

AGRICULTURE AND RURAL DEVELOPMENT IN THE CZECH REPUBLIC

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INTRODUCTION

Rural development has begun to be one of the main issues as well as the policy objectives in Europe, including the Czech Republic. Several questions relate to rural development, in particular:

- the definition and classification of rural areas
- the relations between agriculture and rural development
- policy visions related to the future of rural areas and how they are rooted in the past
- policies and institutions supporting rural development
- an analysis of the present situation resulting in the identification of barriers and bottlenecks of rural development
- challenges and opportunities for future rural development in the Czech Republic (as well as in other candidate countries), linked with a pre-accession strategy and expected EU supports in this field.

This paper does not attempt to present comprehensive answers, rather does it try to throw light on the above-mentioned questions in the case of the Czech Republic.

The Czech Republic is a relatively densely populated part of Middle Europe, with an average population density of 131 inhabitants per km². Contrary to the neighbouring countries (like Hungary or Austria), the Czech population is evenly allocated in the Czech area; as the capital, Prague contains about 1.2 million of inhabitants out of the total Czech population which amounts to 10.3 million. However, there are several regions with a significantly lower population density (e.g. parts of southern Bohemia, parts of south-central Bohemia, etc.), as well as remote localities. Special regions are the border areas, where continuity was interrupted and deeply influenced by the expul-

sion of Germans after World War II. Nevertheless, the dispersion of towns and cities means that the majority of the population has relatively small distances travel for job opportunities and services. A special feature of the Czech Republic is that about one third of the town population has direct recreational relations to rural areas (weekend houses and cottages in villages). In spite of these facts it is true that problems linked with rural areas have been growing, and many villages have begun to suffer from the depopulation.

In reference to the relations between farming and rural areas, we should take into account the declining share of primary agriculture in the Gross Domestic Product (GDP – less than 2 % according to the Economic Account for Agriculture) and the diminishing significance of agriculture as a generator of job opportunities and incomes in villages and rural areas. From an agricultural point of view, the depopulation/desertification of rural areas seems to go through three stages:

- (i) farmers cease cultivating part of their farmland because of lack of capital, though they are still farming in the locality;
- (ii) farmers cease farming altogether stop because of long-term losses or they leave the farm for better job opportunities outside agriculture; however, they still live in villages;
- (iii) farmers decide to move from villages to towns (exodus).

This multistage process is often linked with generation changes on farms. However, this process is countervailed by:

- (i) a growing demand for the cultivation of land, supported by state subsidies (especially by support in the maintenance of landscape);
- (ii) a growing speculative demand for land even without any cultivation, e.g. with the expectation that land prices will rise after EU accession;
- (iii) deeply rooted relation of the rural population to their rural homes, which were largely constructed to “a town standard”, with a huge effort from their families and neighbours (that is, utilising a specific social capital developed in rural areas);

(iv) declining opportunities of employment or acquiring town flats.

Nevertheless, relations between agriculture and rural development seem to be much more complicated than this. It is not only a question of farming itself, but even the ways or structural aspects of farming. It is true that Czech agriculture has been preserving and even developing a dual farm structure, with a smaller number of extremely large farms occupying the majority of the agricultural area of the republic. These farms, regardless of their legal status or whether they are collective or individual, are evidently generating specific conditions for rural development. If we take as an axiom that farms create an irretrievable infrastructure for rural living, functioning as its “spine,” the question arises, as to whether the Czech dual farm structure generates suitable conditions for a healthy rural development.

This paper focuses on the presented questions, and consists of four parts. Part 1 deals with problems of the definition and classification of rural areas in the Czech Republic, reflecting also historical consequences in this field. Part 2 focuses on the political background of rural development and presents basic political visions related to agricultural and rural development in the Czech Republic. Part 3 recapitulates the present institutions and specific policy measures supporting rural development. Part 4 describes and analyses the present situation in Czech agriculture and its role in rural development. This part utilises data from the Agrocensus 2000 (Czech Statistical Office), as well as data from a special survey provided by the Research Institute of Agricultural Economics Prague (RIAE) in 2000-2001 in the South-East region of the Czech Republic under a PHARE-ACE project. Part 5 recapitulates open questions related to rural development and summarises policy implications in this field with respect to EU accession.

CZECH RURAL AND AGRICULTURAL AREAS – PAST DEPENDENCIES AND THEIR DEFINITION AND CLASSIFICATION

To solve effectively rural problems, there is first the need to define and classify Czech rural areas. This need is also stressed by the requirements of the EU linked with pre-accession supports.

To start this task, it is necessary to reveal dependencies which shaped the Czech regions and rural areas in the past, but which still have influence on rural development. The most important historical events related to the rural development are as follows:

- The feudal period, in which a dense network of the rural settlement was founded.
- 1620: “White Mountain” – a large number of the Czech (Protestant) nobility was expropriated after an unsuccessful rebellion against the Habsburgs, and their estates were transferred to victors, prevalently to foreigners (Germans, Italians, Spaniards, Austrians, etc.).
- The 18th to 19th centuries: abolition of feudal relations in rural areas (serfdom, servitude) and the beginning of industrialisation, accompanied by the first large wave of the exodus of the rural population into towns. The cadastral system for fiscal purposes, covering the whole Czech area, was implemented in this period.
- 1919: the first Land Reform Act (the Land Reform I) was put in place just after the foundation of the Czechoslovak Republic in 1918; agricultural assets of big landowners were distributed to small and medium farmers.¹ However, the land reform has never been completed (especially due to lack of state finance for compensations).
- World War II: destruction of the Jewish community and their property.
- 1945: expulsion (and expropriation) of Germans (and traitors) from the border regions (Sudeten), covering almost one third of the Czech area.

¹ A larger part of forests remained in state ownership.

- 1947-1948: revision of the Land Reform I and implementation of the second Land Reform Act (the Land Reform II) after the establishment of the communist regime in 1948 (expropriation of “kulaks” and, subsequently, even some of medium-scale farmers – “the enemies of the regime”).
- 1950-1970: the first wave of collectivisation in agriculture, based on the principle “one cooperative – one village”, leading also to an increase of productivity in agriculture and to the second and larger exodus of the rural population into towns.
- 1960-1970: establishment of the system of central rural municipalities, leading to a deterioration of living in non-central settlements.
- 1970-1989: the second wave of collectivisation in agriculture, based on the principle “one cooperative – many villages” and on extremely large farms, resulting in the destruction of countryside (with extremely large fields), as well as social and cultural relations in villages. At the same time, there grew up the recreational role of rural areas for the town population.
- After 1989: the reform period with a complex property transformation in agriculture, legally based on the restitution of ownership titles and rights,² on the transformation of cooperatives, and on the privatisation of state non-land assets and land.³
- 2001: the introduction of a new system of state administration and elected representatives. Up to 2000 the Czech Republic had applied the three-level system of state administration (central government – 77 districts – 6,244 municipalities), corresponding with the two-level system of elect-

2 Note that ownership titles, except for individual cases of the expropriation during 1948-1989, were not abolished during the communist regime, but ownership rights were almost totally suppressed.

