

Different farming conditions of agricultural holdings in the LFA and NON LFA

Rozdílné podmínky hospodaření zemědělských podniků v LFA a NON LFA

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Abstract

The paper discusses changes of criteria of the LFA (Less Favoured Areas) classification in the European Union and analyses the development of economic indicators of farms in the LFA and NON LFA in the Czech Republic in 2004 – 2008.

Results revealed that an increases of differences of economic results of agricultural holdings in the LFA and NON LFA. Subsidies to agriculture have been increasing on the long-term basis but the increase has slowed down; total subsidies calculated per hectare of agricultural land decreased for the first time (by 1.3%) in 2008.

Misbalance in the structure of subsidies to LFA and NON LFA and among member states of the EU 15 and the Czech Republic decreases the competitiveness of the agriculture in the Czech Republic. Further increasing differences in levels of gross incomes in agriculture and other sectors of national economy causes the outflow of young workers mainly from rural areas.

KEYWORDS: LFA, NON LFA, profit/loss, employment, incomes, subsidies

Abstrakt

Příspěvek popisuje změny kritérií pro vymezení LFA (Less Favoured Areas) v EU a analyzuje vývoj ekonomických ukazatelů zemědělských podniků v České republice hospodařících v LFA a mimo LFA v období 2004 – 2008.

Výsledky naznačují především prohloubení rozdílů ekonomických výsledků mezi zemědělskými podniky hospodařícími v LFA a NON LFA. Podpory do zemědělství dlouhodobě rostou, ale jejich růst se zpomaluje, v LFA došlo v roce 2008 poprvé k poklesu celkových dotací přepočtených na hektar zemědělské půdy, a to o 1,3 %.

Nevyváženost struktury dotací do LFA a NON LFA a mezi členskými státy EU 15 a ČR snižuje konkurenceschopnost zemědělství ČR. Rozdílná úroveň hrubých příjmů v

zemědělství a v ostatních odvětvích národního hospodářství, která se nadále prohlubuje, způsobuje odliv především mladých pracovníků z venkovských oblastí.

Klíčová slova: LFA, NON LFA, výsledky hospodaření, zaměstnanost, příjmy, dotace

Detailní abstrakt

Evropská komise připravila 21. března 2009 zprávu „Směrem k lepšímu cílení pomoci farmářům v oblastech s naturálním handicapem“, směřující k nové klasifikaci zemědělských oblastí s naturálním handicapem. Pomocí vědeckých expertů Komise identifikovala 8 půdních a klimatických kritérií jako základnu pro objektivní a jasnou klasifikaci těchto oblastí. Oblast je považována za postiženou významnými přírodními nevýhodami, pokud velká část zemědělsky využívané půdy (nejméně 66 %) splňuje alespoň jedno z 8 kritérií.

Příspěvek popisuje změny kritérií pro vymezení LFA (Less Favoured Areas) v EU a analyzuje vývoj ekonomických ukazatelů zemědělských podniků v České republice hospodařících v LFA a mimo LFA v období 2004 - 2008.

V příspěvku byly použity výpočty na základě dat Mikrocensu v roce 2002 a databáze SILC (Statistics on Income and Living Conditions) let 2005 a 2006. Údaje o zaměstnanosti byly upraveny podle jejich příslušnosti k LFA (sledují se obce s podílem výměry v LFA nad 50 %) a ostatní obce mimo LFA (NON LFA).

Pro analýzu ekonomických ukazatelů zemědělských podniků byla využita vlastní databáze výběrového souboru zemědělských podniků. Dosavadní vývoj v delší časové řadě je hodnocen za použití ekonomicko-statistických metod, zejména ukazatelů finanční analýzy. Použité třídění podniků je podle podílu výměry zemědělské půdy v LFA. Podniky jsou tříděny do dvou skupin, a to na podniky hospodařící v NON LFA (produkční oblast), kde podíl výměry v LFA je nižší než 50 %, a podniky hospodařící v LFA, kde podíl výměry zemědělské půdy činí 50 % a více.

