

THE IMPLEMENTATION OF SPS IN LITHUANIA: the pilot research results

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STRUCTURE OF PRESENTATION

- **PRE-RESEARCH**
 - MAIN PRINCIPLES
- **RESEARCH**
 - OBJECTIVES
 - METHOD
 - RESULTS
- **CONCLUSIONS**
 - RECOMMENDATIONS
 - RESEARCH LIMITATIONS AND FURTHER ISSUES

PRE-RESEARCH

- THE MAIN PRINCIPLES

THE MAIN PRINCIPLES

SIMPLIFIED SCHEME - SSC

- The SSC shall be available till 2006 with the possibility of renewal twice by one year at the NMS's request.
- From 2007 CNDP – 30 percentage points of the EU direct payments level.

THE MAIN PRINCIPLES

SINGLE PAYMENT SCHEME - SPS

- **NMS regionalization.**
- **Country with less than 3 mio ha may be considered as one region.**

THE MAIN PRINCIPLES

- **Partial decoupling - coupled may remain:**
 - **100%** of seeds premium envelope;
 - **25%** of arable crops premium envelope;
 - **50%** of ewes premium envelope;
 - **100%** of calves premium envelope;
 - a) **100%** of suckler cows premium envelope and **40%** of slaughtered adult cattle premium envelope **OR** b) **100%** of slaughtered adult cattle premium envelope or (alternatively) **75%** of bulls premium envelope.

THE MAIN PRINCIPLES

- **10% of sectoral envelope can be reserved for the promotion of:**
 - a) protection or enhancement of the environment,
 - b) quality and marketing of agricultural products.
- **Milk premium fully decoupled from 2007 under SPS.**