3 Privatisation of state agricultural land (about 800-900 thousands hectares, it comprises about one fifth of the total agricultural area of the republic) started in 2000, but only a very small part of state land has been as yet privatised. For more detailed information on property transformation in Czech agriculture see Doucha, Divila 2000.

ed representatives (Parliament with two chambers – municipalities). Since 2001 the system of state administration has been changed, also following EU practice (the application of statistical regions): central government – 14 regions – municipalities. State administration at a district level has been temporarily preserved. At the same time, the system of elected representatives has been changed as follows: the Parliament – regional representatives – municipalities. However, EU requirements on the size of regions with respect to structural supports (1.8 million of population as a minimum) have not been fully met in this system. That is why the Czech Republic also applies a special administrative (statistical) structure based on eight regions, created by joining some of the neighbouring administrative regions at the lower level. Distribution of competencies and responsibilities between central and regional authorities is still in progress.

Definition and classification of Czech rural areas are alleviated by the fact that the Czech Republic is completely covered (also as a cultural heritage from the past) by specific units, whose definition and allocation is to a large extent computerised. This is the case especially in:

- elementary settlement units (ESU): settlements, municipalities – villages, towns, cities (6,244 municipalities);
- elementary territorial units (ETU): cadastres (more than 13,000);
- individual fields (plots) inside cadastres;
- soil quality units (SQU): the agricultural surface is completely covered by the system of about 2000 SQUs (based on this and on economic calculations, administrative prices of land are applied for tax and subsidy policy in agriculture);
- administrative (and statistical) units NUTS 1-5: republic, joint regions, regions, districts, municipalities.

There are yet more approaches to the formal definition or classification of Czech rural and agricultural areas, based on the presented units:

- (1) A simple definition relating to the rural population and considering the size of the municipalities: 2.6 million of the Czech population (about 25 %) live in municipalities with less than 2,000 inhabitants – or up to 4,995 municipalities (80 % of the total number of 6,244 municipalities) can be classified as rural municipalities, respectively. The area of these municipalities covers 59.4 thousands km² (75.3 % of the total Czech area of 78.9 thousands km²).
- (2) The OECD definition/classification of the rural areas differentiates thus: prevalingly rural areas (with more than 50 % of population living in rural municipalities), significantly rural areas (15-50 % of population living in rural municipalities), and prevalingly urban areas (less than 15 % of population living in rural municipalities). From the total number of 77 districts, 55 can be classified as prevalingly rural, 9 districts as significantly rural, and 13 districts as prevalingly urban.
- (3) The EU (EUROSTAT) classification differentiates regions on the level of statistical units according to their urbanisation: all Czech regions – except for the Prague and Ostrava regions – can be classified as rural areas, with more than 15 % of the rural population, and about 7.8 million of population (75.9 %) living in rural areas.⁴
- (4) The percentage of agricultural employment in the total employment of the Czech regions (agricultural employment is about 5 % in the Czech Republic) gives another view on the rurality of the regions. From this point of view we can recognize agricultural regions (with more than 5 % of agricul-

⁴ The economic differences between the Prague region and other regions can be illustrated by the following figures: average wages (in Czech Koruna, 1998): Prague 14 449, Czech Republic 11 688, East Bohemia 10 240; rate of unemployment (1999, %): Prague 2.31, Czech Republic 7.48, North Bohemia 11.4, North Moravia 11.0; GDP per capita (1000 Czech Koruna): Prague 196.7, central Bohemia 86.7; GDP per capita (in PPP, EU average = 100): Prague 123.7, central Bohemia 50.5. The differences between rural areas and other areas can be illustrated indirectly by the sector wages disparity (1989 compared with 1999, average of the national economy = 100): industry 104.4 and 100.5; agriculture 108.2 and 79.5; financial sector 98.3 and 174.5.

tural employment, e.g. Jihlava region 9 %, Olomouc region 6.2 %, South Bohemia regions 5.9 %, East Bohemia regions 5.5 %), non-agricultural regions (with less than 3 % of agricultural employment, e.g. Prague region 0.8 %, Ostrava region 1.7 %), and semi-agricultural regions (with 3-5 % of agricultural employment – all other regions).

- (5) There are also special regions related only to agriculture and agricultural policy: so-called less favourable areas (LFA) according to the EU definition. In principle, these less favourable areas are localities, where – under the given natural and socio-demographic conditions – it is not possible to keep on farming in the long run. Fulfilling the policy objective to preserve agriculture in these areas, the government supports farmers in the LFA with extra payments. Based on the EU complex criteria (natural conditions, soil productivity, demographic indicators, protected areas, etc.) and the cadastral system, the Czech agricultural area is now divided into less favourable and non-less favourable areas. The less favourable areas cover approximately 60 % of the Czech agricultural area.

There are also historical approaches to the definition/classification of the Czech regions. For example, we can recognize the historical parts of the Czech Kingdom: Bohemia, Moravia and Silesia. There is sometimes a tendency (particularly in Moravia) to administratively regionalize the republic according to this criterion, based on (even when slight) language differences and differences in the mentality of the population (particularly of the rural population). Inside the larger historical regions we can recognize several microregions with specific historical or national aspects, with their populations preserving a special mentality and dialect.⁵

5 In Bohemia it is e.g. the Chodsko region (district Domazlice) near the western borders. In Moravia it is especially the Valachia, situated along the Slovak borders with population also as descendants of medieval immigrants from Transylvania. In this context it is useful to stress that the Czech population has preserved a special self-ironic and pragmatic character. That is why the “Valachia Kingdom” was founded 3 years ago

Nevertheless, it was World War II which influenced regional development in the Czech Republic the most seriously. Before the war, the German-speaking population formed nearly one third of the total population of the republic, occupying evenly one third of the Czech area (particularly along the borders). The expulsion of this population after World War II split the republic into two parts – Inland and Sudetenland – with entirely different conditions for their post-war development. The consequences are still apparent. The almost total exodus of the original population interrupted social and demographic development in many of the Czech districts. The “empty space” was populated by newcomers, many were Czechs from abroad, particularly from Rumania and Volynia. The state distributed (for payments) agricultural land to the newcomers, but only a small part of them settled the obligations and remained in farming. However, the larger part of agricultural land in the Sudetenland was transferred on state farms. Besides the interruption to social and demographic development, problems with ownership identification of land parcels in the border regions are a negative “historical heritage” for present agriculture. A substantially higher migration ability of the population in the border regions, compared with the inland regions, represents another “historical heritage” important for rural development.

With application of complex criteria on historical, social, demographic and economic development of the Czech regions, there have been further attempts to classify the Czech rural areas regardless of the administration structure, to facilitate the formation of a more effective (regionally targeted or “tailored”) rural policy. One of these classifications was provided by the Faculty of Natural Sciences at the Charles University, Prague (see Perlín 1998). However, this classification has not fully considered the latest developments. An attempt to update this classification of the Czech rural areas could be as follows:

with its “government”, etc. At the beginning it was a joke, of course, but revealing deeply rooted historical traditions and an inclination to regionalization. At present, the idea of the Valachia Kingdom, used for the development of rural tourism, is followed by several other regions (e.g. the “Moravian Republic of Cow Hill” in the wine regions of Moravia).

