of pesticides will be included and will be incorporated into the rules of cross-compliance as soon as it becomes apparent that they are correctly applied by all member states and were clearly defined responsibilities for farmers

Capping- total amount of support for the individual farmer, you can receive a payment under the basic program, ie. the sum of all the direct payments the company listed above, including payments for planting a scheme for small farmers, will be subject to degression and cuts.

Active farmers - the previous payments system was largely based on land area and past subsidy levels, meaning that landowners like airports and sports clubs, which do not farm, have been getting subsidies based on their grasslands or other eligible land areas.

Other new elements of the CAP reform

Monitoring Evaluation of the CAP: the European Commission will present, and will publish an evaluation report at the end of 2017 and then every four years thereafter - message will include the impacts of the CAP on three main priorities: a permanent food production, sustainable management of natural resources and balance the various regions-territories.

Simplification of inspections: requirements for checks in regions where previous inspections have shown good results, is reduced; thus, where the rules are respected. On the other hand, the frequency of checks increased in regions where deficiencies were identified.

Until the end of the year will separate proposals in the context of the Emergency Assistance (post-2013), as well as proposals to ensure full transparency in the area of direct payments under the CAP and other aids are included. Will be taken into consideration by a court decree of October 2010, in which it states that existing rules do not respect the protection of personal data of individuals. Rural development should accompany and complement direct payments and market measures of the CAP and thus contribute to achieving the objectives of this policy laid down in the Treaty on the Functioning of the European Union.

Content is the fulfillment of the three objectives of the Europe 2020 agenda:

- increasing the competitiveness of agriculture
- sustainable management of natural resources
- balanced development of rural areas

The basic idea of the functioning of the current concept of rural development and the concept of multi-annual programs, as they are established for the period 2007 - 2013 and financed with member states (or regions) is maintained. But, instead of three axes related to the economic, social and environmental issues, along with the requirements for the minimum expenditure under each axis, have new programming period given 6 priorities.

The six priorities are the following:

- Strengthen information sharing and innovation (promotion of human resources, innovation, knowledge and relationships between agriculture, forestry, research and development)
- Stimulating competitiveness (restructuring of farms, especially with low

- share of market production, market orientation, support for generational change)
- Support for graduation and organizations involved in the food chain and risk management;
- Restoring, protection and stimulation of ecosystems,
- Graduation resource efficiency, the transition to a low-carbon economy,
- Graduation social inclusion, reduce poverty and promote economic development rural areas.

Objectives of Rural development

Innovation: in the context of the European Innovation Partnership for enhancing agricultural productivity and sustainability) will be presented in the form of various rural development instruments, such as "knowledge transfer" and "cooperation" It aims *to promote resource efficiency, productivity, and reduce emissions, the development that is friendly to the climate and consolidates the development of agriculture, forestry and rural areas.* This objective should be achieved by a higher degree of cooperation between agricultural production and research, the aim of accelerating technology transfers and their application in agricultural production practices.

Know-how - "knowledge-based agriculture": strengthening agricultural tools counseling and education systems and services (including the associated mitigation and adaptation to climate change, environmental challenges and opportunities as economic development, training and training). Support is intended for small and middle farm businesses.

Restructuring / investments / modernization: grants for those areas remain accessible and be still. CZ has yet to define the size constraints of enterprises for which they support determined. The basic level of support is designed to 50%.

Young farmers: there will be introduced a combination of instruments including grants earmarked for launch and "getting started" operation (up to 70.000 EUR), training and consulting service.

Small farmers assistance in business start-up business in the amount of 15.000 EUR on a small farm.¹³

¹³ Reform of CAP 2013, <http://www.apic-ak.cz/data_ak/12/v/KonferenceSZPbrozura.pdf>

4.2 Consequences of CAP for Czech agricultural

In this part, I want analyze the consequences of CAP 2014-2020 with the main objectives and philosophy of CAP and application in country with different past of develop of agriculture. This contribution it could be suitable for tax payer of European union and local community, villages and non-governmental organization.

The Czech republic suffer from all states of EU by post-communist syndrome as I mentioned in first part of these work. It's mean that the 80% of land is hire by big holdings, where is only one target and this is maximalisation of profit. This is against the basic principle of CAP like protection of farms communities. Another paradox, this big holdings received the biggest part of direct payment as we can observed from next graph that in the Czech republic draw the subsidies the mostly bigger that 500 ha, 80% holding manage on the farming land in average 2000 – 2500 ha. This is absolute record in European union and even in post-communist countries. Direct payments in France is correlates around the European average and reflecting the longer develop of France agriculture. In Poland like a post-communist country was save the form of private property in agriculture. So there, they received the bigger part of subsidies small farms with the family connection.

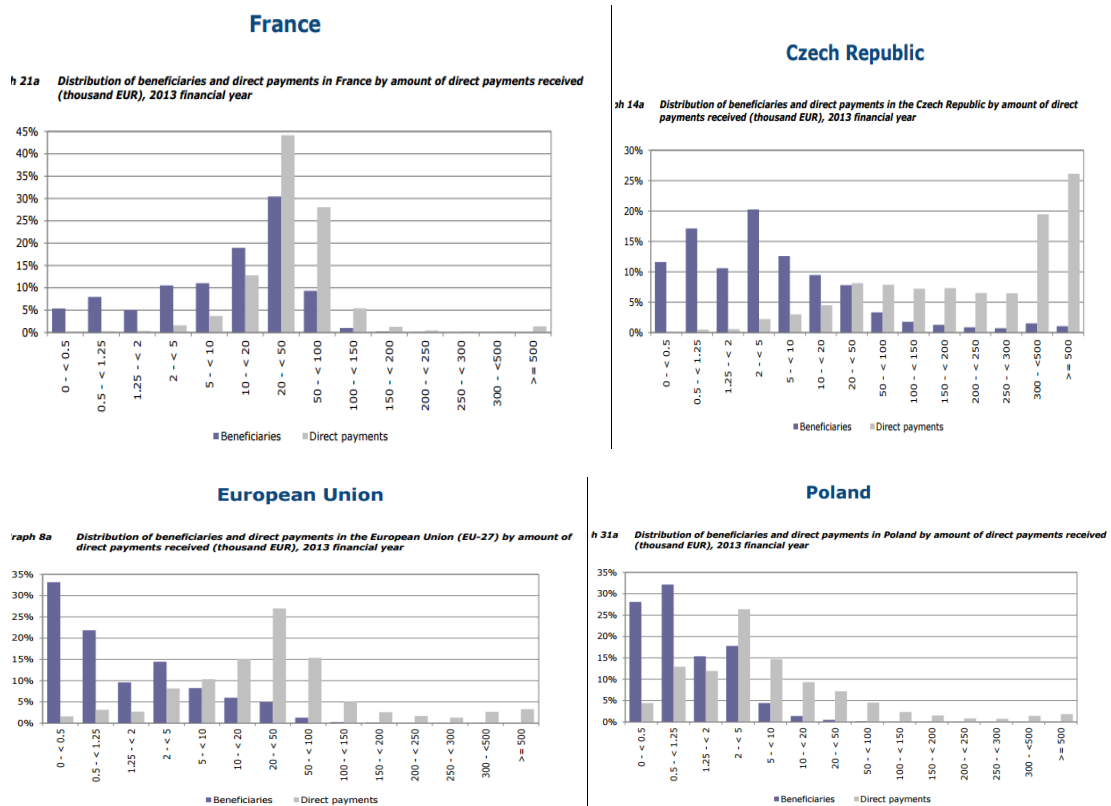
Greening Payment

Crop diversification: this measure applies only to farms of over 10 ha and which are not entirely fallow in flooded crop, pasture or perennial crops. At least 3 crops must be grown on **farms of**

more than 30 Ha with a share of the UAA for each of them to be at least 5% and maximum 75%. Minimum two cultures are necessary for farms of 10 to 30 Ha

Finally, CAP has the friendly consequences in Czech agriculture. Before reform, there were many holding which alternated only 2 crops on the arable land. It leads to fatigue and consequently loss of nutrients in the soil. On other hand 30% of greening is marginal part. If we want to really do it responsible and sustainable CAP in Czech Republic. We must reduce big size of Czech farms on the European level.

