

CAP reform in Latvia: policy options, selection criteria and methods of assessment

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Baltic States experts meeting on the CAP reform

LSIAE

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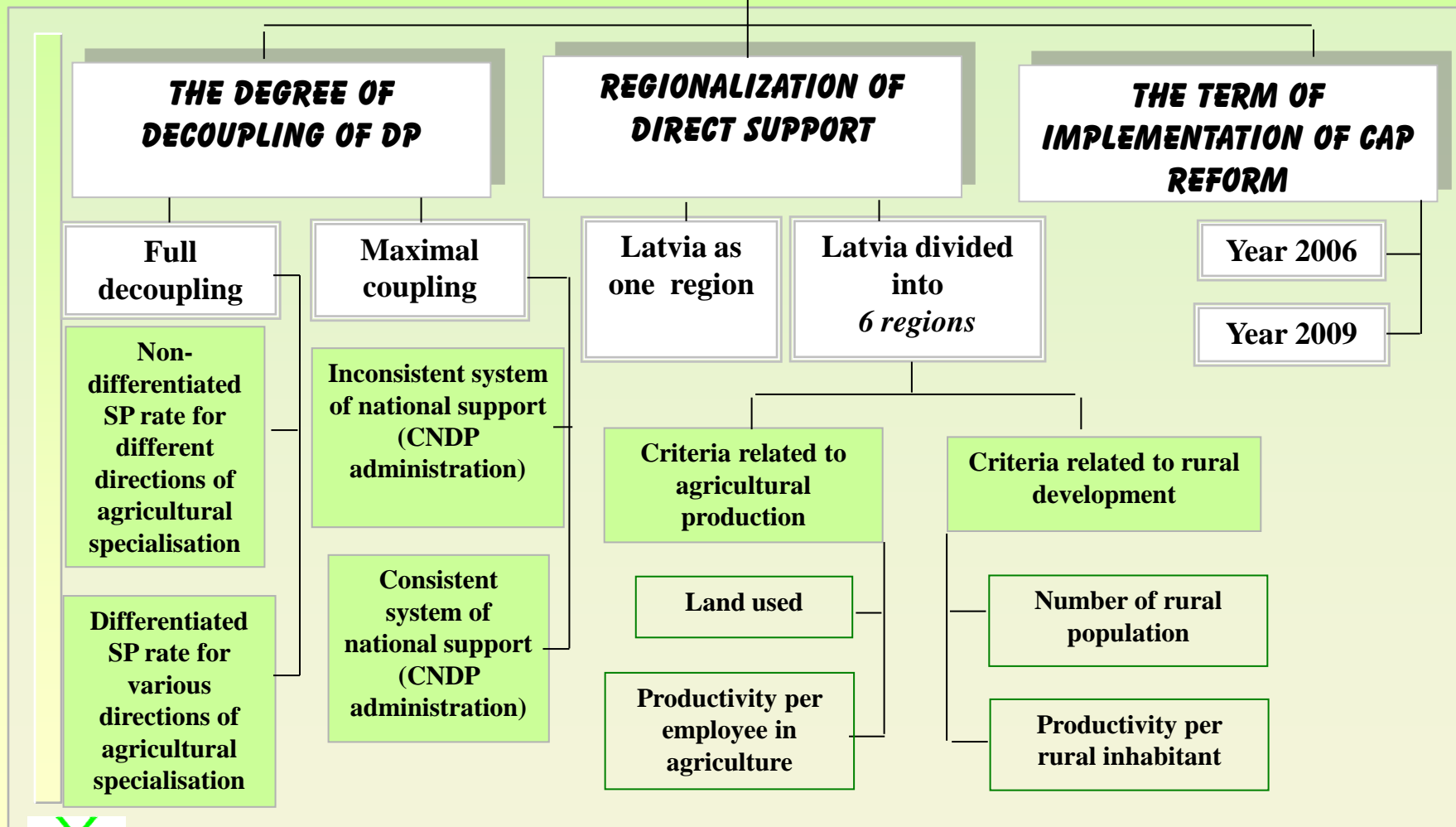


Analytical project on implementation of CAP reform in Latvia

- ❑ The title of the project: The implementation of EU CAP reform in Latvia: scenarios and assessment of their applications;
- ❑ Objective of the project: to assess the impact of CAP reform policy measures on development of Latvian agriculture in regions and as a whole.