Vstup do EU a přijetí Společné zemědělské politiky je hlavním faktorem ovlivňujícím kladný hospodářský výsledek a výrazné zlepšení finančně-ekonomických ukazatelů zemědělských podniků v ČR. Podíl dotací na výnosech průměrného zemědělského podniku vrostl od roku 2003 dvakrát. Přesto v LFA jsou dosahovány podstatně nižší výsledky hospodaření než v NON LFA. Intenzita výroby v LFA v porovnání s NON LFA je pouze 75%. Výsledek hospodaření je v LFA o 73 % nižší než v NON LFA, a míra zisku je v LFA menší o 64,7 %.

Zatímco v roce 2004 byly ekonomické ukazatele zemědělských podniků hospodařících v LFA a NON LFA téměř vyrovnané, díky pomalejšímu tempu vývoje těchto ukazatelů v LFA ve srovnání s NON LFA a zejména kritickému zhoršení

situace v roce 2008, nastal v LFA výrazný propad intenzity výroby i hospodářského výsledku.

Nevyváženost struktury dotací do LFA a NON LFA a mezi dotacemi členskými státy EU 15 a ČR snižuje konkurenceschopnost našeho zemědělství v LFA jak mezi oblastmi, tak i českého zemědělství jako celku vzhledem k zemědělství srovnatelných státům EU.

Stanovení nových podmínek pro ohrožené oblasti může přispět k vyrovnání půdně klimatických podmínek. Otevřenou otázkou zůstává eliminace vlivu sociálně ekonomických podmínek v těchto oblastech. Odkaz na efekt, který je uváděn v řadě opatření EU nenachází svoji realizaci, neboť programy regionálního rozvoje a sociální fondy jsou distribuovány především mimo venkovské obce. To je důsledkem toho, že ani není realizována dostatečná spolupráce především z hlediska koordinace jednotlivých programů mezi odpovídajícími direktoriáty EU.

Rozdílná úroveň hrubých příjmů fyzických osob a na spotřební jednotku v domácnosti pracovníků v zemědělství a v ostatních odvětvích národního hospodářství, která se prohloubila především v NON LFA nepřispívá ke stabilizaci zemědělských pracovníků na venkově a potažmo pracovníků řady ostatních odvětví.

Introduction

In the European Union, Agriculture is one of the crucial sectors employing almost 30 million of workers. Maintaining the European model of agriculture ensures quality food and is a source of permanent employment in rural areas. Rural areas suffer from depopulation and LFA (Less Favoured Areas) are the most vulnerable. Supporting the LFA areas is therefore the most important issue to ensure permanent agriculture and vitality of rural areas.

The system of subsidies for farmers in less favoured areas that had started in 1975 in the European Union was revised in 2005. It was decided to focus the objective on land management in order to enhance the contribution of the rural development policy to the EU strategy of sustainable development.

According to the Commission [1] current classification of intermediate LFAs raised serious questions about effective and targeted use of the funds allocated to the scheme, for two main reasons.

It is partially based on socio-economic criteria that no longer reflect the core objectives of natural handicaps and have been inherited from the original approach of the scheme which is now out of date. Furthermore, the evolution of the demographic and economic data used has not been taken into account to up-date the delimitation. In addition, it has occurred with reference to a wide range of national criteria often not comparable at a European level. This diversity significantly reduces transparency and may lead to an insufficient targeting of the aid in the light of the objectives of the measure.

The European Commission prepared a report “Towards a better targeting of the aid to farmers in areas with natural handicaps.” published on 21 March 2009 that led to new classification of agricultural areas with natural handicaps. With the help of scientific experts, the Commission has identified 8 soil and climate criteria as a basis for objectively and clearly classifying such areas. The proposal was prepared by the Institute for Environment and Sustainability. The LFA payment is now called as Natural Handicap Payment (NHP).

Material and methods

It is quite simple to use new criteria to assess the areas with natural handicaps in agriculture. The area is set as handicapped when a large part of agricultural area (66% at least) fulfils one of eight criteria at least. Setting out a common framework for delimiting other areas with handicaps than mountain areas and areas with specific handicaps based on common objective criteria would provide more efficiency in terms of transparency, robustness and coherence of the area delimitation system in the EU [1].

The aim of the payments is to maintain agriculture and the use of land by the means of adequate but not excessive financial compensations [9]. The system of classification of areas with natural handicaps will be probably changed in 2014. The change will not influence mountain areas and areas with specific handicaps. It is possible that the system of support distribution will change as well focusing on such farms that are threatened by farmland abandonment [1].