- Rural areas in rich agricultural areas (practically, in the non-LFA areas).
- Rich Sudeten: in Perlín 1998 the area is located in the northern and the north-west parts of the Czech borders with an historically developed industry. However, as a consequence of recent restructuring of the industry (accompanied by growing unemployment) and the gradual recovery of western and southern borders with West Germany and Austria, there is an apparent change in the recognition of rich and poor Sudeten (see next paragraph).
- Poor Sudeten: in Perlín 1998 the area is located alongside the West German and Austrian borders. However, the area has been speedily recovering due to a legal or “shadow” economy, changing “poor” Sudeten into a real “rich” one (see previous paragraph).
- Eastern borders: the area (not defined in Perlín 1998) is located alongside the Slovak borders and has been gradually changing – after the splitting of the Czech and Slovak Federal Republic in 1993 – into an area with specific barriers to its development. Further development of the area will evidently depend on how the Czech and Slovak republics would enter the EU (together or separately).
- Inner periphery: in Bohemia the area represents a zone between the Sudeten areas and the Prague suburban zone. Its rural development is historically based (especially in the southern parts of the area) on a dense, scattered framework of small and very small settlements. During the communist regime (and even before) the area suffered from under-investment in the rural infrastructure, but it has developed its recreational hinterland for the town population.
- Suburban zones around the cities (Prague, Brno, Ostrava, etc.) with specific links of the rural population to the cities, changing also into permanent living zones for the richer (town) population.

VISIONS OF THE FUTURE DEVELOPMENT OF AGRICULTURE AND RURAL AREAS

In 2000 the Czech government approved the Strategy of the Pre-Accession Agricultural Policy (Conception). This strategy addresses the vision of the European Model of Agriculture (EMA), as promoted by the European Commission. The model, even though still not fully “settled,” is based on the following four pillars:

- (i) agriculture spread all over a country (region) as much as possible;
- (ii) multifunctional agriculture producing private and public goods (including the rural heritage/development as public goods);
- (iii) agriculture based on family (small and medium-size) farming;
- (iv) closer links between agriculture and rural development.

In spite of the declarations in the Conception, future visions for the Czech agriculture and rural areas are not yet generally perceived and political discussions about them are still continuing. Based on the research provided in 1995-1998 by an interdisciplinary group of experts (as a task for the Ministry of Agriculture) and on other information (programmes of political parties, declarations of associations of farmers,⁶ discussions in the media, etc.) we can categorize the discussed visions for Czech agriculture as follows:

AA – EXPANSION: Future Czech agriculture would be based on an intensive utilisation of the current production resources, resulting in the growth of production of “traditional” private goods. The growing surpluses of production would be exported (prevailingly with subsidies). This vision is still supported by some categories of farmers, especially by

⁶ At present, there are more associations of farmers in the Czech Republic. Under the umbrella of the Agrarian Chamber are the Association of Agricultural Cooperatives and Companies and the Association of Entrepreneurs in Agriculture. The Association of Private Farmers separated from the Agrarian Chamber in 1999.

larger (collective) farms under the Association of Agricultural Cooperatives and Companies or the Association of Entrepreneurs in Agriculture. It is also the vision of an industrial, large-scale agriculture, supported by the Association of Modern Farming. The vision is to some extent “hidden” in the Programme Declaration of the Czech Social Democratic Party, the government party since the 1998 elections.

AB – LANDSCAPE: Future Czech agriculture would be based on a balanced production of private and public goods. The production of private goods would be more oriented to food safety and animal welfare standards, to regional products or higher value-added products. Public goods would be largely represented by positive externalities of the agricultural production. It would enable the preserving and improving of the Czech environment in its broader meaning, including countryside and rural heritage. The vision, very close to the EMA, is declaratively included in the Conception and seems to be promoted by a larger part of the society, particularly by environmentally oriented interest groups (landscape and rural development are considered as main positive externalities of agriculture), but since 2000 also by some categories of farms (e.g. by the Association of Private Farmers and by some progressive factions inside the Agrarian Chamber).

AC – NATURE: Future Czech agriculture would be based on a competitive production of private goods and only in regions with the most favourable natural and market conditions. The less favourable areas would not be used in agriculture, they would be converted to “wild nature” (to be also maintained by farmers). This vision is promoted especially by “fundamental” liberals (and liberal political parties) and by radical ecological interest groups (biodiversity is considered to be the main achievement of this vision).

AD – WATER: This is an alternative vision to the LANDSCAPE one. Future Czech agriculture would be more oriented to the water economy in the countryside, meaning not only the production of “clean water” but also water retention. This vision is based on two facts/arguments: (i) the geographic

position of the Czech Republic – the republic’s area functions as a watershed for rivers flowing into more seas; also, water “produced” by agriculture has transboundary impacts; (ii) the recent disastrous floods (particularly in 1997-1998) in the Czech Republic. The vision is a challenge for Czech policy makers, being also supported by EU legislation.⁷ It is important that the popularity of this vision has been gradually growing even among farmers, including some top representatives of the Agrarian Chamber.

It is evident that visions AA and AC support the development of agriculture as a prevailing production sector, whilst visions AB and AD support an agriculture that also provides – in different ratios – public services and goods, that is multifunctional agriculture. Each vision determines not only the character of the agricultural policy, but also the basic conditions for future rural development. Three questions arise from the visions:

- (i) Which visions are mostly in compliance with present Czech agriculture or, what are the barriers against realization of the individual visions, particularly the LANDSCAPE vision, respectively?
- (ii) How can the LANDSCAPE vision be correctly interpreted?⁸
- (iii) How are individual visions related to rural development?

Questions (i) and (iii) are analysed in Part 4. In the following part there is an attempt to define visions related to rural development.⁹ At present, there are even more visions related to

7 There is even the possibility of converting the whole Czech agricultural area into one “Nitrate Sensitive Area,” according to the EU directives and regulations.

8 Some representatives of farmers interpret the LANDSCAPE vision as a splitting of the Czech agricultural area strictly into two parts: (1) “rich” areas with an intensive, industrial farming; (2) other areas with a multifunctional agriculture. This interpretation is very close to the Conception, but does not fully meet the concept of the EMA.

9 Based also on the literature (see References), on discussions in various workshops, etc.

the future of Czech rural areas, being discussed among professionals, politicians and other stakeholders. These are mostly linked to the future of Czech agriculture or Czech farm structure development, respectively. The discussed visions can be categorized as follows:

RA – NO INTERVENTION: This vision follows the idea that rural areas should develop strictly according to market forces, without any state intervention. There is no concern about the fate of rural areas and villages, i.e. whether they are contingently depopulated, abandoned or even whether they disappear. The supporters of the vision (e.g. extreme liberals) do not acknowledge rural areas and villages as “public goods”. The vision to some extent correlates with the agricultural vision NATURE.