RESEARCH

I. OBJECTIVES

II. METHOD

III. RESULTS

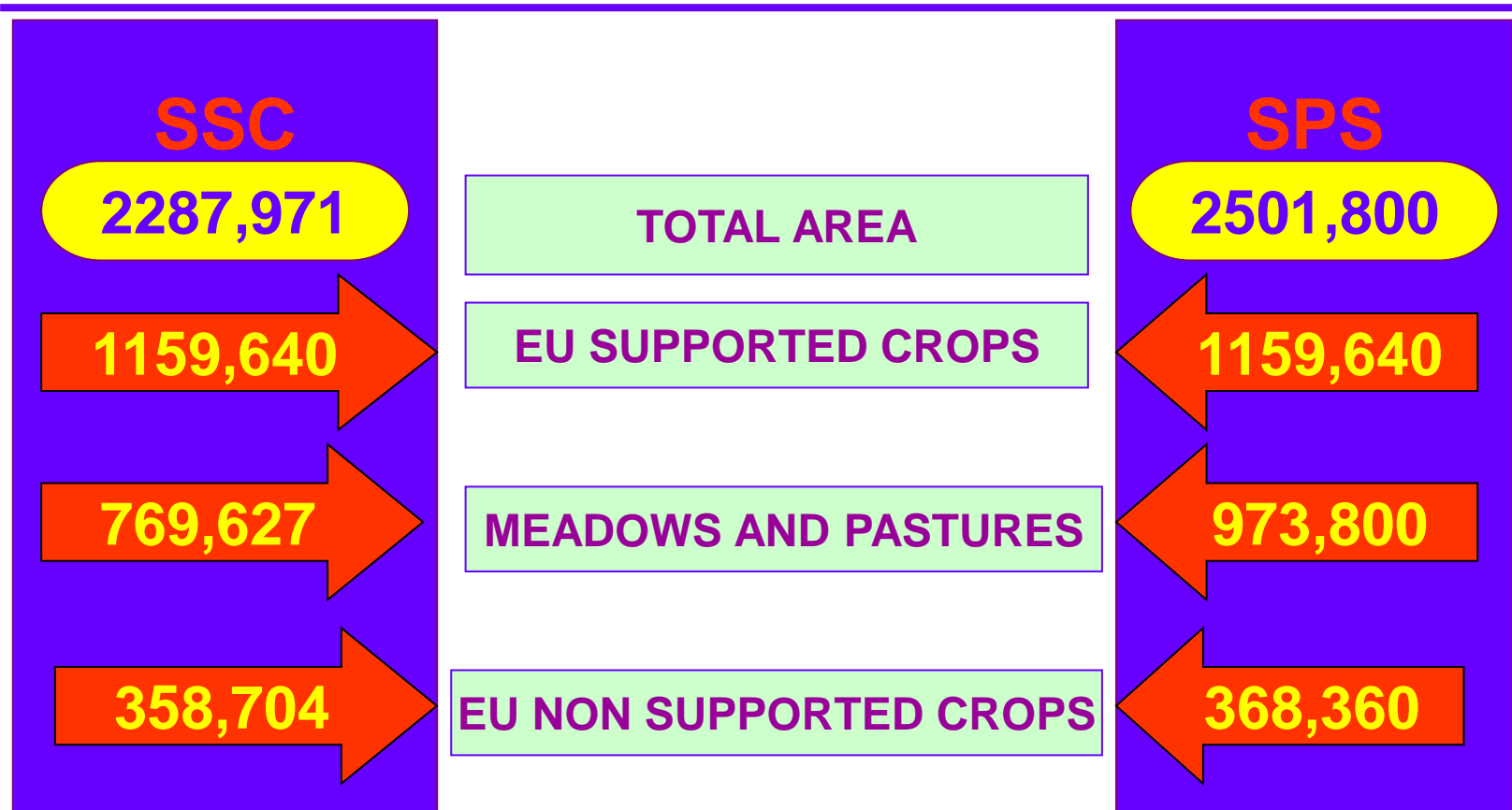
OBJECTIVES

- *To identify the **moment** (scenario) and the **scheme** of the implementation of SPS in Lithuania, while taking into account the importance:*
 - *to ensure the income stability, i. e. ensure the stable income level without sharp bounds.*
 - *to maintain the effectiveness of specialized farms.*
 - *to maintain consistent support policy for cattle and ewes breeding sectors.*
 - *to maintain seeds sector vitality as this sector will provide our agriculture with certified seeds in the future.*

