



# The Reformed Common Agricultural Policy in Latvia: how could it be?

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Presented by Andris Miglavs and Danute Jasjko

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## What are our 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?
- How big the national reserve should be set? (is not analysed yet)

## Conclusions for further consideration

- ❑ There might (if not ‘will’) not be any shock over the farmers’ income, if any judicious introduction policy will be applied
- ❑ Several choices are still available for taking them
- ❑ There is not a clear one answer, which the choice is the best
- ❑ Even that suggestion, what we think having (to do that in 2009), is not unanimously accepted – the rates will be lower, although the area will be bigger

# What the values will be behind the decision?

# What does the society expect from its farming sector?

- [physical] production volumes or farmers' incomes (profits)
- decision making freedom or the "state recommendation" are urged
- decision making freedom or lower land lease payment rates
- efficiency in production or employment in rural areas
- simpler administration or more regulative policy
- continuation or former praxes and farming traditions (do we really have them) or adjustment to new market conditions
- intensively used agricultural land or variform landscape
- saving in national budget or more land resources available for farming in future



## Society should consider its choice...

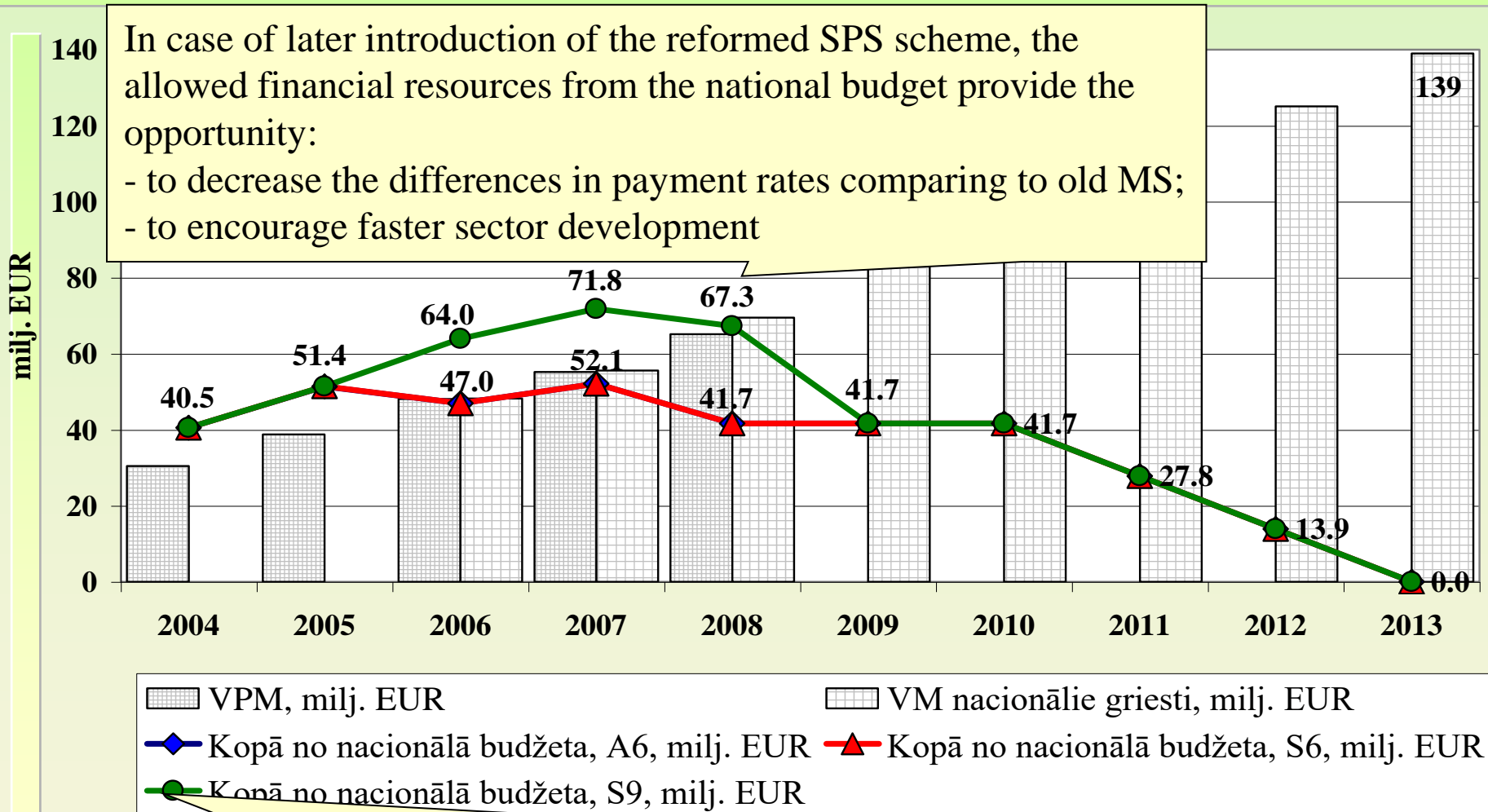
- ❑ The decisions might be evaluated
- ❑ Evaluation instruments are needed
- ❑ We do have few of them now:
  - Dynamic sector model LAPA
  - Static farm level model SEMS
  - several separate analytical calculation approaches