RB – OLD TRADITION: This vision follows the idea of restoring rural areas close to the structure, which developed just before 1948 (or between World Wars I and II). With respect to agriculture this would mean restoring a farm structure based on small and medium-size family farming, accompanied by local (rural) small businesses and services. The vision is supported by “conservatives” and also functioned as a background for the agricultural policy at the beginning of reform (e.g. by exclusive grants to start small family farming during 1991-1992).

RC – SOCIALISTIC TRADITION: This vision follows the idea of preserving rural areas as during the communist regime 1948-1989. With respect to agriculture, it would mean preserving a farm structure prevalingly based on large-scale collective farms, also providing many social services for rural areas and municipalities.

RD – NEW RURAL AREAS: This vision, obviously more realistic than the previous ones, follows the idea of developing rural areas respecting the present reform situation. It seems unavoidable that large-scale farming (individual, collective) with all positive and negative external impacts on rural development will dominate the Czech farm sector in the future.

It is not yet clear, which rural vision will be supported by the prevailing section of the society. However, considering the current economic and socio-demographic situation, it seems that the NEW RURAL AREAS vision will form the background for a future rural policy.

INSTITUTIONS AND POLICIES SUPPORTING RURAL DEVELOPMENT

At present, rural development is managed by institutions and supported by policy measures of several ministries. The central role should be played by the Ministry of Regional Development, established in 1996. However, competencies between this ministry and the Ministry of Agriculture are still not clearly settled. In general, the following ministries, institutions, programmes and measures are exclusively oriented to rural development at present:

- (1) maintenance and development of countryside:
 - the Ministry of Agriculture and agricultural policy are also oriented to the maintenance of the landscape (especially since 2001);
 - the Ministry of Environment – the State Fund of Environment: programmes are oriented to selected environmental activities and services of farms, non-agricultural firms and municipalities;
- (2) maintenance and development of *intravillains* in municipalities (small towns and villages up to the defined number of inhabitants according to individual programmes):
 - the Ministry of Regional Development: Programme for Restoration of Villages (improvements of *intravillains*: greening of villages, maintenance of buildings, fences, etc.);
 - the Ministry of Culture: programmes supporting the rural heritage (historical buildings, etc.);
- (3) development of entrepreneurial activities (small and medium businesses) in rural areas: besides programmes in the framework of agricultural policy, there are the programmes of the Ministry of Industry and Trade provided by the Czech-Moravian Development and Guarantee Bank (CMDGB –

investment supports for small and medium businesses in rural areas through the guarantee of bank credits and interest subsidies);

- (4) social infrastructure and services (some were provided by cooperatives and state farms during the communist regime):
- the Ministry of Industry and Trade: energy policy, e.g. the programme supporting the transformation of local heating in electric energy (which proved to be very expensive and unsuitable for rural households owing to the following rapid increase of energy prices); support of renewable resources, including the construction of proper central heating equipments in municipalities, accompanied by the support of the Ministry of Agriculture (subsidies for the growing of special crops and woods for this purpose);
 - the Ministry of Transport and Communications: an outstanding reduction of bus and railway transport in rural areas (a very negative measure for these areas, because many rural people daily commute to their jobs in towns); telecommunication policy (building up modern telecommunication networks in villages);
 - the Ministry of Health and the Ministry of Education, Youth and Sport: maintenance of the basic network of health centres and schools in small towns and villages (the competencies and administration of the services are gradually transferred to the administrative regions).

There are also several NGOs with links to rural development, e.g. the Association for Rural Recovery (providing special educational programmes – the School for Rural Recovery) and the Association of Mayors of Municipalities and Towns.

In spite of a relatively dense network and a large number of institutions and programmes, there exist many gaps in the system and barriers for future rural development, especially:

- the continuing centralised management of rural development by the “Prague authorities”: autonomous regions are still not fully functioning;

- discrepancies in applied measures¹⁰ ;
- a general lack of information for all stakeholders involved in rural development.

As opposed to agriculture, a comprehensive rural policy does not yet exist in the Czech Republic. A rural policy has been developing as part of the Czech agricultural policy influenced by the development of the Common Agricultural Policy and by EU structural support. Following the Conception, Czech agricultural policy since 2001 has applied approaches and measures similar to the EU Regulation Nr. 1257/99 (concentrating structural support for agriculture and rural areas). The SAPARD programme, as a programme of the EU pre-accession support for agriculture and rural development, is another instrument. The programme, in spite of continuing problems with its realization, is prevalingly oriented to modernisation and diversification of farms and downstream firms, with a specific stress on relations between agriculture and rural development. At the same time, as a part of the regional (structural) policy, the Czech Republic has been preparing the Sector Operational Plan “Multifunctional Agriculture and Rural Development” for its application after entry (in links with the EU structural funds).

PRESENT SITUATION, LIMITS AND BOTTLENECKS TO RURAL DEVELOPMENT

If we take as an axiom that agriculture functions as a “spine” for healthy rural living as well as a generator of human and social capital in villages, and that villages “would die out without farmers,” we should focus on farm development and on its impacts on rural living. In spite of the declining role of agriculture in rural employment and incomes, farming still preserves an

10 E.g. the Support and Guarantee Farm and Forestry Fund under the competency of the Ministry of Agriculture provides support only to farms with more than 50 % of income from agriculture, whilst the CMDGB provides support only to non-farming businesses. It does not create suitable conditions particularly for the needed development of non-agricultural activities (diversification) on farms.

important position in the maintenance of villages and their environment and in the preservation of rural heritage and traditions.

During the reform period, more than 60 % of workers were released from farms (the majority of them to other sectors, a percentage of them were retired). During 1996-1999, reflecting progress in the restructuring of other sectors, the situation changed slightly. Especially, large collective farms have started to function as a buffer for rural employment, frequently because of moral barriers limiting managers of these farms in releasing excess workers (particularly when managers and workers live in the same locality). There are also signals from several more industrial regions that rural people released, e.g. from industrial plants, have begun household farming for self-sufficiency. However, the role of farms as a social buffer for rural employment has been fading out at present, corresponding with changes in farm structure and in the general environment of rural development. What are the most important features of present farms with respect to rural development?