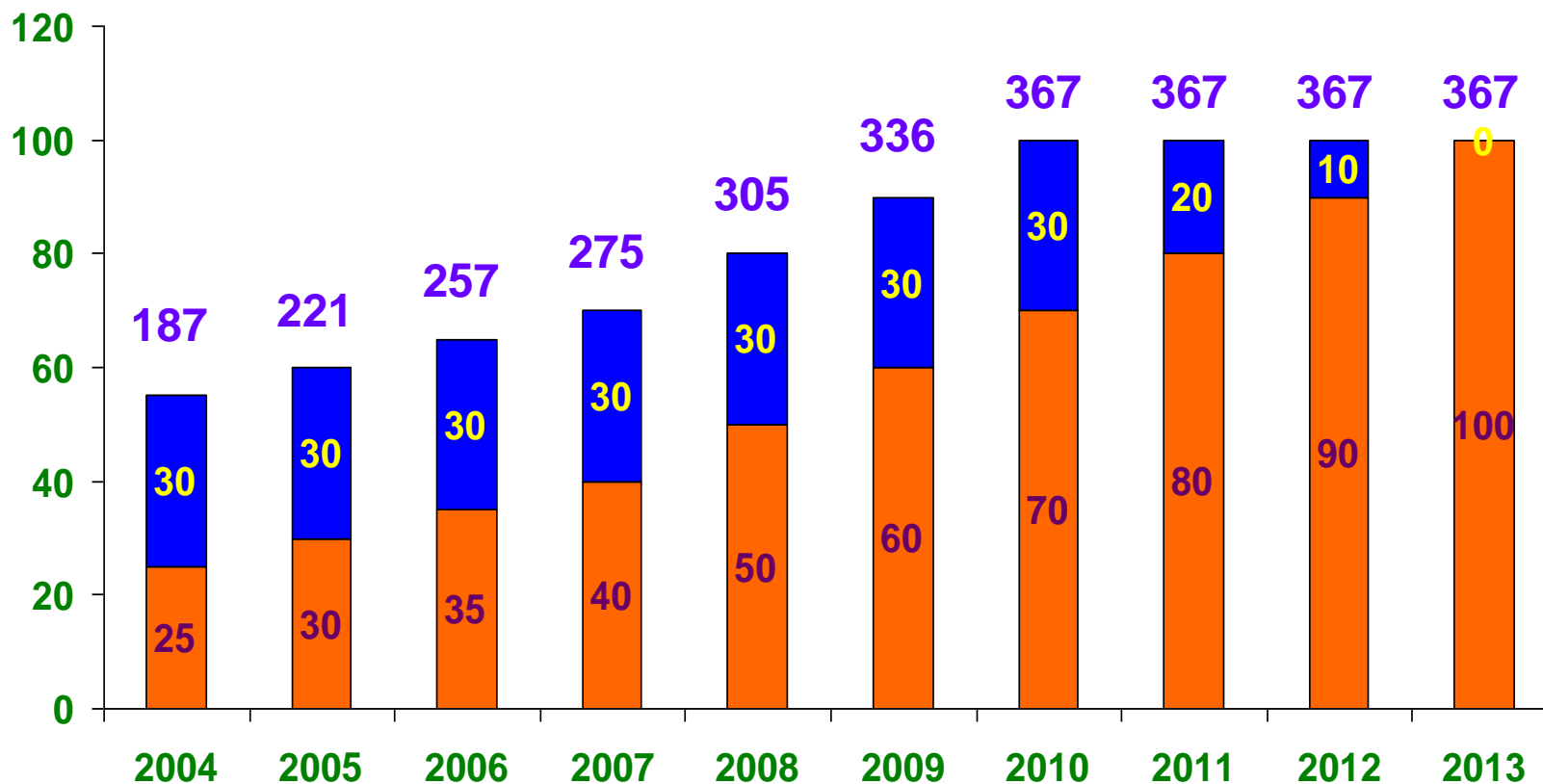
METHOD: REGIONALIZATION

- **Lithuania as one region.**

METHOD: UTILIZED AGRICULTURAL AREA, THOUS. HA



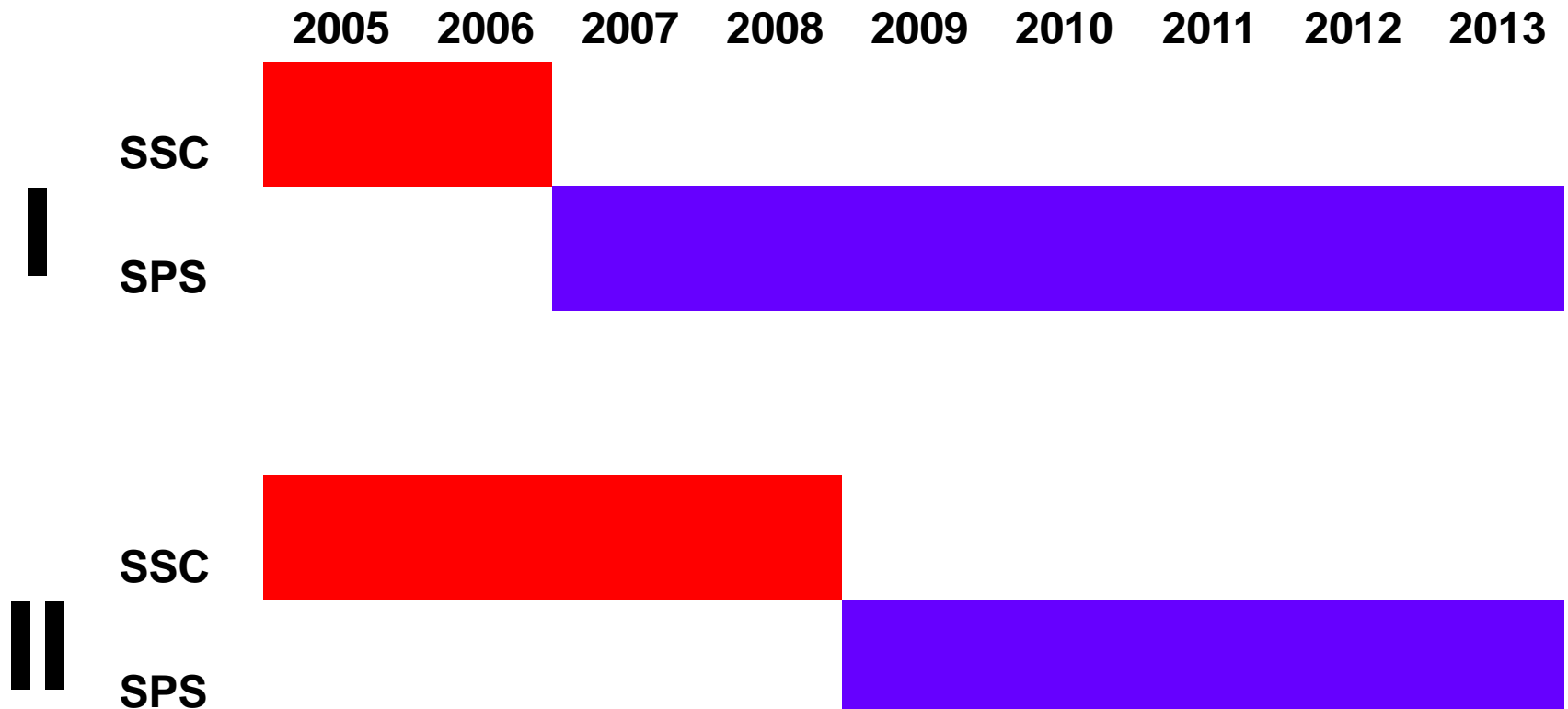
METHOD: THE GROWTH OF FINANCIAL ENVELOPE, % AND MIO EUR



