Economy and competitiveness of the Czech agriculture and food industry

under the EU Common Agricultural Policy and on the EU single market

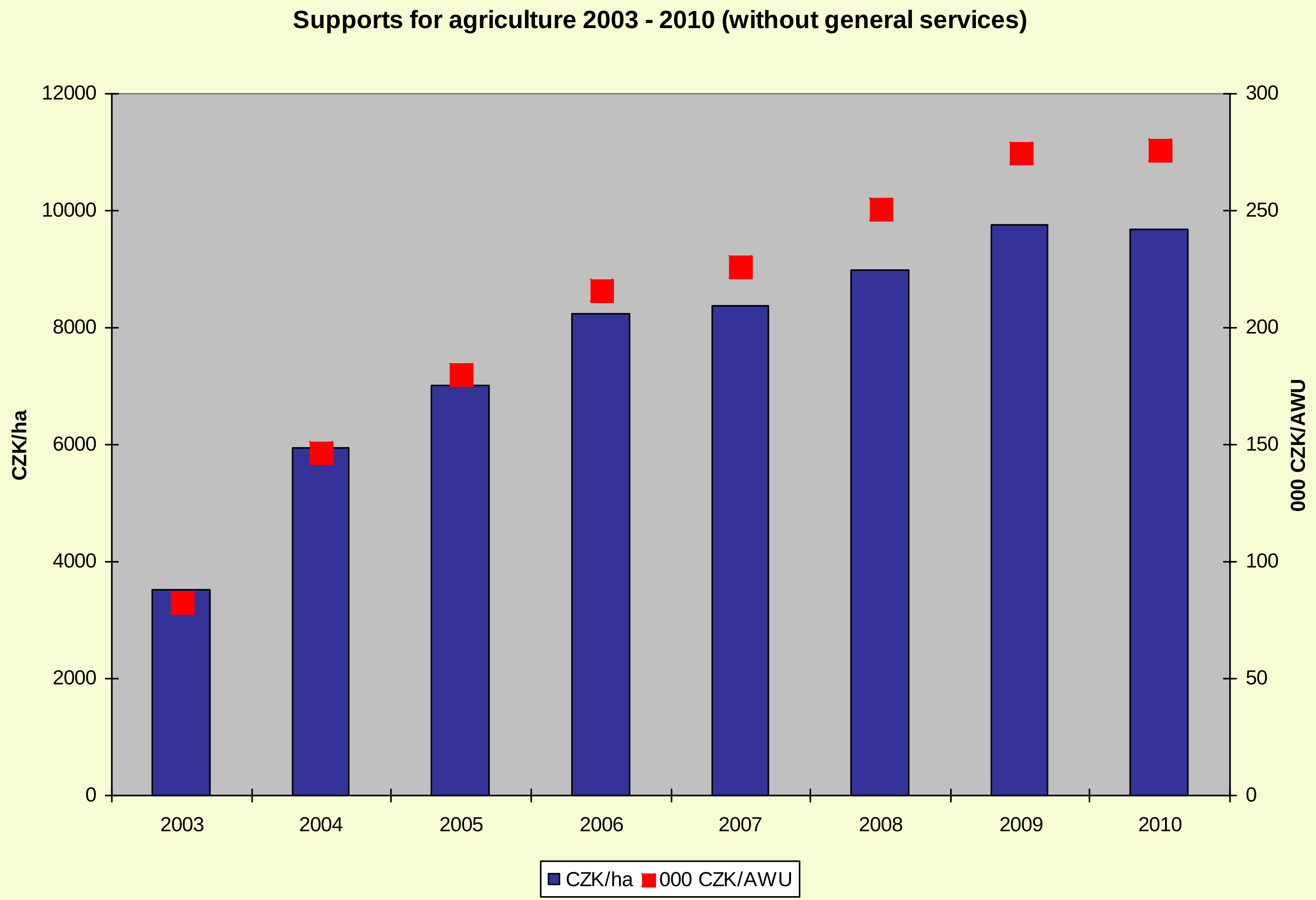
Poland, June 2011

Indicators EAA, FADN, agribenchmarks

- **Total costs** (FADN), or total cash costs (agribenchmarks): consumption of production factors (including depreciations).
- **Interim costs** (EAA, FADN): costs on variable material inputs and services.
- **Opportunity costs** of own labour, land and capital (agribenchmarks).
- **Economic costs** (agribenchmarks): bookkeeping (cash) costs plus opportunity costs.
- **Indicator A** (Eurostat): Net Value Added (NVA) including supports minus taxes per 1 Annual Working Unit (AWU).
- **Total profitability**: FADN: (total production + balance of supports and taxes)/total costs; agribenchmarks: (incomes from production + supports)/total bookkeeping costs.
- **Total economic profitability** (agribenchmarks): (incomes from production + supports)/economic costs.