Table 9 : Distribution of beneficiaries and direct payment



Source: < http://ec.europa.eu/agriculture/cap-funding/beneficiaries/direct-aid/pdf/annex2-2013_en.pdf >

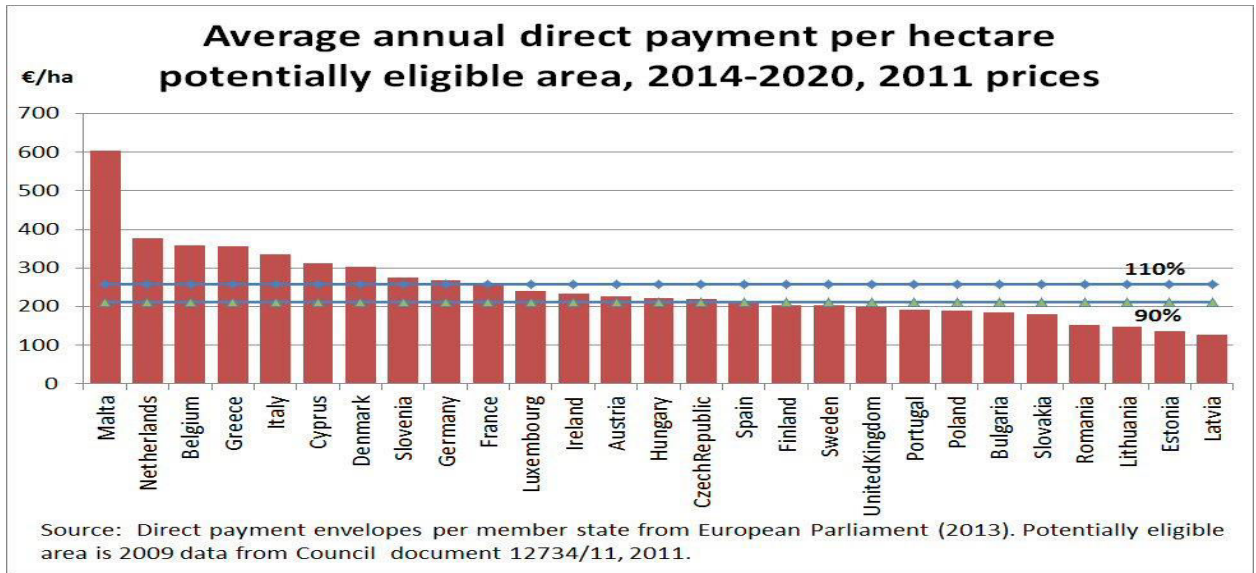
Capping - The biggest negative impacts in the Czech Republic will be in large enterprises with extensive livestock rearing grazing a small number of employees and low labor costs. It can be estimated that if the business will receive only the basic payment, then it touches the reduction in personnel costs 350 000 CZK / employee assessments by the company at more than 1 FTE staff (AWU) per 100 ha

Direct payment - For the Czech Republic, this means that there will be significant changes versus payment in 2013. Czech Republic according to calculations by the current level of overall envelope for direct payments applicable in the year 2013 (909.3 million euros) while achieving full direct payments r. 2013 is the average amount of payment per ha of agricultural ca. 259 EUR. That's about 90% of the average amount of direct payments to EU-27, which is r. 2013 level of approximately 287 EUR / ha of agricultural land *Does this mean that the Czech Republic will not be taken away, nor added.*

From next graph it's obvious that the bigger amount of subsidies received the countries from former EU-15. The Czech republic is slightly under average of EU but compare with rest of new members states is in good position. Average annual direct payment in France is around 296 eur.¹⁴

¹⁴ CAP budget: <<http://www.gov.scot/Resource/0044/00441902.pdf>>

Table 10 : Different level of direct payment in EU



Source: Scotland government: < <http://www.gov.scot/Resource/0044/00441902.pdf>>

Supporting of young farmers: this object of CAP don't reflect that agriculture in the Czech republic is not attractive from economic reasons for young people. The wish old people who still keep some part of land rather hiring the his property to big holding, because for young people is more attractive salary situation in big cities.

In 2014 was concluded the milk quotas in framework of deregulation of market had negative consequences for farmers, because price cost for 1l milk is higher in the Czech republic is higher that world price and more quantity of cheaper milk from west countries shifting the domestic milk from market.

It will be necessary create the protect measures in the form distribution milk at schools with supporting of government. Nowadays, Czech Republic propose prolongs the Programs of the

School Fruit Scheme and School Milk Scheme. Text proposal also reflects the existing proposals of December 2010, relating to dairy - (mandatory closure of contractual relations in written form and strengthen the bargaining position in the food chain) and proposals the qualitative market standards - including the concept of place of farming.

Czech farmers and people in all industries has very weakness bargaining power. There is many examples individuals interest (farmers) are managed by one big monopole in the form of milk factory or slaughtering houses. In order to improve the bargaining position of farmers in the food chain, the European Commission is looking for way to better organize the sector. Rules applicable to the recognition of associations of producers and inter-branch organizations are now expanded to all manufacturing sectors, with the additional possibility to establish an association of producers in the context of rural development funds.

4.3 Consequences of CAP 2014-2020 for France

The convergence of aid: It is intended, in the reform, which helps "converge" to be better distributed among the farmers. In other words, by 2019, the amount of aid per hectare for each farmer will tend towards a common value to all hectares. Aid converge between 60 and 100% of the national average. *In France, this convergence should benefit especially big farms with extensive production.* The drop in aid will be limited to 30% if the state decides. All farms with low DPU - whose average value is below € 240 / ha - see the amount of their aid almost maintained even increased compared to 2012. The farms whose area is less than 150 hectares will, in turn, favored by the principle of distributive payment.

The stated objective of the CAP is to redistribute aid within each country for farmers receiving the least aid t. Overall, the French average aid per hectare will decrease, so it is close to the average of the European Union (convergence at European level). The redistribution of the overall envelope and French amputated.

The idea that this redistribution will be made in favor of livestock is widespread. This is partly true, since convergence should favor low DPU farms and mountain farming areas are included. However, intensive farming systems of the great western basin, for example, will be penalized as much or more systems that grain cereal plains, among others. In most cases, the appearance of new coupled aid, such as a dairy with 30 € / cow, limited to 40 cows (or € 1,200 per farm) will not offset the loss on convergence.

Although the trends by sector reform we can anticipate and region, individual consequences will be different and should apprehend and relatives. Report the level of loss compared to a level of performance or a price level that would reach to compensate this loss is a key landmark to have to put in place the appropriate reactions.¹⁵

Greening: Among the major changes in France, one can note the removal of grassland premiums (from 2015, offset in areas with natural handicaps by a revaluation of the LFA (less favorable area) in response to criticism that she received (specifications sufficiently to justify requiring loads to be classified as MAE) ICHN out of area, they will eventually be replaced by CASM in grassland systems issues that will be more of a binding environmental perspective (BATA ARF-2013).

In addition, measures to support organic farming from 2015 will be considered independently of CASM (BATA ARF-2013). Also, consistent with the European commitment to greening the CAP, France provides for a revaluation of the background "Future Bio» 45% with maintaining the budget of the Bio Agency, in charge of this fund.

Moreover, GAEC impose in France diversification of slightly less demanding than the green payment crops. Also, only 25% of farms should make a change in their rotation. The other 75% already satisfy the requirement of diversification of crops (or would be exempt), and some of these farmers have contracted MFA demanding diversification. The solution of a constraint on crop rotation has been mentioned, but in a desire for simplification of the CAP, the Commission has opted for simple measures to implement and monitor.

¹⁵ Réforme de la PAC, les impacts <<http://www.cerfrance-alliancecentre.fr/agriculteurs/138-fevrier-2014/542-reforme-de-la-pac-les-impacts>>

The maintenance of permanent grassland is also criticized as being somewhat ineffective. Indeed, the opportunity cost may be low, as through their physical characteristics, 70% of permanent grassland have not been returned, being unsuitable for other productions. On the other hand, farmers have the option of returning their permanent pastures until 2013 to prevent their capital from 2014.

Overall, French agriculture is in accordance with CAP reform much more than Czech agriculture. It's natural, because France created CAP from the beginning of integration process of EU and adjustment first agriculture policy. Another aspect is regarding of strong position of french lobby in Brussel. This bargaining power from labor union and government like leader of all CAP reforms has positively impact for French agriculture. There is no such big gap between philosophy of CAP and agriculture structure. We can mention that French agriculture is prototype of CAP.

4.4 Social-economics issues and transformations process of Czech agriculture

Transformations process in the Czech Republic was a new, unknown elsewhere transition process companies and the economy from a centrally planned to a market. Transformations in the life of the state and its residents extremely difficult period, namely from several causes. In France such a big transformation of system was lastly in 1789 during the Great French Revolution, where was shifted a large amount property in framework of destruction of old regime.

Especially this is a fundamental change in the organization of economic and social life affecting everyone a member of the former totalitarian society. Transformation can be seen from an economic perspective as a dynamic process of modernization of the economy and society against the rigid and less dynamic the development of the totalitarian period. This modernization took place in Western Europe and other advanced countries substantially continuously in response to the main pulse coming from the world (oil crisis, internationalization and globalization of the economy etc.).

In totalitarian systems, these countries were held international and global influences due to the closed economy and society at the state level, respectively. Former Council for Mutual Economic Assistance (COMECON)¹⁶ limited. Therefore, we can perceive progress process of transforming the economy and society of the former totalitarian states as well as the process of

¹⁶ COMECON:< <http://www.britannica.com/topic/Comecon>>

internationalization and a stronger application of global impact on the status, structure and dynamics, as well in the economy and society.

