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Latvian agriculture  
in the spotlight of EC proposal

Ad-hoc expert workshop

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# Framework I

- ❑ Latvian position paper: principles (or) objectives
  - To create the conditions for successful development of agriculture within the Single Market on the basis of equality;
  - To provide for efficient production levels corresponding to self-sufficiency of the domestic market;
  - To ensure the more efficient use of agricultural land in Latvia for production purposes and the conservation of the cultural and historical environment, as well as of the traditional landscape;
  - To maintain employment possibilities in rural areas through economically justified levels of agricultural production and as a relevant component of the rural environment (nature, social factors, culture).



## Framework II

- ❑ EU Commission Information note “Common Financial Framework 2004-2006 for the Accession Negotiations”
- ❑ Supplementary Issue paper Enlargement and Agriculture: Successfully integrating the new Member States into the CAP



# Approach

- ❑ Analysis of factors
- ❑ Elaboration of scenarios and preparation of relevant information
- ❑ Quantitative evaluation of the scenarios
- ❑ Drawing the conclusions



# Factors

<b>Output Prices</b>	<b>EU farmgate, National farmgate</b>
<b>Subsidies</b>	<b>EU direct payments, funds for rural development, <i>structural funds</i>  <i>National direct payments and investment support</i></b>
<b>Input prices</b>	<b>Not covered</b>
<b>Taxes</b>	<b>Not covered</b>
<b>Production restrictions</b>	<b>EU milk marketing quota sugar A and B quota</b>



# Methods I

## ❑ Static calculations,

### ➤ based on :

- ✓ Production volumes and national support schemas from 2000
- ✓ Changed production volumes, where effected by EU quota
- ✓ Proposed EU direct support payments
- ✓ Output prices (Latvian in 2000, EU – in 2000, adjusted to policy changes)

### ➤ Giving

- ✓ comparison of output values and amounts of payments



# Methods II

- ❑ Dynamic modelling,
  - caring also:
    - ✓ Producers' behaviour on changes in economic conditions;
    - ✓ Forecasted increase in production efficiency;
  - Giving
    - ✓ comparison of output values and amounts of payments
    - ✓ amounts of resources used for production (land, labour
- ❑ Modelling approach:
  - Finnish DREMFIA, MTTL, author Heikki Lehtonen, adopted to Latvia in LSIAE (Danute Jasjko with H.Lehtonen's kind assistance)
  - dynamic, partial disequilibrium optimisation model which assumes a gradual adjustment to changing of economic conditions,



# Scenarios

- ❑ EU-100, Latvian Position paper. November 2000
  - Full CAP package – prices, payments, quotas, and envelopes;
  - Reference quantities as adjusted selfsufficiency amounts
- ❑ EU-00, EC proposal from 2002.01.30
  - EC proposed package: payments, quotas, and envelopes (including rural development measures)
  - Direct payments will vary from 25% in 2004 to 35% in 2006
- ❑ Target dates
  - 2004 - entrance year
  - 2006 – valuation year
  - 2004- 2006 – valuation period





# Components of impact evaluation

- ❑ Prices
- ❑ Direct payments (but not recalculated according to the simplified management schema)
- ❑ Funds for rural development measures
- ❑ Structural funds (not included yet)



# Prices

Iepirkuma cenas,/farmgate prices EUR/t			
	LV (2000)	EU 100	
Kvieši	107,7	110,9	Wheat
Rudzi	99,6	105,8	Rye
Mieži	106,7	111,2	Barley
Auzas	100,1	112,9	Oat
Pākšaugi	131,8	179,3	Pulses
Rapsis	184,0	197,2	Rape
Linšķiedra	122,6	129,7	Flax- fibre
Cukurbietes	37,1	43,9	Sugarbeet
Kartupeļi	41,3	47,7	Potatoes
Piens	154,8	266,4	Milk
Liellopu gaļa (kautmasā)	1097,3	1953,8	Beef
Cūkgaļas (kautmasā)	1642,2	1346,7	Pork
Aitas	1385,4	1782,6	Mutton
Putnu gaļas	1542,7	1088,7	Poultry
Medus	2220,2	1953,8	Honey

