IACS versus simplified scheme: Assessment of economical impact on Latvian agriculture

Andris Miglavs, Ludmila Fadejeva

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Latvijas Valsts agrārās ekonomikas institūts Latvian State Institute of Agrarian Economics

The essence of the Simplified scheeme (SS)

- The EU considers that Latvia should have the option, instead of applying the standard direct payments system applicable in the current EU, to grant its farmers the CAP direct payments during a limited period in the form of a decoupled area payment, expressed in €/ha.
- Calculated on the basis of its <u>total envelope</u> of direct aids and its <u>utilised agricultural area</u>, an average area payment would be calculated
- SS would be available for <u>three years</u>. At the end ... the new Member States would enter the regular system of direct income support in the <u>form then applicable (??)</u>



Key features of SS for an economist

Decoupled

⇒ no obligation to produce

<u>Transitional</u>

NMS ... (after<u>3 years</u>) ... enter the regular system of direct income support in the <u>form then applicable</u>

<u>Average</u>

⇒ total DP envelope and total UAA

<u>Utilised?? or utilisable??</u>

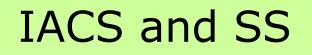


Conditions

Eligibility

- The minimum size of eligible area per holding for which payments can be requested should be set at 0,3ha. However, Latvia should have the possibility to decide, on the basis of objective criteria and after approval by the Commission, to set the minimum size at a higher level but no more than 1ha.
- no obligation to produce or to employ the factors of production
- ⇒ should be maintained in good agricultural condition compatible with the protection of the environment





- ⇒ The EU underlines that the simplified scheme would require a limited application of IACS. To this end, the IACS rules laid down in Regulation (EEC) No 3508/92, notably Article 2 thereof, should apply to the simplified scheme to the extent necessary.
 - prepare and handle farmers' annual aid applications
 put in place a land parcel identification system
- ⇒ application of the simplified scheme would not in any way affect Latvia's commitments with regard to the implementation of the *acquis* on the identification and registration of animals



Payment rates (calculation)

Envelope:

- ⇒ the sum of the EU funds that would be available in Latvia for granting direct payments under the standard scheme
- Land
 - ⇒ All agricultural parcels corresponding to the EUROSTAT definition of utilised agricultural area, that have been maintained in good agricultural condition on 30 June 2003 (whether in production or not at that date) according to objective criteria to be set by Latvia should be eligible.



Payment rates

used for comparative calculations

Utilised agricultural land						
2267,00	Farm census data					
1282,40	Acytually used for CMO products					
1494,00	According to Eurostat definition of UAA					
	2004	2005	2006			
Envelope of DP	34813,63	39461,67	44354,10			
	Rates for SS (LVL/ha)					
2267,9 thsd.ha (I. var)	15,36	17,41	19,57			
1300,07 thsd.ha (II. var)	27,15	30,77	34,59			
1494,00 thasd.ha ZM (III. var)	23,30	26,41	29,69			
For information: DP rates for						
arable crops (LVL/ha)	51,1	55,8	60,4			





Number of farms (>1ha), total - 194,1 thsd.

68 % - not for marketing of produce

<u>cattle</u>

⇒ <u>45265 with 1-2 heads from total 84908</u>

<u>Cereals</u>

 \Rightarrow 8120 with less then 10 ha from total 66051



Impact of Siplified scheeme on different CMO sectors under different scenarious (2004, thsd.LVL))

Sectors		LV_2000	EU_00_55	EU_SS_2,2	EU_SS_1,5	Difference
						SS_1,5-EU_00
	Crops	4717	22695	6990	10607	-12088
	Flax	56	67	21	33	-34
	Starch	89	258	25	37	-220
	Sugar	0	0	217	329	329
	Milk	3168	0	5604	8503	8503
	Beef	735	12080	5749	8723	-3357
	Pork	663	0	658	999	999
	Sheep	62	126	430	652	527
	CMO total	9491	35225	19693	29883	-5342

LSIAE calculations, December 16, 2002



Impact on farms, according to type of specialisation

Production subsidies LV_2000 EU_00_25 EU_SS_1,5	Arables with sugar 2637 2937 2612	Arables without sugar 520 646 612	Dairy 450 457 584	Grazing animals 5950 4880 4346	Pigs and poultry 2877 458 546	Mixed 366 366 392	All 487 489 531
EU_00_25 %	11,37	24,19	1,55	-17,97	-84,08	-0,17	0,55
EU_SS_1,5 %	-11,05	-5,27	27,80	-10,95	19,16	7,07	8,52

LSIAE calculations, based on Latvian FADN 2000 data.



Impact on farms, according to type of specialisation

	Arables Arables with without Gra			Grazing	Pigs and			
Production related DP	sugar	sugar	Dairy	animals	poultry	Mixed	All	
LV_2000	1169	204	232	3226	2673	204		244
EU_00_25	1469	330	239	2157	254	204		247
EU_SS_1,5	1144	296	366	1622	342	230		288
EU_SS_1,5 (% difference to EU_00_25)	-22	-10	53	-25	35	13		17

Source: LSIAE calculations, based on Latvian FADN 2000 data

