

WEDNESDAY 4 MARCH 2009

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Present

Arran, E.  
Brooke of Alverthorpe, L.  
Caithness, E.  
Cameron of Dillington, L.  
Dundee, E.  
Sewel, L. (Chairman)  
Ullswater, V.

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Witnesses: **Mr Jiri Sir** and **Mr Lukas Visek**, Agricultural Attachés, Czech Republic, examined.

**Q434 Chairman:** Thank you very much for finding the time to come and help us with our inquiry.

**Mr Sir:** It is a pleasure for us to speak to you.

**Q435 Chairman:** It is particularly kind of you given that you are the Presidency at the moment, and it is helpful for us, if you do not mind, to get the perspectives that you bring as the Czech Republic but also, obviously, as the Presidency, so thank you very much. We are a Sub-Committee of the House of Lords. We are conducting an inquiry into the LFA scheme and its revision. This is an evidence-taking session and a note will be taken of the evidence you give us. That will be circulated to you in a few days' time and you can correct and amend it if any slips or mistakes have crept in. First of all it would be helpful to us if you could outline how, as the Presidency, you intend to take forward discussions on the review and where you expect to get to by the end of your period.

**Mr Sir:** Thank you for these interesting questions and, of course, thank you very much for sending us the questions beforehand. It was really useful. You have chosen an extremely interesting topic, the LFAs, a topic which is very technical but to a certain degree political.

We had hoped that the Commission would present the proposals in 2008 but this did not materialise so now the Commission will be submitting not proposals but a communication, so it is a bit different than some time ago. Currently I can tell you that the Czech Presidency expects the presentation of the European Commission's communication on the review of the Less Favoured Areas scheme to the Agricultural Council in April. It will take place on 23 or 24 April, and consequently the working party F2, which deals with rural development issues, will commence its activities. We have planned for two or three meetings at the level of the working party and two meetings of the special committee on agriculture where discussion will take place. Of course, first the Commission will have to present the communication and then we will hold discussions among the Member States in advance of preparing the June Council meeting where we hope we will be able to submit conclusions to the Council and get some agreement. I am sure you know that it is not always possible to receive the support of all the Member States which is necessary for the Council conclusions, so we are realistic but we have to be sufficiently ambitious so we hope for Council conclusions on this issue and we will do our best to get them. Anyway, for the working party work the aim is to explain all the criteria and technicalities and consequently to encourage the Member States to produce in the future a map of the other LFAs in their territories which would contribute to a homogeneous map of the other LFAs in EU-27. To the best of our knowledge there is general consensus on the need for a response to the European Court of Auditors' critical report of 2003. This agreement, I would say, was clear from the Member States' discussion at the Council in 2005 when rural development regulation 1698/2005 was agreed and adopted. The Member States also agreed that the new delimitation of the LFAs should be done on the basis of clear criteria which, of course, is the wish of the European Court of Auditors, so this is one of the basic parts and principles and the criteria should be verifiable with regard to natural handicaps. Of course, the opinions of the individual Member States may differ, mainly as regards the

threshold values we have designated to the other LFAs, but this is for a debate which may come at a later stage, and there will be some requests for flexibility at the national level, we are quite sure. This is basically the framework of the Czech Presidency and you see that there will not be too much time for the Czech Presidency to work on this very complicated issue but in any case we want to hold an interesting and constructive debate to help push this matter ahead a bit and get some tangible results.

**Q436 Chairman:** I think that is very interesting, what you say about the degree of consensus and the clear criteria, but also the pressure to have some degree of flexibility at Member State level. I think it is fair to say that the evidence we have picked up so far, particularly from perhaps some of the older Member States, comes down very heavily in favour of, “Let’s try to keep things as much like they are at the moment”, minimum change.

**Mr Sir:** Frankly speaking, it would be a great thing for the Czech Republic as a Member State if things remained as they are, but we have joined the EU knowing that things may change and, unlike some others, we are quite an open nation, not one that would be commonly understood by others, and it may seem strange but we are open to discussion on changes to the criteria. We, of course, will try to find criteria which will not disturb terribly the Less Favoured Area farmers, that is for sure, but we cannot say, “Let’s set aside the European Court of Auditors’ report and let’s do the business the old, usual way”. As a Member State we are open in this regard.