# Simulation scenarios for implementation of the reformed CAP in Latvian agricultural sector

Introduction year	Introduction year	
	2006	2009
“Coupling rate”		
Maximally coupled DP	<b>S6 (c6)</b>	<b>S9 (c9)</b>
Full decoupling	<b>A6 (c6)</b>	<b>A9 (d9)</b>



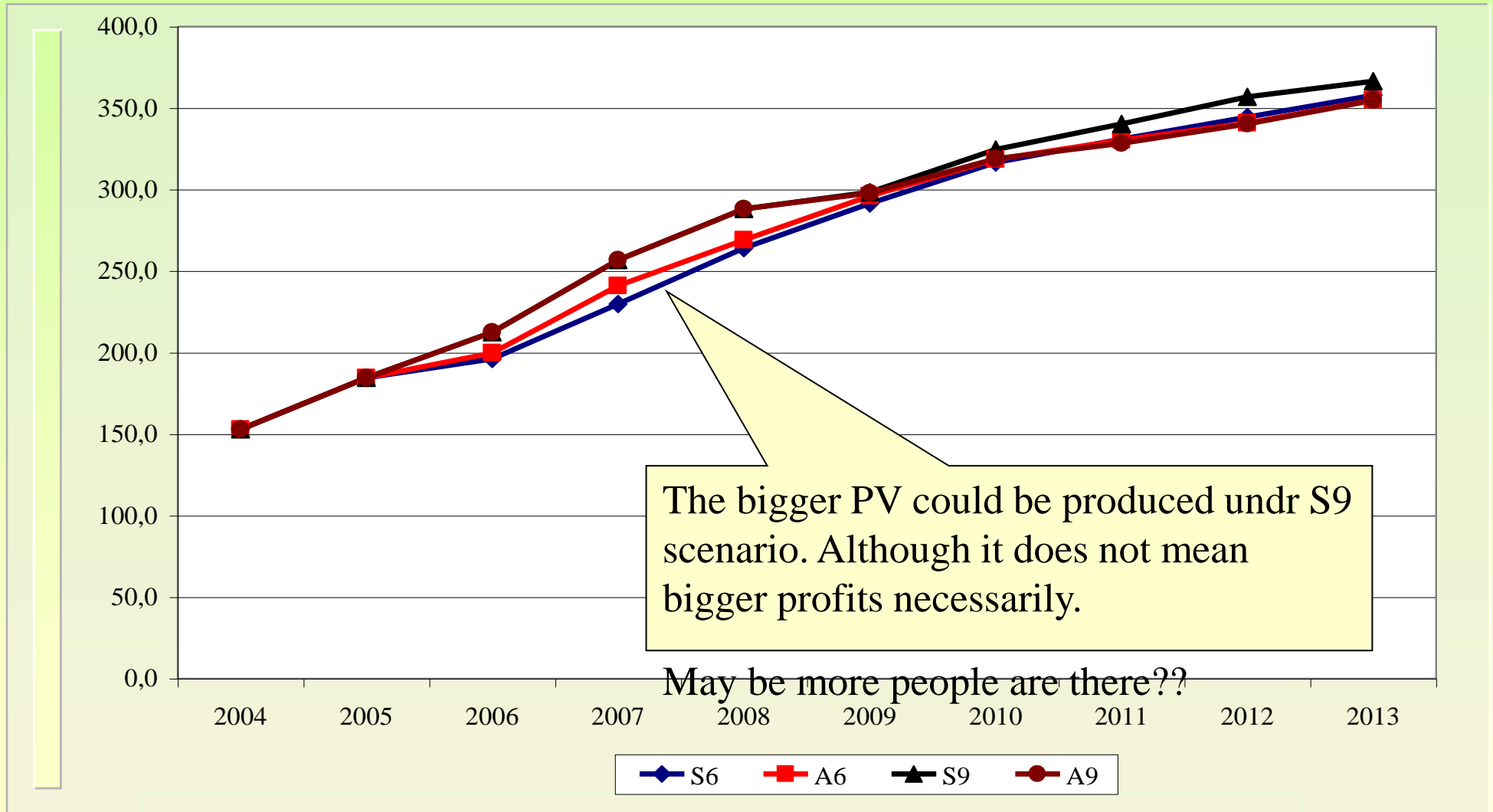
# Comparison of available financial envelopes (European and national) in 2004-2013, mio EUR