The main policy aspects relevant for designing of CAP reform scenarios

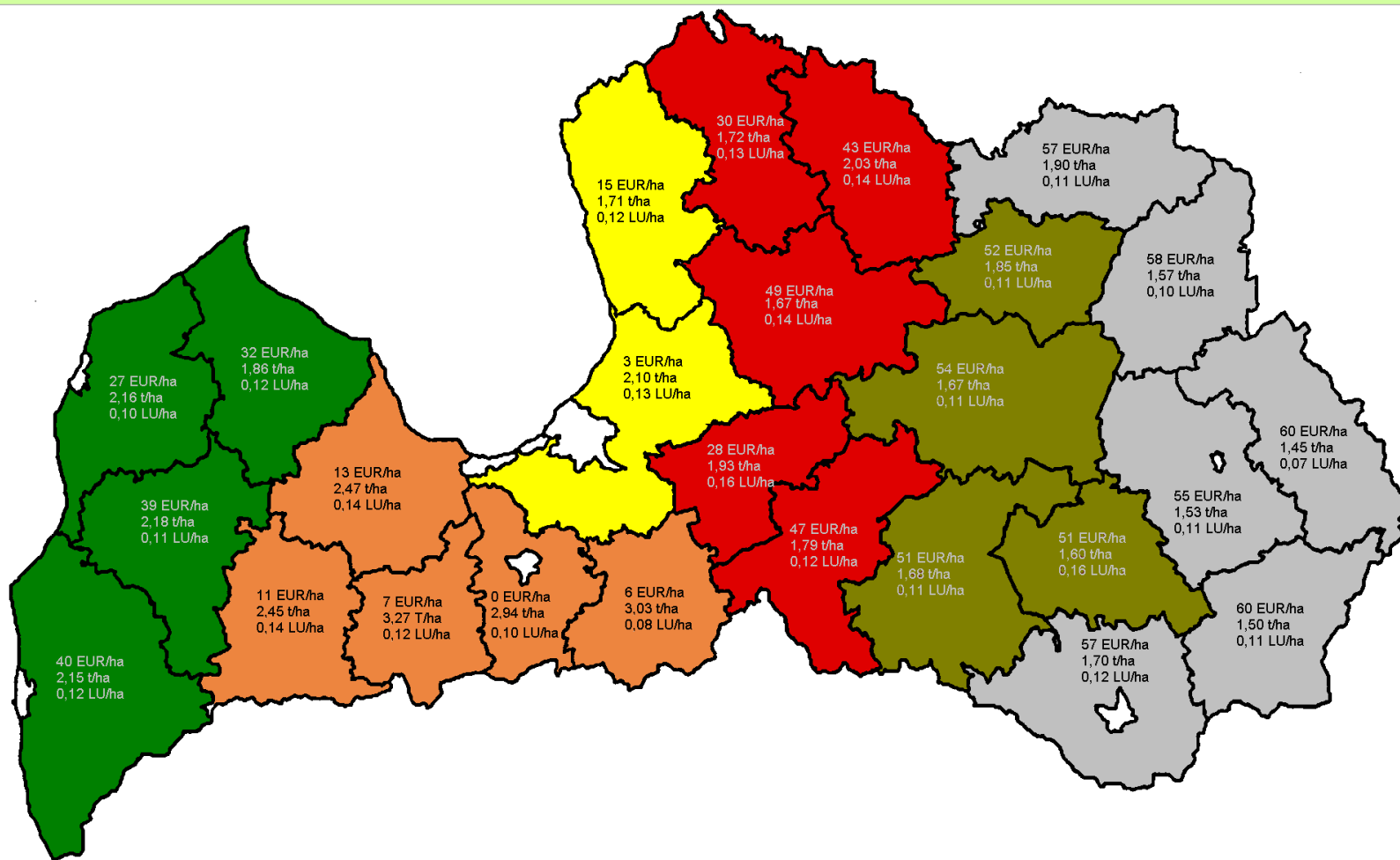


Decoupling: DP included into the single payment scheme

- ❑ Full decoupling;
- ❑ Maximal coupling, when payments directly are related to agricultural production :
 - ✓ ➤ Arable crops – up to 25% of the component of national ceilings;
 - ✓ ➤ Sheep sector – up to 50% of the component of national ceilings;
 - Beef sector :
 - ✓ Slaughter premium for calves - up to 100%;
 - ✓ Suckler cows and slaughter premium – correspondently up to 100% and 40% of the component of national ceilings;
 - ✓ Slaughter premium for bovine animals – up to 100%;
 - ✓ Special male premium – up to 75%.
 - ✓ ➤ Seeds – up to 100% of DP grated to production;
 - ✓ ➤ Dairy premium – up to 100% coupled to production (only until 2007).



Latvian territories defined for assessment of regional impact of CAP reform



Criteria for dividing of Latvian territory into the separate regions:

Reģioni	Criterias				
	LFA	Production conditions		Socialy economic conditions	
	Average rate of LFA support, EUR/ha	Average yield during the period from 2001 to 2003, t/ha	Average animal density in period from 2001 to 2003, LU/ha	Average economic size of farm, ELV	Disptibution of employment in agriculture by regions, %
Region 1	34,9	2,09	0,11	2,2	12
Region 2	7,4	2,83	0,11	3,1	18
Region 3	8,6	1,91	0,13	2	7
Region 4	40,0	1,83	0,14	2	16
Region 5	51,9	1,7	0,12	1,8	16
Region 6	57,9	1,61	0,1	1,4	31
Average in Latvia	37,9	2,08	0,12	2,1	100%



Final set of policy simulation scenarios for Latvian agricultural sector

1. Degree of decoupling of direct support, time

2. Differentiation of entitlements' rates

SP – single rate of entitlements

SP – differentiated rates of entitlements according to directions of agricultural specialisation

Maximal coupling in 2006

Full decoupling in 2006

Maximal coupling in 2009

C6

Support system:

1. SP – single payment rate;
2. EU support excluded from the SP (paid per ha or animals);
3. CNDP paid per ha or animals.