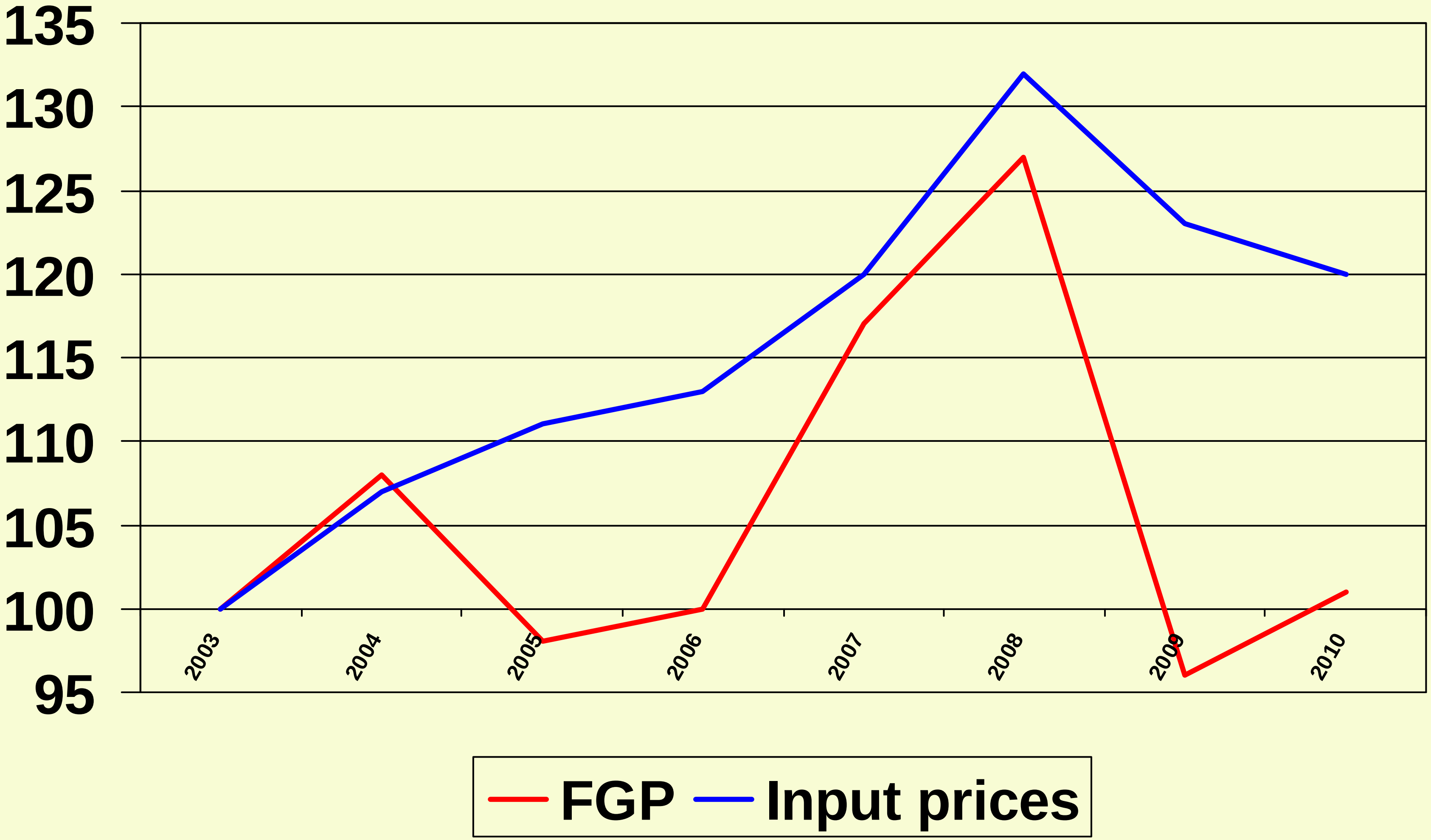
A. AGRICULTURE

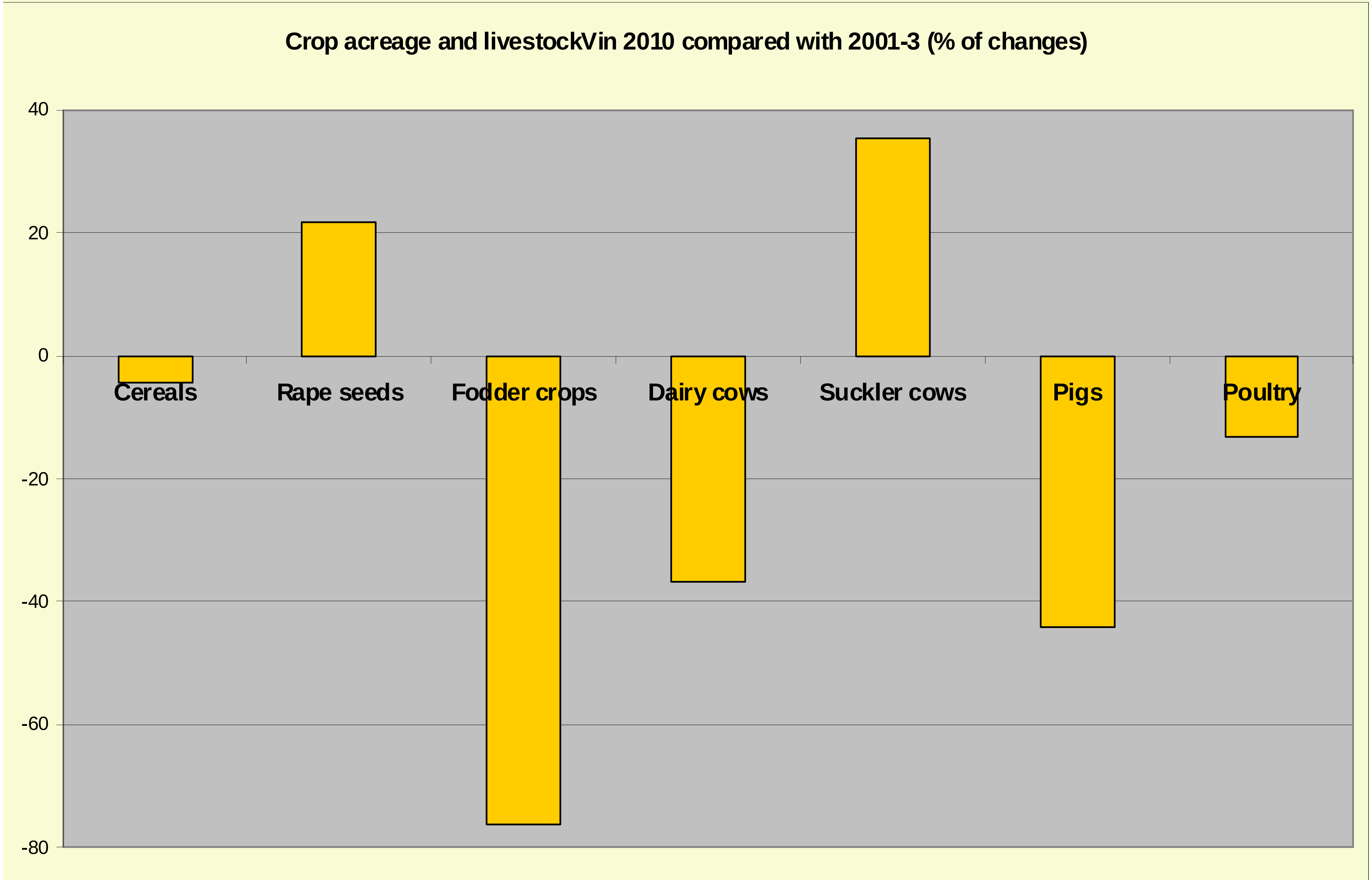
Poland, June 2011



Poland, June 2011

Price developments (2003 = 100)