If a greater unification is desired in the future for the application of support through the LFA payments in the EU countries, a number of problems and issues will have to be resolved. There are two potential objectives. The contribution to holding income as is often understood by the agricultural practice and compensation the specific handicaps in the use of land providing stimulation of the environmental friendly use of land. In the first case, it would be advisable to provide support per every hectare of agricultural land in LFA, while in the second one; the eligible area should be limited to reflect these goals [10].

The EU countries do not apply a uniform methodology to determine the amounts of the LFA payments. The payments and the differentiation of rates should be based on the effect of the adverse soil and climate conditions to contribute to the sustainable use of farmland in the LFA and, at the same time, to avoid overcompensation. The payments and list of crops to be subsidized fall within the competence of each country. Therefore, there are great differences between the EU countries in terms of the LFA payments [9].

Gabriel et al. [3] say that a combination of environmental variables associated with a lower agricultural potential predisposes farmers to convert to organic farming, which further promotes conversion of farmers in the neighbourhood. Organic farming as a ‘wildlife friendly’ method is more likely to occur in agriculturally less-favoured areas

where economic incentives for conversion to organic farming do not need to be high and the loss of production due to conversion will be comparatively small. This suggests that an efficient conservation strategy, which takes the global demand for food into account, would promote organic farming as an agri-environment scheme in landscapes that are already rich in organic farms. Designation of LFA areas is applied at a rather broad level and does not necessarily guarantee that socio-economic and natural conditions at farm-level are considered. The key point is that there is a need to consider spatially differential impacts in further adjustments to policy reforms taking into account local circumstances. It becomes essential to increase funding for the Rural development programme to provide meaningful support, coordinating agricultural policy with rural and regional development policies [4].

The analysis of enterprises in the LFA conditions shows that the significant part of companies still persist in the intensive forms of farming, whereof they achieve a relatively small economic effect. On the one hand, the intensive farms contribute to agricultural maintenance, but on the other hand they do not search the possibilities for innovation of the production structures [5].

The paper uses a calculation based on the Mikrocensus data of 2002 and the SILC (Statistics on Income and Living Conditions) database of 2006. The employment data were adjusted according to the LFA classification (municipalities with the area in the LFA of more than 50% were investigated) and other municipalities out of the LFA (NON LFA).

The analysis of economic indicators was based on authors' database of a sample of farms. The previous development in time was assessed by economic and statistic methods, mainly by the indicators of the financial analysis. Farms were classified according to the share of agricultural land in the LFA in two groups. The first group consisted of farms in the NON LFA (productive areas) with the share of area in the LFA less than 50% and of farms in the LFA with the share of area in the LFA of 50% and more.

Results and discussion

1. Current LFA delimitation

Mountain areas (article 18, regulation ECC 1257/1999) are characterised as areas with short growing season due to high altitude or steep slopes at a lower altitude or a combination of these two factors [6]. Areas north of the 63rd parallel are classified as mountain areas as well. Mountain areas cover almost 16% of agricultural areas.

Intermediate LFA (article 19, regulation ECC 1257/1999) are areas which are in danger of abandonment of land-use and where the conservation of the countryside is necessary. The land of poor productivity is a typical feature of this area.

Socioeconomic conditions were taken into account as well. The delimitation criteria included a density of population lower than 75 inhabitants per square kilometre

together with 8 or more percent share of employed population in agriculture, forestry and fishing.

Areas with specific handicaps (article 20, regulation ECC 1257/1999) are areas, in which farming should be continued in order to conserve or improve the environment, maintain the countryside and preserve the tourist potential in the area or in order to protect the coal-field. 57% of the overall utilised agricultural area in the EU is supposed to be classified as the LFA.

2. LFA in the EU

The LFA currently accounts for 51.3% of agricultural area; 15.4% of which is mountain area and 35.9% is other LFA. In 2005; there were 91 million ha of utilised agricultural area classified as the LFA; 60 million of which were the intermediate handicapped area (table 1).