METHOD: ANALYSED SPS SCHEMES

SECTORS	COUPLED SHARE, %						
	SPS I	SPS IIA			SPS IIB		
		A	B	C	A	B	C
CROPS							
EU supported crops	0	25	0	25	25	0	25
Fibre flax	*	*	*	*	*	*	*
Seeds	0	100	100	100	100	100	100
ANIMALS							
Suckler cows	0	100	100	100	0	0	0
Calves	0	100	100	0	100	100	0
Slaughtered cattle	0	40	40	40	0	0	0
Bulls	0	0	0	0	75	75	75
Ewes	0	50	50	50	50	50	50
Quality beef	0	0	0	0	10	10	10

METHOD: SPS IMPLEMENTATION SCENARIOS



METHOD: ANALYSED SPS SCHEMES

SECTORS	COUPLED SHARE, %						
	SPS I	SPS IIA			SPS IIB		
		A	B	C	A	B	C
CROPS							
EU supported crops	0	25	0	25	25	0	25
Fibre flax	*	*	*	*	*	*	*
Seeds	0	100	100	100	100	100	100
ANIMALS							
Suckler cows	0	100	100	100	0	0	0
Calves	0	100	100	0	100	100	0
Slaughtered cattle	0	40	40	40	0	0	0
Bulls	0	0	0	0	75	75	75
Ewes	0	50	50	50	50	50	50
Quality beef	0	0	0	0	10	10	10

METHOD:

THE MOMENT OF SPS START

Dynamics in income from direct payments per hectare of UAA:

- **Transition from SSC 2006 to SSC, SPS I, SPS IIAA and SPS IIBA 2007.**
- **Transition from SSC 2007 to SSC, SPS I, SPS IIAA and SPS IIBA 2008 .**
- **Transition from SSC 2008 to SPS I, SPS IIAA and SPS IIBA 2009.**

METHOD: PAYMENT RATES

	2006 SSC	2007 SSC	2007 SPS I	2007 SPS IIAA	2007 SPS IIBA
CROPS, EUR/HA					
EU SUPPORTED CROPS	111,79	117,88	109,77	118,74	117,87
FIBRE FLAX	170,10	170,10	170,10	170,10	170,10
EU NON SUPPORTED CR.	56,32	64,01	109,77	88,62	87,75
MEADOWS AND PASTURES	56,32	64,01	109,77	88,62	87,75
SEEDS, EUR/T				221,85	221,85
ANIMALS, EUR/ANIMAL					
SUCKLER COWS	170,30	178,12		139,87	
BULLS	169,14	176,67			110,35
QUALITY BEEF					14,77
SLAUGHTERED CATTLE	20,27	19,11		22,30	
CALVES				35,04	35,04
EWES	12,74	13,03		9,85	9,85
MILK, EUR/T	18,83	17,38			

RESULTS

-60 -40 -20 0 20 40 60 80



■ SSC-2007
 ■ SPS-I-2007
 ■ SPS-IIA-2007
 ■ SPS-IIB-2007

- Cereals, rapeseed
- Cereals, sugar beets and other
- Cattle breeding prevails
- Crops prevail
- Cattle breeding prevails
- Small farm
- Small farm without a cow
- Cattle breeding¹
- Cattle (10 suckler cows)
- Dairy (33 cows)²
- Dairy (33 cows)³
- Vegetable-growing