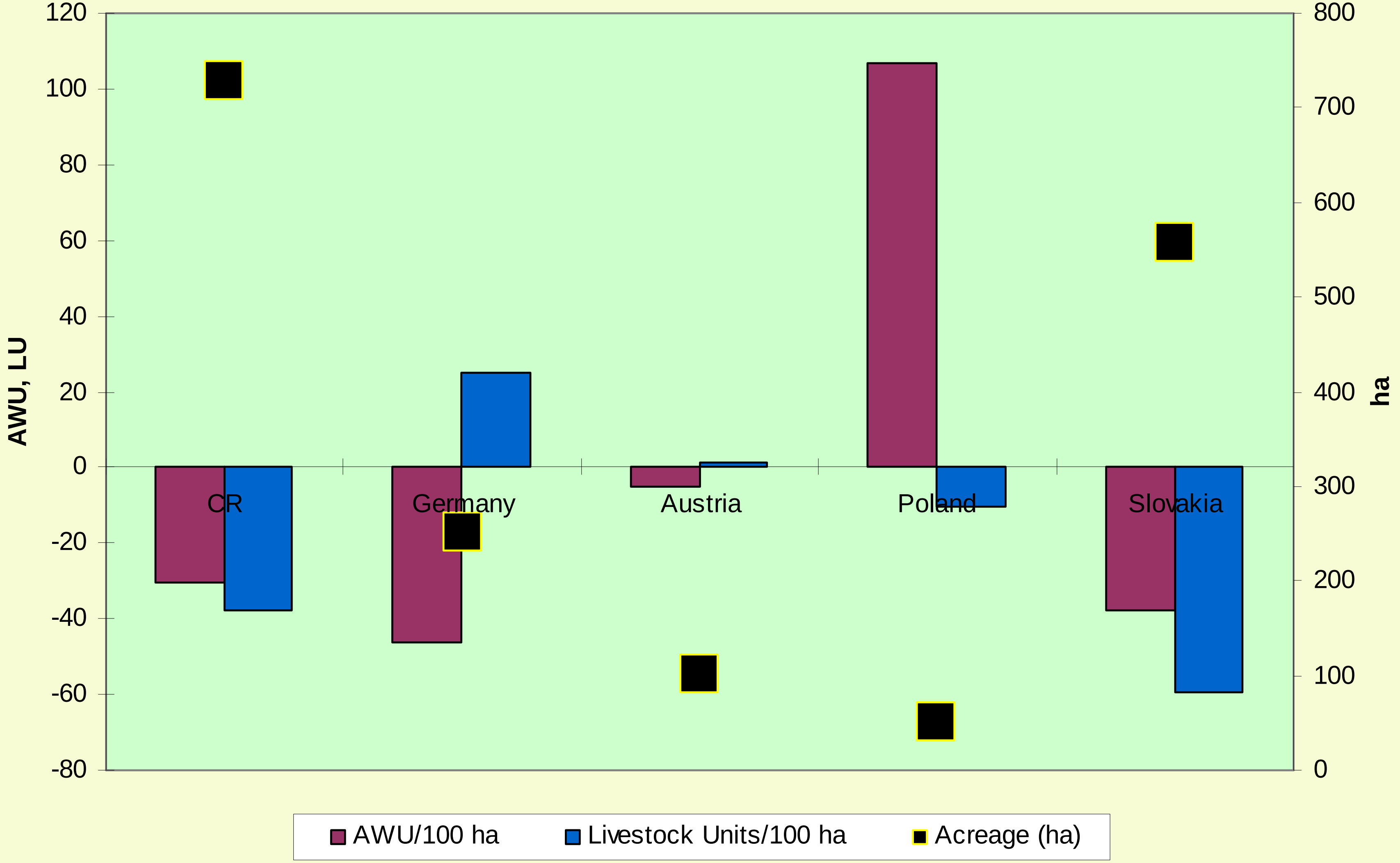


Poland, June 2011

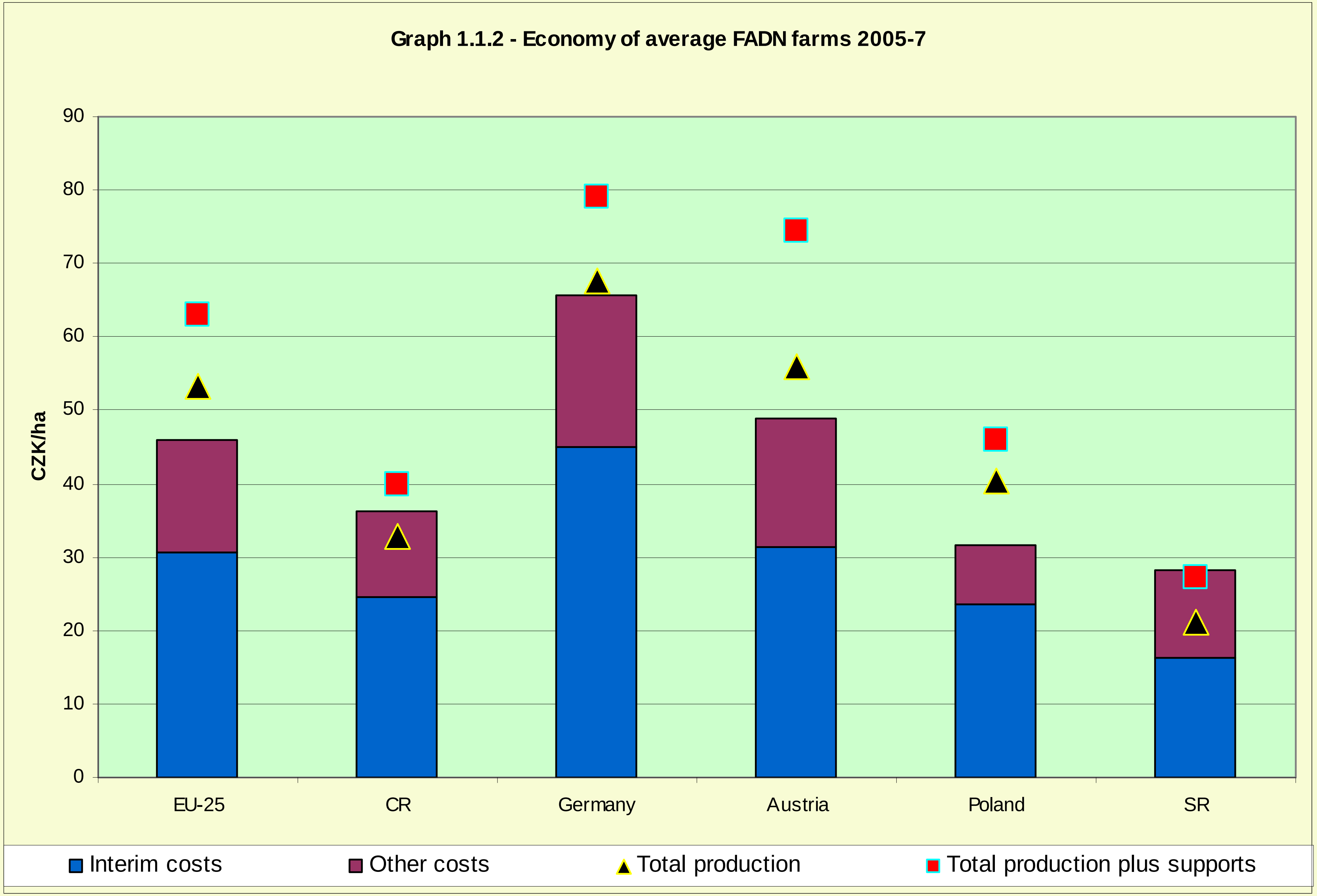
Comparisons of economy based on FADN

Poland, June 2011

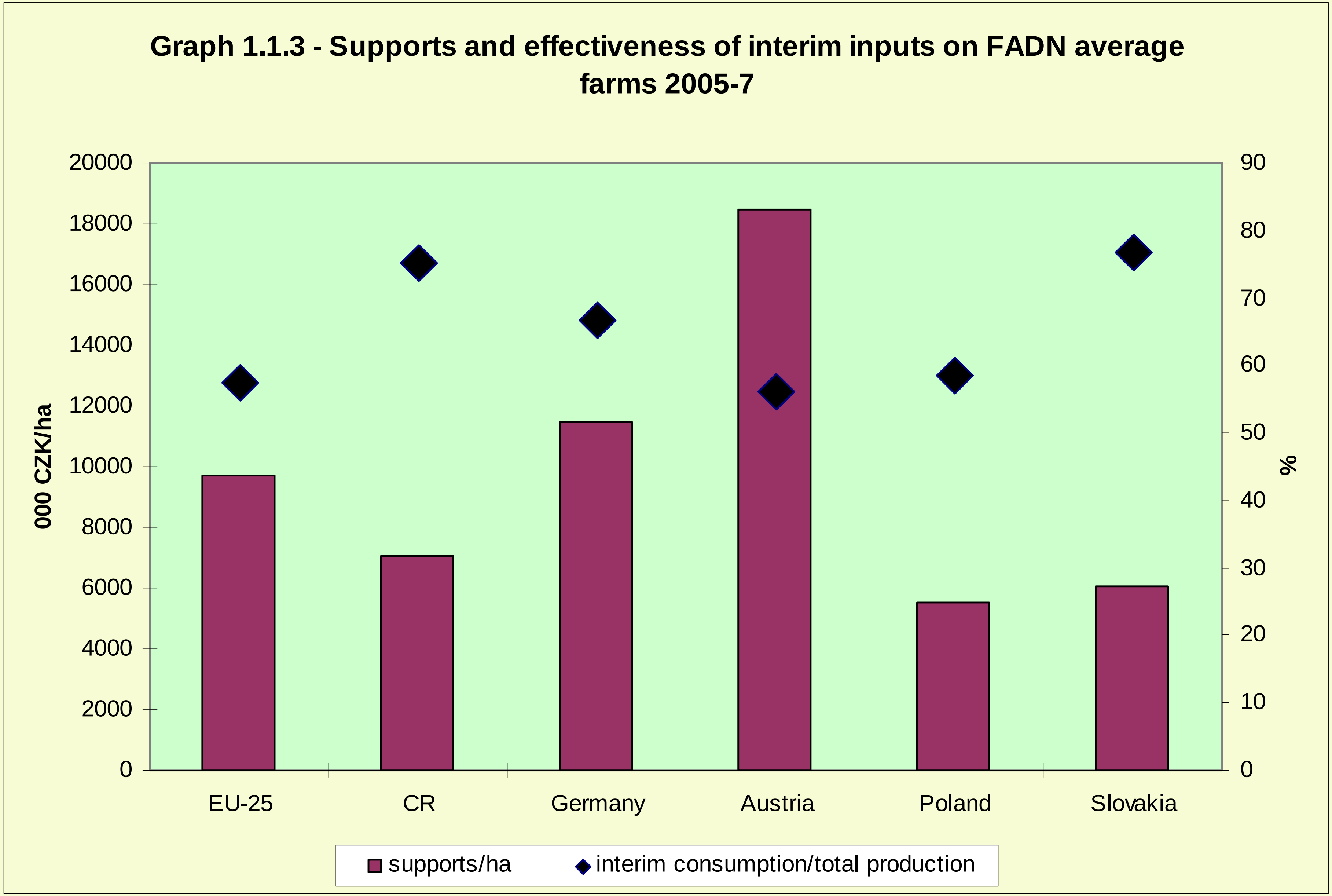
Graph 1.1.1 - Characteristics of avearge farm in FADN 2005-7 (EU-25 = 100)