Table 1 – Share of the LFA in overall utilised agricultural area in 2005 in the EU – Podíl LFA na celkové využívané zemědělské půdě v roce 2005 v EU

LFA share	Number of states	
100 %	3	Finland, Malta, Luxembourg
75 – 100 %	5	Ireland, Spain, Austria, Portugal, Slovenia
50 – 75 %	10	Germany, Greece, Cyprus, Italy, Latvia, Lithuania, Poland, Slovakia, Sweden, Great Britain
25 – 50 %	3	Czech Republic, Estonia, France
> 25 %	4	Belgium, Denmark, Hungary a Netherlands.

Source: Research Institute of Agricultural Economics

3. LFA in the Czech Republic

There were 1,751,900 ha of the LFA and 1,761,300 ha of the NON LFA in the Czech Republic in 2007. The comparison of the above mentioned numbers revealed that the LFA represented almost 50% of total agricultural area in the Czech Republic (49.87%); 29.27% of which are mountain areas (figure 1). More than 3,152,000 inhabitants which is mote than 30% of all inhabitants in the Czech Republic live in handicapped areas.

The Czech Republic is the only state of the EU that limited the area subjected to the LFA payment to permanent pastures [11]. In other states, pastures including areas used for fodder feed and other selected plant production are included; in some states this area is all agricultural area of a farm [8]. This situation disadvantages the situation of the Czech Republic compared to some states of the EU.

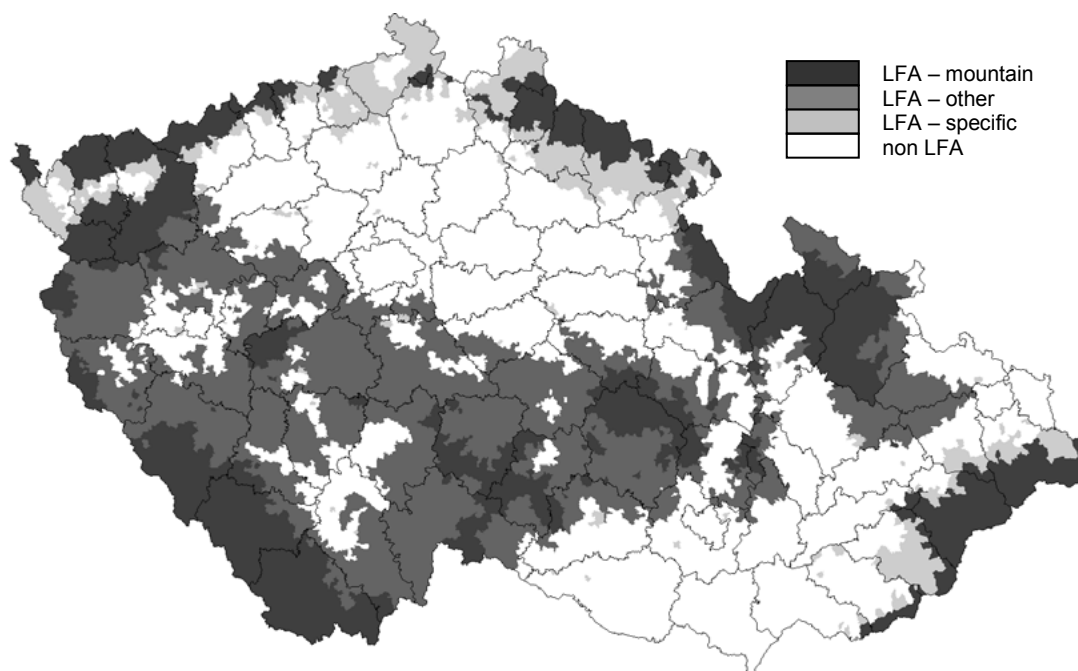


Figure 1 – LFA classification in 2007 – Vymezení LFA v roce 2007 (Source: NV č. 75/2007 Sb.)

4. New LFA classification

According to the European Commission, rules of the LFA classification should be simplified by reducing current 100 indicators to eight clearly defined criteria related to soil and climate. It was decided in 2005 not to use the social and economic criteria as they are covered by different payments.