Stakeholders

The present situation in Czech agriculture (and rural areas) is characterized by an extremely intricate structure of stakeholders having grown up on historical roots during the reform after 1989 (Doucha, Divila 2000). We can recognize the following interest groups¹¹ :

- landowners:
 - private individual owners (millions of individuals owning about 70 % of Czech agricultural land): individual farmers (including households) on their own land (own proprietors); rural or town households with kitchen-gardens; the self-employed in cooperatives or companies usually leasing their land to them; other private individual owners leasing their land to farms and living in the given locality or out of the locality (usually in towns);

11 Note that each stakeholder can be at the same time a member of more interest groups.

- private owners as legal entities: land in the ownership of cooperatives or other companies (a negligible part of land);
- public owners: the state (represented by the Land Fund; still nearly 20 % of the total Czech agricultural area) leasing land to farms or using land for special purposes – research, education, etc.; municipalities (about 10 % of the Czech agricultural area);
- owners of agricultural non-land assets:
- private individual owners: individual farmers (including households) with their own capital (own proprietors); rural or town households with their own capital for kitchen-gardening; the self-employed or non-working members/stockholders/partners in cooperatives and companies utilising their capital as deposits or shares in them; other private individual owners (outside agriculture) leasing their capital to farms, of whom owners of the transformation shares of cooperatives as a “sleeping” capital represent a special group¹²;

12 The last group creates a politically sensitive problem. It is estimated that the size of the group is about 300,000 citizens. The group came into existence during the transformation of cooperatives in 1992-1993 according to the Transformation Law. It consists of individuals entitled to be owners of proportional parts of assets of the transformed cooperatives in the form of the so-called transformation shares, who decided not to begin individual farming or be members of the descendant collective farms. According to the still valid Transformation Law (in spite of many attempts in Parliament or government to amend it; the last amendments accepted by Parliament were cancelled by the Constitutional Court), the shares should have been settled by the descendant farms from 1999. Up to now only a few farms have completely or partially settled the shares; the larger majority of the collective farms has not yet settled the shares and it contributes substantially to the indebtedness of farms. A solution to the problem was declared by the social democrat government after the 1998 elections. Parliament permanently discusses the issue, but without success. The last and generally acceptable suggestion is to transfer the shares to the state (to the Land Fund) with the application of special tradable bonds, shifting the responsibility for claims from private persons to government. Note that the same status applies to the transformation shares of people who opted to become members of the descendant collective farms in 1992-1993 and who used a part of the shares as real shares in the farms. It is also true that the farms utilise transformation shares (as assets) free, as a rule.

- private owners as legal entities: assets in the ownership of cooperatives or other companies;
- public owners: the state (represented by the Land Fund, partially by the Fund of National Equity) using assets for special purposes (research, education, etc.), or preparing remaining assets for their privatisation or for their liquidation (unusable assets);
- owners of labour: individual farmers and their family members; self-employed members/stockholders/partners in cooperatives and companies – managers and manual workers, hired labour – managers and manual workers;
- entrepreneurs – owners of farms: individual, partnerships, collective (see the section “Farm Structure Development”);
- consumers of food and consumers of environmental goods and services of farms;
- tax-payers as direct (“visible”) supporters of agriculture;
- state administration with its deeply rooted indulgence in bureaucratic power, shaping the character of agricultural policy measures;
- politicians as policy-makers with their general interest to be re-elected.

The extremely intricate structure of stakeholders has been evidently slowing down the needed restructuring of agriculture, including a diversification of farms in non-agricultural activities in villages. Each change in the legal status of a farm, in its size or orientation, is linked with higher transaction costs. These costs are higher due to the undeveloped capital (land, non-land assets) markets or to their failures, respectively.¹³

13 Problems with the physical identification of plots and with the identification of the ownership titles (especially in the border regions), together with the slow land privatisation, represent the main barriers to the land market at present. Transaction costs of managing and administrating relations with stakeholders can be explained by a typical large farm: there are usually tens to hundreds of contracts with landowners, hundreds of contracts with the owners of transformation shares or with the people who previously restituted assets and stopped their own farming (because to start farming was a condition for restitution, many restituted assets

With respect to land, the Czech Republic is now facing two issues which could change substantially the structure of stakeholders: the privatisation of state land (according to the law from 1999) and the negotiation with the EU on the (temporary) ban against foreigners buying land (and other real estate assets) after entry (a prolongation of the current situation).

According to the law, only Czech-citizens are eligible to buy state land. The privatisation of state land will represent a shift of about 500 000 ha of agricultural land from public ownership to private individual ownership. However, there is a large threat to those farms which privatised non-land assets in 1994-1995 and are still waiting for the land, by now leased to them by the Land Fund. If they do not succeed in privatising the whole area linked to the previously privatised non-land assets, their farming could be significantly endangered.¹⁴ On the other hand, many privatised farms are not able to pay regular instalments for privatised non-land assets, let alone pay instalments for privatised land.

The continuation of the ban against foreigners buying land after the EU accession is another issue related to the structure of stakeholders. There are more signals, particularly from the western border regions, that the ban is being easily got round at

and started only “dummy” farming for a short time, followed by selling or leasing assets to other farms; this is why we are speaking about so-called secondary restitution). Failures on the capital market can be illustrated by the present situation in the (rural) credit cooperatives, established very rapidly in the second half of the 1900s after the acceptance of the due law. This cooperative movement has been a tradition in the Czech Republic from the pre-World War II period (“kampelicky”). Many of the newly established credit cooperatives have been subsequently “tunnelled up” by their managers, and the deposited finance has “disappeared”, without proper protection on the part of government and justice. The failure stems from the combination of gaps in the law, a lack of controlling functions by the state, and the careless behaviour of members of the credit cooperatives.

14 According to the last amendments of the law on the privatisation of the state land, the “privatisants” – in the case of more applicants – are eligible to buy only 50 % of their leased area, or 300 ha maximum, respectively. In any case, the privatised land can be paid for by long-term instalments (up to 30 years).

present. For example, a foreigner can establish a Czech company or “hire” a Czech citizen for this purpose. It is estimated that at present about one third of land is unofficially owned by foreigners in some border districts. The category of private individual owners is enriched in this way by a “shadow group” of foreign owners.

New features are developing in agricultural employment. The category of hired workers has been slightly changing with the increasing number of foreigners (especially Ukrainians) employed on farms (both legally and illegally). Considering the relatively high level of unemployment in rural areas, this fact represents a special phenomenon stemming evidently from the unwillingness of the Czech (even unemployed) citizens to work on farms (particularly in the livestock production). This approach is supported by decent social insurance incomes. To work in agriculture as a hired manual worker has begun to be very unpopular in the society.

Special relations in the Czech Republic have been developing between farms/rural areas and consumers of environmental goods and rural services. The consumers can be ranged into three main categories:

- Town people living temporarily in the rural areas and villages for relaxation and recreation. About one third of town households own a hut/house/cottage in rural areas. There are villages which are almost or even completely depopulated except for the town people maintaining rural buildings, gardens, fences, etc. However, there are also localities (especially in the vicinity of cities) with an extreme concentration of recreational amenities, forming “concentration camps for recreation” with negative impacts on the environment.
- Domestic tourists or foreign tourists (only rarely accommodated in rural areas – Germans, Dutch, Austrians). Rural tourism is a promising industry in the Czech Republic, in spite of the fact that more than 90 % of foreign tourists still only visit Prague and its vicinity. Some farms provide agrotourism, whose establishment was supported by the government. However, the development of a real rural tourism

is still at its very beginnings, requiring a more concentrated attention on the part of central, regional and local authorities.¹⁵

- Other populations appreciating scenic values of the Czech countryside without personal visits, or appreciating positive impacts of agriculture on the environment (water, nature, biodiversity, etc.). In general, the environmental consciousness of the Czech population seems to be still relatively weak. Nevertheless, there are “aggressive” environmental associations and movements which show a sufficient influence on the government and on Parliament (however, “green” political parties are not represented in Parliament because of their persistent failures in the elections).