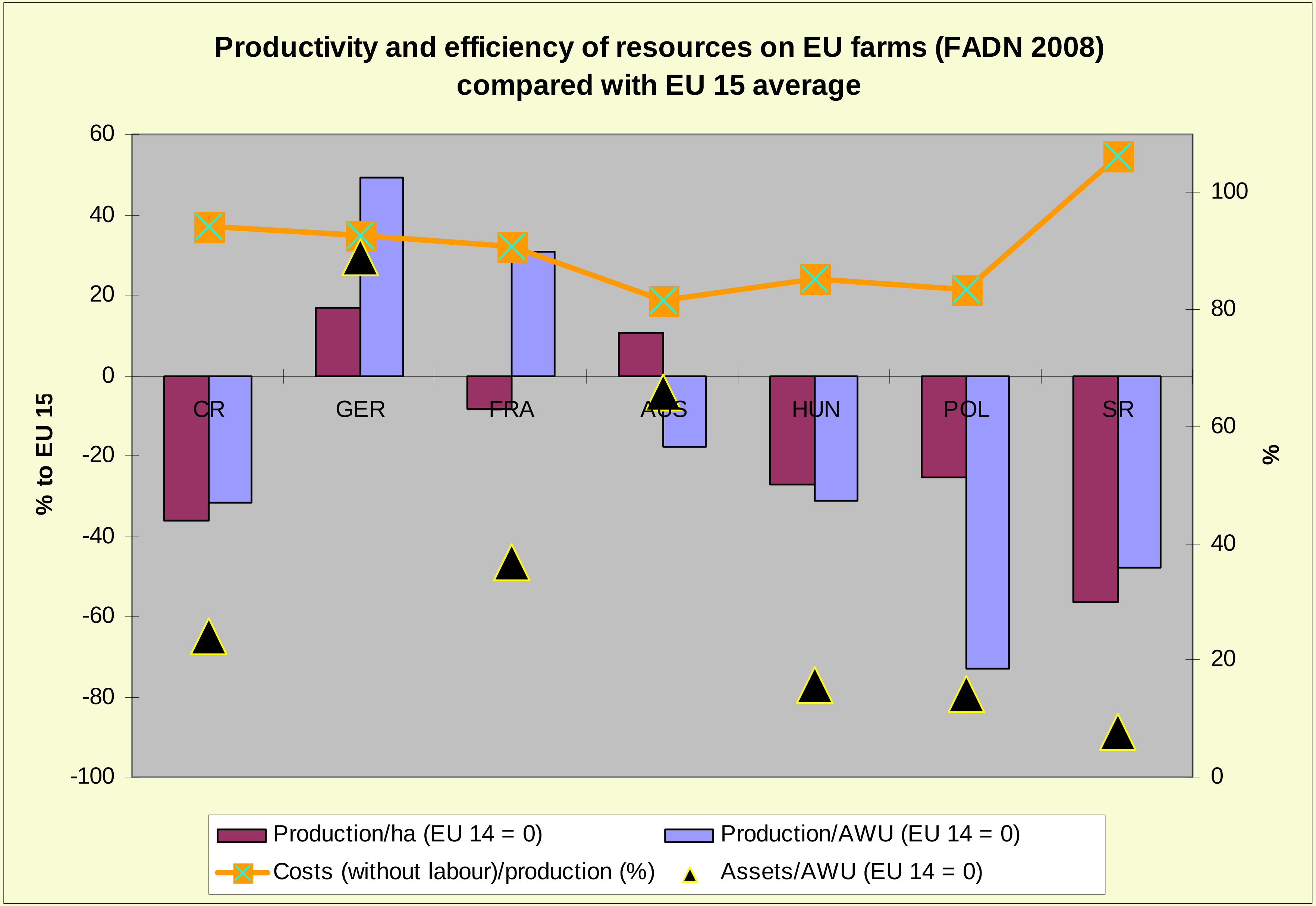
Poland, June 2011



Poland, June 2011



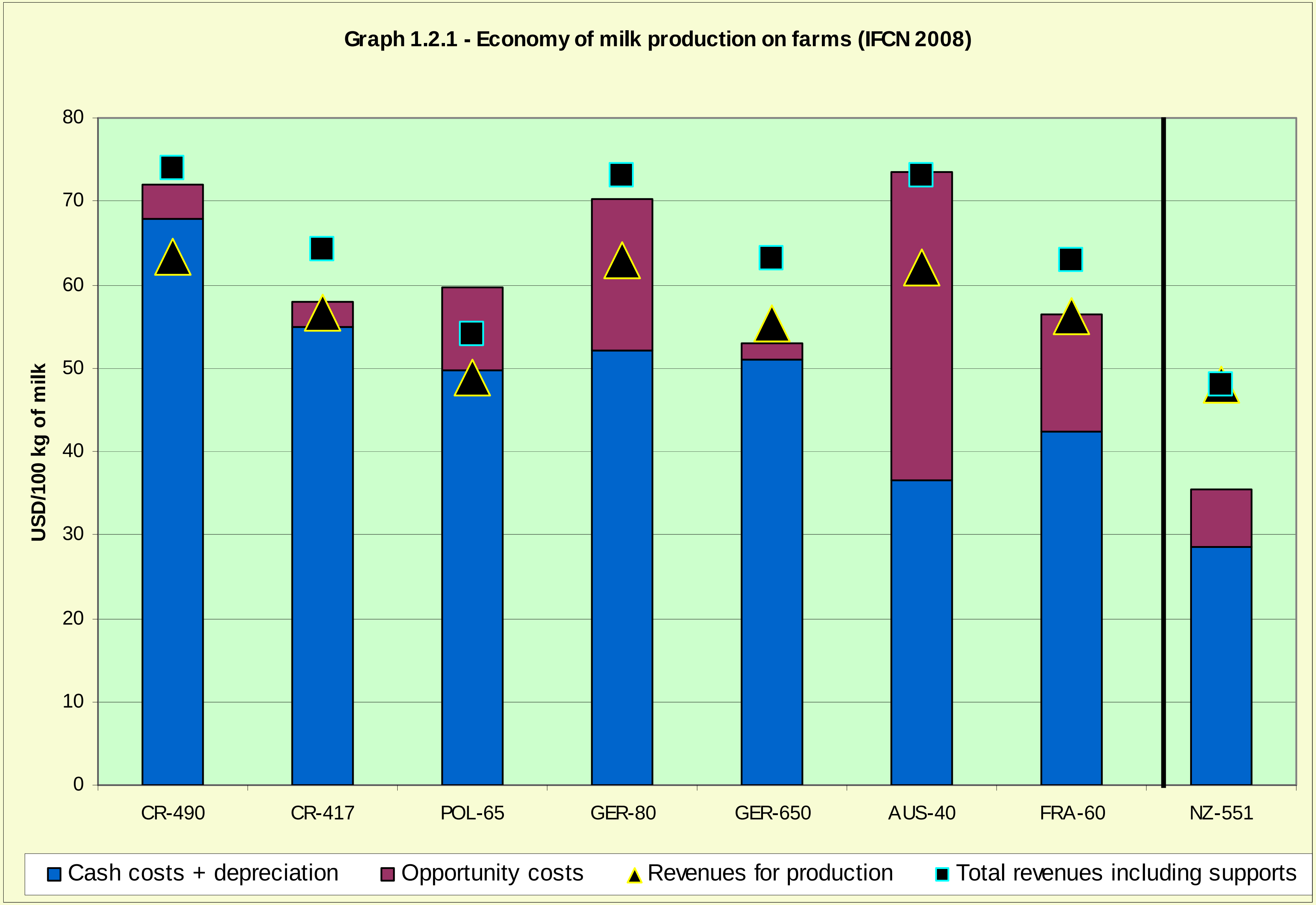
Poland, June 2011



Poland, June 2011

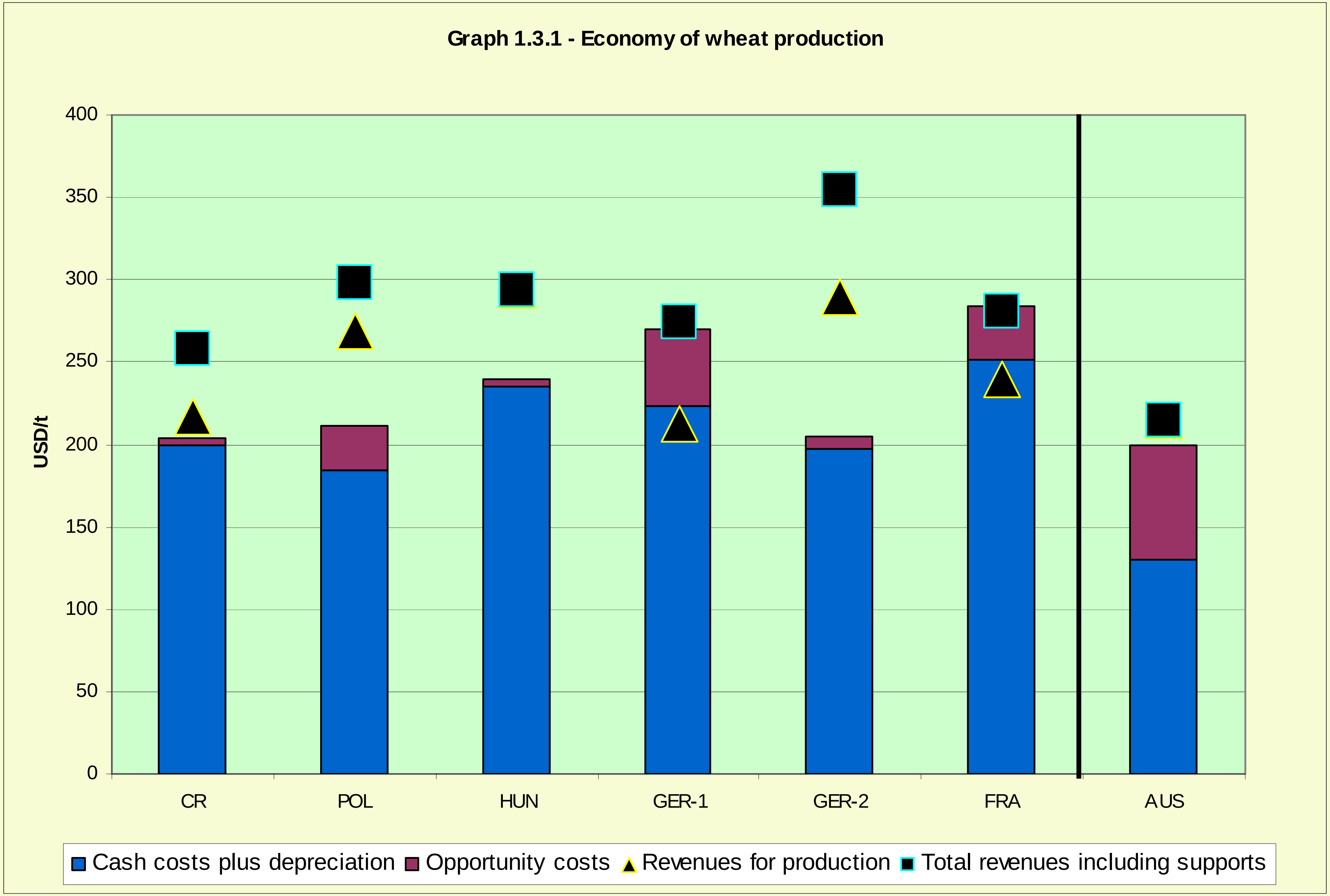
Comparisons based on Agribenchmark networks