New classification is based on the following:

- Low temperature: length of growing period less or equal to 180 days or thermal-time sum for growing period less or equal to 1500 degree-days;
- Heat stress: One or more periods of at least 10 consecutive days in the growing period with temperatures above 35°C;
- Drainage: poorly drained soil with areas water logged for a significant period of time;
- Texture and stoniness: more than 15% of topsoil volume is coarse material, sand, heavy clay, organic, mud, vertisol or there are rocks within the 15 cm of the surface.
- Rooting depth: less than 30 cm of topsoil above hard pan;
- Chemical properties: presence of salts (more than 4dS/m), exchangeable sodium (more than 6 ESP) and gypsum (more than 15%);
- Soil moisture balance: less than 90 days in the growing period when the amount of water in soil exceeds 50% of potential evapotranspiration;
- Slope: a change of more than 15% in the elevation with respect to planimetric distance.

The Commission decides that the region should be accepted as “affected by significant natural handicaps” in case that at least 66% of its area fulfils at least one criterion.

The Council regulation related to the LFA does not deal explicitly with the problem of employment, living conditions and depopulation of these areas; it focuses mainly on keeping the agricultural land and environment. However, not to set the above mentioned economic criteria threatens the stability of rural population in these areas.

5. Comparison of the profit/loss in the LFA and NON LFA

Farms in the LFA and NON LFA are described by indicators mentioned in table 2.

Table 2 – Characteristic features of the LFA and NON LFA – Základní charakteristiky LFA a NON LFA

Indicator	LFA	NON LFA	LFA/NON LFA (%)
Elevation (m)	500	300	166.67
Size of a farm (ha)	1600	2000	80
Share of arable land (%)	67	89	75.28
Avg. price of land (CZK/m ²)	3	8	37.5

Source: Own calculation of a sample of farms

Table 3 – Comparison of the volume of production, intensity of production and the profit/loss in the LFA and NON LFA – Porovnání objemu produkce, intenzity výroby a výsledku hospodaření v LFA a NON LFA

Volume of production (1000 CZK)	2004	2005	2006	2007	2008	Index 08/04
NON LFA	77347	80021	74100	87167	95545	1.24
LFA	45500	46262	44237	52674	52707	1.16
Intensity of production (CZK/ha)						
NON LFA	37364	38911	36391	41101	44185	1.18
LFA	29328	28940	28644	33199	33122	1.13
Profit/loss (CZK/ha)						
NON LFA	2590	1818	1134	4323	4554	1.76
LFA	2454	1766	1610	3727	1204	0.49
Profitability of production (%)						
NON LFA	6.93	4.67	3.12	10.52	10.31	1.49
LFA	8.37	6.10	5.62	11.23	3.64	0.43

Source: Own calculation of a sample of farms

Table 3 revealed that the LFA is connected with significantly lower profit than the NON LFA. The intensity of production in the LFA was only 75% compared to the NON LFA, the profit/loss was lower by 73% in the LFA; the profitability was lower by 64.7% in the LFA.

While economic indicators of the LFA and NON LFA were almost the same in 2004 slower development in the LFA and the crisis of 2008 caused a significant decrease of production and profit in the LFAs.

6. Influence of subsidies on profit/loss of farms in the LFA

Table 4 - The most important subsidies in the LFA (CZK/ha of agricultural area) -
Hlavní dotace v Kč/ha zemědělské půdy v LFA

LFA	2004	2005	2006	2007	2008	Index 08/04
Number of farms	78	65	67	53	73	
Total support (CZK/ha)	6327	7559	8356	8815	8620	1.36
SAPS (CZK/ha)	1821	2115	2514	2799	3085	1.69
TOP-UP (CZK/ha)	1541	2145	2373	2425	2278	1.48
Other support (LFA, AEO*, Natura 2000)	2096	2184	2286	2364	2194	1.05
NON LFA	2004	2005	2006	2007	2008	Index 08/04
Number of farms	63	57	60	62	43	
Total support (CZK/ha)	4950	5807	7029	7612	8030	1.62
SAPS (CZK/ha)	1807	2092	2516	2785	3049	1.69
TOP-UP (CZK/ha)	1635	2190	2351	2408	1847	1.13
Other support (LFA, AEO*, Natura 2000)	617	731	823	935	832	1.35

Source: Own calculation of a sample of farms (*Agro-environmental measures)

The 2004 revealed a significant difference in subsidies paid to the farms in the LFA and NON LFA (table 4). The NON LFA subsidies were lower by 22% compared to the LFA; however the growth rate was slower in the LFA so that the LFA subsidies calculated per ha of agricultural land were only higher by 9% in 2008. This situation was caused by the SAPS (Single Area Payment Scheme) and the TOP-UP (national payments) that had the greatest share of total subsidies after the EU accession. In the LFA, the compensatory payment for less favoured areas is higher, however the

rates remain constant compared to SAPS and TOP-UP rates that are increasing. Moreover, the NON LFA payments are compensated by special support – mainly the SSP (separate sugar payments), support of hop-gardens, vineyards and plantations etc.