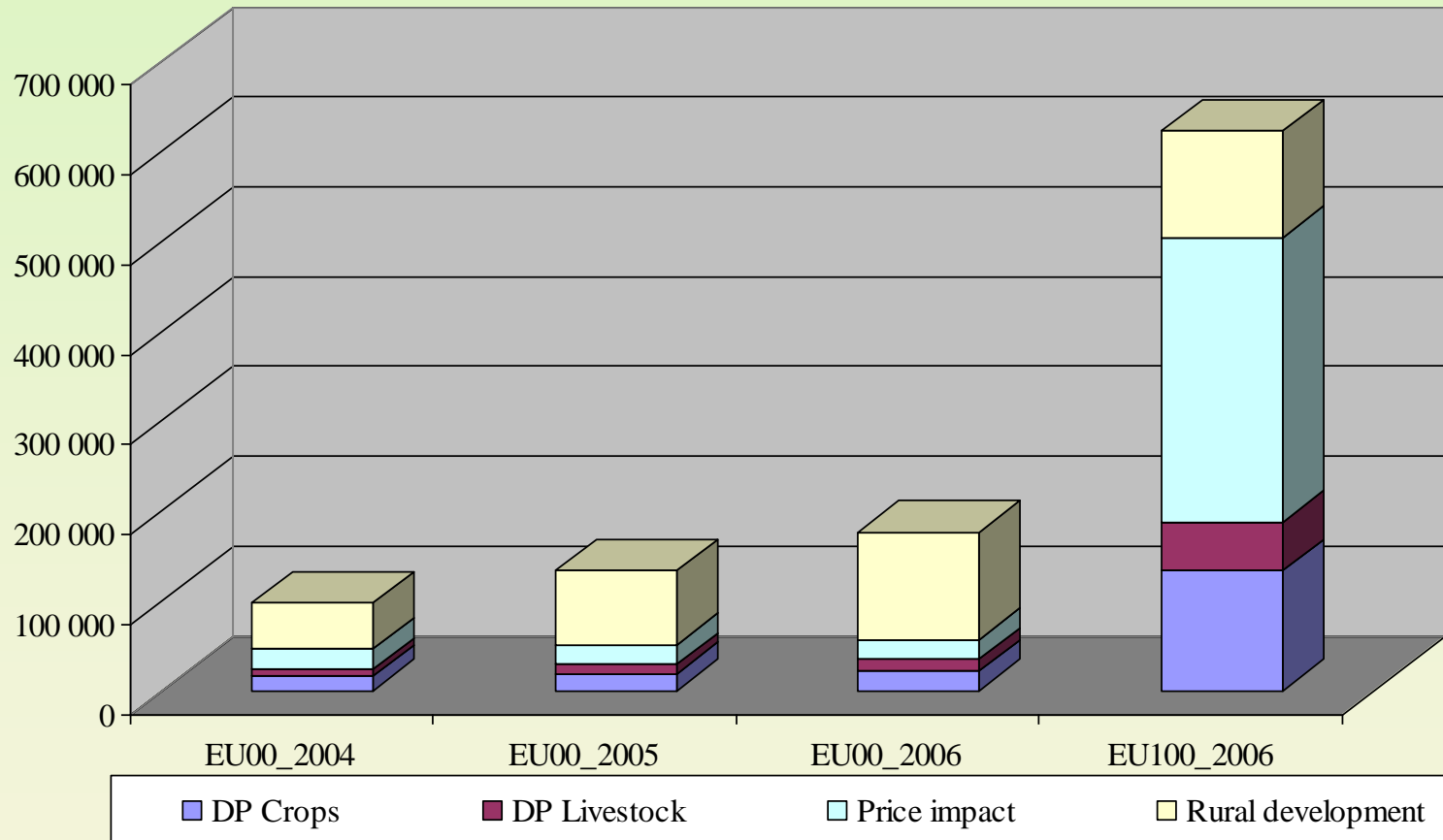


# Direct support, EUR/t (crop production)

EU 00			EU 100	
2004 (25 %)	2005 (30 %)	2006 (35 %)	2006 (100 %)	
				Arable crops
15,75	18,90	22,05	63,00	Area payments
18,13	21,75	25,38	72,50	Area payments (protein crops)
0,00	0,00	0,00	0,00	Fibre flax
15,75	18,90	22,05	63,00	Area payments
22,50	27,00	31,50	90,00	Short fibre
40,00	48,00	56,00	160,00	Long fibre
0,00	0,00	0,00	0,00	
11,79	14,15	16,51	47,18	Sturch potato