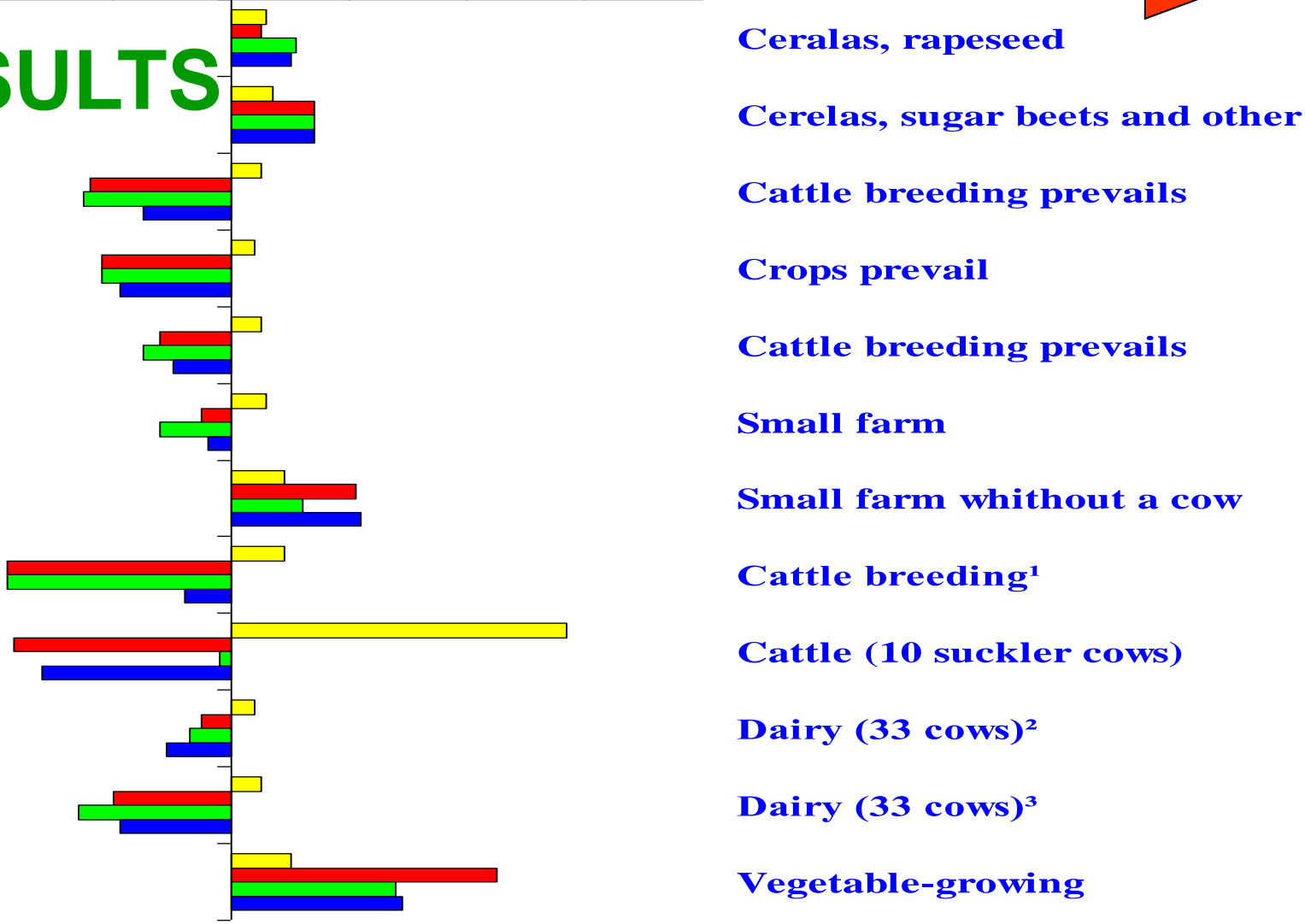
METHOD: PAYMENT RATES

	2007 SSC	2008 SSC	2008 SPS I	2008 SPS IIAA	2008 SPS IIBA
CROPS, EUR/HA					
EU SUPPORTED CROPS	117,88	124,25	121,93	130,62	129,46
FIBRE FLAX	170,10	170,10	170,10	170,10	170,10
EU NON SUPPORTED CR.	64,21	80,22	121,93	96,15	95,00
MEADOWS AND PASTURES	64,21	80,22	121,93	96,15	95,00
SEEDS, EUR/T				253,71	253,71
ANIMALS, EUR/ANIMAL					
SUCKLER COWS	178,12	199,83		159,87	
BULLS	176,67	199,83			125,98
QUALITY BEEF					16,80
SLAUGHTERED CATTLE	18,83	16,80		25,49	
CALVES				39,97	39,97
EWES	13,03	13,90		11,30	11,30
MILK, EUR/T	17,37	17,37			