Shifts and changes in the structure of stakeholders are very important for farm structure development (see the section “Farm Structure Development”). It is useful to stress some other aspects and information in this field based on the Agrocensus 2000 and on the survey 2000 in the South-East region (see Table 3):

- The ratio between the number of permanent workers and the number of members/shareholders in cooperatives and joint-stock companies has been decreasing, especially in joint-stock companies, where the number of permanent workers represents only 26 % of the total number of shareholders. In spite of a high probability that many shareholders are “sleeping owners from towns”, the extremely complicated ownership structure of these farms brings up the question, who is in reality benefiting from the supports of agriculture: the rural or the town population? Limited liability companies represent a quite different way of farming than collective farming: the number of permanent workers on these farms is more than four times higher than the number of owners (partners).

15 The Czech Republic has developed a dense network of marked tourist paths. Some regions are developing “bike routes” across rural areas, which have started to become very popular with the public.

- Owners (members/shareholders/partners) of farms as legal entities create 59.4 % self-employed from the total number of permanent workers. This means that hired workers represent more than 40 % of all permanent workers. The ratio differs according to the category of farm: 71.7 % for cooperatives, 59 % for joint-stock companies and only 22.4 % for limited liability companies.¹⁶ These figures reflect indirect proportionality: the higher the ratio, the lower the level of property concentration.¹⁷ On the other hand, the self-employment factor, which was very influential at the beginning of the transformation, has been probably weakening step-by-step, as the generation of founders retires or even dies out (with the transfer of ownership titles to heirs living usually out of the given locality or in towns).

Farm Structure Development

Czech farm structure development during the reform period and its historical dependencies have been described and analysed in further studies and documents (e.g. Doucha, Divila 2000). The main stress therefore will be given on the new information and on those aspects of farm structure development which have positive or negative impacts on the rural development.

The Czech farm structure, according to the Agrocensus 2000 (respondents: farms with 1 ha of agricultural land and more or

16 The lower share of workers – owners in joint-stock companies compared with those in cooperatives stems from the specific structure of shareholders. The majority of joint-stock companies were established in the process of the so-called secondary transformation of cooperatives, when the larger number of non-members/owners of the transformation shares of a transformed cooperative became shareholders of a new joint-stock company. This is reflected in the share of non-working owners in the total number of owners: 84.4 % in joint-stock companies compared with 66.8 % in cooperatives. In the case of limited liability companies, the share amounts to only 7.6 %, reflecting a much higher working participation of their owners.

17 Limited liability companies are farms with the most concentrated property: the decision-making process is provided by only a limited number of owners (7 on average, compared with 199 in cooperatives and up to 474 in joint-stock companies).

an equivalent in special crops or household livestock), is presented in Table 1. The census covers up to 56.5 thousand farms in all categories. The farms occupy 3,643 thousand ha of agricultural land.¹⁸ The share of the leased land is extremely high (91.6 % on average; 71.8 % in the case of farms as physical entities; 98.7 % in the case of farms as legal entities).

The farms as physical entities represent 94.6 % of the total number of farms, of which registered individual farmers represent 56.2 % of the total number of farms. The farms as physical entities cover 26.4 % of the total agricultural acreage (23.7 % in the case of registered individual farmers). The difference in figures between the farms as physical entities and the registered individual farmers can be largely attributed to the category of self-supplying households (21.7 thousand of the households cover 0.6 % of the total agricultural area in the census).

The decisive part of the agricultural area – 73.6 % – is occupied by farms as legal entities, with the dominance of companies (43.3 %, of which limited liability companies 21.5 %, joint-stock companies 21.4 %, other companies 0.4 %). The share of cooperatives reaches 29.1 %. The remaining acreage (1.2 %) is occupied by other legal entities including state farms (being in liquidation, in reality).

The average size of a farm as physical entity amounts to 19 ha (28 ha for registered individual farms, 3.6 ha for households). Contrary to this, the average size of a farm as legal entity amounts to 991 ha, of which cooperatives up to 1,455 ha.

18 The total agricultural area of the Czech Republic according to the Czech Land-Surveying and Cartography Authority amounts to 4 280 thousand ha of agricultural land. The difference of 637 thousand ha cannot yet easily be explained. In this difference there are: (i) kitchen-gardens not covered by the Agrocensus 2000; (ii) unleased land administered by the Land Fund or by municipalities; (iii) completely abandoned land. If we estimate the acreage of (i) category about 50 thousand ha and of (ii) category about 100-150 thousand ha, the latter category would amount to 440-490 thousand ha. The total acreage of the unused agricultural land would reach nearly 590 thousand ha (13.8 % of the total Czech agricultural area). It would be almost twice as high as the previous estimations of about 300 thousand ha of the abandoned agricultural land.

Similar differences exist in the labour equipment. Only 0.5 of a (family or non-family) worker whose main occupation is agriculture works on farms as physical entities on average (0.8 in the case of the registered individual farmers, 0.15 in the case of the households), whilst the same indicator for the farms as legal entities amounts to 43 workers (69 for cooperatives, 76 for joint-stock companies).

The difference of 8.8 percentile points between the share of employment and the share of land in the case of farms as physical entities is evidently caused by their lower participation in labour demanding livestock production and in non-agricultural activities,¹⁹ together with a more effective utilisation of labour (including seasonal and other family and non-family workers) on these farms, compared with the situation on the farms as legal entities.

Considering the sources of income on the farms as physical entities (see Table 2), the category of farms with full-time farming or with the main orientation to farming forms only 22 % of the total number of the farms as physical entities. However, they occupy 74.6 % of agricultural land of the farms as physical entities and represent a typical family (peasant) farming. Part-time farms whose main orientation is outside agriculture create the largest group of the farms as physical entities (44 %), but cover only 14 % of the total acreage in the category. Part-time farming shows a higher participation of enterprises without land (about 6 %; in other categories about 4 %). Farmers in retirement and with a pension as a main source of income represent a relatively large share in the category: 29 % with respect to the number and nearly 12 % with respect to the acreage.

Farms as physical entities with full-time farming or with the main orientation to farming have a substantially higher av-

19 Farms as physical entities, sharing 26 % of the total acreage of the census, breed only 20 % of cattle, 14.8 % of dairy cows and 11.1 % of pigs of the total number of animals in the census. The share of farms as physical entities with a non-agricultural activity amounts only to 8.9 % (11.5 % in the case of the registered individual farms), whilst the same indicator for farms as legal entities reaches 57.1 % (67.6 % in joint-stock companies).

erage size (70.3 ha, or 46.2 ha, respectively), compared with the average size of 6-7.5 ha of the other income subcategories.