**Q437 Earl of Caithness:** Do you anticipate that the ongoing review of the EU budget, which inevitably will take into account the future of the Common Agricultural Policy, would impact on Less Favoured Areas and, if so, how and to what extent?

**Mr Sir:** The Court of Auditors’ report shows that the main reason for the revision of the LFAs is to justify the related payments. There is a focus on transparency and comparability

of the criteria which are used by individual Member States for the designation of the LFAs and in those documents there is no explicit statement that the objective of the LFAs is to reduce financial resources earmarked for the Less Favoured Areas, so from this point of view it is more a technical exercise. Anyway, the delimitation of the other LFA areas is a long-term process, which indeed was initiated in 2005, so I would say there is no realistic ambition from the Czech Presidency and no ambition from the Commission communication that we complete a review of the LFA scheme under our Presidency, so it will have to go on. In any case, we see it indeed more as a technical exercise which has been prepared and decided before. We do not see a clear link with the review of the European budget so we take the European Court of Auditors' report and reasons as a basis for the change of the LFAs, not the budgetary review, I would say. It is very difficult to anticipate if there is any impact or inter-connection or relation between the two things, the LFA revision and the budget review; rather we would say that it is a technical issue which should be able to take place without the budget review. From our point of view I would say that for the Czech Presidency, which will not be dealing with the budget review anyway, we do not see anything for us as a Presidency.

**Q438 Chairman:** So you see them as two distinct exercises?

*Mr Sir:* Yes.

**Q439 Lord Cameron of Dillington:** What do you see as the objectives of the LFA payment scheme? What does the taxpayer get out of it and where does it fit in with the rest of farm payments, the single farm payment and the agri-environment scheme?

*Mr Sir:* This is a very interesting question, I have to say. You might have heard about what our minister said in the European Parliament. He said quite clearly that he wants to discuss the CAP also from the point of view of the efficient use of taxpayers' money and he declared

that he would like to be able to prove to taxpayers that the money which is allocated to the CAP is well spent.

**Q440 Lord Cameron of Dillington:** A very sound sentiment from our perspective.

*Mr Sir:* Yes, so we consider the LFA payments as complementary to the agri-environment payments within the rural development scheme when it comes to the objectives of these measures. The objective of the LFA scheme is to prevent land abandonment and contribute to continuous use of agricultural land and landscape maintenance, so there are clear environmental benefits from the Less Favoured Areas payments. Of course, the main objective of the agri-environment schemes is to preserve and increase biodiversity and the LFA payments are provided as a compensation which sets differences resulting from less favourable conditions for farming activity, and the agri-environmental measures are granted on the basis of the income foregone and the variable costs which are based on a voluntary commitment, so we see the complementarity of this voluntary commitment which is a farmers' initiative more or less.

**Q441 Lord Cameron of Dillington:** So it is an agri-environment safety net? The agri-environment payments are positive payments for action and the LFA is to keep people on the land?

*Mr Sir:* Yes, in a way. We know from our studies that if we stopped paying the LFA payments there would be land abandonment in the Less Favoured Areas, so in principle it is our opinion that the LFA payments are for maintaining agricultural activity which then preserves the environment. The agri-environmental measures are something more where the farmer is adopting more stringent conditions for himself while knowing that he will be compensated for losing some part of his income and, of course, paying more on some of the costs. There are also the direct payments, and in the case of the Czech Republic we are