# Financial benefits, increase in sector earnings, mil.EUR



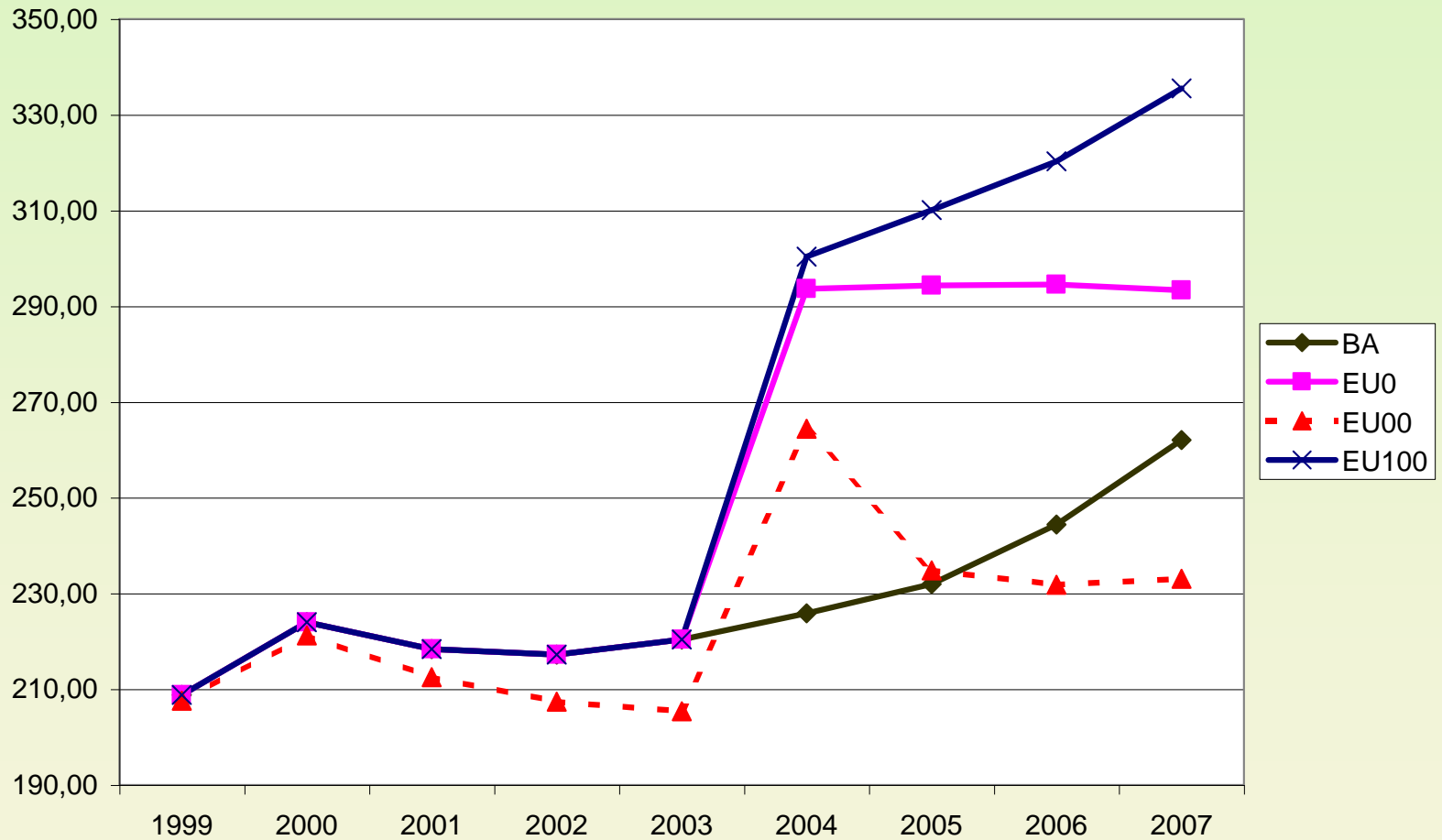
# Direct support, Ls/t \*

## livestock production

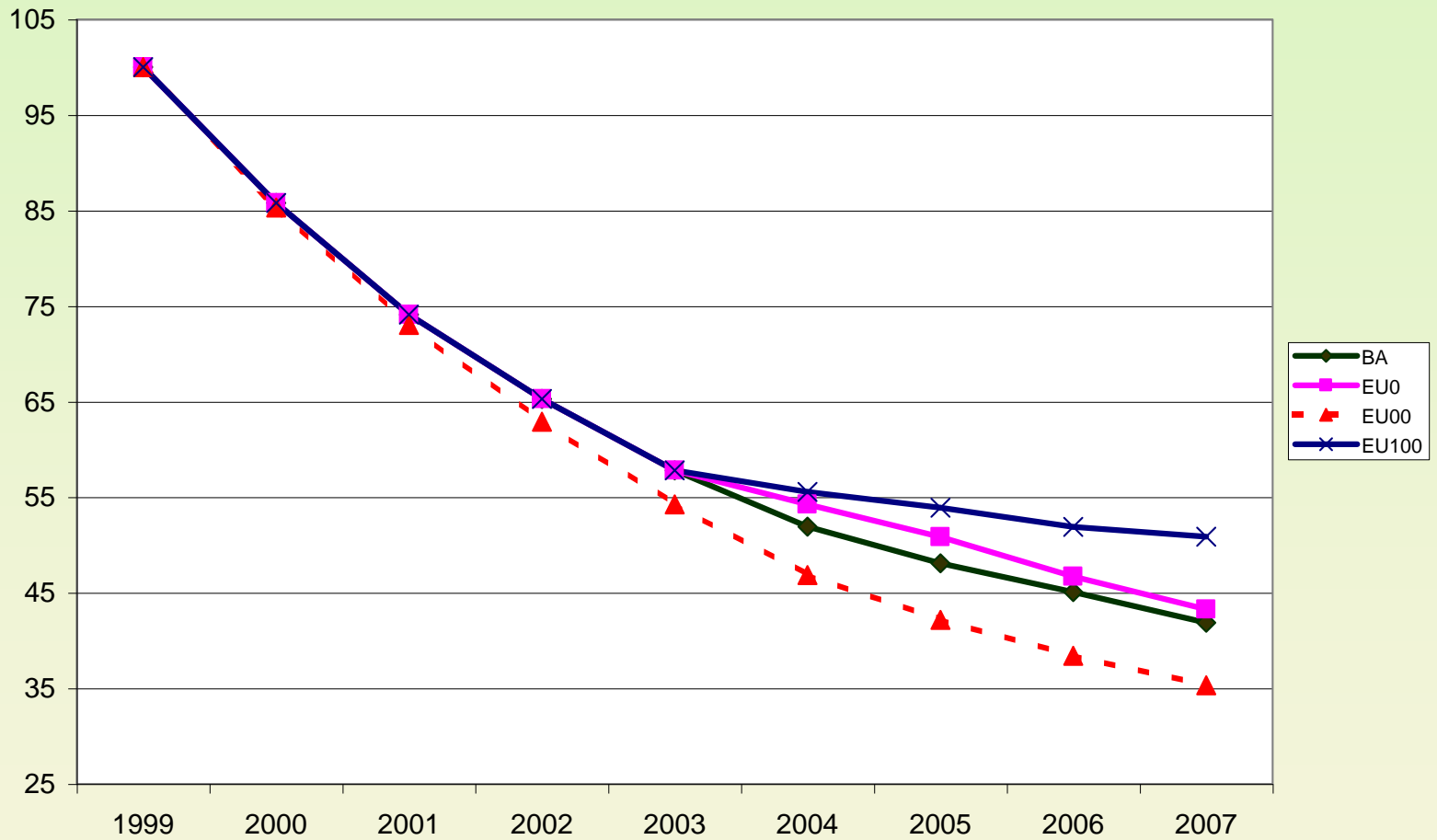
Tiešais atbalsts*/Direct support (EUR/unit)				
EU 00			EU 100	
2004 (25 %)	2005 (30 %)	2006 (35 %)	2006 (100 %)	
0,00	1,73	4,02	11,49	Milk
52,50	63,00	73,50	210,00	Beef -special
50,00	60,00	70,00	200,00	Sucler cows
20,00	24,00	28,00	80,00	Slaughter pr.
12,50	15,00	17,50	50,00	Slaughter (calves)
1330,68	1330,68	1330,68	0,0	Envelope
5,25	6,30	7,35	21,00	Ewes
17,00	17,00	17,00	0,0	Envelope
0,38	0,45	0,53	1,50	Bees
Piezīme: * Lata kurss pret 1 eiro vidējais 2001.gadā 0.563				