The lines in this graph correspond to **national resources, CNDP**; The bars – **EU funded SP ceilings**

Avots: LVAEI pēc KI/82/2005

# Total income (as value added) forecasts for Latvian farming sector (PV\*), mio. Ls



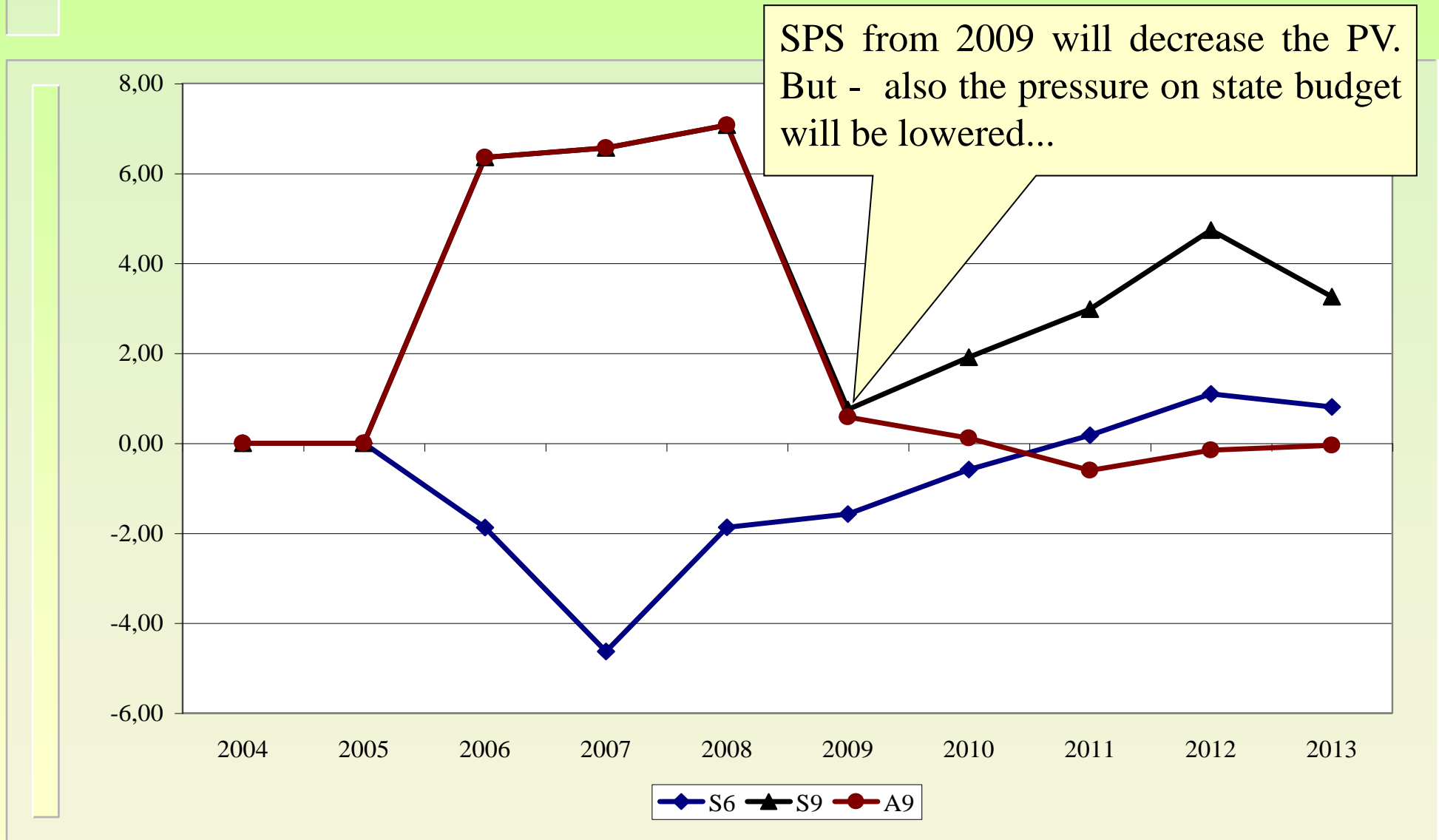
The bigger PV could be produced under S9 scenario. Although it does not mean bigger profits necessarily.