Czech Agriculture and Rural experienced in the 20th century, a number of fundamental political and economic changes. Above all, the disintegration of the Austro-Hungarian Empire and the subsequent narrowing of economic space only minor Czechoslovakia associated with profound agrarian reform in 1924 (annexation of church property, annexation of all property of the Habsburg family, and substantial ownership land aristocracy) brought to land use and rural substantial changes. Subsequent reunion of the Czech lands in 1938 (Borderlands) with Germany Empire and subsequent annexation of rest Czech republic by Nazi Germany (1939) was big change in the political and economic conditions.

These events, along with the results of the World War II created then in the post-war flight and expulsion of Czech Germans in the years 1945-1947. It became one of the key radical factors transformation of rural areas, especially in border areas. In addition, influenced by the creation of the Iron Curtain in the early 50s. Socialization Rural (creation of *Collective farms unit* – group of farmers share mutual the capital, machine and land *and state farms* – specially create in area where were expelled the Czech Germans) to private family farms were limited to the minimum.

In 1989 to less than 4% of private agricultural land existed in Czech. It was another key element with the broadest and significance impact on rural areas, the quality, structure, social climate and the way of Life (plowing limits, the construction of large buildings, central system of population, depopulation and the aging of the rural environmental problems, loss of basic elements of coexistence rural communities.

The year 1989 and subsequent years of transition from a socialist to a market agriculture brought in rural another crucial new elements. Though seemingly could "follow up" on the status of beginning in 1948, many failed to return or even be impossible (reunifications fields, plowing limits and the creation of large tracts, destruction of many buildings or their transformation on the other housing a different level of conservation etc.). The influence of political impulse to change exploitation of Landscape.

At the beginning of the transition period there has been a fundamental change in agricultural policy. Significant wide promotion of agricultural produce from the state in the totalitarian period was replaced policy of limited support for non-productive functions of agriculture (protection of water courses, maintenance landscape, roads, afforestation, grassing, green protection, etc.) through targeted projects aimed to promote not only agricultural enterprises.

Very low profit farms is due to excess agricultural production and to some extent stems from competition generously subsidized products EU agriculture and concentrating a large share of the profits from the sale of agricultural produce to purchasing, processing and retail companies.

Processes of transformation period took place in rural areas at different times and different long-period. While we can say that part of the transformation processes in Czech agriculture was completed, some still in progress and some changes we can expect more in the future. From this perspective, we can transformative processes seen in other more or less four consecutive stages

The first phase, which lasted from 1989-1995, when it was completed a substantial part of the privatization and restitution. There has been a fundamental restructuring of the agro and change forms of farming businesses. Significantly reduce the intensity of agriculture and the overall

production volume. This led to more social agricultural management primarily used substantial reduction volumes of fertilizers and other chemicals.

The second stage of transformation of Czech agriculture dating back 1996 to 2004 years ago. In this period was terminated restitution and growing differences between the structure of agricultural land and their users. The vast majority of restitution had begun to manage itself (because of age, distance from places of residence restitution, lack of interest in agribusiness etc.), but the restoration of land made available (more of a symbolic payment) surviving farms where soil restituted.

In this period there is a higher throughput the differential annuities dependent on position and natural conditions, thus increasing regional differences in results of operations and structure of agricultural production. There are also strong pressures on land appropriation in the hinterland towns (construction service and warehousing centers, new construction houses for totalitarianism sharply curtailed etc.) and other places of special functions (transport corridors and bypasses, crossings etc.). During this period, there were some new phenomena affecting the structure of surfaces, respectively. quality of the landscape (for totalitarianism almost unknown fallow rise expanses of grassed areas, the increase in forest areas, bio production etc.).

The third stage of the transformation of the Czech countryside and agriculture starting in 2004, the date of connection to the Czech EU ended in 2012, when it was released land market for foreign investors. In this period we expected impact of EU funds in agriculture that although he was initially only at the level of 25% of the EU, but will continue to increase (up to 2007 at 40% and then annually by 10%, so in 2013 should to be on the same level). This money can significantly alter the formation of a new agro Czech agriculture, which will be much more to

promote internationalization and globalization influences. This period will undoubtedly also be connected with the disappearance of some farms as a natural consequence of a tougher competitive environment and different management

The ability of individual owners and tenants. In terms of the structure of land use, we can expect further losses in arable and agricultural land as the Czech still has a higher proportion of both categories in comparison with the neighboring countries of similar natural conditions. Grow also share the forest and grassed areas, the expansion at the expense of agriculture, respectively. Arable land is already supporting various programs of the Czech government. In the area of assumptions can be expected to refine the delimitation, the increase in the proportion of areas with different degrees of protection as well as greater representation in the Czech Republic so far, few widespread combination of farming and supply recreation. In this as well as in a subsequent stage can be expected substantially greater impact globalization and agricultural production

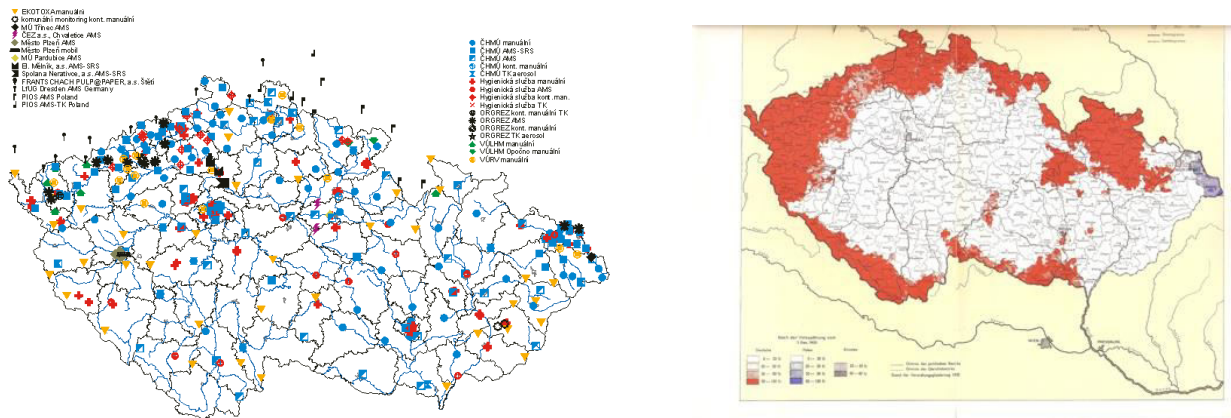
Already, it shows year-round supply of fresh fruit and vegetables from abroad (from overseas), which affects the possibility of enforcing domestic canneries and other manufacturers. The situation is similar in the market for wines (not only imports from EU countries, but also from Argentina, Chile, Australia, etc.).

The fourth phase of the transition period begins in 2012, when it will be released land market, perhaps, there will be some leveling of prices and wages Czech with other EU countries. Czech farmers will be able to expect full support at the level of other EU countries (if no changes in the current difficult sustainable state). After this year should be stabilize new agribusiness as a result of the extensive and deep process of transformation. The formation of a new agro and thus the

transformation of Czech agriculture were not (as some politicians have claimed) and it is far from finished. This can be expected to some extent in the course of about two dozen years, with the new agribusiness should represent not closed but open dynamic system flexibly responding to globalization impulses to impulses from the EU.

After post-world war II was settled up new map of Europe in framework of Potsdam Conference.¹⁷ In Czech case, it mentioned expulsion of 3, 5 milion Germans minorities who lived there since 13century. This amount represented almost 35% population of Czech country. In follow map show us the allocation of Germans minorities (emphasize by red color) in Czech republic before 1945. In this area was also allocated the bigger part of industries like metallurgy, glass, porcelain and mining.

Table 11 : Industrial and ethnicity maps before 1945



The number of agricultural workers in the long term and steadily declining. Over the last 20 years, the number of people in the agricultural sector decreased to 3.1, which is due on the one hand, the earlier a significant over-employment in this sector, and on the other hand,

¹⁷Potsdam conference: <<http://www.britannica.com/event/Potsdam-Conference>>

technological development and automation of production. Outflow of employees from agriculture in recent years was mainly caused massive loss of livestock production, which employed the most people.

In total between 2000 and 2013 were lost in agriculture more than 70 thousand jobs. At present, the industry operates nearly 120 thousand people. The majority of agricultural workers are men and their share since 2000 slightly increased to the current 68%.

The aging of the farming population poses a problem in most European countries including the Czech Republic. The average age of workers in agriculture is persistently higher than the average age of employees in the whole economy. The share of young farmers under 35 years of age is gradually increasing, but still *more than 50% of agricultural entities governed by workers over 55 years of age.*

On contrary ageing in France is not so radical like in Czech agriculture sector. Young people are admittedly few, but the retirements were significant: *70% of managers are under 55 years* we can say that the bulk of farm assets between 35 and 55 years. Their training is widely heterogeneous agricultural foremost is learned on the job. Agriculture has originality in France to have its own education system and its own branches with a fairly harmonious coexistence of the public, private and within the latter of zipper systems for rural family houses.

In this part I want to analyze the GENESIS, original purpose of CAP a real consequences in France and specially in Czech republic like new member states with post-communist heritage.