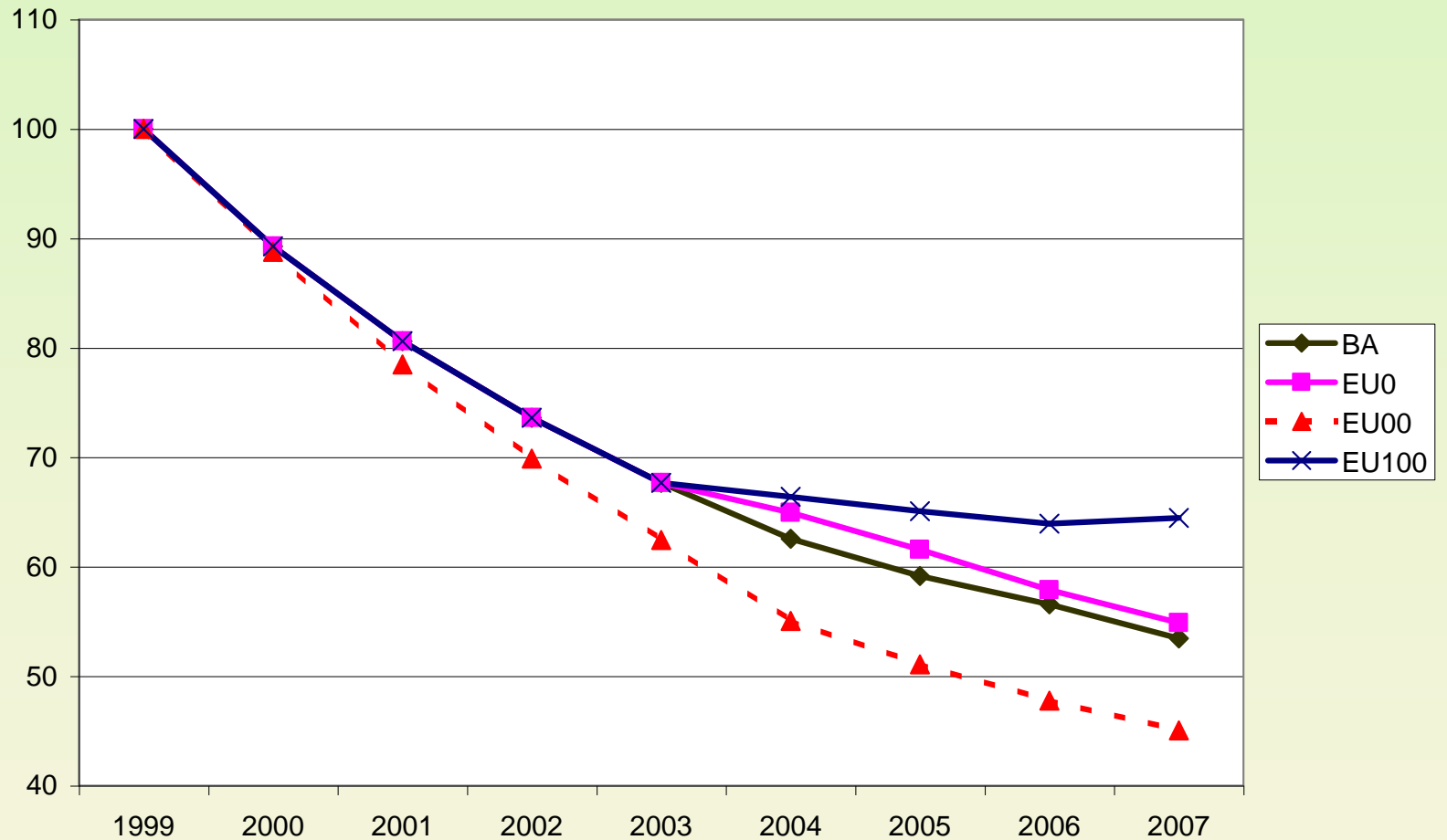
# Agriculture sector output volumes: 1999.g. līdz 2007.g., Miln.LS