These relations have increased differences between the economy of farms in the LFA and the NON LFA so that farms in the LFA have lost their competitive advantage compared to the NON LFA farms.

7. Comparison of agricultural subsidies in the Czech Republic and other states of the EU

Table 5 - Comparison of access conditions with the real share of subsidies CZ/EU15 - Srovnání přístupových podmínek se skutečným podílem dotací ČR/EU15

Access conditions	2004	2005	2006	2007
SAPS (%)	25	30	35	40
TOP UP (%)	30	30	30	30
total (%)	55	60	65	70
Real state	2004	2005	2006	2007
EU 15 (€/ha)	391.7	406.8	426.2	426.4
CZ (€/ha)	150.0	192.1	258.6	272.8
CZ share (%)	38.3	47.2	60.7	64.0

Source: FADN

Table 5 revealed that the development that conditions negotiated in access conditions are not fulfilled in the Czech Republic. The share of the Czech Republic in the EU subsidies was lower by 6 percentage points in 2007 compared to negotiated conditions. Comparison of this development with other states of similar structure of agricultural production showed (figure 2) that levelling of economic conditions for production will last for a long time.

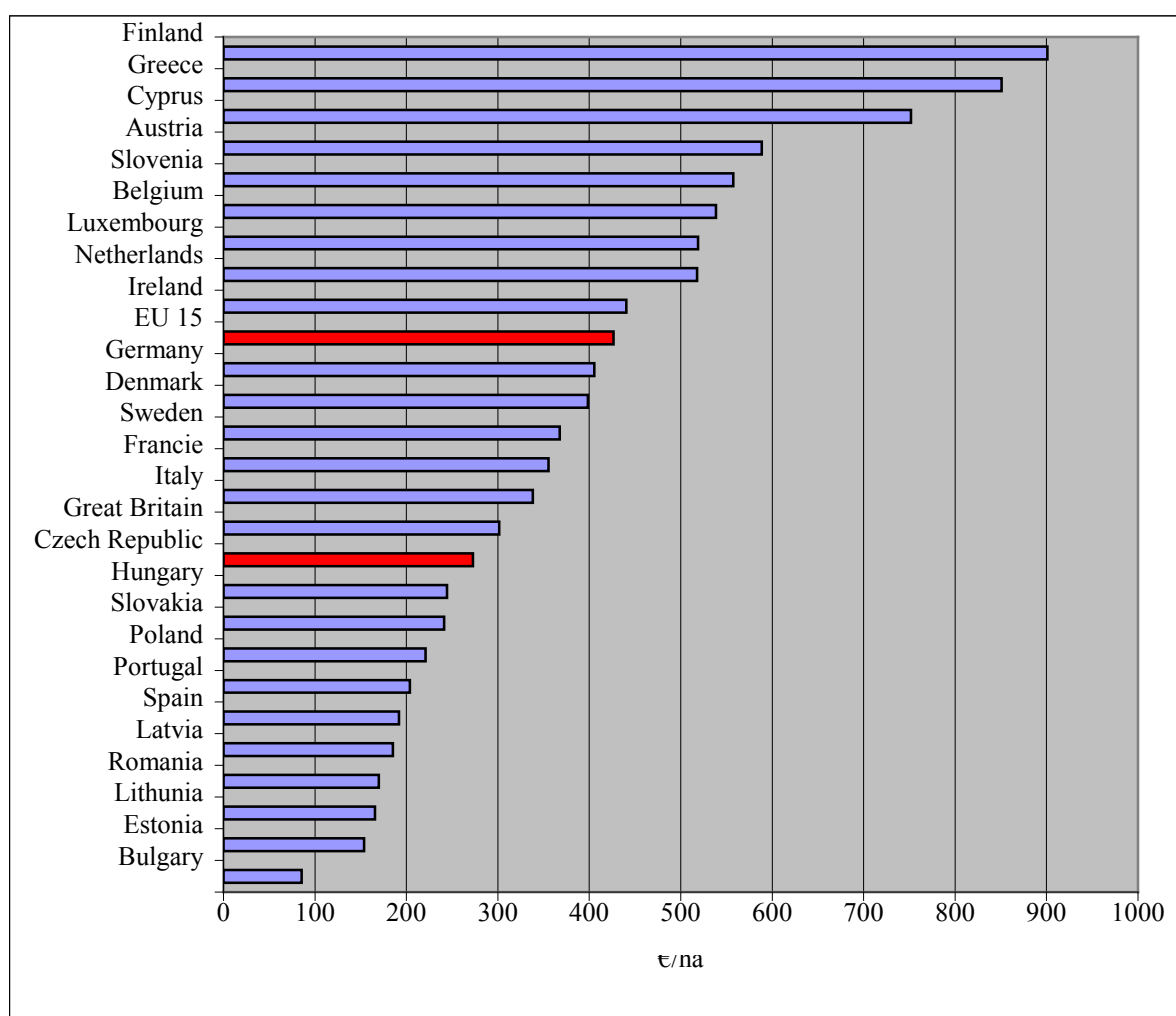


Figure 2 – Operation subsidies (in €/ha of agricultural area) in 2007 – Provozní dotace v €/ha zemědělské půdy v roce 2007 (Source: FADN)

8. Analysis of employment and incomes in the LFA and NON LFA

Social and economic criteria were approved to be quit from the LFA definition in 2005. Let's analyse the employment and incomes of agricultural population in these areas.

In the period of investigation (2002 – 2006), the index of employment growth reached to 101.33% in the Czech Republic. The greatest increase appeared in building industry (102.61%), followed by industry (102.04%). The employment in agriculture, trade and transport decreased with the index of less than 1 (table 6).

31.3% of all workers were employed in the LFA in 2006. Regarding the sector composition, the share of employment in industry in the LFA reached to 30.9%; employment in other sectors reached to 36.1% of total employment. The lowest share appeared in agriculture (3.8%).

Table 6 – Development of employment in national economy of the Czech Republic –
Vývoj zaměstnanosti podle jednotlivých sektorů národního hospodářství v České republice

Sector	Employment (1000 persons)		Share of sector (%)		Index of employment (%)