May be more people are there??

\*PV = Izlaide – Izmaksas + Darbaspēks + Atbalsta maksājumi



# Deviations in total Latvian farming sector PV under scenarios S6, A9 un S9 as compared to A6\*, %

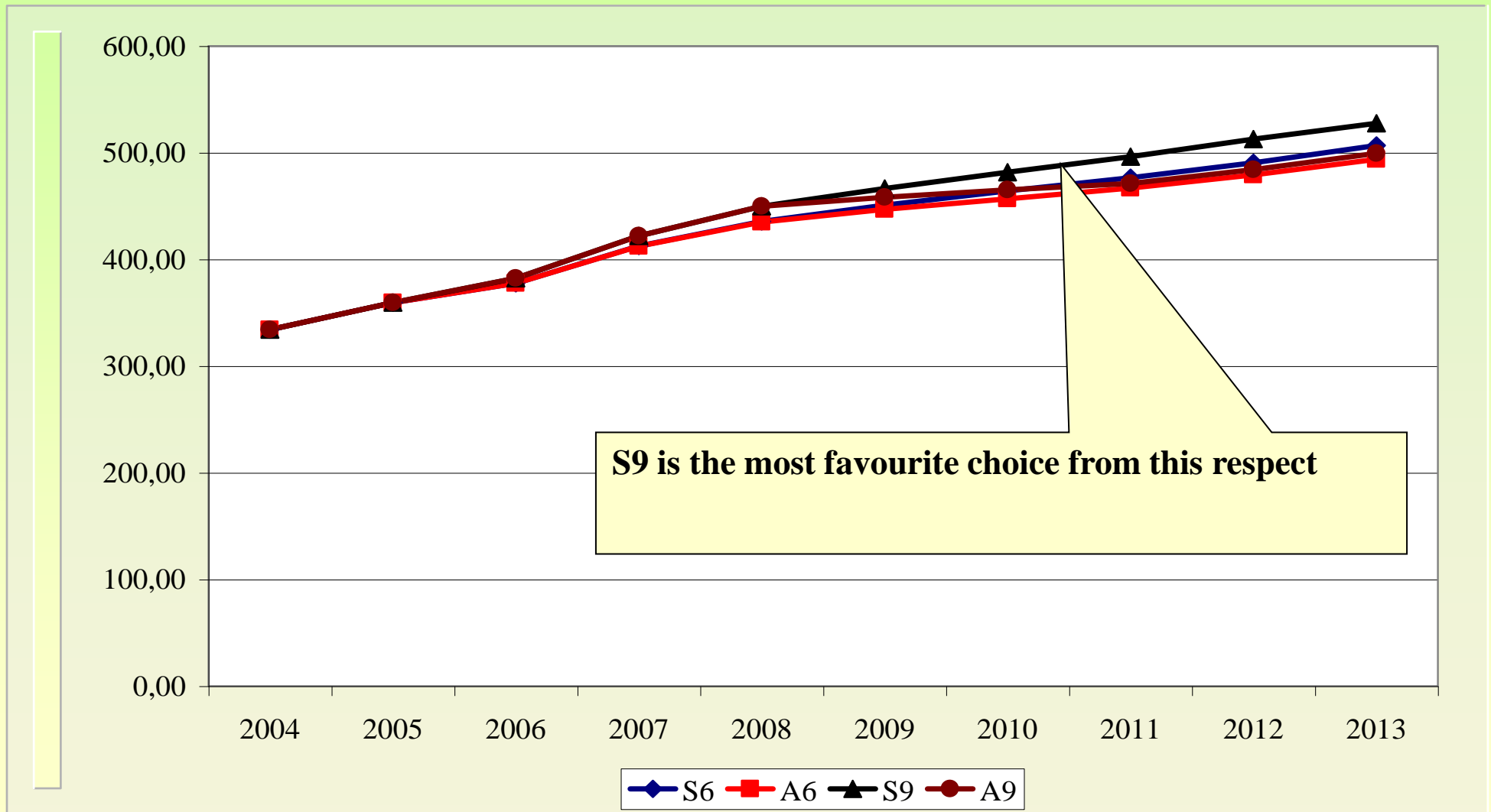


\* Novirze =  $(Sx - A6) / A6 * 100\%$

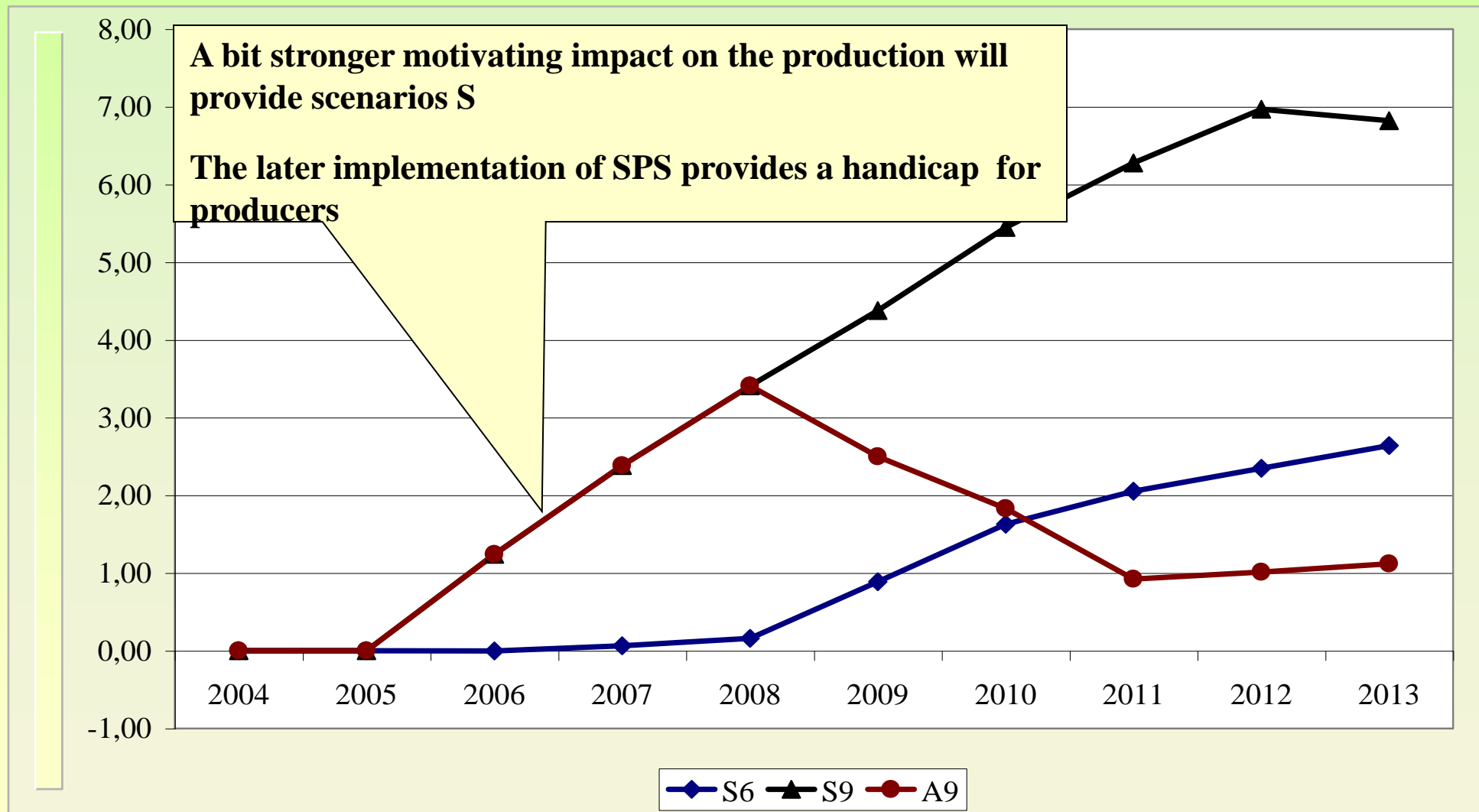
18.03.2005.



