

Perspectives for Latvian agriculture in the framework of EU Common Agricultural Policy *(Latvijas lauksaimniecības perspektīvas ES Kopējās lauksaimniecības politikas kontekstā)*

Problems of Agrarian Research Development in Common European Space

May 27, 2005, Jelgava, LLU

Latvian State Institute of Agrarian Economics (LSIAE)

Presented by Danute Jasjko



EU agricultural and rural development policy framework

CAP reform adopted in June 26, 2003

1. More market-orientated EU farming;
2. Environmentally sustainable way of agricultural development;
3. Strengthening of rural development

From 2004 till 2013

Proposal for Council regulation on support for Rural development

1. Agricultural and forestry competitiveness;
2. Land management and environment;
3. Quality of life and diversification of activities

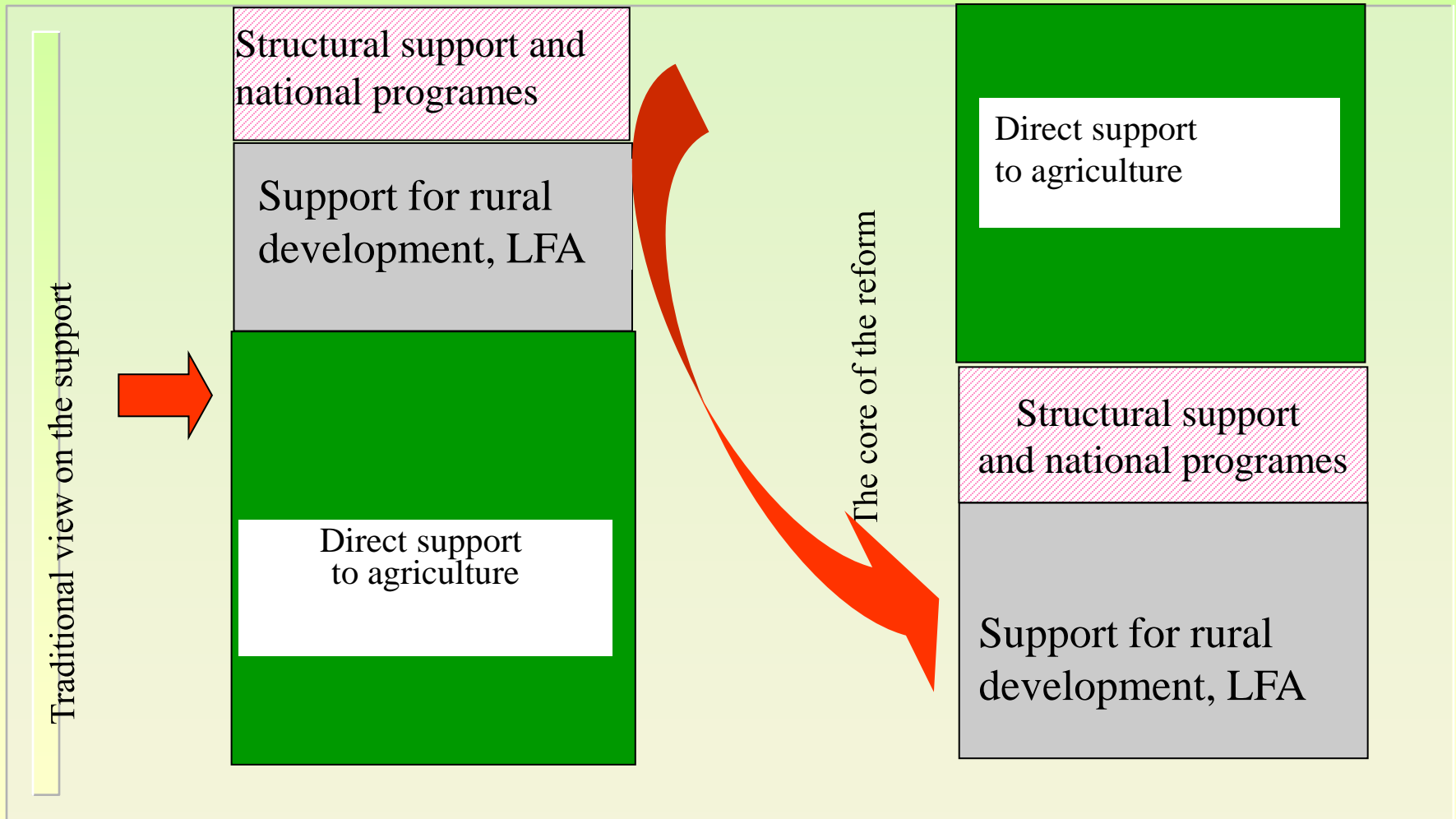
From 2007 till 2013



EU agricultural and rural development policy



The general look on the core of the CAP reform and EU support to agriculture



Goods produced by agriculture and rural areas:

- ❑ Not only traditional agricultural products as food and fibre, **but...**
 - Diversity of qualitative, “biologically clean” and “nationally specific” products;
 - Environment
 - ✓ natural resources for future;
 - ✓ environment for recreative businesses and other public needs
- ❑ Might be also non agricultural industrial products and services for people living in countryside



Set of policy measures: Competitiveness (*sectoral level of policy incentives*)

Direct support, Regulation 1782/2003

Changes in the intervention mechanisms (milk price cuts);

Decoupling

EAF for Rural development (EAFRD)

Improving the human potential
Young farmers, early retirement, advisory services ;

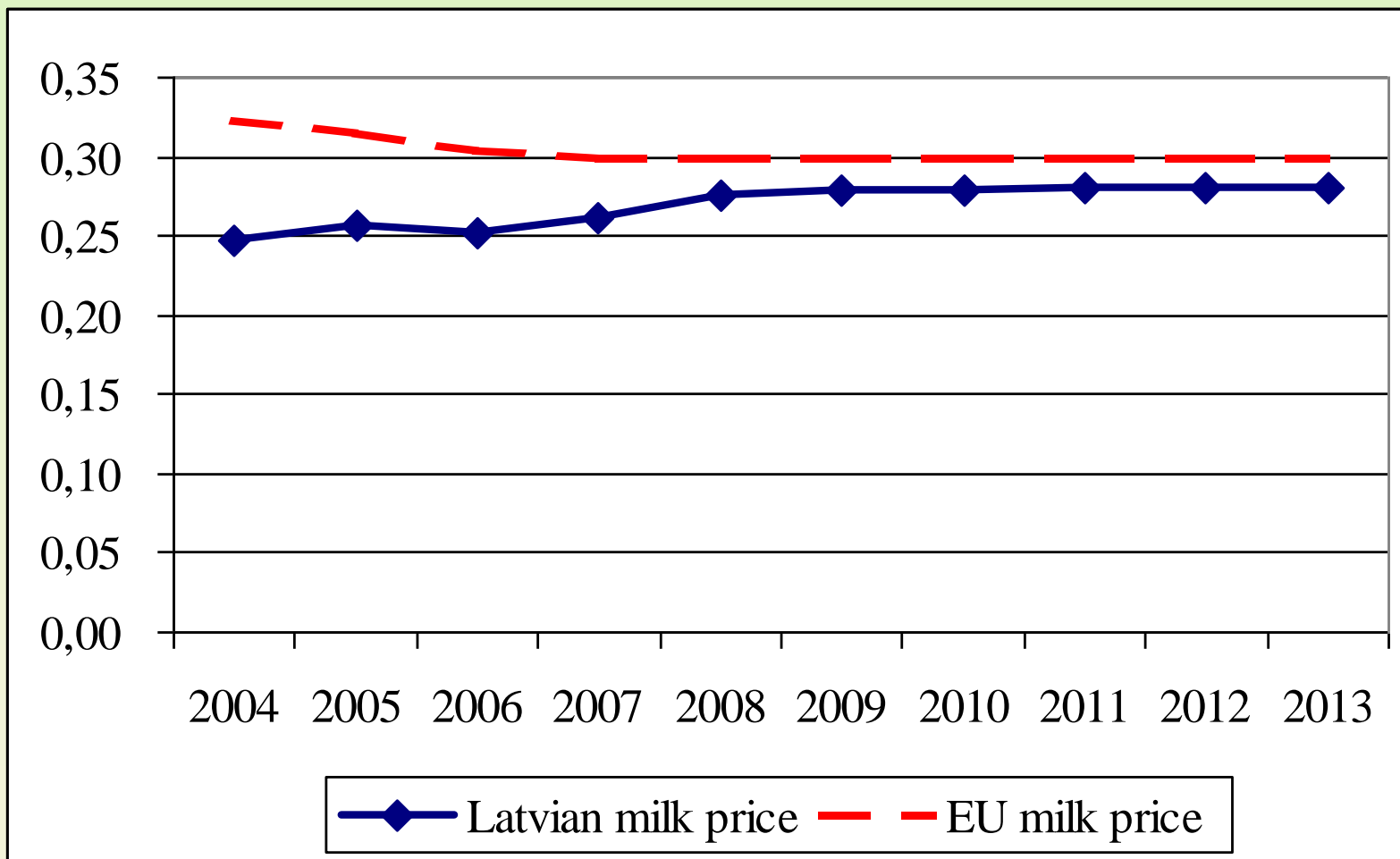
Restructuring and modernisation of physical capital (*modernisation of farms, econ. value of forests, cooperation in development of new products*) ;

Quality of agricultural products (*meeting standards, ;*

Transitional measures (*semi-subsistence farming*) .



