

Agricultural Policy Development: Options and Opportunities for Quantitative Analysis

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D. Jasjko, G. Salputra, D. Feldmans

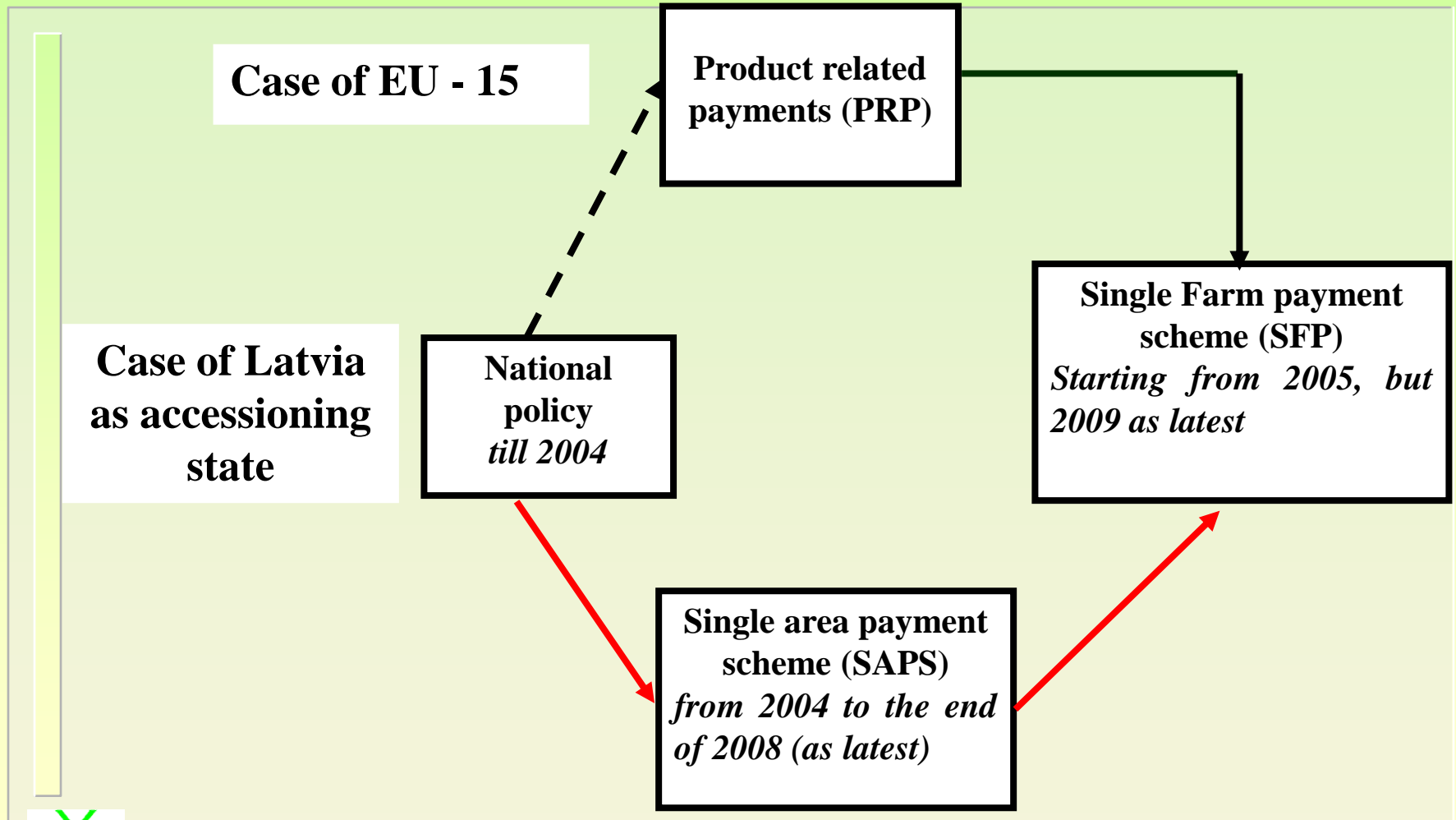


The main measures of EU Common Agricultural Policy (CAP) reform

- ❑ **Enhancing of competitiveness**
 - reduction of the impact of market intervention in the CAP
 - ✓ abolition of rye intervention mechanism.
 - ✓ cut of intervention price for butter and skim milk powder with corresponding increase in direct payments (DP)
- ❑ **Decoupling**
- ❑ **Modulation**
 - in fact – starting from 2013
- ❑ **Horizontal adjustments**
 - compulsory cross compliance



