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Czech Republic

Trade Policy Monitoring

Status of EU Accession

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Approved by:

Paul Spencer

U.S. Embassy Vienna

Prepared by:

Petra Chot•borská

Report Highlights: In preparation for EU accession, Czech agricultural legislation is about 80% harmonized with the EU's. Seven transition periods, several derogations, and post-accession production quotas were made public in the latest round of accession negotiations.

Includes PSD changes: No

Includes Trade Matrix: No

Unscheduled Report

Vienna[AU1], EZ

Summary

In 1999, the Czech Republic completed the European Union's (EU) accession screening for agriculture. According to the Ministry of Agriculture, Czech agricultural legislation is about 80% harmonized with the EU's *acquis communautaire*. The Czech Republic has requested seven transition periods.

Post-accession production quotas on milk, sugar and potato starch are included in this document, as are proposed subsidies for livestock.

Negotiating Positions for Agriculture

The Czech Republic transmitted its accession negotiation position paper to the EU Commission in December 1999. In this document the Czech Republic acknowledges its adherence to the European model of agriculture and is prepared to adopt the *acquis* concerning the Common Agricultural Policy (CAP). The Czech Republic is requesting seven transition periods, listed below. Alignment with the EU's high farmgate prices is a sensitive area and some speculate a transition period will be required, although this would conflict with the EU's underlying commitment to the free movement of goods. Because adoption of higher EU prices will hurt processors and consumers, the Czech Republic is reserving the right to negotiate special measures (e.g., a transition period) to mitigate this price shock. The Czech Republic is prepared to meet the commitments associated with EU accession by January 1, 2003.

The Czech Republic has also asked for direct compensatory payments for a total area of 1,942,585 hectares (the average of 1994-1998) for its farmers after accession. However, the EU position is to support new members using the European Agricultural Guarantee Guidance Fund. If unresolved by either CAP reform or a change in the EU's accession policy, there will be widely differing arable crop payments between post-accession Czech farmers and those in neighboring EU members such as Austria and Germany.

The transition periods requested were:

1. Replanting rights for vineyards: The Czech Republic is requesting replanting rights for 600 hectares of grapes annually until 2009, with additional replanting rights for the vineyards grubbed up after 2000 in accordance with EU rules.
2. Marketing of vine propagating material: Until 2015, the Czech Republic is requesting special treatment for grape viral disease testing.
3. Certification of animals and animal products: The Czech Republic is requesting a transition period of 2 - 3 years for the construction six new inspection posts on the Czech-Slovak border.
4. Public health protection: The Czech Republic is requesting a three-year transition period to improve hygienic conditions in meat production establishments.
5. Animal welfare: The Czech Republic is requesting a transition period to adjust the technologies in laying hen and pig production operations.
6. Integrated Administration and Control System (IACS) - conditional transition period: If it is not be possible to fully implement the IACS system before 2003, the Czech Republic reserves the right to ask later for a transition period.
7. Definition of rum: The Czech Republic is requesting a transition period before phasing out the "tuzemsky (domestic) rum" designation.

8.

Support for Agriculture

Outside of the transition periods, the Czech Republic also wants to keep the following support programs for agriculture (although in accordance with Articles 92-94 of the Treaty):

- replanting of vineyards, hop yards and orchards
- support for bee-keeping
- support for non-food use of land
- flax growing
- support for biofuels, (the production of rapeseed oil methyl esters and the use of bioethanol as an alternative fuel)
- support for production of potato starch
- maintenance and improvement of the genetic potential of livestock and fish
- maintenance of the genetic potential of seed and seedlings
- support for health improvement of field and specialty crops
- genetic resources
- disease fund
- support for the breeding of Starokladrubsy horses
- moderation of damage caused as a result of climatic conditions
- extension and information systems
- support for the establishment and operation of producer marketing organizations
- support for forestry
- support within the programs of the Support and Guarantee Fund for Farmers and Forestry
- support for non-production functions of agriculture, maintenance of landscape and less favored areas

Quotas:

Potato Starch Production Quota: The Czech Republic is asking for the allocation of an annual potato starch quota amounting to 45,000 tons.

Sugar quota system: Taking into account historic production and demand, the Czech Republic is requesting an annual production quota for white sugar of:

A quota 380,000 tons

B quota 125,000 tons

The Czech Republic is requesting an annual national quota of 3,100,000 tons, structured as follows:

- wholesale quota (deliveries to dairies) 2,945,000 tons (95% of the national quota)
- direct sales quota 155,000 tons (5% of the national quota)

Sheepmeat and goatmeat: The Czech Republic is requesting a national quota for sheep of 130,000 ewes.

Wine, Spirits, & Hops

Wine labeling: The Czech Republic has asked to be able to label certain wines as "quality" wine using the term "jakostni vino." There are 10 appellations in Moravia and six in Bohemia that are defined by law. "Quality" wine must consist of at least 85% wine from an approved appellation.