Table 12 : Farm structure in France and Czech Republic

		2003*	2010	Change 2010/2000 (%)
Average area per holding (ha)	France	42.0	52.6	25.4
	Île de France	89.2	113.1	26.8
	Champagne-Ardenne	56.6	62.5	10.4
	Picardie	79.6	95.8	20.4
	Haute-Normandie	48.8	67.4	38.0
	Centre (FR)	71.6	92.2	28.8
	Basse-Normandie	35.4	50.5	42.7
	Bourgogne	67.2	86.7	28.9
	Nord - Pas-de-Calais	46.5	60.8	30.8
	Lorraine	68.1	90.0	32.1
	Alsace	22.3	28.0	25.8
	Franche-Comté	51.7	68.0	31.5
	Pays de la Loire	40.6	61.2	50.7
	Bretagne	33.2	47.6	43.1
	Poitou-Charentes	49.8	67.6	35.8
	Aquitaine	26.2	32.0	22.0
	Midi-Pyrénées	39.2	48.1	22.7
	Limousin	45.8	57.3	25.1
	Rhône-Alpes	26.8	36.8	37.2
	Auvergne	50.4	61.5	22.0
	Languedoc-Roussillon	22.4	28.8	28.7
	Provence-Alpes-Côte d'Azur	23.8	27.6	15.7
Corse	44	59.8	37.2	
Guadeloupe (FR)	-	4.0	-	
Martinique (FR)	-	7.5	-	
Guyane (FR)	-	4.2	-	
Réunion (FR)	-	5.6	-	
Average area per holding (ha)	Czech Republic	151.1	152.4	0.8
	Praha	157.8	158.6	0.5
	Střední Čechy	170.5	183.0	7.4
	Jihozápad	175.6	168.4	-5.3
	Severozápad	169.0	182.2	7.8
	Severovýchod	137.6	143.0	3.9
	Jihovýchod	129.5	127.8	-1.3
	Střední Morava	149.5	149.8	0.2
	Moravskoslezsko	134.7	134.3	-0.3

Source: Agriculture census in France and Czech Republic

As shown in Figure 1, holdings with 50 to 99.9 hectares of agricultural area were the most common in France. In 2010, 97 780 of them were recorded, 19 % of the total number of agricultural holdings. In addition, these holdings accounted for one quarter of French agricultural area, covering 7.1 million hectares of UAA. Farms with 100 hectares or more of agricultural land were also very significant; they took up 59 % of French agricultural land and represented 18 % of the total number of French farms (94 250).

Together, farms with 30 hectares or more of UAA accounted for about half of all agricultural holdings and covered 92 % of French UAA in 2010.

Table 13 : Number of holdings and utilized agriculture area in France

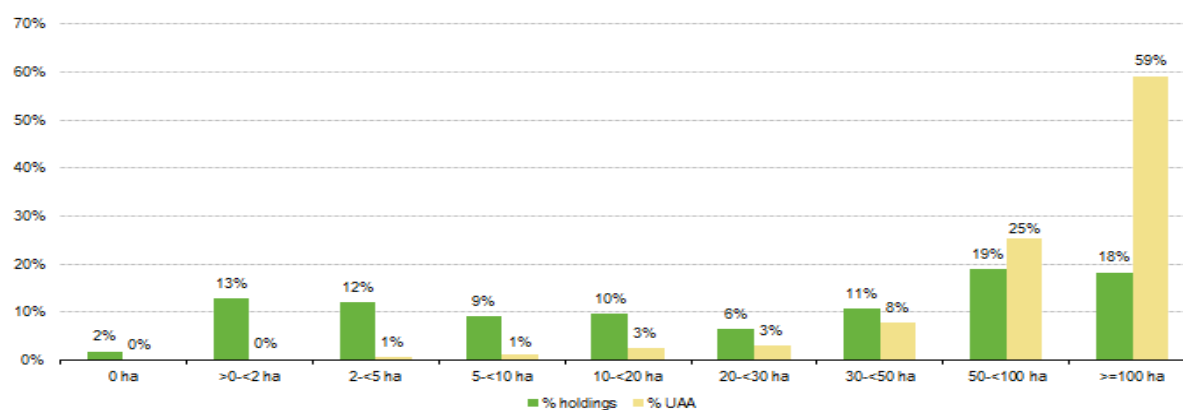
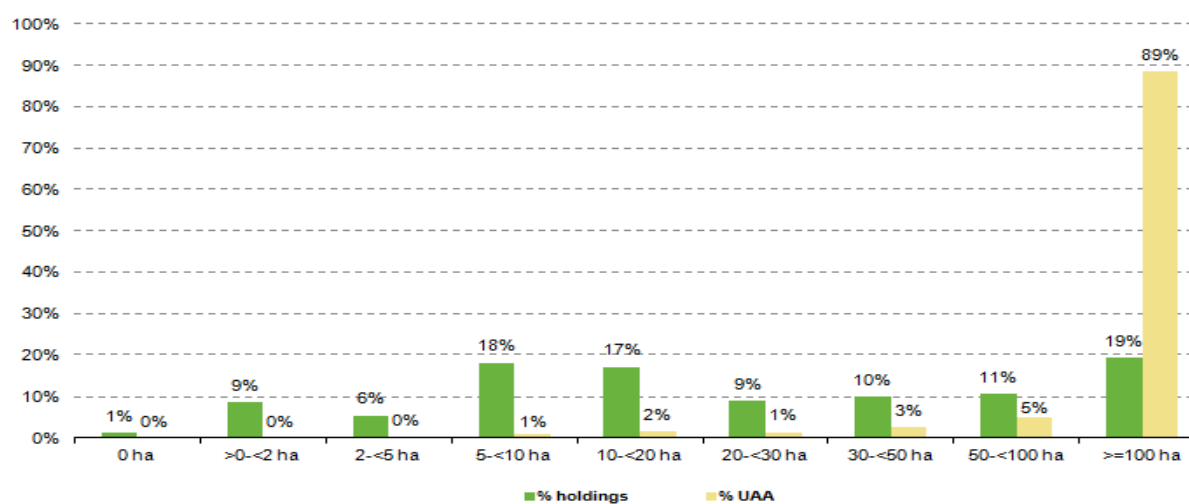


Table 14 : Number of holdings and utilized agriculture area in Czech Republic



Source: Eurostat, <http://ec.europa.eu/eurostat/statisticsexplained/index.php/Agricultural_census_in_France>

In 2010, a relatively small number of farms accounted for a huge majority of the Czech agricultural area: While only 19 % of the holdings had an utilize agricultural unit (UAA) of 100 hectares or more, these holdings accounted for 89 % of the total Czech UAA, but express in absolute figures *80% of the land are farms in size from 1,500 to 2,000 hectares*.

The average area per holding in this country represented the highest value within the EU-27: 152 hectares per farm, a figure about two times bigger than the second highest one recorded among the EU Member States (84 hectares per holding registered in the UK). Furthermore, as both the UAA and the number of holdings did not change much over the 2003-2010 timeframe, this feature could be considered as a long-term structural characteristic of the Czech agriculture.

4.5 Business possibilities for small-family farms in Czech and France

There are around 12 million farms/holdings in the European Union with an average size of 14.2 hectares. The vast majority of these farms are family farms which are operated as family-run businesses in which the farm is passed down from generation to generation. One indication of the importance of family farming is that about three quarters (77.8 %) of the labour input in agriculture came from the holder or members of his/her family in 2010. For some countries, such as Ireland and Poland, the proportion is over 90%. There are only a few member states (France, Czech Republic, Slovakia) where non-family labour accounted for a majority of the labour force in 2010.

Family farms in this sense are seen as being better custodians of the countryside, ensuring more varied landscapes, more sustainable use of natural resources and better provision of public goods than larger farms. Larger farms are seen as more prone to specialisation and monocultures, to the removal of hedgerows and to unsustainable intensification. Smaller farms are also seen as playing an important role in supporting rural employment and maintaining the social fabric of rural areas and thus contributing to the objective of balanced territorial development.

A second challenge in a predominantly family farming structure is access to land. Where land is mainly passed on within the family, younger farmers must wait until the older generation are willing to relinquish management control and pass on the farm before they can become farmers in their own right. With older farmers living longer, and with significant inducements for them to remain in farming and few incentives to leave, Europe's farm workforce is gradually ageing creating substantial barriers for new entrants.

The future of small farms in the CAP will further help small and medium-sized structures. The measure may not exceed 30% of the national envelope.

Thus France aims in this program to use this payment redistribution to support small and medium-sized farms. It turns out that this will be the last that will be especially the first beneficiaries. CAP measurements (optional) and digressively of the first pillar are also introduced in the reform. This will have a redistributive effect without being certain that these measures will benefit small farms. We can hold the same reasoning for help in assets that will limit the support to large enterprises with a new negative list of professional activities excluded from receiving direct payments.

Finally, in the second pillar, a new measure to among others, the "small farms" will be a help for starting operations of € 1,500 maximum per farm small. One wonders whether the proposed amount is enough to start an activity in the various countries of the European Union.