# The total sector output, mio. Ls

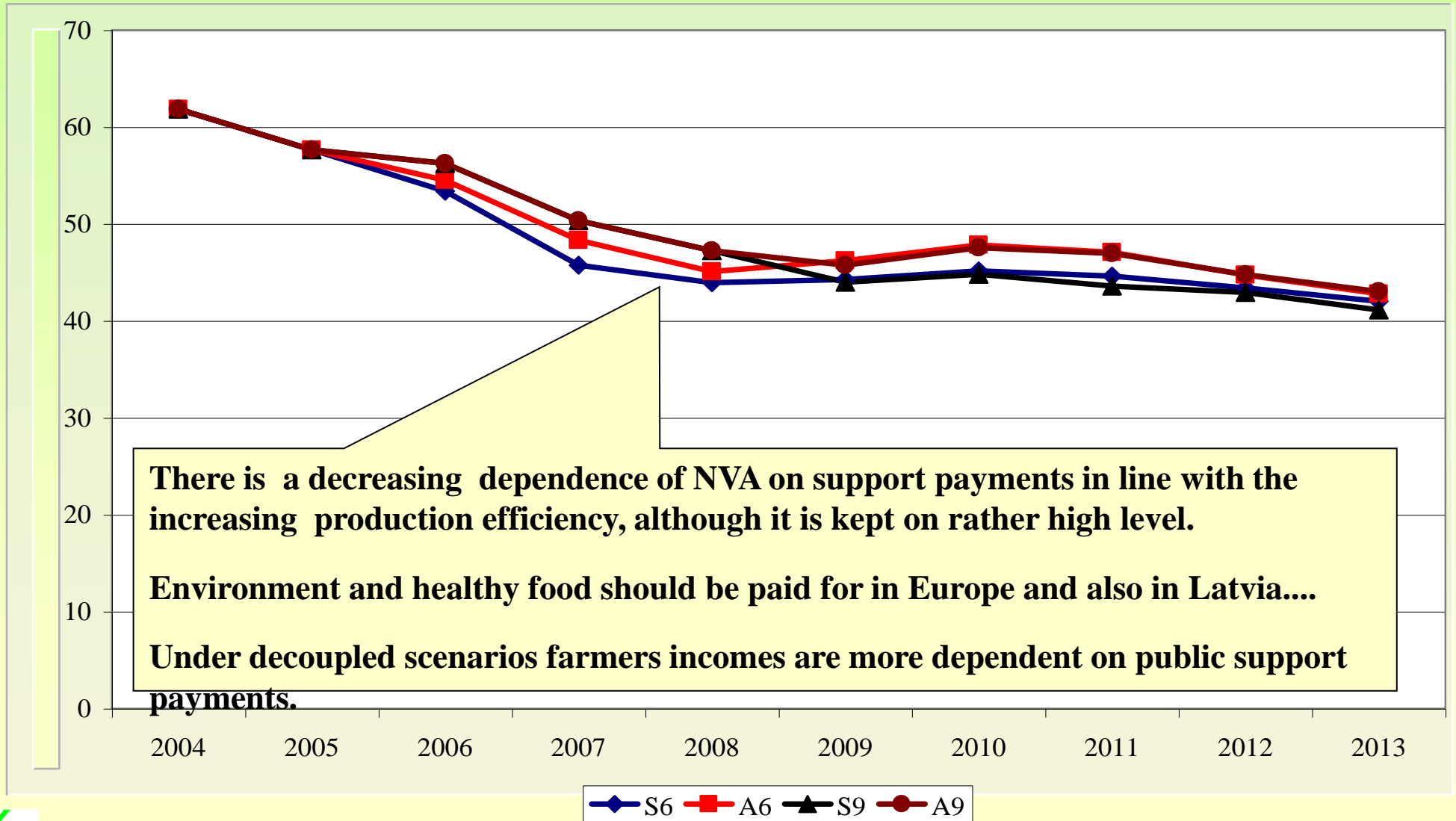


# Deviations in total Latvian farming sector