applying the single area payment system which has been hugely efficient and hugely successful in the Czech Republic. It is called SAPS as an abbreviation and this SAPS, as well as the Less Favoured Area payments, essentially helps to sustain the farming activities in the Czech Republic. The SAPS payments are not bound to a designated area. They are a payment for all of the agricultural land in the Czech Republic. Of course, the differences between farmers are caused by different natural conditions while the SAPS payments are added to farmers' incomes in order to complement their income and, of course, reward them for the role farming plays in rural areas. All the three direct payments and Less Favoured Areas and agri-environmental measures, plus, of course, investments in the rural environment and other measures, create a whole set of measures which are helping the rural areas. In the discussion on the future of the CAP the Czech Presidency wants to put emphasis on the direct payment systems and the issues of direct payment, so we would not necessarily pick up the LFA or the agri-environmental measures because the CAP is too big an issue for discussion if we want to go into detail. We really want to hold an open and constructive and concrete debate on the CAP and we will continue from what the French were doing last year but we will go into detail, especially over that payment. I hope this answers some of your questions.

**Q442 Viscount Ullswater:** I wonder if you could briefly give us an indication of what proportion of agricultural land in the Czech Republic is designated as LFA and whether you have made any assessment as to what proportion of the farmers' income is made up by this particular payment?

**Mr Sir:** In the Czech Republic the situation is clear for the moment and the overall LFA areas take about 50 per cent of the utilised agricultural land in the Czech Republic. As a whole it means 1.76 million hectares of agricultural land but out of this only part is covered by the LFA payment. The reason is that in the Czech Republic the payments are attributed only to permanent grasslands and not to arable land. As a result about 800,000 hectares of

agricultural land in the Czech Republic are subject to LFA payments. Concerning the proportion of farm income drawn from the LFA payments, from the Farm Accountancy Data Network we see that the proportion varies according to the farms' activities and, of course, if there is a farm with a small proportion of grassland out of its farmed land then it is usually about 15 per cent or more. Then again, on another farm where the activity structure is different it may be over 50 per cent, even 60 per cent in those very extensive ones, so this is a significant factor given the historical farm structure, and if you look at the LFA payments as part of the gross value added, they constitute approximately 14 per cent gross value added of farmers income in LFAs.

**Q443 Lord Brooke of Alverthorpe:** You have already explained what the Czech government sees as the rationale and the objective for the LFA payments, and you have just described the extent to which there is coverage. Do you think it is targeted sufficiently to deliver the public good which is behind the ambition in the programme or do you believe it should be spread further?

**Mr Sir:** From our point of view the LFA payments should not support intensive agricultural areas, so the Czech Republic would prefer to set the common framework criteria at the EU level in such a way that the LFA payments are targeted. As you can see from our application of the payments only to the grassland areas, we are going in the direction of targeting, so in a way there is room for the specification of the eligibility criteria and certain room – and I mentioned that before – should be given to the Member States. For example, livestock density and the extent of grassland and other environment-friendly farming methods can be considered as possible eligibility criteria, so, from our point of view, if we have good criteria we can have good targeting, so I do not know if I can be that explicit but I would say that yes, the LFA payments are targeted.

**Q444 Lord Brooke of Alverthorpe:** Do you have any land abandonment?

*Mr Sir:* I would not say that this is a huge problem in the Czech Republic. We have perhaps more discussions on the agricultural land which is lost due to development of housing and other things. We have a law which imposes on the owners of land the duty to take care of the land, so in any case we have not seen any serious problems with land abandonment for the time being, but I do not have any exact figures.

**Q445 Lord Brooke of Alverthorpe:** So it could be that it is that piece of legislation that keeps people maintaining and farming their farmland for the benefit for the environment rather than the LFA payments, could it?

*Mr Sir:* No, I would not put it that way. It is one of the incentives which helps people to decide what they want to do on their land. Even if the LFA payments and other things were not sufficient for farmers to take care of the land to a certain degree then, of course, there is what I would call this utmost possibility for the authorities to force people to at least cut the grass or cut the vegetation. You can never compare such a forced measure which would be imposed to a reasonable farming activity supported through the rural development programme. Please take it only as an indication that we have not seen any serious land abandonment in the Czech Republic.

**Q446 Earl of Arran:** Turning to the subject of criteria, and firstly designation criteria, taking into account the biophysical criteria that are currently under examination and being discussed, in your opinion do you think there should be any add-ons, any additional or alternative criteria that should be under examination as well?