Investment incentives:

Relatively higher level of investments

D6

Support system:

1. SP – single payment rate;
2. There is no EU support excluded from the SP;
3. CNDP paid per ha or animals.

Investment incentives:

Relatively lower level of investments

C9

Support system:

1. SP – single payment rate;
2. EU support excluded from the SP (paid per ha or animals);
3. CNDP paid per ha or animals.

Investment incentives:

Relatively higher level of investments

C6c

Changes in support system:

...

C9c

Changes in support system:

...

C6d

Support system:

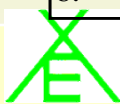
1. SP rate for grass is higher/lower than support rate for other arable crops;
2. EU support excluded from the SP (paid per ha or animals);
3. CNDP paid per ha or animals.



Analytical methods used

(on the base of starting year – 2003)

	Type of impact analysed	Static approach: Years: 2003, 2005, 2006, 2009 and 2012	Dynamic approach: time period from 2003 till 2012	
		FADN data base	Qualitative analysis	LAPA model
1.	National economy			
2.	Agricultural sector			
3.	Agricultural farms			
4.	Rural (regional) development)			
5.	Upstream industries			
6.	Downstream industries			



Assessment criteria for CAP reform :

- ❑ The “absorption capacity” of EU funding for direct support in Latvia;
- ❑ Development of agricultural production;
- ❑ Usage of main agricultural resources (*land, labour, potential investments*);
- ❑ Agricultural income on farm and sector level.



1. CAP reform impact on *development of agricultural sector*

1.1. Usage of funding available from the EU budget (Direct support and LFA support) :

- Capacity of Agricultural sector to absorb EU funding for direct support;
- The share of support paid from the EU budget.

1.2. Agricultural production:

- Development of Latvian agricultural sector and its structural changes;
- Efficiency increase and attracting of the investments for agricultural sector (*agricultural output per unit of intermediate consumption*).



1. CAP reform impact on *development of agricultural sector*

1.3. The usage of main agricultural resources:

- Labour use tendencies in the sector and in the separate agricultural sub-sectors;
- Structure of land (*between grass and other arable crops*) and development tendencies of land use.

1.4. Total agricultural income:

- Sector value added (VA);
- Sector value added per labour unit.



2. CAP reform impact on *different types of Latvian farms*

2.1. Usage of funding available for support of agricultural producers :

- Structure of support in average farm (*share of DP and LFA in total amount of support per farm*) ;
- Tendencies in changes of direct and LFA support and distribution of support between different types of farms.

2.2. Agricultural production :

- Tendencies of crop, livestock and non-agricultural production (activities) in average farm (*value indicators*);

2.3. Farm income:

- VA and its structure in different types of farm (*VA without subsidies and subsidies*);
- VA per annual work unit in average farm.



3. CAP reform impact on *Rural development in regions of Latvia*

3.1. Usage of funding available for support of agricultural producers :

- Structure of support in regions (share of EU and national budget *as well as LFA support*);
- Tendencies in the changes of direct and LFA support in different farms and regions of Latvia.

3.2. Agricultural production:

- The contribution of Agricultural sector in the economic development of regions;
- Economic specialisation of Latvian regions and possible structural changes.



3. CAP reform impact on *Rural development in regions of Latvia*

3.3. Usage of main agricultural resources :

- Changes of labour use in regions;
- Necessity of measures for social adaptations of population;
- Changes of land use in regions.

3.4. Agricultural income in regions:

- Changes in structure of agricultural VA in regions.



4. CAP reform impact on *The development of upstream and downstream industries*

4.1. Agricultural production:

- Changes in the demand on production factors for agricultural production (in different regions and ag.sectors);
- Possible development of processing industries (*production structure and capacities, structure of raw materials required by source of origin etc.*);
- Regional distribution of industries related to ag.production.

4.2. Usage of main agricultural resources :

- Possible migration of labour between the branches of industries.



5. CAP reform impact on *Latvian economy*

5.1. Use of EU funding for direct support in Latvia :

- Financial impact on Latvian budget (*absorption of the transfers from the EU*).

5.2. Usage of main agricultural resources :

- The share of agricultural sector in total employment.

5.3. Total agricultural income:

- Contribution of Agricultural sector into Latvian GDP.