Compared with the situation in 1995, based on figures from the Agrocensus 1995, the Czech farm structure 2000 reveals the following important shifts:

- The number of farms as physical entities (calculated in comparable categories) increased by about 15 %, and their share in the total agricultural area shifted from 23.2 % in 1995 to 25.8 % in 2000 (in the case of registered individual farms, from 21.6 % in 1995 to 23.5 % in 2000).
- Joint-stock companies show the highest dynamics in the development. The share of this category in the total agricultural area increased from 7.6 % in 1995 to 21.4 % in 2000, with the number of companies doubling during this period. This increase has been to the detriment of cooperatives. Joint-stock companies are also the only category (except for registered individual farms), whose average size has increased during the last 5 years (from 1,206 ha in 1995 to 1,502 ha in 2000).
- Correspondingly, the number of cooperatives has decreased by more than one third during 1995-2000, accompanied by the decrease in their share in the total agricultural area from 47 % in 1995 to 29.1 % in 2000.

What are the main driving forces behind the farm structure changes during 1995-2000? First, a remarkable shift between cooperatives and joint-stock companies, evidently driven by the two following forces:

- To avoid a legal settlement of the transformation shares (due since 1999, according to the Transformation Law) by the establishment of a new joint-stock company (or a limited liability company) from the cooperative in the same locality, but transferring only “sane” assets and/or changing the transformation shares into regular (but non-tradable as a rule) shares. Expecting higher gains (if any) rather than wait for a legal settlement, the owners of the transformation shares, considering the bad economic situation of the cooperative, usually chose this option.

- To create more suitable conditions for the concentration of the capital in the hands of smaller groups, especially managers. This concentration has been eased by the gradual suppression of the self-employment syndrome on collective farms (see the decreasing ratio between working and non-working members/shareholders/partners presented in the previous section).

There are signs, that some collective farms, especially joint stock and limited liability companies, are now in the real ownership of only a few people or even one family. On the other hand, some very large individual farms have been transformed into joint-stock/limited liability companies (or even into holdings), to improve their manageability and to reduce the management transaction costs. This should be taken into account, considering the relatively small increase both in the number and in the acreage of individual farms during 1995-2000. Nevertheless, the ratio between the individual and collective farming has scarcely changed at all, indicating the effects of the agricultural policies in 1995-2000 with their prevailingly stabilizing character.

Another serious barrier to the development of individual farming is represented by the land organisation (consolidation) in cadastres. Land organisation is a result of the second wave of collectivisation during the period 1970-1989, and creates real impediments for physical access to individual fields. The needed re-land consolidation is going ahead very slowly, and is also extremely expensive.

Other processes are hidden behind the total structural figures. The bad economic situation in the agricultural sector has led to the bankruptcy or liquidation of some farms of all categories, but especially small individual farms and cooperatives. Previous expectations, that the liquidation of a farm in a given locality would lead to the abandonment of farming there with all negative social and environmental consequences, have not been fully proved. On the contrary, good assets and workers of a liquidated farm were quickly bought/leased/hired at reasonable (market) prices by other farms (frequently from other lo-

calities) as usual. Farming thus continues, but quite differently from before (e.g. instead of cooperatives there are farmyards with extensive farming and with only a few workers remaining – real “capitalist” and effective farming).

Limited liability companies represent a special category of companies, approaching in more aspects to the category of large individual farms with a “capitalistic” orientation in farming.

What are the main conclusions to be drawn from the farm structure development for rural development? Czech agriculture is still based on a typical dual farm structure. The dual structure can be briefly presented by the following figures: 75 % of agricultural land is occupied by 5 % of extremely large, mainly collective farms. Collective farms or very large individual farms (estate farms) are influencing the quality of rural living, changing villages into “stores of cheap hired labour” (the dual agriculture is “consuming” rurality, or social and human capital in villages, respectively). Many villages, where agriculture is provided by large farms, are “sleeping,” without social activity.

The passivity of the rural population is another serious barrier to rural development and to the development of smaller individual (family) farming or other small businesses. This passivity is due to several reasons. First, it is a question of job opportunities for workers on the still prevailing collective farms. In spite of lower wages and growing wage disparity (about 75 % on average compared with wages in the national economy), opportunity costs for workers to become (self)employed on collective farms are frequently higher than starting up their own businesses or being employed outside agriculture (and outside their villages). Maybe a rural shadow economy (particularly in the border regions), or a “shadow economy” specific for collective farming (e.g. using labour and other farm inputs for own household farming) are diminishing incentives for an active reaction.

Secondly, there is the question of the general feeling of the rural population about reform. In fact, the rural population can be ranged among the losers in the process hitherto of transformation (“weaks have become more weak”). Failures of the state,

the undeveloped institutions, the centralised government and representations, budgetary problems of municipalities, problems with the enforcement of laws (contracts), failures of the rural credit systems, etc., have contributed to the passive resistance of many rural people.

Other Aspects of Rural Development

A decent rural living should be based on services available for rural people. From this point of view, telecommunications seem to be especially important. And it is true that telecommunication services in rural areas are in progress and are available on a modern basis in most Czech villages.

A quite opposite situation relates to the transport (bus, railway) services. These services have been substantially reduced during reform and at the same time, prices for the services have substantially increased. This has had a rather negative impact on rural development, because many rural people daily commute to jobs outside their villages, notwithstanding the need to reach other services in the district towns or in municipalities (health centres, banks, special shops, district administration, etc.)²⁰ On the other hand, the lack or high prices of these services create incentives for the establishment of small businesses and job opportunities directly in villages.

Rural development is also strongly influenced by public finance. Activities of municipalities are financed from more sources: (i) redistributions from the state budget; (ii) collecting some taxes and local payments; (iii) entrepreneurial activities of municipalities; (iv) subsidies from the government. In spite of this,

20 During the communist regime rural settlement was based on two categories of settlement: central municipalities with a concentration of services and job opportunities, surrounded by smaller communities and villages (settlements) without their own jurisdiction. The system was formally broken during the first years of the reform and many villages became independent. However, the informal social infrastructure has resisted and this two-level system of settlement has still been continuing in reality. Several villages, which became independent, even returned to the jurisdiction of previous municipalities during the last years (because of the lack of public finance in very small municipalities).

a large number of municipalities suffer from lack of finance for maintenance and development.

The last but not least aspect of rural development is the quality of the rural environment in a broader meaning; this includes rural culture, traditions, and heritage. The cultural and historical heritage in many villages is a part of the national welfare. However, it is a sad reality that the material heritage is not so protected as it is in towns (by guards, police, etc.) and that a large number of historical movables (pictures, church movables or even large statues and small constructions) have been stolen during reform to be sold abroad or to the “new Czech nobility” for private purposes. This is irrecoverable damage for the villages and the whole society, which experts compare with the damages of the Thirty Years War (1618-1648).