Poland, June 2011

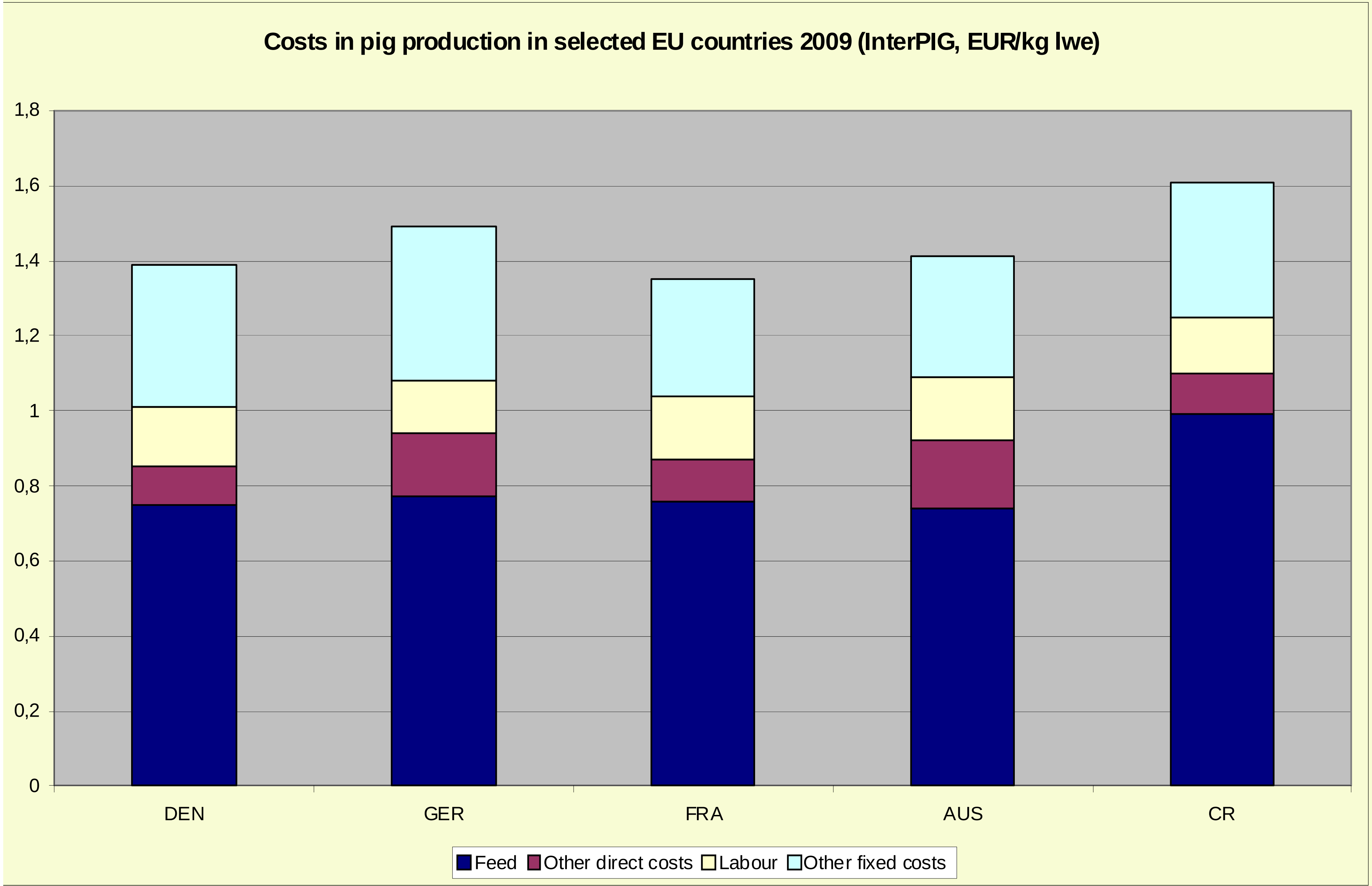


Poland, June 2011

Price of labour and labour productivity in milk production on selected typical EU farms (2008)
USD/hour
kg/hour
25
20
15
10
5
0
180
160
140
120
100
80
60
40
20
0
CR
POL
AUS
GER
FRA
Price of labour
Labour productivity



Poland, June 2011



Poland, June 2011

Main findings for Czech agriculture

- Extreme farm structure (large farms) continuing; deepening dual structure.
- Livestock production going down.
- Without growing supports farms are not able to survive (70 % of NVA).
- Weaker efficiency of inputs (labour, land, interim inputs), but lower prices of inputs.
- Very low opportunity costs for labour and land = ***better but more risky*** economic situation than in smaller EU farms.

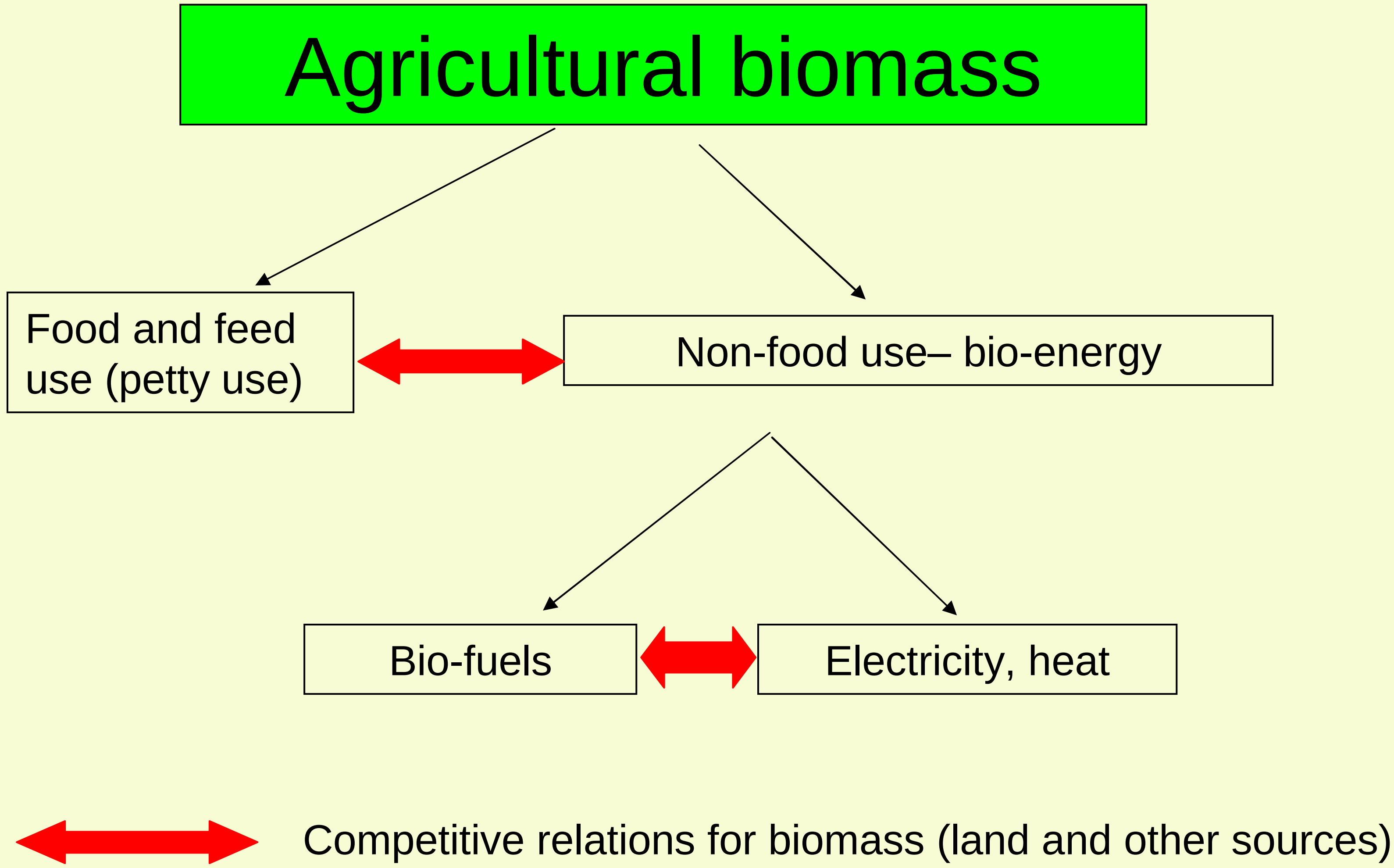
Czech agriculture

- Competitiveness lower in commodities demanding higher management, labour and technological quality.
- In general: costly extensive production prevailing (similar to Slovakia).