The ways of application of direct support schemes in Latvia



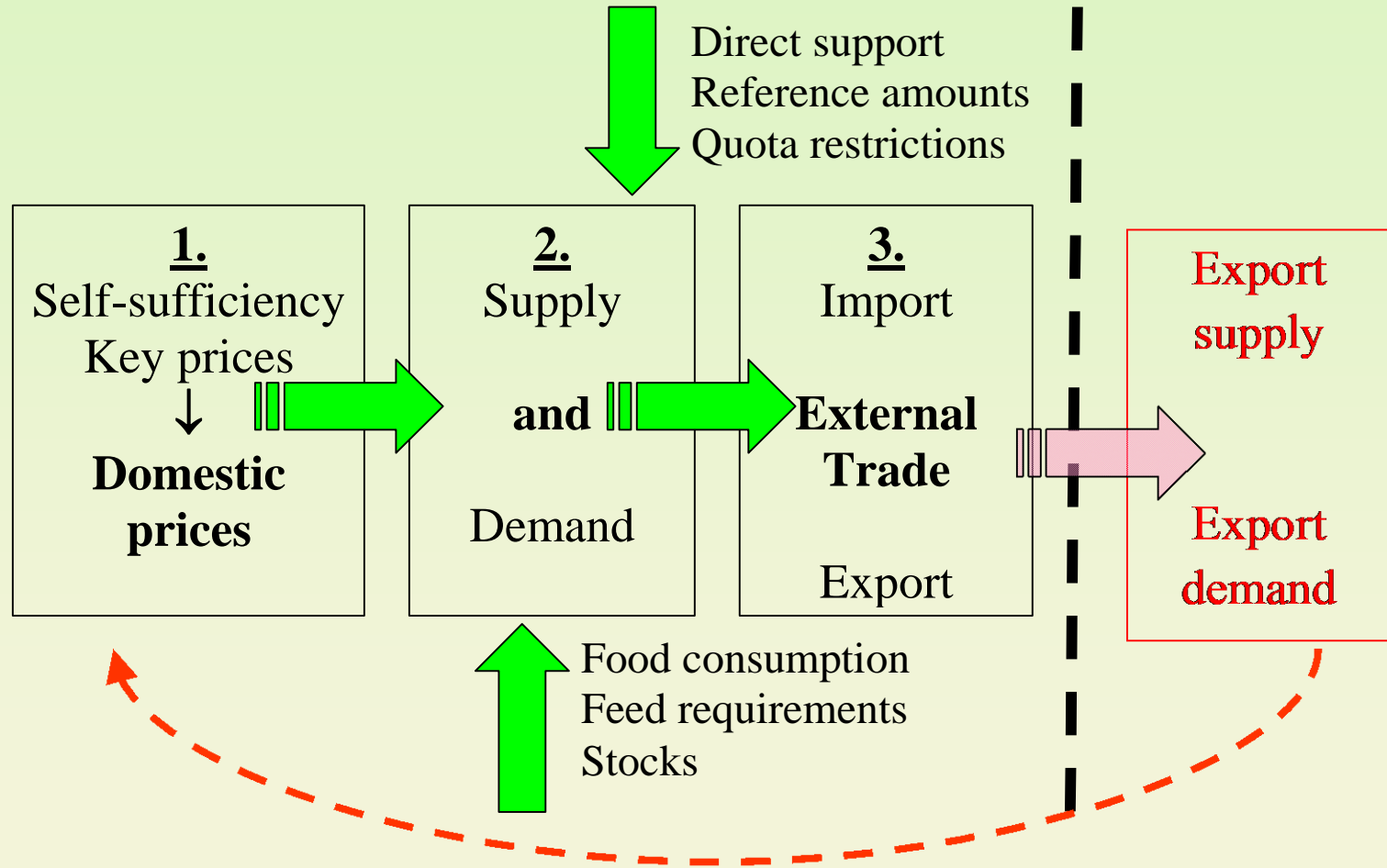
Methods (or tools) could be used for quantitative analysis of CAP reform

The main issue should be evaluated	Possible Methods					
	Static approach			Dynamic approach		
	EAA approach	FADN data base	Mathematical models	EAA approach*	FADN data base*	Mathematical models
Enhancing of competetivenes						
Decoupling						
Modulation						