# Agricultural land use (1999=100%)

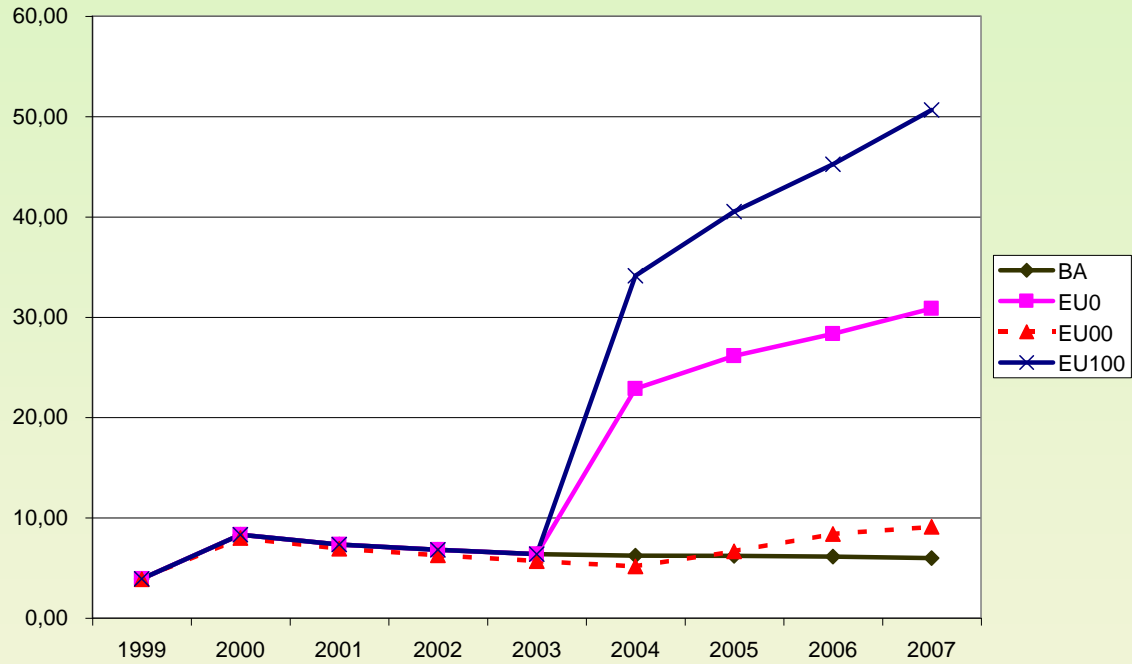


# Labour in agriculture





# Direct payments



# Agricultural income