B. FOOD INDUSTRY

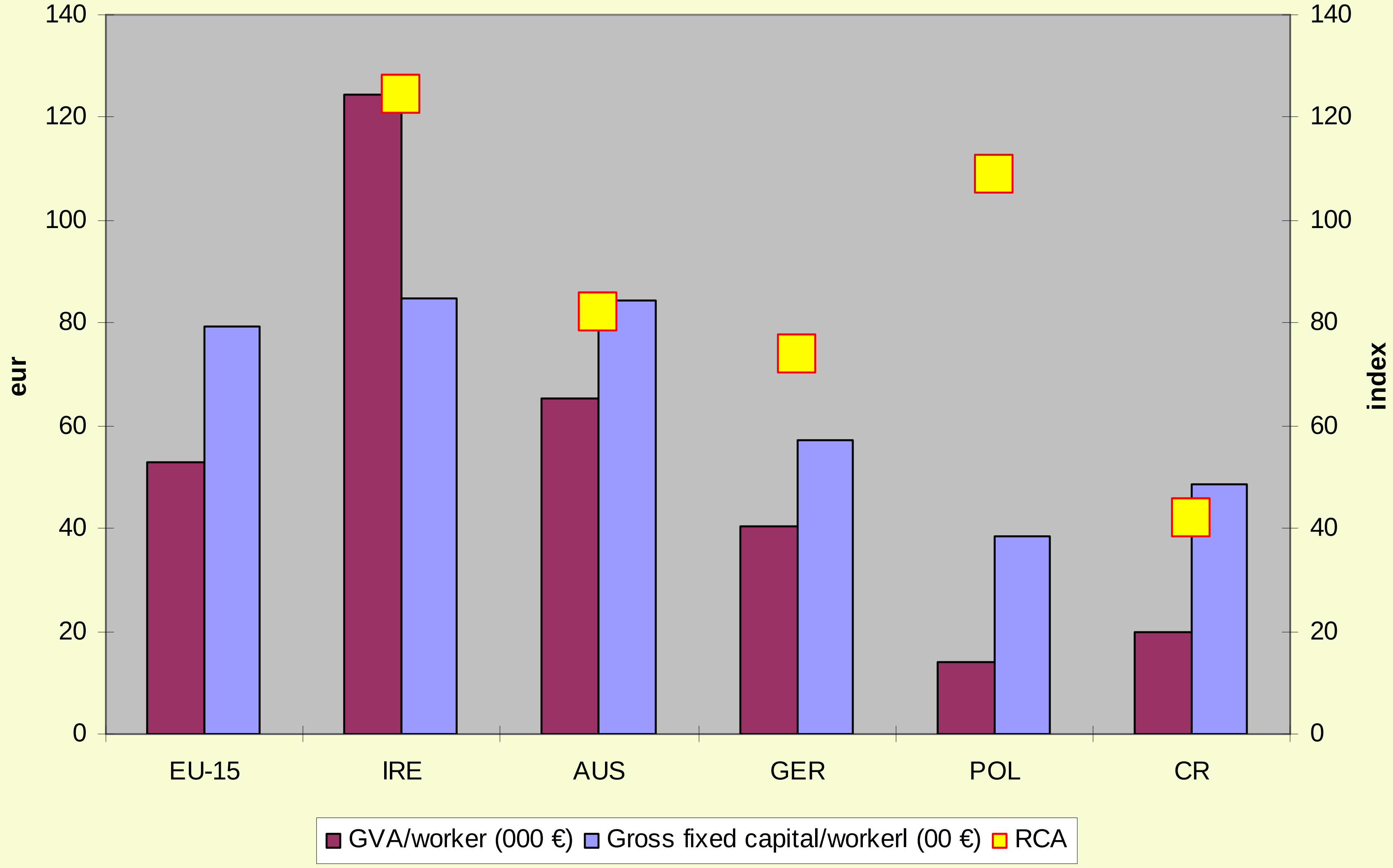
Main findings for Czech food industry

- Dual structure, FDI growing.
- Less than 40% labour productivity compared with EU-15.
- Weaker export orientation.
- Lower efficiency especially in primary processing (smaller technological concentration)
- Oil and drinks production leading.
- Growing competition for biomass (renewable sources of energy)



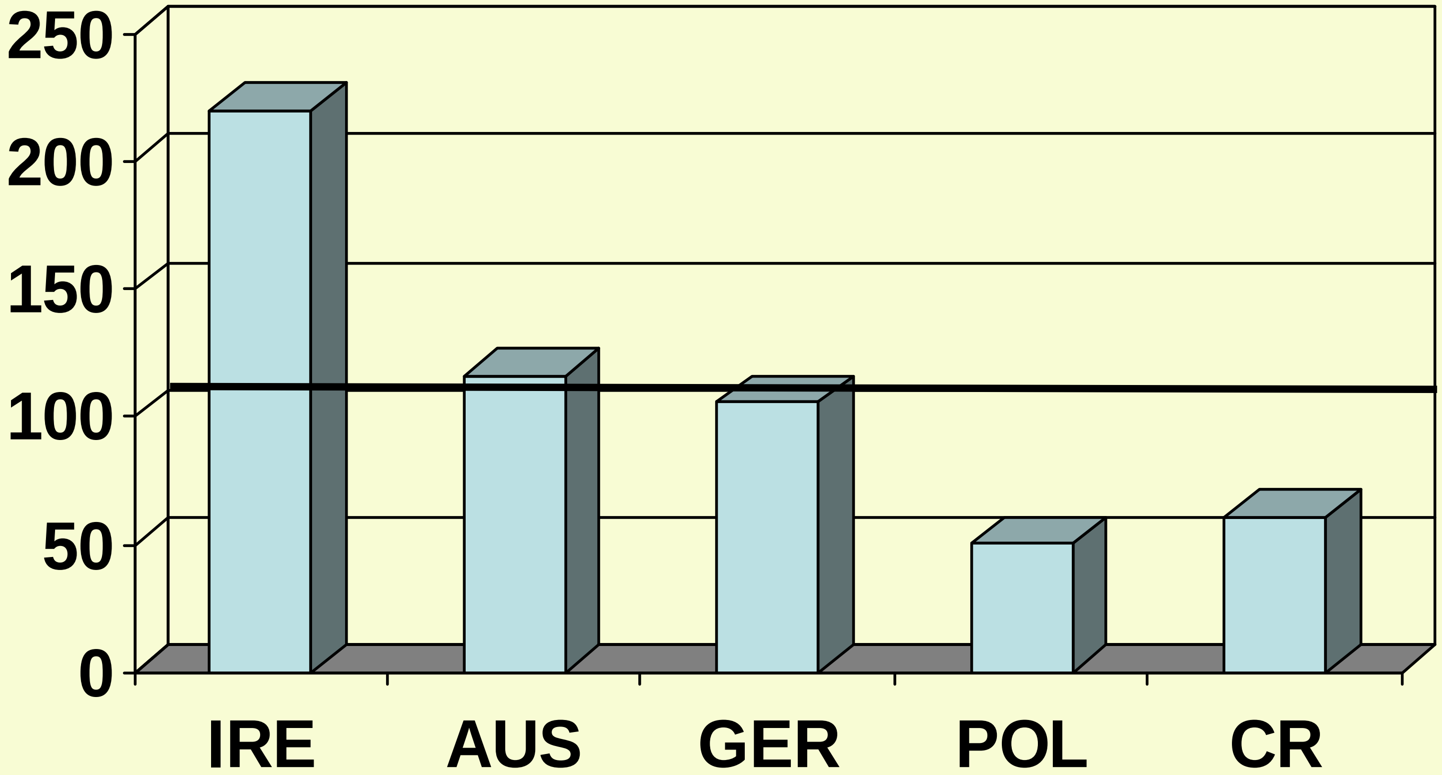
Poland, June 2011

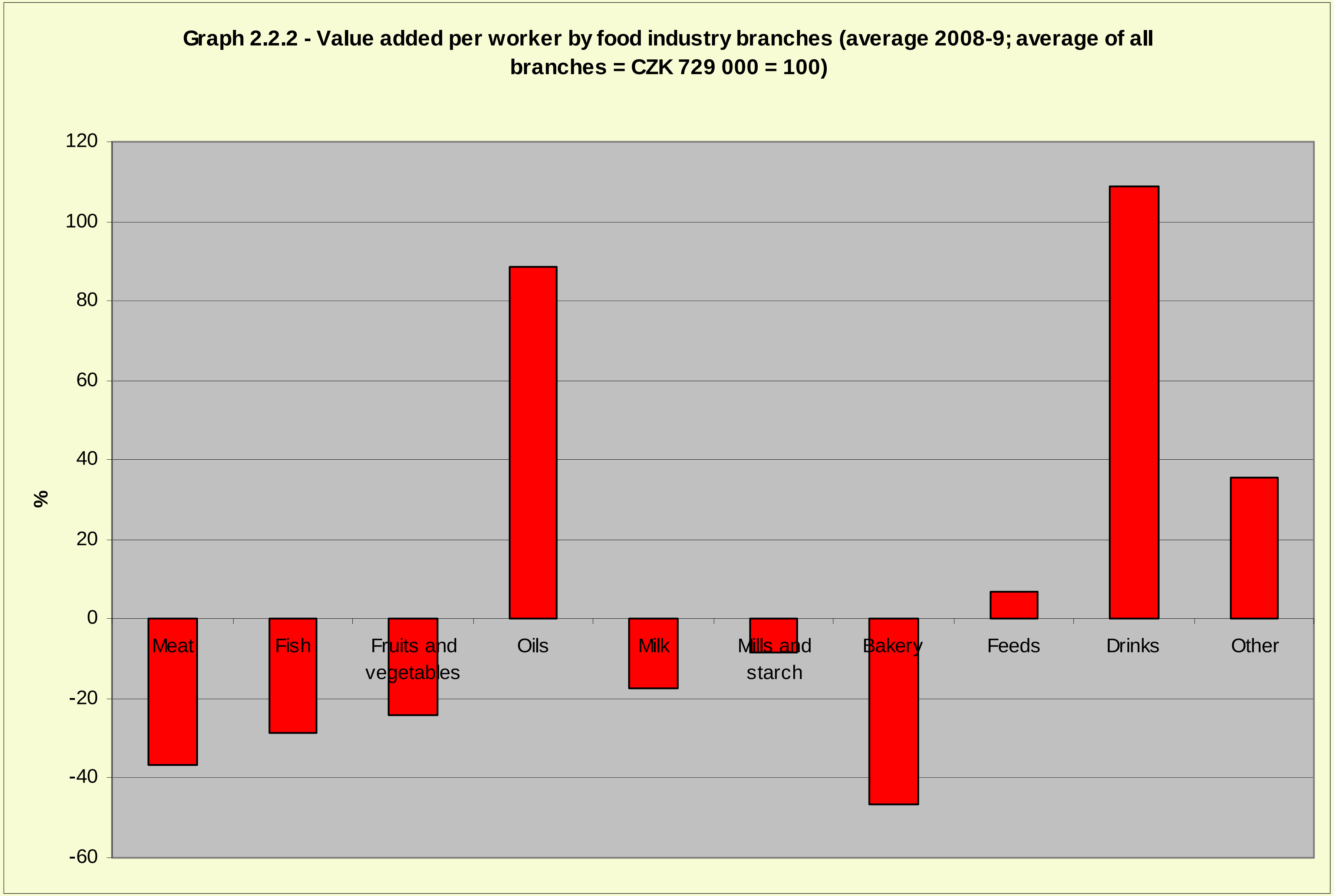
Graph 2.2.1- Competitiveness of food industry (2006)