* well-elaborated assumptions are required



Structure of Latvian AG-MEMOD model



Equilibrium between export demand and export supply

List of sectors/products analysed

- Wheat;**
- Barley**
- Rye**
- Oats**
- Rape (1,4%) ;**
- Cattle (6,9%);**
- Pig sector (10,9%);**
- Poultry sector (1,9%);**
- Milk (22,2%)**



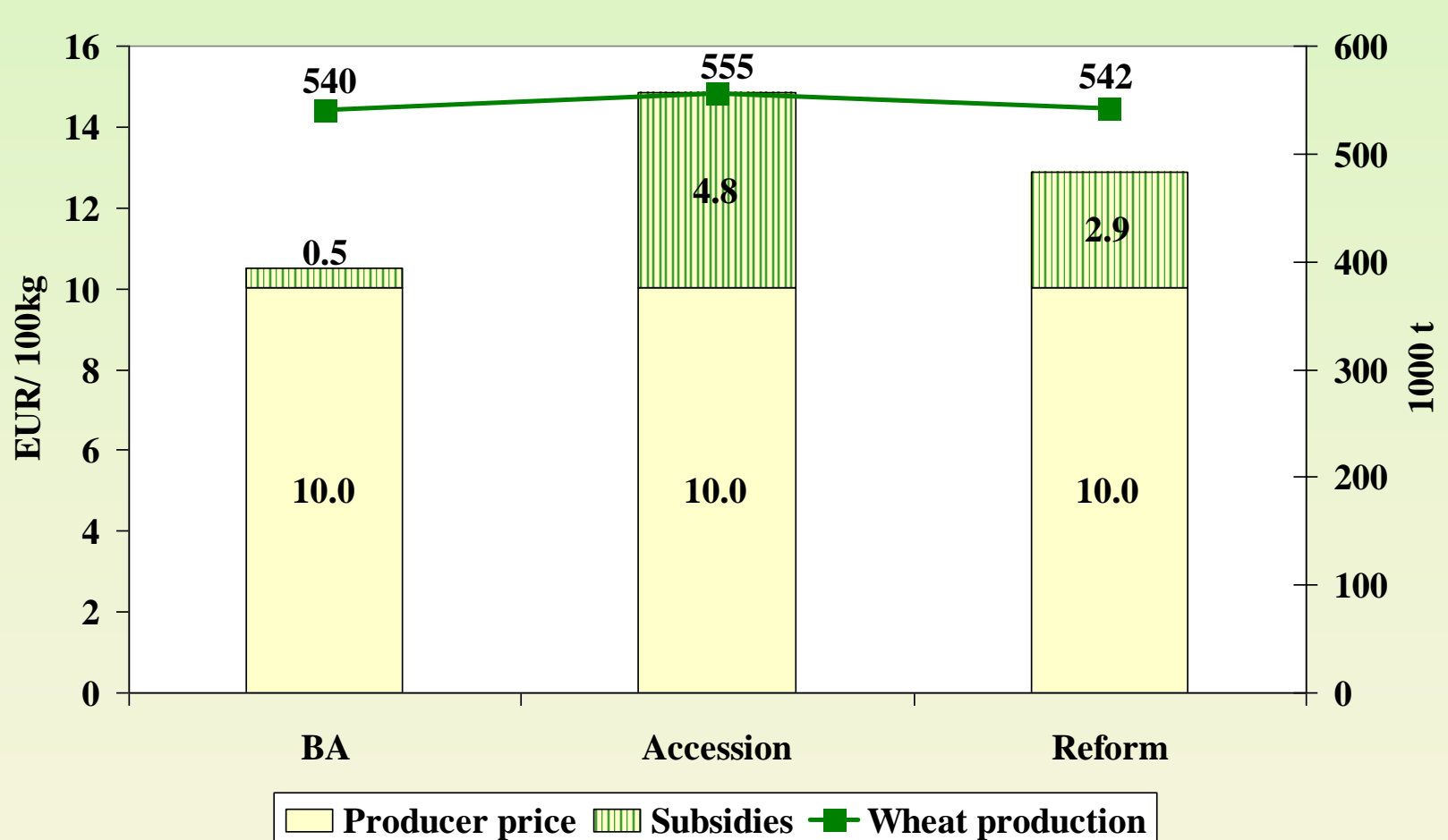
17.1% of Latvian Gross
agricultural output in
2002