Forecast of milk price (ex-factory) from 2004 to 2013 in Latvia, LVL/kg

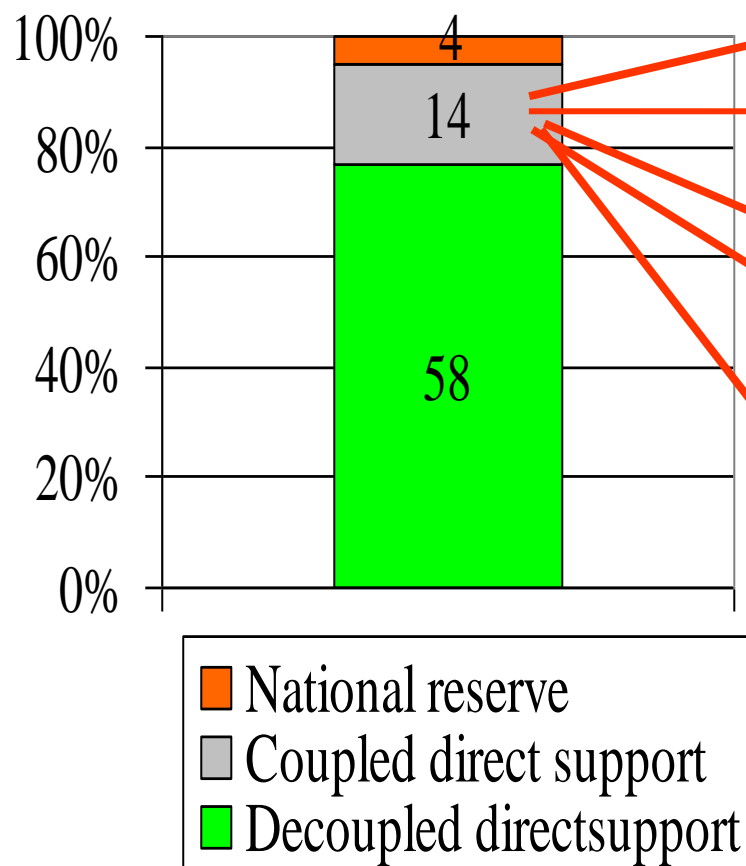


Source: LSIAE calculations



Decoupling: switching of direct support from agricultural production to agricultural producer

Direct support to agriculture in 2007, milj.Ls



Comparison between full decoupling and maximal coupling of support to agriculture in Latvia due to introduction of reform in 2009

Criteria of comparison	Years of comparison		
	2006	2009	2013
Sector income, <i>mln LVL</i>	0,0	-0,5	-11,7
Direct support to the sector, <i>mln LVL</i>	0,0	5,1	1,9
Agricultural production, <i>mln LVL</i>	0,0	-8,4	-28,2
Labour use, <i>mln labour hours</i>	0,0	0,3	-0,2

Source: LSIAE calculations



Set of policy measures: Environment and land management (*sectoral level of policy incentives*)

Direct support

Compulsory statutory management requirements

Keeping land in good agricultural and environmental conditions

EAF for Rural development (EAFRD)

Sustainable use of agricultural land (*LFA, NATURA,...*);

Sustainable use of forestry land (*afforestation, NATURA,...*).

Designation of areas;

Respects of standards;



Set of policy measures: Rural development *(territorial policy incentives)*

Direct support

Decoupling

Modulation

EAF for Rural development (EAFRD)

Diversification of rural economy;