The term "jakostni vino s privlastkem" refers to quality wine made in one of the 16 appellations as well as consisting at least 90% of one of the following six categories: "kabinet" (cabinet), "pozdni sber" (late harvest, or Spätlese), "vyber z hroznu" (select, or Auslese), "vyber bobuli" (berry select, or Beerenauslese), "slamove vino" (straw wine), and "ledove vino" (ice wine, or Eiswein.) These roughly correspond to the following German and Austrian categories:

1. kabinet - kabinett - cabinet (wine with lower sugar content than late harvest)
2. pozdni sber - spatlesse - late harvest (harvested when sugar content in grape is higher than cabinet's)
3. vyber z hroznu - auslesse - (individual grapes are selected according to size, color etc.)
4. vyber bobuli - beeren auslesse - selection of berries (same as above with individual berries)
5. slamove vino - strohwein - straw wine (grapes are dried on straw, which increases sugar content)
6. ledove vino - eiswine - ice wine (vine is harvested when temperatures are below -7C and water in grapes is frozen - this method also increases sugar content)

Each of these six categories behind "quality wine" on the label (implying it is of higher quality). The categories depend on sugar content in the grape. e.g., table wine (without added sugar) is around 11%; quality wine 16%, cabinet 18%, and straw and ice wines around 25-26% sugar.

The term "pestitelsky sekt" (growers sparkling wine) may also be inserted after the terms "Winzersekt" and "Hauersekt." These terms refer to high quality sparkling wines that identify the vintner by name.

The Czechs are also asking to use the term "-zemske vino" on the label to indicate Czech Republic as country of origin of the wine.

Spirits: Protected geographical designations for spirit drinks: The Czech Republic is requesting that the following names of distilled spirits produced in the Czech Republic be added to the Annex of Regulation No. 157/89:

- Karlovarska Becherovka
- Prostejovska rezna a starorezna
- Ceska kminka
- Slovacka slivovice
- Valasska borovicka

Hop varieties: The Czech Republic is requesting that the following Czech hop varieties be included in the Annex of

Regulation No. 1517/77:

- Sladek - group A (aromatic hop varieties)
- Bor, Premiant - group B (bitter hop varieties)

Dairy and Beef

Dairy cow premiums: The Czech Republic is requesting direct payments for dairy cows based on milk production (per ton) or area under permanent pastures (per hectare.)

Direct payments for bulls and steers: The Czech Republic is requesting special beef premiums (direct payments) for 305,000 bulls and steers annually.

Direct payments for suckler cows: The Czech Republic is requesting a national limit for suckler cows of 230,000 head.

Other Crops

Fodder: The Czech Republic is requesting EU support for dried fodder. The level of aid will be established at a later date based on the results of monitoring that will begin in 2000.

Fiber flax and hemp: With accession, the following Czech varieties are to be included into the list of EU varieties: Bonet, Jitka, Jordan, Merkur, Super and Taxa.

Fruit and vegetable standards: The Czech Republic seeks that the entire country be recognized as a production area for the purposes of transporting ungraded fruit and vegetables.

Financial aid for seed: The Czech Republic is requesting that the existing aid provided for the production of seed and seedlings remain in place for at least three years following accession.

Other Policies

Import safeguard clause: The Czech Republic is requesting an import safeguard clause in the accession treaty. This would apply to import surges of food and agricultural products from other EU members. The EU's WTO safeguards would apply to third country imports.

Phytosanitary issues, seeds and propagating material: The Czech Republic will follow standard EU regulations but has requested derogations from Council Directives for crops that are not grown and/or propagated in the Czech Republic due to unsuitable climatic conditions (e.g., rice, Bermuda grass, sulla, fenugreek, peanuts, cotton, safflower, artichoke, pistachio, olive).

Protected zones exposed to particular plant health risks in the Community: The Czech Republic is requesting that specified regions of the country be recognized as phytosanitary protected zones against fire blight and pale potato cyst nematode and that this status be reflected in the Council Directive 77/93/EEC, Annexes I. B, II. B, III. B and IV. B.

Organic farming:: The Czech Republic is requesting that the term “ekologické zemědělství” to be included in the Czech language in the appropriate list given in Council Regulation No. 2092/91/EEC, Article 2.

Veterinary and Phytosanitary Control Mechanisms

Existing veterinary and phytosanitary control mechanisms will need further change. The existing system uses ‘extraordinary’ veterinary measures to block imports from specific third countries and is not in line with the acquis. The co-financing of expenditures with regard to serious outbreaks and eradication measures also differs substantially from Community requirements. Fees for border controls were harmonized with the EU through a new Veterinary Law adopted in July 1999.

Border inspection posts and import checks do not currently meet EU requirements. A system for identification and registration of bovines was introduced in 1998. Computer databases exist only for the identification and registration of some animal species for breeding purposes. The National Reference Laboratories have been assigned for most animal and plant diseases and there are disease contingency plans, except for aquiculture. The necessary capacity for destruction of animals exists and the treatment process is in compliance with the acquis.