Policy Scenarios simulated

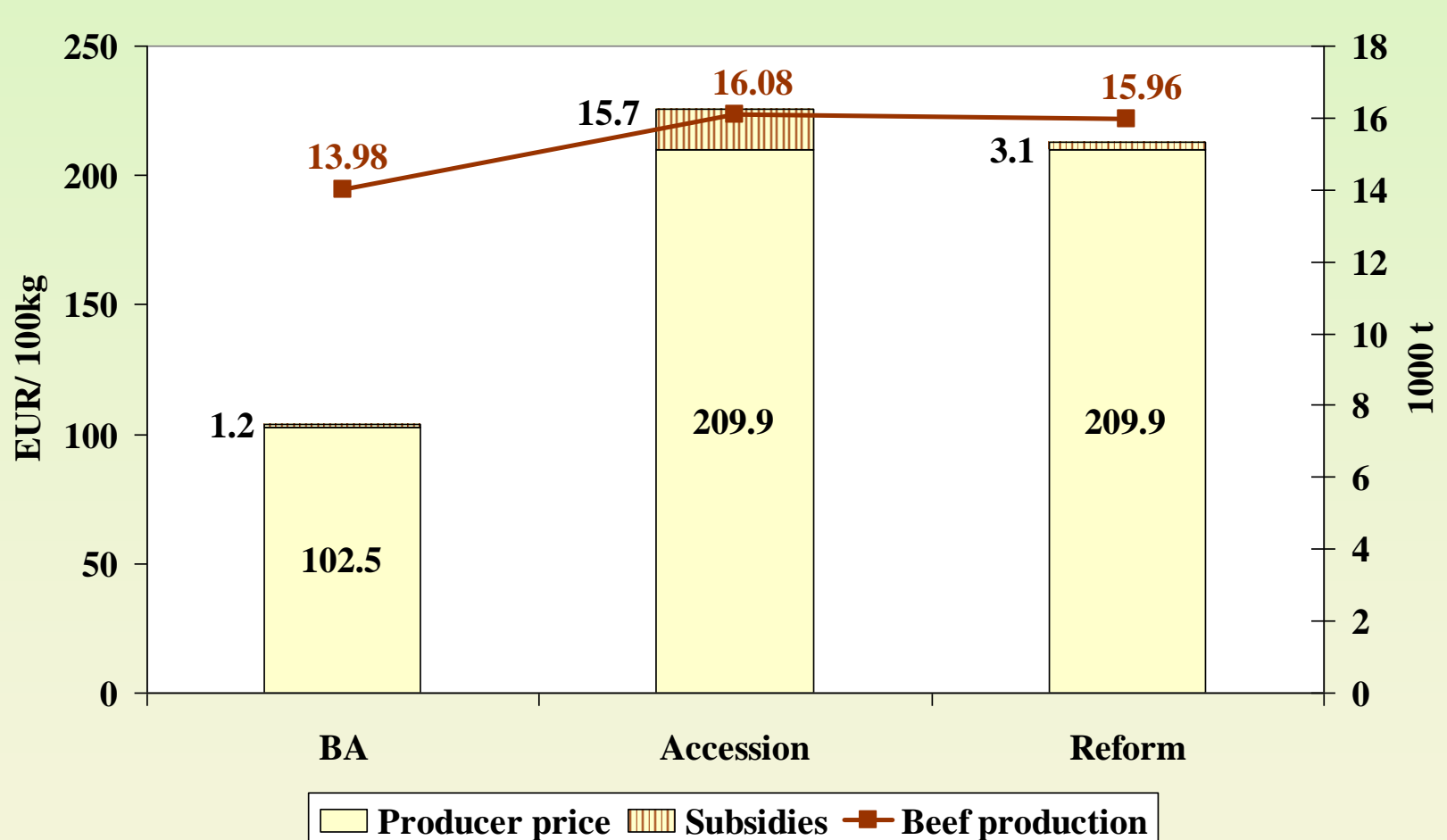
- ❑ **BA (*base scenario*):** Latvia will be out of the EU (non-accession). National policy will not be changed since 2001;
- ❑ **“ACCESSION”:** accession of Latvia into the EU on the principles of accession treaty. Administration of DP under SAP scheme.
- ❑ **“REFORM”** : accession of Latvia into the EU on the principles of CAP reform. Intervention price cuts for butter and SMP. Application of SAP until the end of 2008. Since 2009 introduction of SPS on hectar basis for eligible areas.