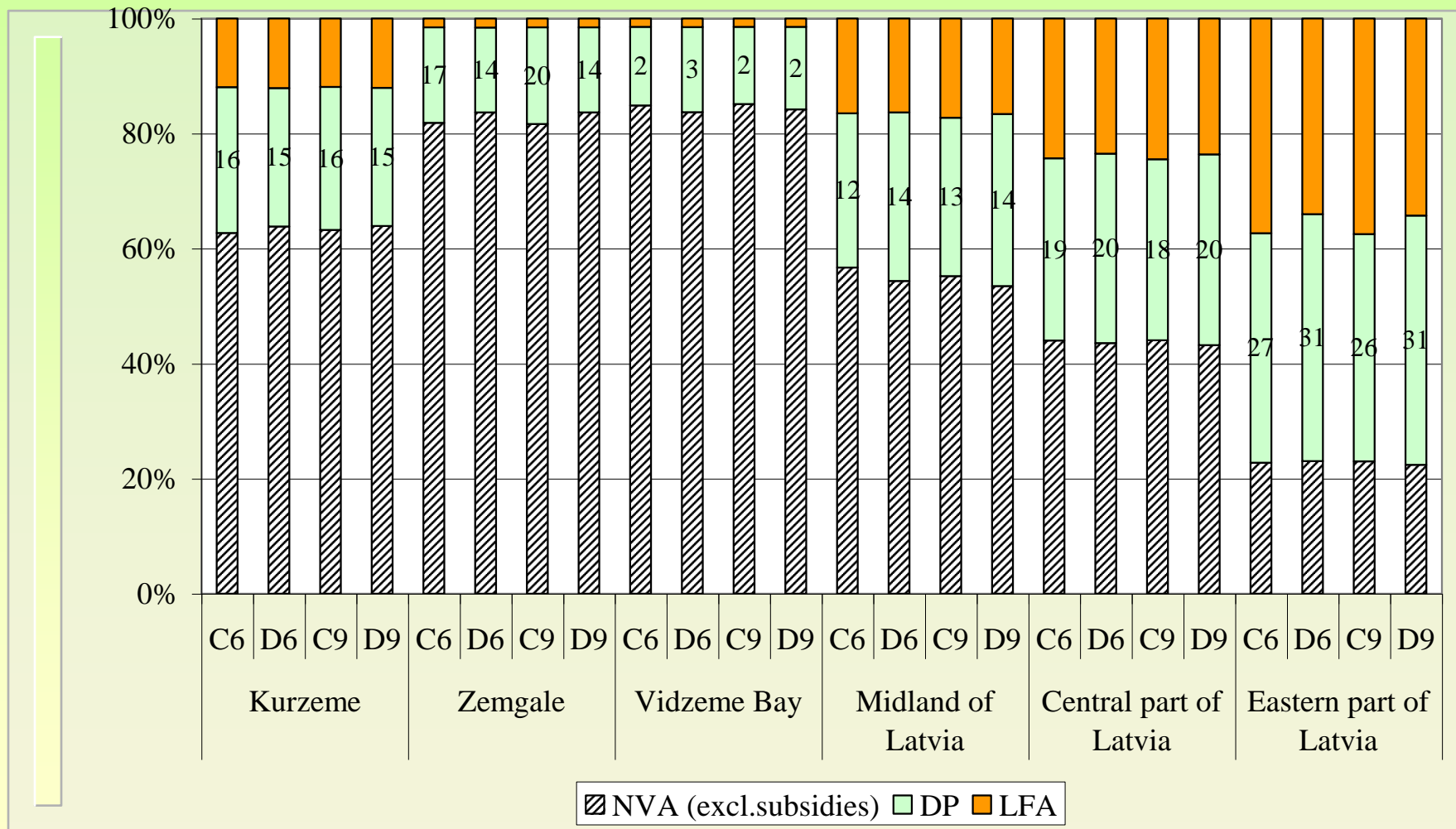
Improvement of the quality of rural areas;

Training and information on rural areas;

Skills acquisition and animation;



Predicted structure of agricultural NVA in different regions of Latvia in 2013 according to the different policy scenarios, %



Source: LSIAE calculations

What are our “political” options to choose from?

- ❑ When should the Single Payment scheme should be implemented?
- ❑ At what extent the rights to couple the payments to production should be used?
- ❑ Whether a regionally selective approach to set the payment rates should be chosen?
- ❑ What types of rural development measures should be chosen?
- ❑ How to combine together agricultural support policy and rural development policy measures?



What might be the choice for policy and farmers?

- Production *volumes* or farmers' *incomes* (profits);
- Effective (*competitive*) production or *sustainable* living patterns on rural areas;
- Intensively used agricultural *land* or variform *landscape*;
- Efficiency in *production* or *employment* in rural areas;

- More *freedom* for decision making or the “state *recommendations*”;
- *Simpler* administration or *diverse* support systems;
- Saving in national budget or more land resources available for farming in future.



Thank you for your attention!