The State Veterinary Administration (SVA) audited Czech food processors and divided them into three categories: 1. organizations that meet the EU criteria and are eligible to export to the EU, 2. organizations that do not completely meet EU requirements on food safety and hygiene and 3. companies that do not meet the EU requirements and most probably will disappear from the market. A number of the plants processing products of animal origin do not yet meet EU hygiene and public health requirements. Most rendering plants for high-risk waste are operating according to Community requirements. The residue legislation and monitoring programs need to be amended in order to ensure full implementation. Animal welfare rules are partly in place and the Czech Republic has requested a 2 - 3 year exemption from rules on hen battery cages.

In connection with the cattle identification system, the SVA is also preparing an animal passport system which will allow tracking of animals (and the meat from them) down to the farm level.

In the phytosanitary field, a number of decrees were adopted harmonizing fertilizer sampling and analysis as well as the storage and use of fertilizers.

Administration of Support Programs

The key management mechanisms of the common market are not yet in place. There is a market information system but the collection and distribution of data need to be improved. The existing legal framework for producer organizations is not in line with the acquis. However, the government has supported producer marketing organizations since January 1999.

In the milk sector, export refunds can only be obtained if processors pay a fixed minimum producer price. No milk quota or intervention system currently exists.

Marketing orders for milk and sugar, which would set production quotas and, through contracts, bind producers and processors, should be in place by 2001. The second wave of marketing orders will include grain and beef.

Last year the Ministry of Agriculture drafted a law for an Agricultural Intervention Fund, which would have replaced the existing State Fund for Market Regulation and Support Guarantee Agricultural and Forestry Fund. The legislation was rejected by Parliament.

Accession Partnership

The 'Accession Partnership' sets out in a single work plan for the priority areas identified in the Commission's 1999 Regular Report. It also sets out the financial help available to the Czech Republic and the conditions for receiving the assistance. Following are short-term and long-term priorities identified in the plan.

Short-term Priorities in Agriculture:

- prepare management systems for the basic implementation the Common Agricultural Policy (CAP) and rural development policies (to include the Ministry of Agriculture and institutions such as the State Fund for Market Regulation)
- continue to align and upgrade veterinary and phytosanitary inspection procedures
- modernize meat and dairy plants to meet EU hygiene and public health standards
- complete harmonization of the cattle identification system and extend it to cover other species

Long-term Priorities in Agriculture:

- reinforce CAP management mechanisms and administrative structures (monitor agricultural markets and implement structural and rural development measures, set up bodies and control mechanisms)
- veterinary and phytosanitary sector: complete system of animal identification; implement quality control system (Hazard Analysis Critical Control Point - HACCP), animal waste treatment, modernization of meat and dairy plants residue and zoonosis control programs
- modernize meat and dairy plants

SAPARD (The Special Accession Program for Agriculture and Rural Development)

SAPARD, as proposed by the European Commission, would help candidate countries deal with the implementation of the *acquis communautaire* as it relates to the common agricultural policy (CAP), as well as the structural adjustment in their agricultural sectors and rural areas. SAPARD came into effect on January 1, 2000 and is budgeted until the end of 2006. The Czech Republic may receive around \$22 annually during this period. However, candidate countries may only benefit through SAPARD between the year 2000 and the time they join the EU.

The Czech Republic has three groups of priorities (each group has several subgroups) in the Rural Development Plan:

1. Agriculture, forestry and water resources management
 - investments in agricultural holdings
 - establishing and updating land registers
 - promoting private forestry, processing and marketing of forestry products
 - water resource management

- promoting agricultural production methods that protect the environment
2. Marketing and quality support
 - improving the processing and marketing of agricultural and fishery products
 - improving the structures for quality, veterinary, and plant health control
 - technical assistance
 3. Rural development
 - renovating villages and preserving the rural heritage
 - developing and improving rural infrastructure
 - diversifying economic activities in rural areas

The last version of the Rural Development Plan (RDP) was sent to the European Commission on January 31, 2000 and incorporated some of the Commission's earlier suggestions. The previous RDP covered too many objectives and was incomplete. It was recommended that the RPD focus on a few priorities (the updated list above), and that it provide a detailed budget. The completion of the Plan will depend on the Commission's comments, which are expected in March 2000.

The Paying Agency (PA) was established on October 1, 1999 by the Ministry of Agriculture and with SAPARD liaison officials in the Ministry of Regional Development, Finance, and Environment. The PA accreditation process has started already at the Ministry of Agriculture and the accreditation plan has been transmitted to and is under review at the Ministry of Finance. The accreditation of the PA should be finished by the middle of 2000. Failure to complete accreditation by September 30, 2000 would mean that this year's allocation funds would be lost. The Czech Republic received EUR 22.3 million per year for the SAPARD program with the total budget for the period 2000 - 2006 of around EUR 156 million. Two thirds of this amount will go to the Ministry of Agriculture and one third to the Ministry of Rural Development.