Poland, June 2011

GVA/Gross Fixed Capital in food industry 2006 (EU-15 = 100)





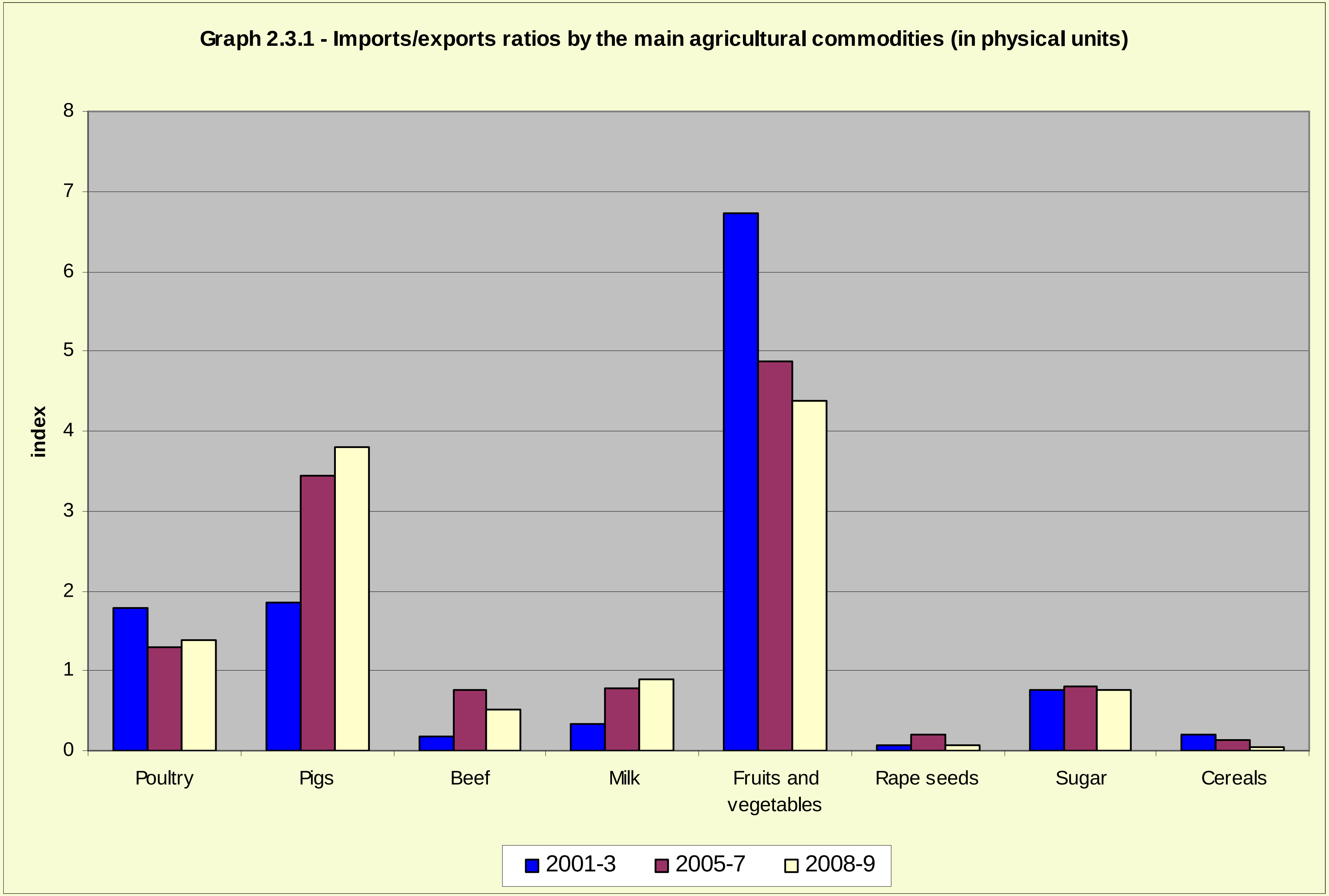
Poland, June 2011

C. AGRICULTURAL TRADE

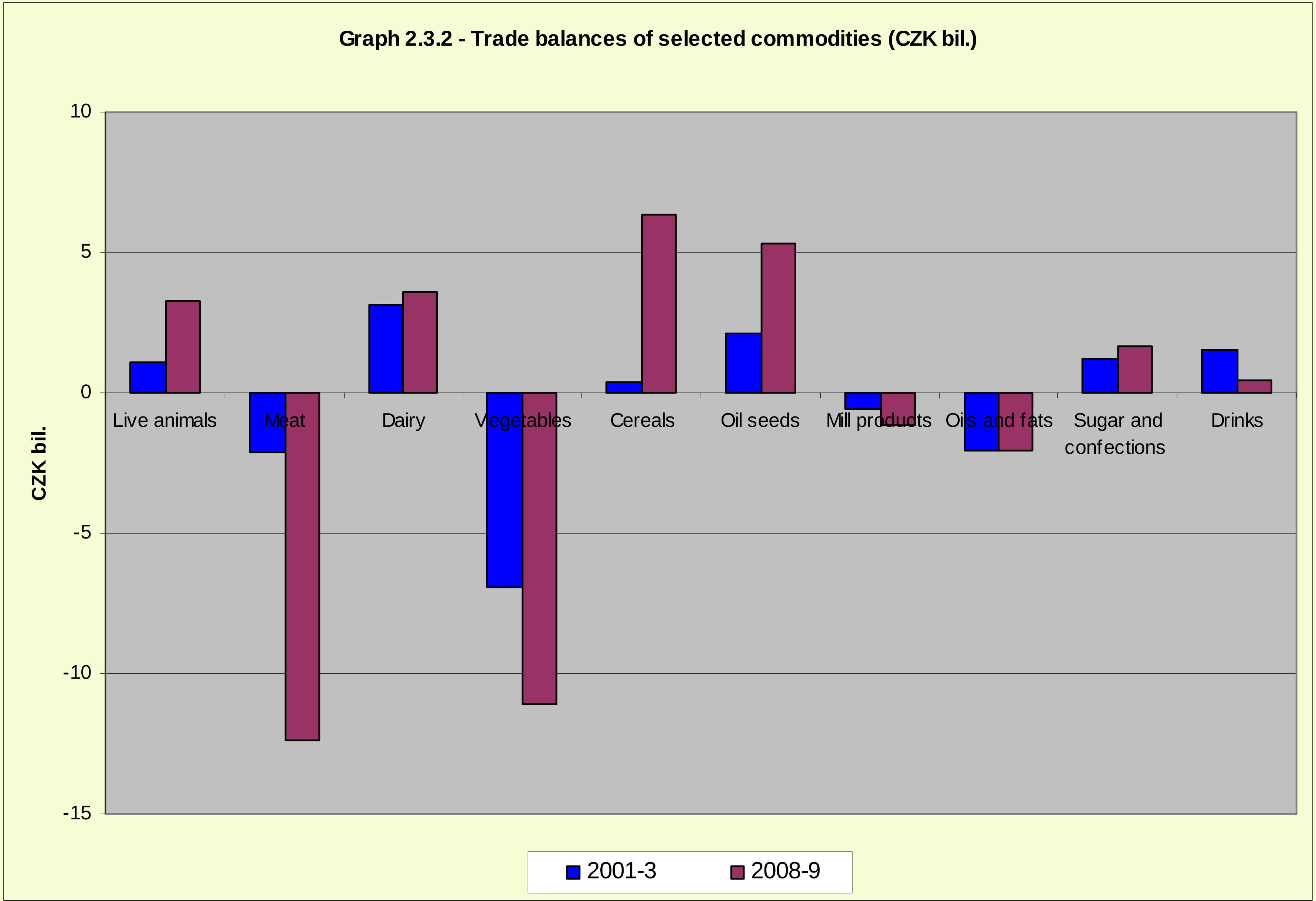
Poland, June 2011

Main findings for Czech agricultural trade

- Negative balance deepening.
- About 90 %: intra-trade.
- Growing exports of raw materials (also due to lower efficiency in primary processing).
- Growing imports of processed foods (even made of Czech raw materials).