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RESULTS



■ SSC-2008
 ■ SPS-I-2008
 ■ SPS-IIA-2008
 ■ SPS-IIB-2008

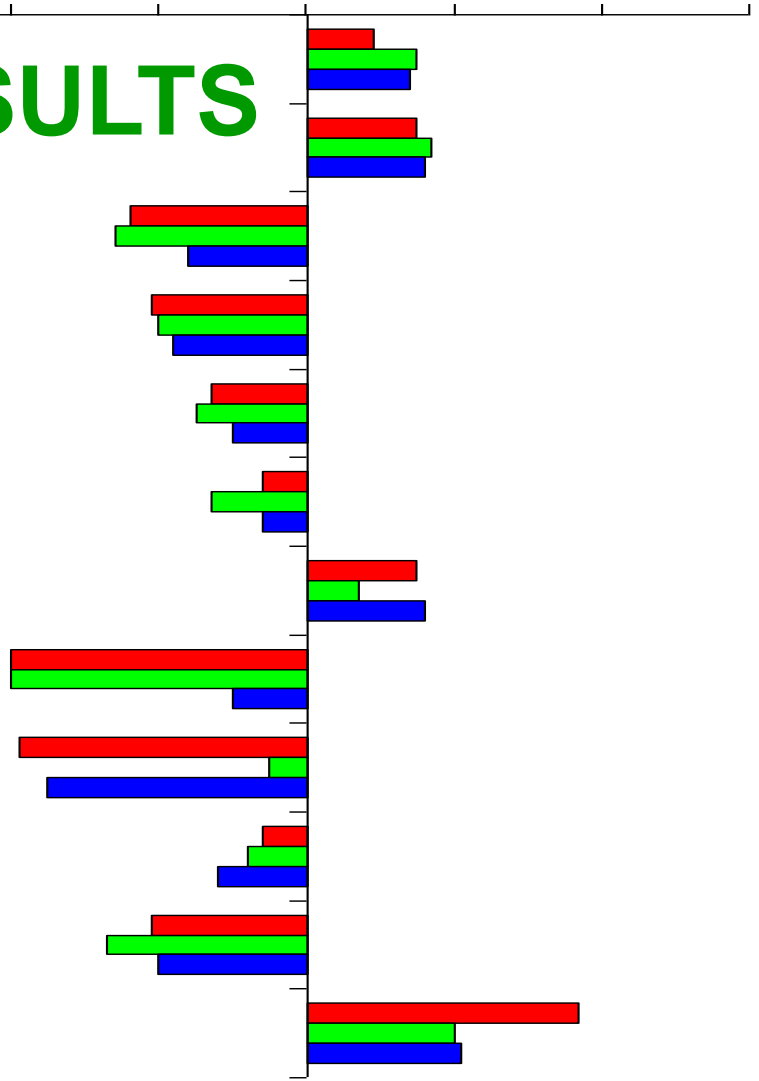
METHOD: PAYMENT RATES

	2008 SSC	2009 SPS I	2009 SPS IIAA	2009 SPS IIBA
CROPS, EUR/HA				
EU SUPPORTED CROPS	124,25	134,09	143,65	141,62
FIBRE FLAX	170,10	170,10	170,10	170,10
EU NON SUPPORTED CR.	80,26	134,09	104,84	102,82
MEADOWS AND PASTURES	80,26	134,09	104,84	102,82
SEEDS, EUR/T			285,28	285,58
ANIMALS, EUR/ANIMAL				
SUCKLER COWS	199,84		180,14	
BULLS	199,83			141,62
QUALITY BEEF				18,83
SLAUGHTERED CATTLE	16,80		28,67	
CALVES			44,89	44,89
EWES	13,90		12,74	12,74
MILK, EUR/T	17,37			

-60 -40 -20 0 20 40 60



RESULTS



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- Cerelas, sugar beets and other
- Cattle breeding prevails
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- Small farm
- Small farm whitouth a cow
- Cattle breeding¹
- Cattle (10 suckler cows)
- Dairy (33 cows)²
- Dairy (33 cows)³
- Vegetable-growing

■ SPS-I-2009 ■ SPS-IIA-2009 ■ SPS-IIB-2009

METHOD:

WHAT SCHEME WOULD ALLEVIATE NEGATIVE IMPACT?

SSC 2007 with SPS IIA 2007 and SPS IIB 2007, where:

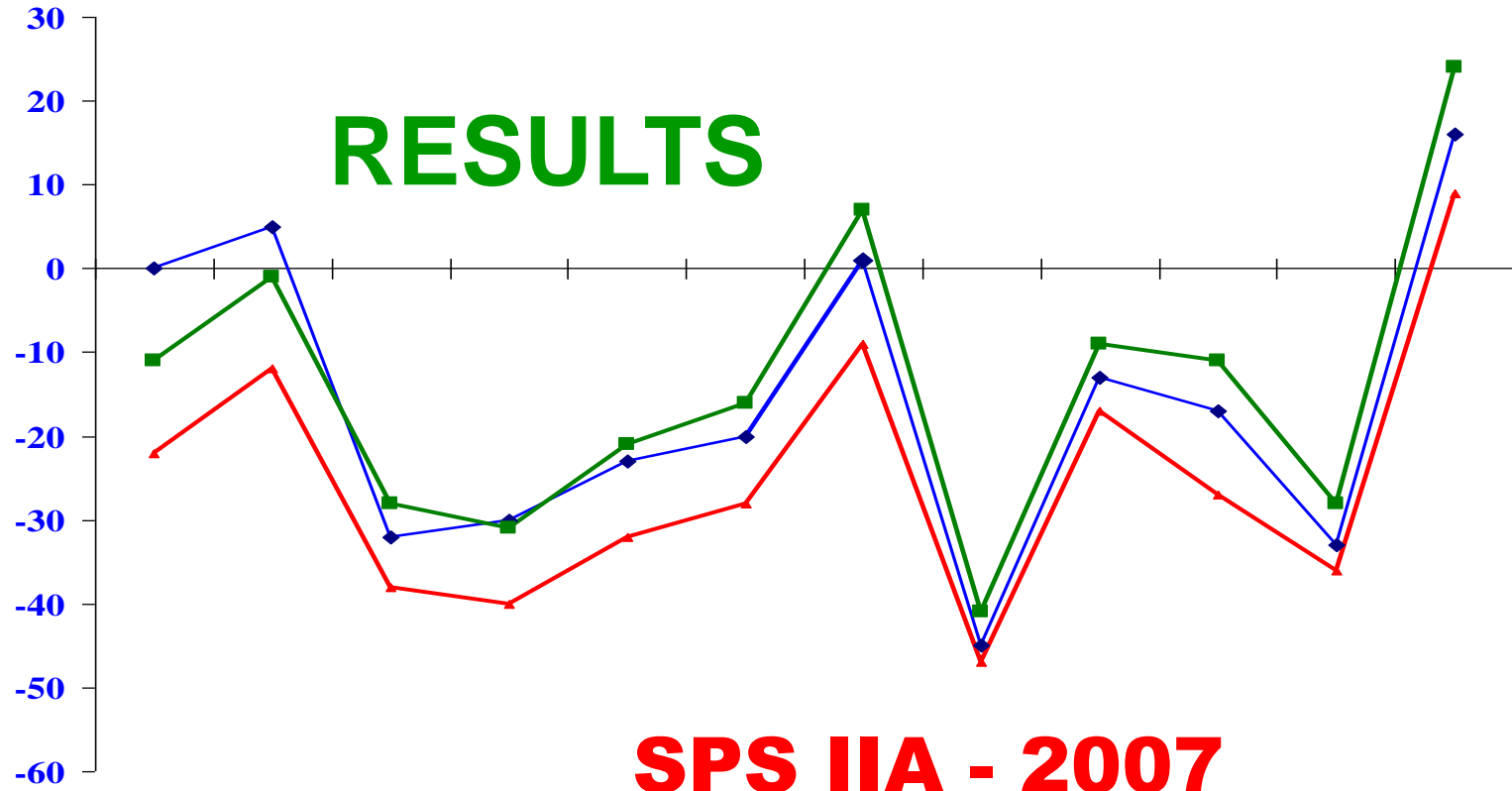
- **A: 25% of arable crops envelope coupled,**
- **B: full decoupling of arable crops envelope,**
- **C: calves premium envelope fully decoupled.**

METHOD: ANALYSED SPS SCHEMES

SECTORS	COUPLED SHARE, %						
	SPS I	SPS IIA			SPS IIB		
		A	B	C	A	B	C
CROPS							
EU supported crops	0	25	0	25	25	0	25
Fibre flax	*	*	*	*	*	*	*
Seeds	0	100	100	100	100	100	100
ANIMALS							
Suckler cows	0	100	100	100	0	0	0
Calves	0	100	100	0	100	100	0
Slaughtered cattle	0	40	40	40	0	0	0
Bulls	0	0	0	0	75	75	75
Ewes	0	50	50	50	50	50	50
Quality beef	0	0	0	0	10	10	10

Cereals, rapeseed
 Cereals, sugar beets and other
 Cattle breeding prevails
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 Cattle breeding prevails
 Small farm
 Small farm without a cow
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 Dairy (33 cows)²
 Dairy (33 cows)³
 Vegetable-growing