	2002	2006	2002	2006	
Agriculture	227.9	181.7	4.78	3.76	79.73
Industry	1463.1	1493.0	30.71	30.92	102.04
Building industry	425.2	436.3	8.92	9.04	102.61
Trade	619.8	613.6	13.01	12.71	99.00
Transport	367.6	361.0	7.71	7.48	98.20
Other	1657.6	1741.4	34.79	36.07	105.06
Total employment	4764.9	4828.1	100	100	101.33

Source: Czech statistical office

It is important to deal with the employment dynamics in these areas. Compared to 2002, the number of workers increased by 61229 in 2006 in the LFA. More than 50% of this dynamics were workers in building industry (55.6%); building industry accounted for 18.6% followed by trade (20%), transport (9.9%) and agriculture (-3.3%). Lower employment index in LFA in agriculture brought decreased a number of workers by 1859 people.

The development in the NON LFA was reversed. In 2006, there were 2,980,307 workers; 25.4% of which in industry, 16.1% in trade, 9.4% in transport, 9.1% in building industry and 3.76% in agriculture. Employment in transport and trade only was greater in the NON LFA compared to the LFA.

Total number of workers has decreased by 60151. Number of worker in other sectors has increased by 46809 as well as the number of workers in agriculture (by 12315) and building industry (by 10623). Number of workers in industry, trade and transport has decreased by 60121 in trade; by 44116 in transport and by 25660 in industry.

The above mentioned numbers revealed that agriculture is not the most important sector in both areas while the main sectors of national economy prevail. It is caused mainly by a large share of workers commuting to bigger towns. A share of commuters from villages to towns is estimated to reach 40% of employable population.

Gross income from the main employment reached to 143304 CZK in agriculture in the LFA in 2002 which is 84.4% of the average for LFA municipalities (table 7). In 2006, incomes increased to 170640 CZK and the share in total incomes in the area increased to 86.2%. The average growth rate was 104.6%; the basic index 2006/2002 was greater by 3 percentage points in agriculture compared to incomes in the area. In spite of fast growth rate of gross incomes in the LFA incomes in

agriculture were not levelled with other sectors of national economy. This influenced the migration among sectors mainly of young population.