output under scenarios S6, A9 un S9 as compared to A6\*, %

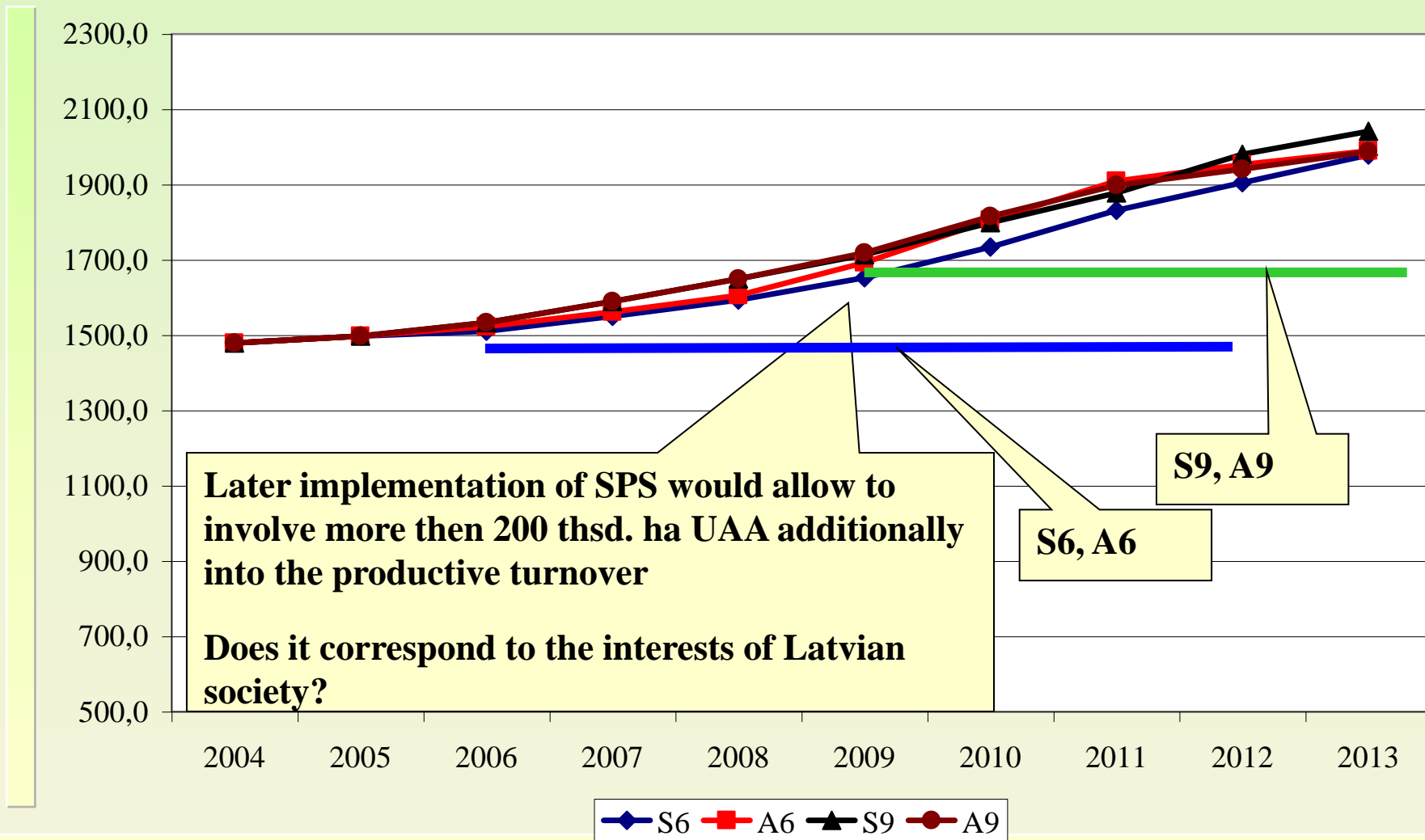