RESULTS



SPS IIA - 2007

Cereals, rapeseed

Cereals, sugar beets and other

Cattle breeding prevails

Crops prevail

Cattle breeding prevails

Small farm

Small farm without a cow

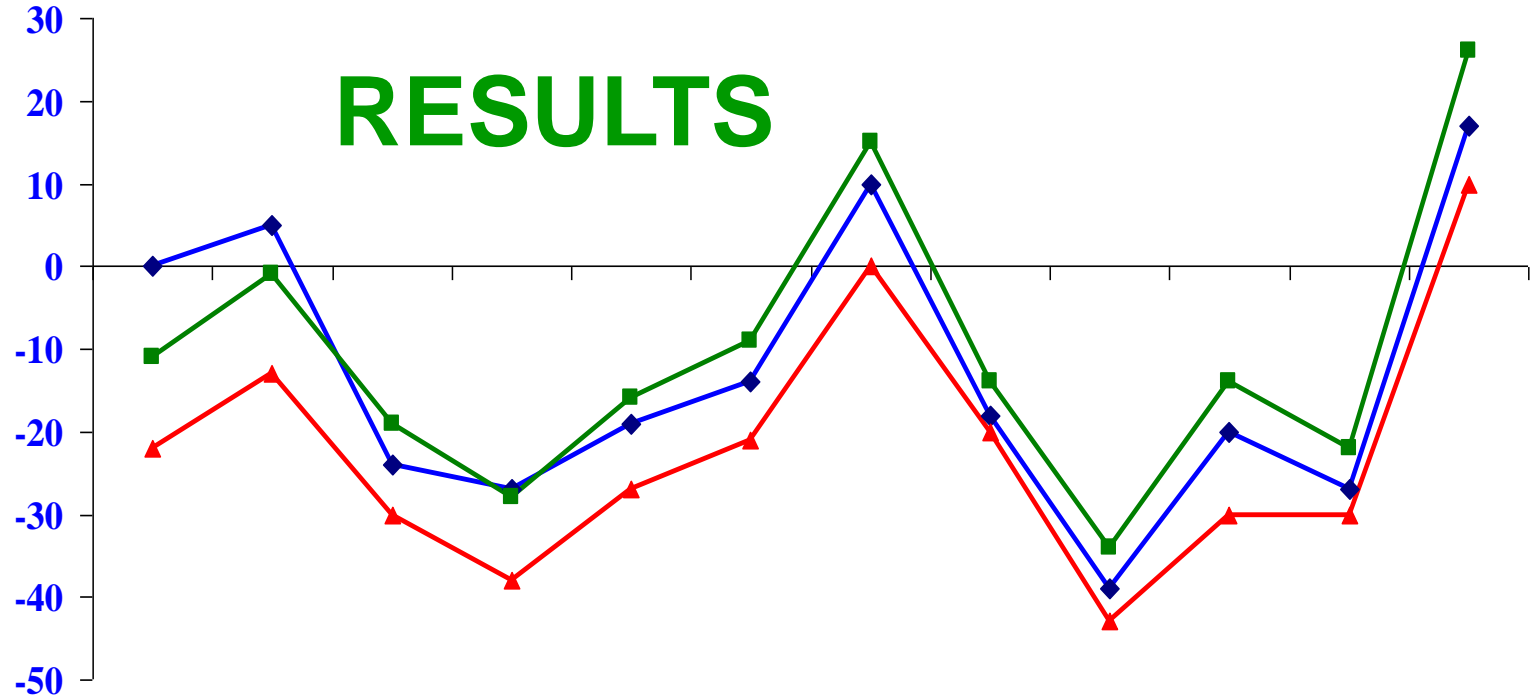
Cattle breeding¹

Dairy (10 suckler cows)²

Dairy (33 cows)²

Vegetable-growing

RESULTS



SPS IIB - 2007

CONCLUSIONS

- **RECOMMENDATIONS**
- **RESEARCH LIMITATIONS – FURTHER ISSUES**

RECOMMENDATIONS

- It would be more accurate to start the implementation of SPS from 2009 (B) as SSC are more suitable to encourage needed structural changes in agriculture.
- With forthcoming „cross-compliance“ in mind, there will be enough time to prepare administration system till 2009.
- The quiet stable growth of income from direct payments will be maintained for a longer period.

RECOMMENDATIONS

- The transition from SSC to SPS (under I or II scenario) should be implemented through SPS IIB scheme.
- Under SPS IIB, the arable crops envelope should be fully decoupled (SPS IIBB).
- The SPS scheme in 2009 should preserve coupled:
 - 100% of seeds premium envelope,
 - 50% of ewes premium envelope,
 - 100% of calves premium envelope,
 - 75% of bulls premium envelope,
 - 10% of bulls premium envelope for the promotion of quality beef production.

RESEARCH LIMITATIONS – FURTHER ISSUES

Not considered:

- **Structural changes**
- **Production and inputs prices**
- **The modulation**
- **The implementation of “cross-compliance”**

***THANK YOU FOR YOUR
ATTENTION***

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