This program marks a consideration of early small farms for the first time with the introduction of specific support under the CAP. In this period, the use and adjustment of these measures in different member's states and the extent of the effectiveness of this aid will be useful for current and future discussions about future support to be given to small farms.¹⁸

Small farms often have a diversification of their activities to ensure greater economic viability. This diversification requires the development of various workshops, may include in particular the processing of products which allows the operator to recover a maximum value on its

¹⁸Future of small farms in CAP:
<http://www.supagro.fr/capeye/wpcontent/uploads/Terppa/Avenir_des_petites_fermes_dans_la_PAC.pdf>

production, not to mention the satisfaction monitor his product often leads to a display of direct sales, on a market or on the farm site.

Maintaining the rural social structure, through the presence of small farms in sparsely populated areas in population are two main explanations. First, a social network is created between producers and consumers that they are residents' principal, secondary or tourists to the area. Operators who choose to sell their products directly to consumers provide to some extent an ongoing supply in areas where supermarkets are sometimes distant. Furthermore, it seems important to emphasize the role of gastronomy in tourism activities, and the "small" farmers transforming their products have their role to play in the economy so dynamic tourism in a rural area.

Proposal for Czech Republic for supporting of local product and boosting position of small family farms could be creation of check points on the highways, where could be offer local products. This example partial works in France. In these case could be used subsidies from cohesion funds and other funds for supporting of regions. Simultaneously with this support could be create independent controlling and assessment system of feasibility of the project. In Germany existed same projects, but after 5 years when project and subsidies was finished, project lost the competitiveness and after a couple of months made a bankrupt. So, this case must investors and creditors' (Europeans funds and local co-finance funds) be really prudently, because not always subsidies finished in successful projects.

4.6 Price land viewpoint and possibilities for investors

Offer for sale of agricultural land will be in 2015 fall slowly. The sale of state land virtually ended. Owners willing to sell the majority of land have already used the previous years. The impetus to sell land usually change owner life situations - heritage, investment in housing, etc. Individual offers of larger units of farmland.

We can expect primarily as part of the sale of farms or agricultural companies and such offers only appeal a small part of investors.

Demand for agricultural land will be in 2015 higher than supply. Will be continuing their strong interest in buying land from by agricultural investors and long-term non-agricultural investors. For speculative non-agricultural investors can assume a gradual decline interest and with a view to decreasing the effectiveness of methods used by the candidates (especially direct mailing). Influence on the development of demand could bring approval legislative changes restricting the rights of landowners.

In 2015 we expect a persistent excess demand for farmland over the available supply. Market prices soils still have growth potential. Investors will continue to consistently take into account the quality and production capability of land purchased. Contemporary the relatively small difference in the market price of high quality and lower quality soil will increase. For truly poor quality and degraded land can be expected drop market prices, in the longer term and significant.

Again, we expect greater rise in prices for arable land than in permanent grass stands. With the growing interest in investing in farmland and the increasing cost more considering the risks

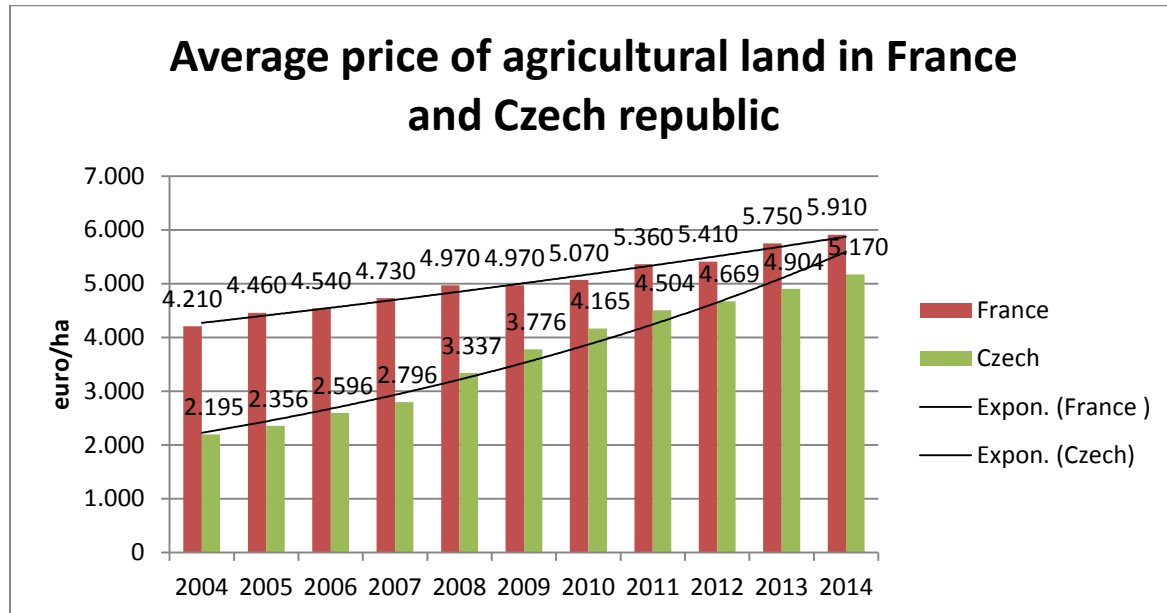
associated with this form of investment. One risk is the possible degradation land and the consequent reduction in market prices due to water erosion. Water erosion is at risk in the Czech Republic about 52% of agricultural land.

In my point of view, investing to the farm land in the Czech Republic will be still good investment. Czech Republic like a new member of EU has good geographic position and quality of soil which is same like a neighborly Bavarian or Saxon states of Germany. Available roads and relative proximity with the investors from advance economies makes the Czech farm land like a one of the most attractive land from all new members states.

Follow graph show us the develop farm land price in France and Czech Republic. We can observe that from 2004 untill 2014 that average price of agricultural land in Czech increase around 100% and converging with the French agricultural land where for same time period price increase around 36%. Opportunities for purchasing of land in Czech is still friendly because there is space for another growing another hand Czech currency is almost 2 years underestimate on the fixe-level price for 1euro is 27 points of Czech koruna. Next year 2016 will be finis of intervention of Czech national bank and we can expect that Czech koruna is return on original level of 24 points and will be boosting.¹⁹

¹⁹ What does the CNB's exchange rate commitment mean for the future evolution of the koruna exchange rate?<https://www.cnb.cz/en/faq/the_exchange_rate_as_monetary_policy_instrument.html>

Table 15 : Develop of price with arable land in Franc and Czech



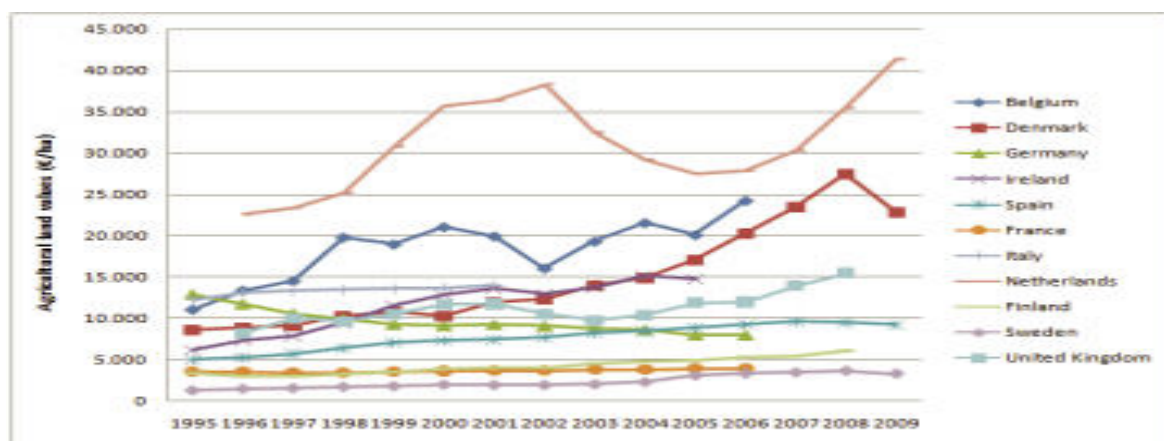
Source: Statistic department of agriculture in Czech and France

We must take account that price for agricultural land in France is the one most available in former West countries, how can we see from graph. Most expensive countries with agricultural land is traditional Netherlands, Denmark and Belgium. Most of them exactly invest in the Czech Republic. In France is price for agricultural land relatively stabilize and very cheap. These differences could be explain not only by good quality of farm land but even by different policy of members states.

The need for manure spreading surfaces strengthened in Denmark and the Netherlands following the Nitrates Directive, dearer land prices. Agricultural Policy subsidies coupled to production were capitalized into land prices in Spain in the 90s. Land policies: the strong role of institutions

France has allowed relative price stability. Consider the value added (VA) generated per hectare of land in a country puts into perspective the price differences between countries.²⁰

Table 16 : Develop of average agricultural land in Europe



Source : Ciaian et al. 2012, Projet européen « Factor Market »

²⁰Price of agricultureland in Bretagne: <<http://www.agriculturepaysanne.org/files/ARAP-Synthy-se-Prix-des-terres-VF.pdf>>

5. Recommendation for optimization of Czech agriculture with European agricultural

In this part I want to recommend some points which could be sustainable for positive integration of Czech agriculture with European agriculture. Some points are supranational we could use in all Europe union especially first three points have supranational level and must be achieved on European level. The rest of recommendations is aimed for improving agriculture practice in Czech Republic.