Table 7 – Gross annual incomes from the main employment/business (CZK) – Hrubé roční příjmy z hlavního zaměstnání/podnikání (Kč)

Sector	2002			2005			2006		
	LFA	NON LFA	total	LFA	NON LFA	total	LFA	NON LFA	total
Agriculture	143304	139860	141492	157200	167364	161604	170640	171240	170964
Industry	163980	180612	174168	182376	197076	190788	193980	212304	204696
Build.ind.	175572	190812	186216	196464	206832	203532	217860	220956	220020
Trade	140172	167820	160116	197208	179304	184884	164484	187692	180672
Transport	208356	239328	231300	218424	251904	241512	231528	279804	265404
Other	183996	193356	190608	194496	225084	215748	210228	254016	241248
Total	169836	188700	182556	189852	210108	202908	198000	229320	218664

Source: Czech statistical office

Table 8 – Gross annual income of household per consumption unit – Hrubé roční peněžní příjmy domácnosti na spotřební jednotku

Sector	2002			2005			2006		
	LFA	NON LFA	total	LFA	NON LFA	total	LFA	NON LFA	total
Agriculture	73207	78600	75834	90889	100927	95944	104679	100683	102527
Industry	88580	105391	99195	96249	114022	106524	108224	116953	113320
Build.ind.	83144	99769	94190	100523	104928	103250	103353	107854	106130
Trade	90921	111649	106288	154325	134933	141052	123585	133242	129966
Transport	93214	132583	121067	108010	147127	133767	115749	150834	139707
Other	116951	129220	125511	118092	148929	140554	137943	157469	152428
Total	93882	114800	107323	108813	129191	121797	115696	132715	127319

Source: ČSÚ (Czech statistical office)

Gross annual monetary incomes per consumption unit of household were significantly different in agriculture compared to average incomes in the area in 2002 (table 8). Gross annual incomes of agricultural households calculated per consumption unit in the LFA reached 78% of gross incomes in the area. In the LFA, gross income of agricultural households calculated per consumption unit reached to 93.1% of the NON LFA.

The growth rate of gross incomes per consumption unit was faster in the LFA compared to the NON LFA by 19.7 percentage points in 2006/2002 (by 8.25 percentage points in 2005/2002; by 8.85 percentage points in 2006/2005). The growth rate of gross income in households per consumption unit in agriculture was higher than gross income in the LFA area. This change resulted into a decrease of differences between gross monetary income from agriculture in the LFA and gross incomes in the area by 11017 CZK only.

In the NON LFA, the level of gross annual income per consumption unit was higher than in the LFA in each sector with the exception of agriculture. In this respect, the fall between gross annual incomes per consumption unit is higher in agriculture. Gross income per consumption unit in agriculture reached to 75.9% of average incomes in the area.

CONCLUSION

Access to the EU and the adoption of the Common agricultural policy are crucial factors that influence the profit and significantly improve financial and economic indicators of farms in the Czech Republic. The share of subsidies in revenues of an average farm has increased two times since 2003.

Misbalanced structure of subsidies in the LFA and NON LFA and between the EU 15 states and the Czech Republic has decreased the competitiveness of Czech agriculture in the LFA both among regions and compared to the agriculture of similar states of the EU.

Setting new criteria for endangered areas may contribute to better soil and climatic conditions. The elimination of the influence of socio-economic conditions in these areas remains an open question. Reference to the effect, which is discussed in a number of the EU measures, is not its realization, as regional development programmes and social funds are distributed mainly outside the rural communities. This is due to the fact that an adequate cooperation especially in terms of coordination between different programs relevant EU Directorate is not implemented.

Different levels of gross personal income and income per consumer unit in households in agriculture and other sectors of the economy, which deepened particularly in NON LFA does not contribute to the stabilization of agricultural workers in rural areas as well as workers in a number of other industries.

It is shown that unemployment in cities affects unemployment in rural communities. Building production capacity will give priority to larger communities. However, it is necessary to deploy this capacity as well as in terms of favourable catchments areas of the rural population if we are interested in eliminating the above mentioned adverse effects.

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