POLICY IMPLICATIONS AND NEW INCENTIVES FOR RURAL DEVELOPMENT

To recapitulate the main barriers and risks on the way to the EU and to the European Model of Agriculture, we should stress especially:

- the intricate structure of stakeholders and the still unsettled relations among them (competition for land and other sources outdoes co-operation and symbiosis in villages);
- the huge discrepancy between the ownership of land and the usage of land (problems with land leasing and with the internalisation of farming practices);
- the dual farm structure and the still prevailing collective farming;
- the re-land consolidation in cadastres;
- failures of agricultural policy (centralisation, instability);
- the delay in privatisation of state land.

The future agricultural and rural policy should focus on the above-mentioned barriers and risks, not only to eliminate them but moreover, not to create new barriers.

New incentives for rural development are closely linked with EU pre-accession support and with general changes in EU sup-

port for agriculture reflecting the implementation of the European Model of Agriculture (new links between agriculture and rural development – see, e.g. the EU Regulation 1257/99).

EU pre-accession support is represented by the SAPARD programme, based on the National Programme of the Rural Development. Besides the fact that the SAPARD is still not functioning,²¹ there are several questions to be cleared on the Czech side. For example, in spite of the requirements of the EU, that the SAPARD supports should be mainly oriented to the improvement of the competitiveness and diversification of farm activities and to the improvement of rural living, there is a persistent tendency to “misuse” the financial sources for increasing agricultural production. The SAPARD can also be perceived as the “litmus paper” of the EU, as a test for the readiness of the Czech Republic to prepare proper projects and to take over the responsibility for their proper financing and administration.

In general, EU pre-accession support is accompanied by higher expectations than real support can represent. Nevertheless, EU support is one of the important driving forces in improving the present situation, in activating rural people and businesses, and in stimulating the needed institutional changes. It is also very important that it functions as a preparation for future EU structural support, as a possible substitution for EU compensation payments for farmers after EU accession.

Considering the present situation, it seems that the main task for the future is to continue in “building up” the state and the institutional structure of the society,²² to continue in the improvement of communications and transport facilities and other rural services, and to wake up possible recipients of future rural supports so that agriculture will be the main generator of rural employment and incomes.

21 The problem is with the accreditation of the SAPARD Agency in the Czech Republic. As from June 2001, the agency has been accredited only by the Czech authorities (by the Ministry of Finance), still waiting for accreditation by the EU authorities.

22 Including the possible foundation of the Ministry of Rural Development and Agriculture.

Czech agricultural policy should follow the SAPARD orientation with more stress on the multifunctionality of agriculture and on the diversification of farm activities (on-farm, off-farm non-agricultural activities). The general policy should much more stress on the development of small businesses in the rural areas, which still does not lay a priority for the government (oriented more to the solution of “massive” failures, e.g. in the banking sector, in the privatisation of larger industrial firms, etc.).

Research should prepare objective analyses and arguments, as to whether the developing dual farm structure of the Czech agriculture (which has even been deepening with the current and expected transformation of collective farms into large individual farming) can form a reasonable basis for a healthy rural development, an effective provision of public goods, and the reception of future EU support. It could even lead to a repeal of the present neutrality in the tax and subsidy policy to the benefit of small and medium farming.

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Table 1. Czech Farm Structure 2000

Legal status	Farms		Farmland			Average size (ha) ³⁾	Workers with main occupation	
	Number	%	total		of which: own		Number	%
			ha	%		ha		
Farms as physical entities	53,460	94.6	962,325	26.4	271,470	28.2	27,647	17.6
of which: registered farms	31,721	56.2	863,870	23.7	231,085	26.7	24,224	15.4
Farms as legal entities	3,027	5.4	2,680,843	73.6	35,348	1.3	129,585	82.4
of which: - companies	2,107	3.7	1,579,009	43.3	20,233	1.3	76,298	48.5
of which: - LLC ¹⁾	1,441	2.6	783,810	21.5	13,218	1.7	28,107	17.9
- JSC ²⁾	621	1.1	779,732	21.4	6,443	0.8	47,164	30.0
- cooperatives	746	1.3	1,059,453	29.1	5,929	0.6	49,848	31.7
Total	56,487	100.0	3,643,168	100.0	306,818	8.4	157,232	100.0

¹⁾ LLC = limited liability companies.

²⁾ JSC = joint-stock companies.

³⁾ Calculated for respondents with land.

Source: Czech Statistical Office - Agrocensus 2000 (respondents: farms with 1 ha and more or equivalent in special crops or household livestock).

Table 2. Farms as Physical Entities in 2000 According to the Sources of Their Incomes

Category of physical persons	Farms		Acreage (ha)		Number of farms without land	Average size (ha) ¹⁾
	number	%	ha	%		
Receiving retirement (disability) pension and providing agriculture	15,478	29.0	111,632	11.6	552	7.5
Providing part-time agriculture with main activity in another firm	23,284	43.6	131,394	13.7	1,329	6.0
Agriculture is the main activity, not receiving retirement (disability) pension, but receiving income from a part-time activity in another firm	1,553	2.9	69,081	7.2	58	46.2
Agriculture is the main activity, not receiving retirement (disability) pension or income from a part-time activity in another firm	10,113	18.9	648,262	67.4	378	70.3
Not reported	3,032	5.7	1,956	0.2	116	0.7
Total	53,460	100.0	962,325	100.0	2,433	18.9

1) Calculated only for farms with land.

Source: Czech Statistical Office - Agrocensus 2000.

Table 3. Basic Indicators Related to Individual Categories of Farms

A = Agrocensus 2000; S = survey 2000 in the South-East region

Indicator/category of farms	Coops	JSC ¹⁾	LLC ²⁾	IF ³⁾	IF 0-2 ha	IF 100-200 ha	IF more than 200 ha	Households
Average size (ha)	1,455 - A 1,472 - S	1,439 - A 1,837 - S	631 - A 876 - S	28 - A 55 - S	0.95 - S	127 - S	419 - S	4.5 - A 1.6 - S
Share of leased land (%)	99.4 - A	99.2 - A	98.3 - A	73.3 - A 35.2 - S	2.2 - S	73.9 - S	86.3 - S	59.0 - A
Hectares/full time-worker (ha)	21.3 - A 17.6 - S	16.5 - A 14.7 - S	27.9 - A 27.6 - S	35.7 - A 30.1 - S	1.6 - S	36.5 - S	48.1 - S	7.3 - A
Number of owners per farm	198.6 - S	473.6 - S	7.4 - S	1.8 - S	1.7 - S	2.1 - S	2.3 - S	2.8 - S
Working owners/owners (%)	29.7 - S	15.2 - S	91.6 - S	35.8 - S	80.0 - S	11.4 - S	24.2 - S	3.1 - S
Full-time working owners/ full-time workers (%)	71.7 - S	59.0 - S	22.4 - S	62.7 - S	100.0 - S	52.5 - S	20.0 - S	x
Share of farms with non-ag- ricultural activities (%)	28.6 - S	52.2 - S	16.2 - S	14.0 - S	8.3 - S	11.8 - S	22.2 - S	x

¹⁾ Joint-stock companies.

²⁾ Limited liability companies.

³⁾ Individual farmers.

Source: Agrocensus 2000 (Czech Statistical Office); survey 2000 of the RIAE in the South-East region.