- 1) **Fundamental reform of CAP**, last significant reform was held in 1993 in period of Mc Sherry reform. 23 years ago there was only 15 member states, where every state had some competitiveness advantage for his products. Follow reforms just resulted cosmetic treatments of the CAP. Today we have 28 member states with the different agricultural approach and practice. It's time for reflecting all these aspects. Especially those east European countries had different evolution of agricultural policy.
- 2) **Reduction of subsidies for big size holdings** although in several decades we can observe the shifting from extensive farming to farms with more environmental responsible impact. Still, big size holdings have the strong competitiveness at the expense of small family farms, which are trace elements of all life the village's community. It could be rule on progressively principle "the bigger holding the fewer subsidies". Nowadays this idea is still blocked by strong lobby of big holding in Brussels.

- 3) **Adjustments of objectives**, Common agriculture policy is nowadays confused by philosophy with the contradictory objectives. One side CAP want to support sustainable small farms which are eco-friendly with respect for climate change, the other hand the bigger part of subsidies is allocated for big farms. Compare with rest of the world we have many priorities which are less feasible. We could set up maximal 2-3 priorities, which we want to archive.
- 4) **Involve the local communities and municipalities**, Today subsidies from CAP in the Czech Republic are from bigger part allocate in the big holding with arable size 1500 ha. These subsidies have totally opposite effect which appear in core of CAP. Big holdings don't care about what is impact for environment and people. This money are utilize only for maximalisation profit. We could delegate more rules for locals' communities in questions of subsidies. Practically, it's meant local communities could co-decide how could be allocated the subsidies for the best praxis.
- 5) **Boosting of Rural Development**, We must support communication between stakeholders, local communities, non-governmental organization and holding. Only good communications between this players can contribute for better living condition in countryside. Subsidies from CAP could be more distribute between NGO's in case of

Czech Republic it's very popular Fireman's community. Sense of this point is keep people in countryside.

- 6) **Subsidies only for family farm**, experience from Czech Republic show us that small family farm has positive impact for local communities and environment. They are much more in accordance with philosophy and purpose of CAP.

- 7) **Stop blending of fuel**, In the Europe union exist the direction regarding of blending of fuel. It's mean that in every liter of oil must contained 10% elements comes from renewable sources. In most often this crop is represented by rape oil. Farm holdings are concentrated for this crop, because it's most profitable crop in Czech Republic and Europe. The consequences are irreversible. Together with maize represented 30% arable land in Czech Republic. Given than fact the holdings maximized the profit and obligation of CAP for receiving of subsidies is rotation of min 3 crops (in Czech it most often wheat, barley and rape oil). It's cause that the soil is exhausted without trace elements like calcium, phosphorus, potassium. Another negative impact is in form of erosion. *It could be suitable if supporting of mixing fuel will be concluding and will be replace by more open policy for classic market.*

- 8) **Law about market power**, free movement of goods it's the greatest illusion of European union and CAP. In Czech Republic working only one-direction movement of goods, especially from Poland and Germany. With the combination supranational supermarkets, which compress local farmer's price under cost price products. It's lead to re-orientation

of business or worse case leads to bankruptcy of small farms. We could inspire by the France or Hungary where is strong protection of local products from government side. Practically, its mean if concerns of supermarket will be offering products which are in overproduction level, over self-sufficiency in Czech republic, so these products will be temporary prohibited. Czech farmers need to learn how to oriented in Capitalism and negotiation skills with monopolies (specialy old owners has the problem with addoptation for different system). They must creat the syndicat of farmrs and communicate with monopolies colectivly.

9) **Biotechnologies and robotization**, In these days in European agriculture works only 2-3% of european population but another side CAP is the most importen part of European budget. Share of budget for Research and Development is marginal. CAP should be more support investment to new possibilities of farming. Especially, research of biotechnologies and products which are friendly for environmental and sustainable sourcing of source for next generation. If Europe want to be still dominant in field of eco-responsible policy and fight with the climate change. Should be focus for this problematic.

10) **Diversification of production and creation of farmer's supply chain**, Czech farmers could focus on the production of final products. By this process we can reduce casualties which are create during distribution process. Even bargaining power will be in profit of farmers if they create some common supermarket which could be competitiveness with supranational holdings. Farmers should also focus on new possibilities of market and try

to diversify portfolio of production for attractive farming like crocodile, deer and snail farms.

Of course, these points needs long term discussion thru the all stakeholders from local until government level. We must take account also different approach of east countries. It will be necessary boost of the controlling mechanism, which will be independent on the European or local government.

6. Assessment of results

First part of work is regarding of basic principles of Common agriculture policy, his philosophy, policy, agriculture issues and inception of CAP which wasn't easy for implementation to European legislative framework.

I tried to point out that the every reform of CAP is strongly influence by political-economic situation in every member's states as I mentioned in example of France during the Gaulle government. For CAP no exist one viewpoint because every states have different praxis, mentality and especially different political power in European Parliament.

First objectives of post-war European agriculture adjusted noble goals for of self-sufficiency in food supply, ensure stable incomes for farmers and eliminate big swings in the market. As I observed this policy soon achieved the original purpose and become paradoxically counterproductive. Yet 1980s it was clearly that's time for essential reform because the current evolution of CAP wasn't sustainable. But only when the pressure from supranational organization GATT (General agreement on tariffs and trade, future WTO) headed with USA in

the framework of Uruguay round was European Community reacted and reformed all CAP to meet the requirements of GATT and simultaneously keep the main objectives of CAP without strong casualties for European farmers.

Salvation of CAP in form Mac Sharry reform was most significance change of all European agriculture develops. From this point, subsidies aren't use for supporting of export, but they started using the subsidies for compensation of disparity between European and world price. From this period CAP went through a series of reforms which are started more concentrated to rural development and supporting of small farms. However, CAP in many aspects was successful project, with the rest of the agriculture world still lost the competitiveness. This challenge is still unresolved and even the last reform of CAP has only cosmetic adjustment, which is influence by strong lobby of agriculture holdings as I mentioned in this part.

Last point in this theoretical part I devoted to characteristic and opportunities in Czech agriculture. I pointed out that most frequently size of Czech farms (holdings) is in range from 1500-2500 ha that 's record in all Europe. This is influence primarily by communist experience in the new post-war order when was implicate the soviet agriculture system to Czech land.

I showed that the Czech agriculture has still growing economic potential in agriculture especially cheaper land. Czech land is already available from all European investors since 2011 where was abolished the law for limitation of speculative investment with Czech land. However, legal person with headquarter in Czech had owned the land before this legal change.

The practical part is devoted the reform CAP 2014-2020 which we can summarized like old CAP with added objectives about more greener policy. Main objectives of CAP 2014 is sustainable management of natural resources and climate action, such as restoration, conservation and

enhancement of ecosystems, promoting resource efficiency and low-carbon climate resilient agriculture. On the other hand the CAP we can observed slightly progressive shift of supporting from big holding to small family farms, but all conception of CAP is still on the side of the big holdings and even future reform of CAP will be not politically feasible, because dominant position of bargaining power in Brussels is in the hand of strong lobby of big holdings.

Other points are regarding of consequences of CAP for Czech and France agriculture. I showed the discrepancy between Czech and rest Europe in distribution of beneficiaries and direct payment. We can observed that Czech agriculture receive from large parte subsidies for holdings bigger that 500 ha compare with the another post communist country like a Poland where was saved some form of private property is significance. Another point of these issues is agriculture reconstruction of Czech system during the 1990s. When was returned the common property to original owner, whose owned land before the 1948. These owners in 1990s was actually in ageing period and majority children of these people hadn't interest for flourishing of these property. In most cases, these people for generation lost the relationship with agriculture and private property, however they preferred the well faire life at the cities the biggest issue was disaperence of agriculture skills and praxis, which was interrupted by changing system.

After restoring system on the market economy old people had only one chose what did with his property. They almost everybody rented his land to large holdings, which has only one target and it is maximize of profit. This leads concentration on the most competitiveness part of agriculture for animal or plant production depending on the world situation with commodities, lost diversification of agriculture, alternation only one profitable crop in these case it was the rape oil, huge capitalization moneys in holdings without back redistribution of moneys to local communities, NGO and municipalities leads to depopulation of Czech villages and deteriorated

life at the villages. Alternation only 2 crops on the land caused the drastically destruction of soil texture with the negative consequences in the forme of erosion.