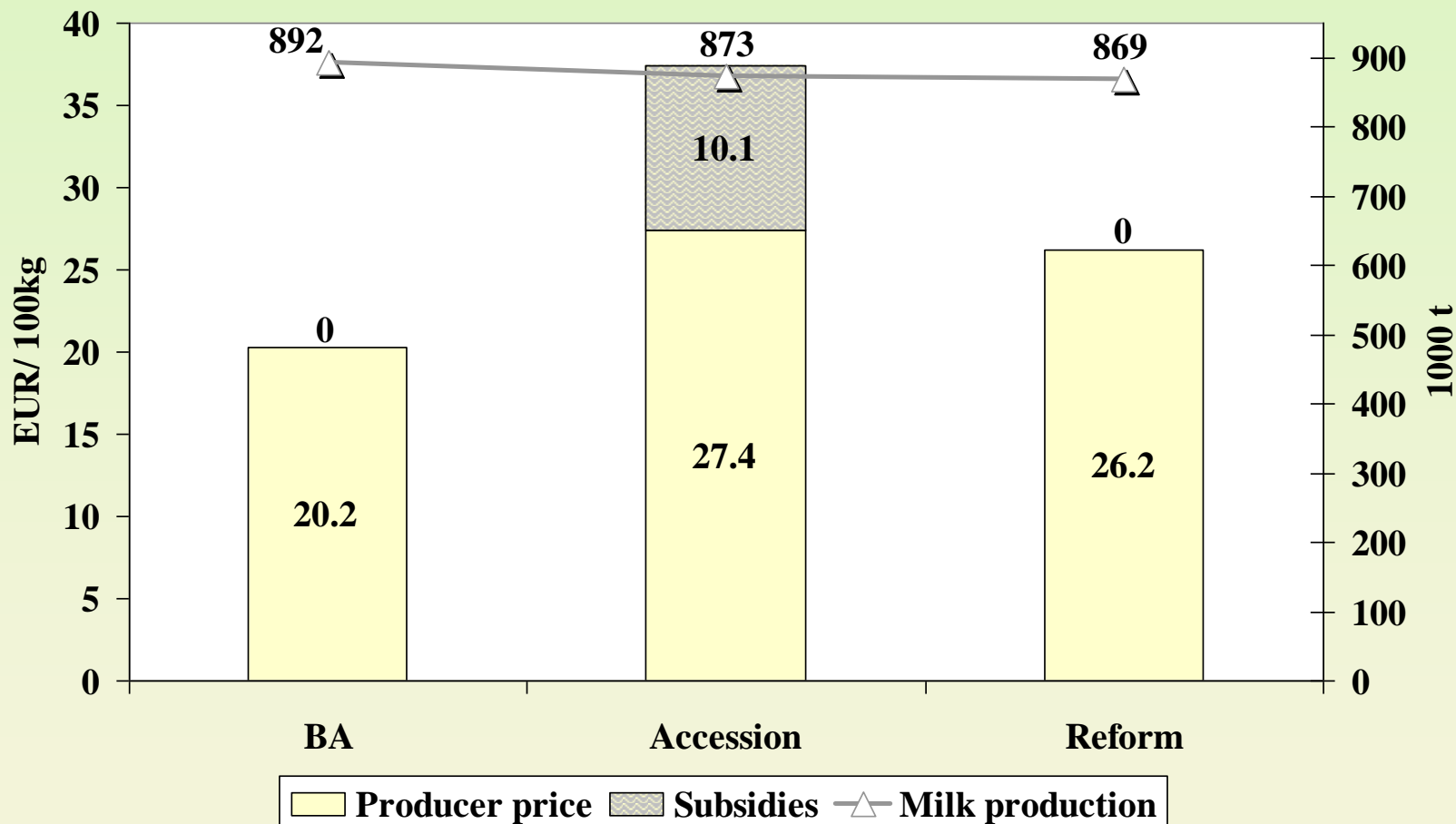
Wheat production (1000t) and level of incentive price on wheat (EUR/100kg) in 2010.