*Mr Sir:* That is a discussion which is going on in the Czech Republic right now and I am sure in other Member States as well. First, do we share the common opinion that the definition of the payments should be based on additional costs and the income foregone for natural

handicaps? We firmly believe that a unified approach to the calculation of the payments will lead to a certain convergence in the payment rate and it will be more objective but I would not be able to tell you exactly which would be the best criteria to apply. I have been part of the discussion on similar locations and it is very technical. The methodologies are very complicated and it is difficult even to compare the results because we have to compare the methodologies, so for the time being I cannot give you any indication but in the future I am sure it will be possible.

**Q447 Earl of Arran:** Nevertheless, you regard it as important, presumably?

*Mr Sir:* Yes, within the effort to develop objective criteria which would, I would say, quantify the natural handicaps. It would be an important part of the debate, yes.

**Q448 Earl of Dundee:** You have already said a word about eligibility criteria and for the receipt of LFA payments we learn of the Commission's proposed framework to contain these. Which eligibility criteria would you want to see included in that framework and what, if anything, might you wish to see left out, maybe certain kinds of farms and farming practices?

*Mr Sir:* This is an extremely difficult question, even in discussions in the Czech Republic. We are indeed looking at all the possible criteria which could be quantifiable and which could be regarded as objective. It could be temperature, it could be the water situation, it could be the soil conditions, so for the Czech Republic it would be all three of the basic parts in these areas. This is the basis for discussion but indeed at the current stage I am not able to identify very concrete criteria and or details. In any case, this is one of the reasons why we would prefer a framework of common criteria plus some flexibility which would enable Member States to specify the concrete criteria on the ground. This would enable everybody to find a good balance between the requirements for reasonable spending and spending which could be defended before the taxpayers, and, of course, giving the necessary flexibility, and we know

that different conditions in different Member States require at least a certain level of flexibility when you apply the CAP. I am sorry not to be able to reply very definitely to your question but this is something which is just under discussion and of course we cannot presume the concrete content of the Commission communication. We know that there will be preparation of maps and the maps will be based on those criteria of temperature, soil and water and possibly other things. What is sure is that we are not in possession of all the data the Commission required us to submit to be able to create the maps, so we will have to look for more data sources ourselves and only after we identify the data will we be able to look at it and say, "This is something we can use as the criteria". Of course, we would not be in favour of criteria based on data which we do not have.

**Q449 Earl of Dundee:** Quite. Thank you very much for that answer and, as you explained, no doubt flexibility here is the name of the game, but, that apart, would your government perhaps still support some degree of harmonisation of eligibility criteria?

*Mr Sir:* I would not want to speak on behalf of the government right now but I would say that the Czech position is exactly going in this direction, that yes, this exercise is here to be done in order to create a framework and to harmonise it in a way that is better and more objective than the current criteria which are designated purely by the Member States, so yes, harmonisation is the right word to use within the exercise, and I am quite sure my colleague will correct me if I am wrong.

**Q450 Chairman:** Have you picked up a tension between perhaps the newer Member States and the older Member States on this? The newer Member States may well be open to putting the emphasis on harmonisation and the older Member States put the emphasis more on flexibility.

*Mr Sir:* I presume you have spoken to old Member States and you have spoken to new Member States.

**Q451 Chairman:** We have spoken to senile Member States – not just old, senile.

*Mr Sir:* I mean you have spoken to both.

**Q452 Chairman:** Yes.

*Mr Sir:* So I am quite sure that you have a better picture than I about what are the different points of view. I do not think it is the Less Favoured Areas where the Member States who joined the EU in the last few years would be putting the greatest emphasis. More emphasis might be put on the direct payment scheme and that is why the Czech Republic has chosen the direct payment scheme as an important part of the debate on the future of the CAP. If you look at all the Member States you may get the impression that the old Member States want more to stick to the current situation and the new ones are more open to change, but I do not know if this is caused by the policy direction or by the fact the new Member States have had to accept many things recently and even before, so we are perhaps more open to the EU matters and although sometimes we are perceived as Euro-sceptics in the Czech Republic we are quite open to European ideas in many ways, so even a certain harmonisation of criteria should not be much of a problem for us.