Finally, that Impact CAP has the friendly consequences in Czech agriculture. The new demands in the framework of greening forces holdings to alternation of at least 3 crops what has the improving impact for agriculture and environment. The biggest negative impacts in the Czech Republic is for large enterprises with extensive livestock rearing grazing a small number of employees and low labor costs. It could leads to positive shifting of interest for focusing on the small farms which could increase his competitiveness. What is regarding of direct payments that's about 90% of the average amount of direct payments to EU-27, which is in 2015 on the level of approximately 259 EUR / ha of agricultural land. The Czech Republic is slightly under average of EU but compare with rest of new member's states is in good position. Average annual direct payment in France is around 296 euro. Supporting of young farmers is insufficient, they still prefer the easier life in city that in villages. In this point is necessary diverse the subsidies for another local communities and service like doctors, small shops and NGO.

Consequences in France are quite similar on the level subsidies are still supporting the bigger holding but contrary with Czech agriculture, French farms are more diverse on the all level of size of holdings. We can observed that France agriculture is more familiar with main concept of CAP because the diversification of agriculture create better condition for reforms of CAPs and simultaneously better adaptation and implementation in praxis.

Another positive point for France that since 1970s there is the implicated the partnership agreement focusing on resources management, environmental and social interaction, agro-ecology, biotechnology and genetic resources management cooperation with countries of

develop world. Partnership agreement is exactly what could be inspiration for the Czech Republic, especially for areas which are at the risk of depopulation. This agreement could be cementing elements between small farms and communities, but also like sustainable advices and motivation for young farmers. Local communities are more conduct with farmers and they contribute to better living condition, social life and social reconciliation.

In both cases there will be negative consequences for trade with milk, because in Europe Union was canceled the milk quotas this will probably leads in several follow months to worse economic situation with the milks special for small farms in this industry it could be jeopardize living condition and losing of competitiveness. The more significance impact of the cancel the quotas will more drastically in France, because there farmers using subsidies for many decades of CAP project like narcotics. Practically, this “narcotic effect” disables further significance reform. We must take account that the agriculture of Czechoslovakia in the framework of COMECON hadn’t problem with the overproduction. All overproduction was every time vented in the Soviet block and his friendly countries.

For solution with milk problem must European Union abolish the sanction against the Russian, which hasn’t real impact for change paradigm of exterior policy. Russia was the biggest consumer of products of EU. This sanction leads only that Russian re-allocated the import from EU to land of Latin America and Turkey which doubled the export to Russia.²¹ Another proposal is creation of inventory dry milk and saving him in warehouse for long period when price achieve the world price after that dry milk can be even profitable. Last proposal is concentrating for selling of milk in countries where huge demand for this commodity, especially

²¹ The Moscow Times: <<http://www.themoscowtimes.com/business/article/turkey-latin-american-will-reap-the-rewards-of-russia-s-import-bans/504813.html>>

in China is or EU can devote milk to developing countries like a Sub-Sahara Africa in the framework of humanitarian aid.

In the part for investors I analyzed the nowadays situation with price develop of land in Czech Republic. In my point of view, investing to the farm land in the Czech Republic will be still good investment. Moreover, Czech Republic like a new member of EU has good geographic position and quality of soil which is same like a neighborly Bavarian or Saxon states of Germany, but price here is several times higher. Today, average price still more converge with prices in West countries, especially with France, where during a couple of years will be price of land on same level, plus we must take account the Czech moneys are now days pegging currency with the Euro with undervalue level to euro. Next year will be finished this intervention and we can expect significance growing of Czech currency to euro. So, recommendation for investors is advance if they make this investment as soon as possible, because next year will be worse investment condition.

Also I mentioned that small family farms in France and Czech Republic accounted for a minority of the labor force in the comparison with some countries, such as Ireland and Poland, the proportion is over 90%. In north France and Czech Republic where is the concentration of small family farms the lowest, we can expect some positive develop in this direction.

I showed that key success of small farms is in the diverse of production and concentration on the local product. Power of states is in the case necessary, because small family farms haven't such strong negotiation position like a big chain store. Furthermore, it seems important to emphasize the role of gastronomy in tourism activities, and the "small" farmers transforming their products to have play significance role in the economy for dynamic tourism in a rural area. Small farms could more focusing on the production of final product for customers and more supply service in

form of private hunting, agro-tourism, hypotheraphy, farm with special commodities like crocodile flash and leather.

Last part of theoretical chapter is devote to recommendation which I summarized to 10 commandment how could France and Czech effectively manage the now days problems and be and became more sustainable European agriculture. In the long term period we could keep this objectives: *Fundamental reform of CAP, Reduction of subsidies for big seizes holdings, Adjustments of objectives, Involve the local communities and municipalities, Boosting of Rural Development, Subsidies only for family farm, Stop blending of fuel, Law about market power, Biotechnologies and robotization, Diversification of production and creation of farmer's supply chain.*

7. Conclude

Although, CAP objectives and directions are implicate for all states by the same European legal framework equally. His consequences have totally different impact in France and Czech Republic. As we can observed impact for Czech small farms is slightly negative, however in all proclamation form supranational or national side is express supporting of small farms we can observed from figures and praxis that is exactly in opposite, CAP favors the bigger holdings that small farms in Czech and France. Business in this industry is very complicated and risky, without subsidies and limitation by some trade obstacles it exposed to danger from world trade prices, as we can see in these times.

Now day's economic world is very turbulent and his consequences are immediately express on the price of productions. Czech family agriculture if they want maintain the competitiveness could be more focus on diversity of products and service, same position could be implicate in France, especially in North part. State intervention in this case necessary.

Small family farms which are the most connect and co-operate with local communities create original basement of European heritage which must save for next generation. His agriculture sensitive approaches and praxis towards the environment contribute positively to local economy and protect the social reconciliation. This point Europe must keep in mind.

Even if, the CAP have many inside problems with the objectives, which are in many ways naive and overexpose, I can claim the CAP fulfill basic principal of convergence of Czech with the Europe, but for next integration of France and Czech agriculture is necessary significance reform with clear objectives, which will be more support the small family farms.

8. Appendix

Common organizations of trade

Plant production

Cereals and Oils

Cereals, oilseeds and dried fodder among the most important sectors of crop production. The European Union has grown on 53.5 million hectares, equivalent to 42 percent of all agricultural land. The total agricultural GDP, these crops contribute 13 percent. They are also the most important item in the financing of the Common Agricultural Policy. It is for them to set aside high amount of 17 billion euros, equivalent to 40 percent of all spending European Agricultural Guidance and Guarantee Fund. Therefore, all the changes that the market for them there is always a very sensitive issue. Although so far each of them pays special common market rules, reform of the Common Agricultural Policy Agenda 2000 aims to create a single framework for the cultivation of these crops. This is understandable, because if we ignore the significant climatic differences, are grown on the same land with similar machines. It is perhaps the confusion. Although the conditions for its cultivation throughout the European Union, there are also some states to specialization. The most important producers are France and Germany, followed by Spain, Italy and the United Kingdom.

3.1.1.1. Cereals

In 1998, European farmers harvested 208 million tons of grain, of which there were 103 million of wheat, 51 million to 35 million, oats and corn. Total cereals were grown on an area of 37.2 million hectares. The average yield was 5.5 tonnes per hectare. This number is globally

extremely high compared with their European colleagues reach American farmers an average yield of 2.5 tons / ha and Australian 1,5 t / ha. In the Czech Republic, the cereal yield by 20 to 25 percent lower than in the neighboring states of the European Union. This situation is due to the exceptionally favorable weather conditions in European Union countries. Significantly contributed to the overall orientation of the Common Agricultural Policy, which was until the partial turnover in 1992 focused on the use of fertilizers and intensification of production.

Since the early 80s exceeded the total cereal production in the European Union domestic consumption. This occurred despite the fact that the total agricultural area intended for growing cereals declined from the 70s about 3 million hectares. The main driver of production growth to happen increasing revenues. For example, wheat yields rose from 2.1 t / ha in 1962 to 5.2 t / ha in 1992. Contrary to widespread opinion, the majority of the harvest of grain intended for human consumption. The food purposes consumes about one quarter of all the production. Conversely, more than half of the harvest is used for fattening animals and the remainder is used for industrial purposes, and planting.

Just use your own produced grain for feeding livestock, the European Union has seen significant fluctuations, and despite the fact that the overall consumption of feed to grow. This was so because the European market, the US and Asia received the substitute feed, whose price was much lower. The European Union finds itself in a paradoxical situation: every year reaped more grain than could consume while increasing the substitute imported feed for which the GATT since the 70s could impose import duties. This situation has led to a huge increase in grain stocks by the intervention agency bought from farmers. In 1991 the European Union had more than 25 million tons of grain stocks for which there was no domestic outlets. This situation with the government and the European Commission tried to solve exports. Prices in the European Union,

however, were much higher on world markets: in 1992 the difference amounted to nearly \$ 50 per ton. It was therefore necessary to pay the price compensation related to exports. Along with storage costs it has led to a significant burden on the EU budget. The market situation in the cereals thus became a direct stimulus to the reform of the Common Agricultural Policy in 1992.

