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

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December 17, 2002, Riga

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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 *total envelope* of direct aids and its *utilised agricultural area*, an average area payment would be calculated
- SS would be available for *three years.* At the end … the new Member States would enter the regular system of direct income support in the *form then applicable (??)*

Key features of SS for an economist

- *Decoupled*
  - ⇒ *no obligation to produce*
- *Transitional*
  - ⇒ NMS … (after *3 years*) … enter the regular system of direct income support in the *form then applicable*
- *Average*
  - ⇒ *total DP envelope and total UAA*
    - *Utilised?? or utilisable??*

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

IACS and SS

- 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

Farm structures

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

68 % - not for marketing of produce

- *cattle*
  - ⇒ *45265 with 1-2 heads from total 84908*
- *Cereals*
  - ⇒ *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	Arables with sugar	Arables without sugar	Dairy	Grazing animals	Pigs and poultry	Mixed	All
LV_2000	2637	520	450	5950	2877	366	487
EU_00_25	2937	646	457	4880	458	366	489
EU_SS_1,5	2612	612	584	4346	546	392	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

Production related DP	Arables with sugar	Arables without sugar	Dairy	Grazing animals	Pigs and 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