**Q453 Chairman:** The phrase that we heard in addressing this sort of issue, and I think it is perhaps an accurate one, is that that the new Member States do not suffer from the burden of the past.

*Mr Sir:* We have had our burdens, and we are happy to have the burdens which we have now because we think they are better than the burdens we had between 1948 and 1989. We are

definitely in a better position because we value more the things which are existing in the EU than some others, but not in all cases, of course.

**Ms Visek:** There is another phenomenon here in the Czech Republic, which is that we already had LFAs before enlargement and we had different criteria, so in 2004 we had to change them to make them compatible with regulation 1257/1999, so we can change them again.

**Mr Sir:** It is just one of the changes.

**Chairman:** Life is all about change.

**Q454 Earl of Caithness:** This is exactly what I want to follow up on. When did you start paying farmers in Less Favoured Areas? Can you tell us that? On what basis did you pay them, on what basis do you pay them on now, what do you think of the Commission's proposal for the new payment formula, and will you have to change again to implement that?

**Mr Sir:** Here I would say it would be better to speak off the record. (There followed a discussion off the record)

**Q455 Earl of Caithness:** Given the changes that you have gone through, is it a sensible policy of the Commission's to ask for a reform of Less Favoured Areas now when there is going to be a review of CAP before 2013, because a lot of farmers have gone through an upheaval to get where they are now, we are going to change it and it might change again in 2013, and, given what you have said about the lack of data, the lack of potential mapping that we will come on to, is not this process going to be a lot of change in a short time?

**Mr Sir:** Stability for farming is important for the Czech Republic, that is quite clear, but it cannot stand in the way of changes which had been foreseen before, so the farmers should be aware that in 2005 a decision was made on changes to the LFAs. They cannot know perhaps what will be the result but they can already guess that there will be some changes to the

criteria resulting in some changes to their incomes. In any case, the change should not be that dramatic to turn over the life of farmers in the Less Favoured Areas, so in a way it might be nice to be able to group the different factions together, but in this case – and I have said it before – we consider it more a technical exercise which has been planned for a few years and it is now time to materialise the decision. We do not think there would be a clear link with not only the review of the financial perspective but also the future of the CAP because our ideas and discussions on the future of the CAP should be more about what the direct payment systems should look like in order to be simple, to be cheap, to be user-friendly, to be effective, not about how to put all the elements there. I do not know if this is the best approach but from our point of view we really opted for the debate or discussion on the future of the CAP and we just picked up the direct payments as the most important part. We would touch upon the rural development issues as well and there will be a meeting of Directors-General discussing very openly what are the problems, what are the challenges, what are the solutions for the rural development policy. If I put it at certain levels, the LFAs would be level one, the direct payments would be two or three and the future of the CAP would be five or so. In this sense the question is, if we put it all together would the change not be that terrific that the farmers would just go crazy? It is a matter of opinion and, given the situation, we think we just have to go on with the exercise, and in any case we will not try to postpone it by a single day.

**Q456 Lord Brooke of Alverthorpe:** So can we conclude on accepting, as you see it, that it is primarily a technical exercise? You mentioned earlier the need for mapping. How are you as a country placed in response to the needs that will arise from the technical information and the mapping? Are you geared up for it or is it going to take time and, if so, what will the timescale be like?

**Mr Sir:** This is a very concrete question. I am afraid I do not have answers for three questions at least, but we have to feel geared up for it first, I think, so I would say we are ready to do it. Secondly, we do not know what exactly the time frame will be but we know that we will do our best to cope with the challenges of the exercise, whatever they are.

**Q457 Lord Brooke of Alverthorpe:** It is not going to be done by June then, is it?

**Mr Sir:** Most probably not.

**Chairman:** That is it. Thank you very much indeed. That has been very helpful.