Mechanisms of regulation of the market in cereals and corn

The current form of market order with cereals was created under the reform of the Common Agricultural Policy in 1992, which marked a turning point in the current approach to this commodity. In 1999, as part of Agenda 2000, were taken further steps to deepen reforms already undertaken:

Drop in intervention prices: It was decided that in the period between 1993-1994 agricultural year 1995-1996 and will reduce the intervention price by 33 percent. Because even after this reduction in European prices are on average higher than the world, the European Commission proposed in Agenda 2000, another one-time price reduction of 20 percent in 2000. With regard to farmers' dissatisfaction with the proposal was ultimately resulting measures taken by the European Council in Berlin in 1999 milder. While in 1999 the intervention price of cereals reached € 119.19 / t for the cereal-growing campaign in the 2000/2001 season it has been only € 110.25 / t. This price has fallen to € 101.31 / t for the 2001/2002 campaign. In total it is a drop in the intervention price for cereals by 15 percent. Even under these new conditions, however, remains the intervention price higher than the market. Depending on developments in the market, therefore, the European Council may decide to further reduce the intervention price, even after the year 2002. In order not to sell grain intervention agencies immediately after the harvest, the intervention price increased each month from November to June of the following year by 1 per

tonne . The measure aims to reduce the cost of storage in public storage. The intervention agencies are obliged to buy grain from farmers whenever they so request. The only condition is that the specified purchase minimum quality standards relating to eg. The supplied grain moisture or degree of contaminants. In the case of poorer quality are the purchase prices reduced accordingly.

Direct payments to farmers: Loss of profit from the reduction in intervention prices farmers had to be compensated in some way. The European Council therefore decided to introduce direct payments. After the reform of the market in 1992 was determined by the average compensation of 54 euros per tonne. After further changes in Agenda 2000 is a further drop in intervention prices offset by an increase in direct payments to 63 euros per tonne. Direct payments are paid per hectare, and the amount depends on the type of crops cultivated area of basic and compensatory payments. Each Member State has submitted to the European Commission within the specified period, the regional plan, which takes into account the size of cultivated areas and local conditions for growing grain. The plan sets a base area of cultivated areas, calculated as the total number of hectares, which was determined by a Member State or region of cultivated or brought to a standstill in the period 1989 to 1991. The area is not determined individually for each farmer, but for the whole region, allowing some flexibility. Direct payments are paid only to the extent of the base area. In the case of overfilling of modifying your payments. The measure aims to slow down the growth of production, which otherwise would have undoubtedly occurred on a larger scale. The final amount paid payment per hectare is a multiple factor, which reflects the average crop yield in the region.

Putting aside land: Any farmer who wants to receive direct payments is required to store a certain percentage of agricultural land to a standstill. This measure, in addition to establishing the

base area under cultivation, should serve to further limit production in order to prevent overproduction. Starting with the 2000/2001 campaign until the campaign 2006/2007 provided this percentage to 10 percent of the total area of arable land. The compensation for the year 2001 was of EUR 63 / ha. The obligation to indicate the way to peace does not apply to small farmers, and if the area of cultivated arable land acreage does not exceed what is necessary to produce more than 92 tons of grain. In practice, for example in France exempted from this obligation, all the farmers who grow grain to less than 15 hectares. Land area saved to a standstill can be extended beyond the statutory framework, on a voluntary basis. Also in this case belongs to farmers compensation.

Protecting the internal market of the European Union: Cereal among the crops that receive the largest defense market in the so-called. Community preference. The conclusions of the GATT Uruguay Round, however, meant that the protection is not absolute. Movable compensation related to imports have been replaced by fixed import tariffs. The basis for calculating the duties intervention price increased by 55 percent, minus the average world price. In the framework of the GATT, the European Union also pledged in 1992 that part of the domestic market, which accounts for 5 percent of total consumption, it must be admitted imported commodities under more favorable tariff conditions. Under this scheme, and the European Commission has set quotas for the import of cereals to reduced customs duties. To promote the export of European cereals, the European Union has continued to compensation related to exports. Due to the reduction in intervention prices, the burden on the EU budget each year less. Their provision is also limited quantitative restrictions on exports of subsidized cereals from the European Union. Also, it is the European Union committed itself to the agreement of 1992.

Table 17 : Average price of agricultural land in France and Czech Republic

year	France	Czech		currency rate eur/czech koruna		
2004	4,210	2,195	65,864	30	1.037532	1.059382
2005	4,460	2,356	68,336	29	1.082636	1.017937
2006	4,540	2,596	73,983	28.5	1.039441	1.04185
2007	4,730	2,796	76,901	27.5	1.128243	1.05074
2008	4,970	3,337	86,763	26	1.109920	1
2009	4,970	3,776	96,300	25.5	1.063925	1.020121
2010	5,070	4,165	102,456	24.6	1.055087	1.057199
2011	5,360	4,504	108,100	24	1.092710	1.009328

2012	5,410	4,669	118,122	25.3	1.050355	1.062847
2013	5,750	4,904	124,070	25.3	1.125091	1.027826
2014	5,910	5,170	139,590	27	0	0

Table 18 : Socio-economic and rural situation in France

1 Population			
Indicator name	Value	Unit	Year
total	65 327 724	Inhabitants	2012 p
rural	29,9	% of total	2012 p
intermediate	35,1	% of total	2012 p
urban	35	% of total	2012 p
2 Age Structure			
Indicator name	Value	Unit	Year
total < 15 years	18,6	% of total population	2012 p
total 15 - 64 years	64,3	% of total population	2012 p
total > 64 years	17,1	% of total population	2012 p
rural <15 years	17,6	% of total population	2012 p
rural 15 - 64 years	62	% of total population	2012 p
rural > 64 years	20,3	% of total population	2012 p
3 Territory			
Indicator name	Value	Unit	Year
total	632 833	Km2	2012
rural	53,6	% of total area	2012
intermediate	38,5	% of total area	2012
urban	7,9	% of total area	2012
4 Population Density			
Indicator name	Value	Unit	Year
total	103	Inhab / km2	2011
rural	57,5	Inhab / km2	2011
5 Employment Rate			
Indicator name	Value	Unit	Year
total (15-64 years)	63,9	%	2012
male (15-64 years)	68	%	2012
female (15-64 years)	60	%	2012
* rural (thinly populated) (15-64 years)	67,1	%	2012
total (20-64 years)	69,3	%	2012
male (20-64 years)	73,8	%	2012
female (20-64 years)	65	%	2012
6 Self-employment rate			

Source: <http://feader.rhonealpes.agriculture.gouv.fr/IMG/pdf/20140414_Programme_national_gestion_des_risques_cle8a129d.pdf>

Table 19 : SWOT OF CZECH AGRICULTURE

	STRENGTHS	WEAKNESS
I n t e r n a t i	<p>a large part of the territory of the Republic is made up of traditional agricultural areas</p> <ul style="list-style-type: none"> - An appropriate size structure of farms in terms of development and productivity the competitiveness of agriculture - The existence of Agrarian Chamber as a strong professional organization - The existence of rich underground sources of drinking water - Long tradition of agricultural education - Development of new sales channels - farmers' markets 	<p>Lack of capital in the agricultural sector and rural economy</p> <ul style="list-style-type: none"> - A small proportion of the output of processed products with high added value and less experience with marketing - Obsolete technical and technological equipment, including farm buildings - Substantially outweigh the lease relations to land ownership over - Difficult access to credit for the bodies of primary agricultural production - Unfavorable demographic development and qualification structure of the population in rural areas - Low level of agricultural income, lack of employment
E x t e r n a l	<p>Taking advantage of the EU market due to lower costs of labor and capital</p> <ul style="list-style-type: none"> - Increasing attractiveness of the manufacturing sector for the entry of investors - Good climatic conditions for the development of competitive agriculture - Alternative use of agricultural land to former agricultural production farm breeds game - Reserve the use of TTP in the LFA (technical and energy crops, raising beef cattle and sheep) - The growing interest of society in rural development, nature and landscape protection, 	<p>Lack of attractiveness of agriculture for qualified people and consequent loss skilled labor from agriculture high proportion of agricultural land in střetových nitrate vulnerable zones and areas</p> <ul style="list-style-type: none"> - Social degradation of rural localities, mainly due to employment opportunities, transport serviceability, availability of education, health and social services - Continued deterioration and further damage area flood and erosion - Unresolved ownership relations, indifference, inability to deal with the revitalization of abandoned agricultural buildings
	Opportunities	Threats

Source:Lukáš Slavík, Microsoft Excel

9. Abbreviation

EU	European Union
CAP	Common agriculture policy
COMECO	Council for mutual Economics Assistance
SAPS	Single area payment
WTO	World trade organization
EUROSTAT	European statistic
FAO	Food and agriculture organization
EC	European Community
GATT	General Agreement of trade and tariffs
LFA	Less favoured area
R&D	Research and Development
EU-15	Old members europeans states before enlargement in 2004
COPA COGECA	European farmers and european agri-cooperatives
EAGGF	European Agriculutre and Guarantee Fund
NUTS	Nomenclature of Territorial for statistic

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