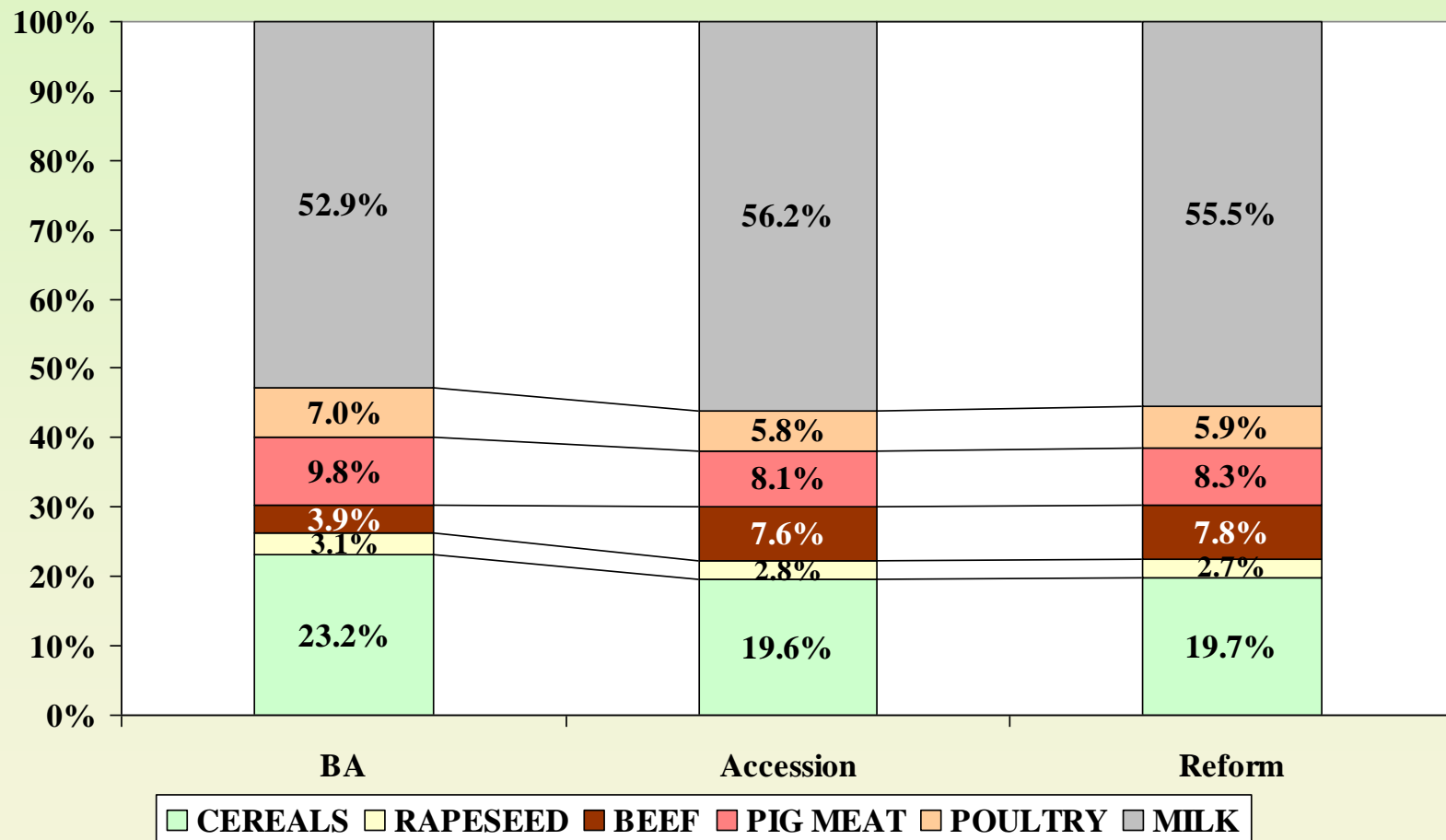
Beef production (1000t) and level of incentive price on beef (EUR/100kg) in 2010.



Milk production (1000t) and level of incentive price on raw milk (EUR/100kg) in 2010.



Structure of agricultural production according to simulation scenarios in 2010



New challenges for researchers (modellers) in the respect of CAP reform.

- ❑ **Decoupling: shifting the support from production to producers**
- ❑ **The rural people become the core of European Agricultural policy**
- ❑ **The fundamental EU policy changes will lead to the changes in “EU policy system”, switching from “production related” and “rural person related” policy**
- ❑ **What will be with the application of commodity modelling approach ?**