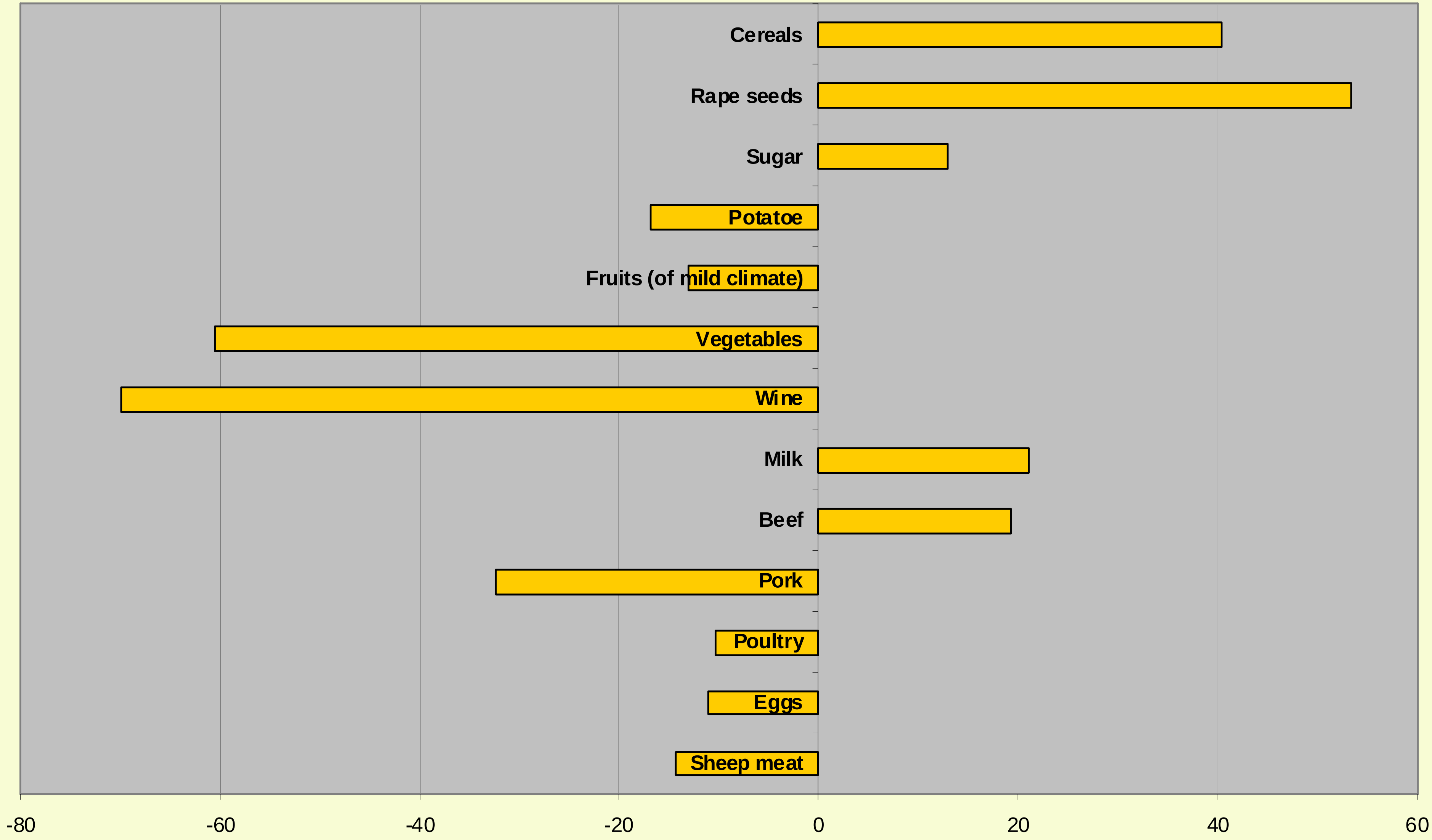


Poland, June 2011



Poland, June 2011

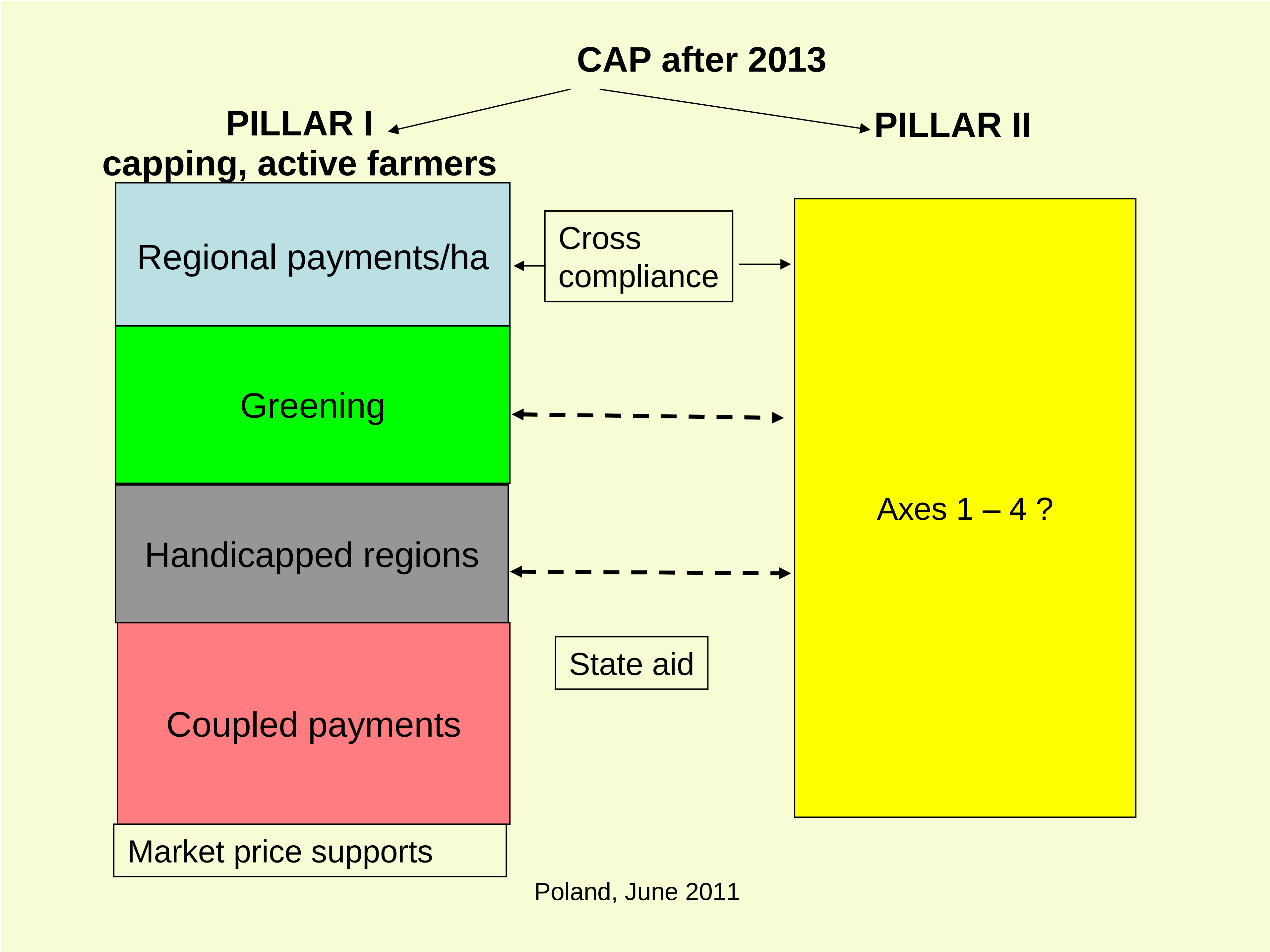
Rate of self-sufficiency of selected commodities 2008 - 2010 (plus/minus surpluses in %)



Poland, June 2011

D. CAP AFTER 2013

Poland, June 2011


CAP after 2013
PILLAR I
capping, active farmers
PILLAR II
Regional payments/ha
Cross
compliance
Greening
Handicapped regions
Coupled payments
Market price supports
State aid
Axes 1 – 4 ?
Poland, June 2011

General research position

- Each category of the CAP supports shall be joined with public goods.
- Food security defined as the preservation of the acreage of land as much *and* as the improvement of the soil quality.
- Capping of direct payment and their greening is interlinked conception, providing arguments for Pillar I income supports.
- Saved sources from a capping of direct payment shall be are leaved in the given country.
- Considering problems with soil erosion and degradation, water regimes, etc., “greening” measures is very important for Czech conditions.
- CAP sources shall be more oriented on positive externalities generated by farms to rural areas and communities than on a general rural development. problem to be better solved by other policies.

CAP changes	Official position	IAEI position	Comments (research)
Maintaining of two pillars	Yes.	Yes.	Yes, but stricter conditions for Pillar I payments.
Distribution of national envelopes for Pillar I	Fair, to avoid injustice among EU countries.	To apply environmental criteria combined with GDP/capita.	To utilise extensive character of Czech agriculture.
Capping of direct payments	No capping.	Capping is unavoidable, if direct payments are treated only as income (social) supports.	Owing to Czech farm structure with prevailing very large farms owned by “landlords” it is disputable to pay them social supports.
Greening of direct payments	No greening, to apply stricter cross compliance.	Greening as arguments for public goods delivering jointly with direct payments and a solution of widespread problems (erosion, crop rotation, water regime, etc.).	Greening changes direct payments to payments for public goods. No greening = capping unavoidable.
Special supports to small farmers	(Still) no objections.	Yes.	Yes, but problems with definition of small farmers.
Special supports to young farmers.	Yes.	Yes.	
Direct payments only to “active” farmers.	Hesitation.	Yes.	Yes, but problems with definition of “active farmers”.
Coupled payments	Yes for sensitive commodities, as at present.	Yes, but only very limited.	To avoid a deformation of competition on the EU single market.
LFA payments	To preserve in Pillar II.	To preserve in Pillar II.	Some form of degresivity needed.
Rural development	To preserve in Pillar II.	Rural development as a spacial problem to be solved by “territorial” programmes.	Use CAP only for improving relations of farmers to rural communities.

Poland, June 2011

THANKS FOR YOUR ATTENTION

Poland, June 2011