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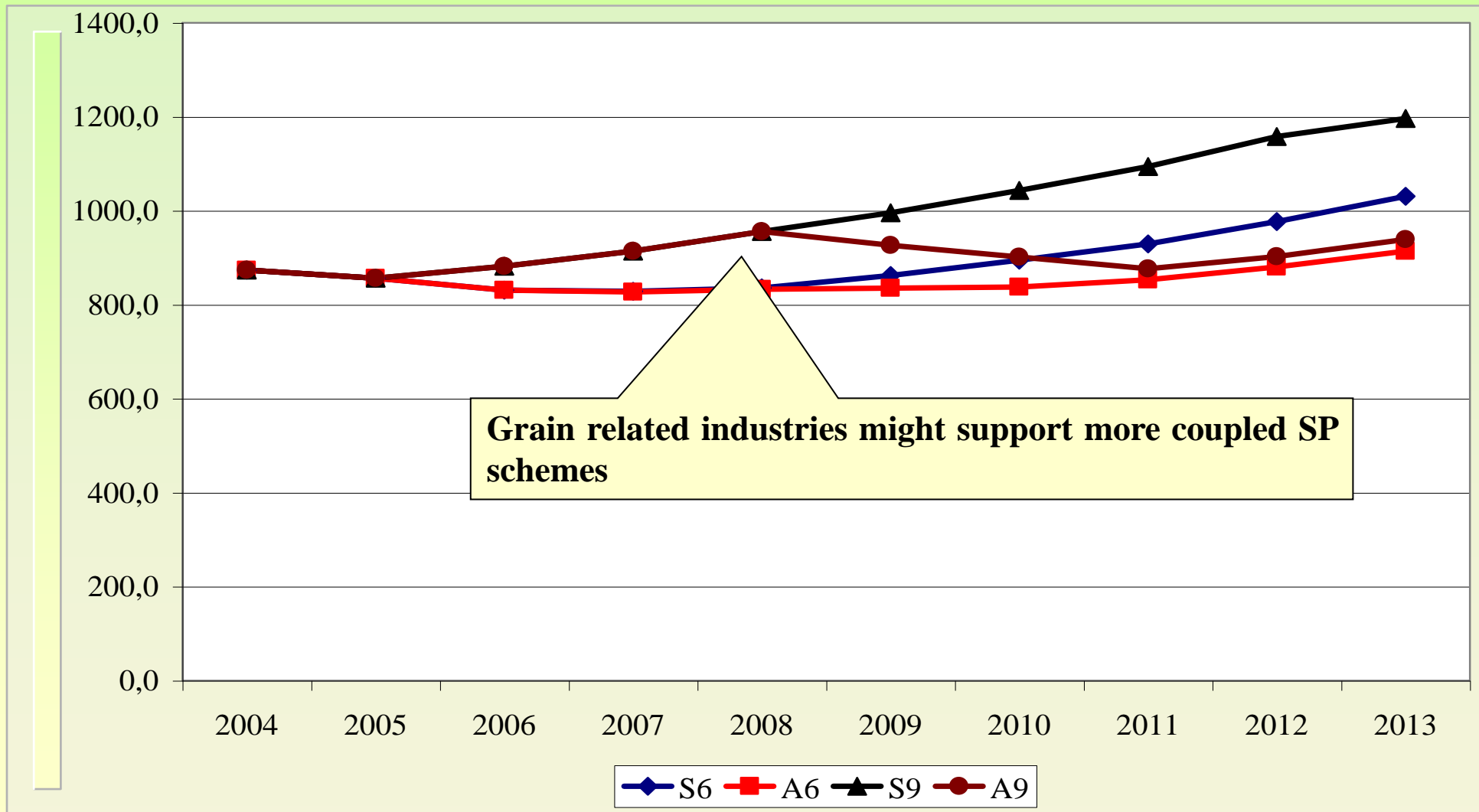
# Share of DP in total PV of Latvian farming sector, %



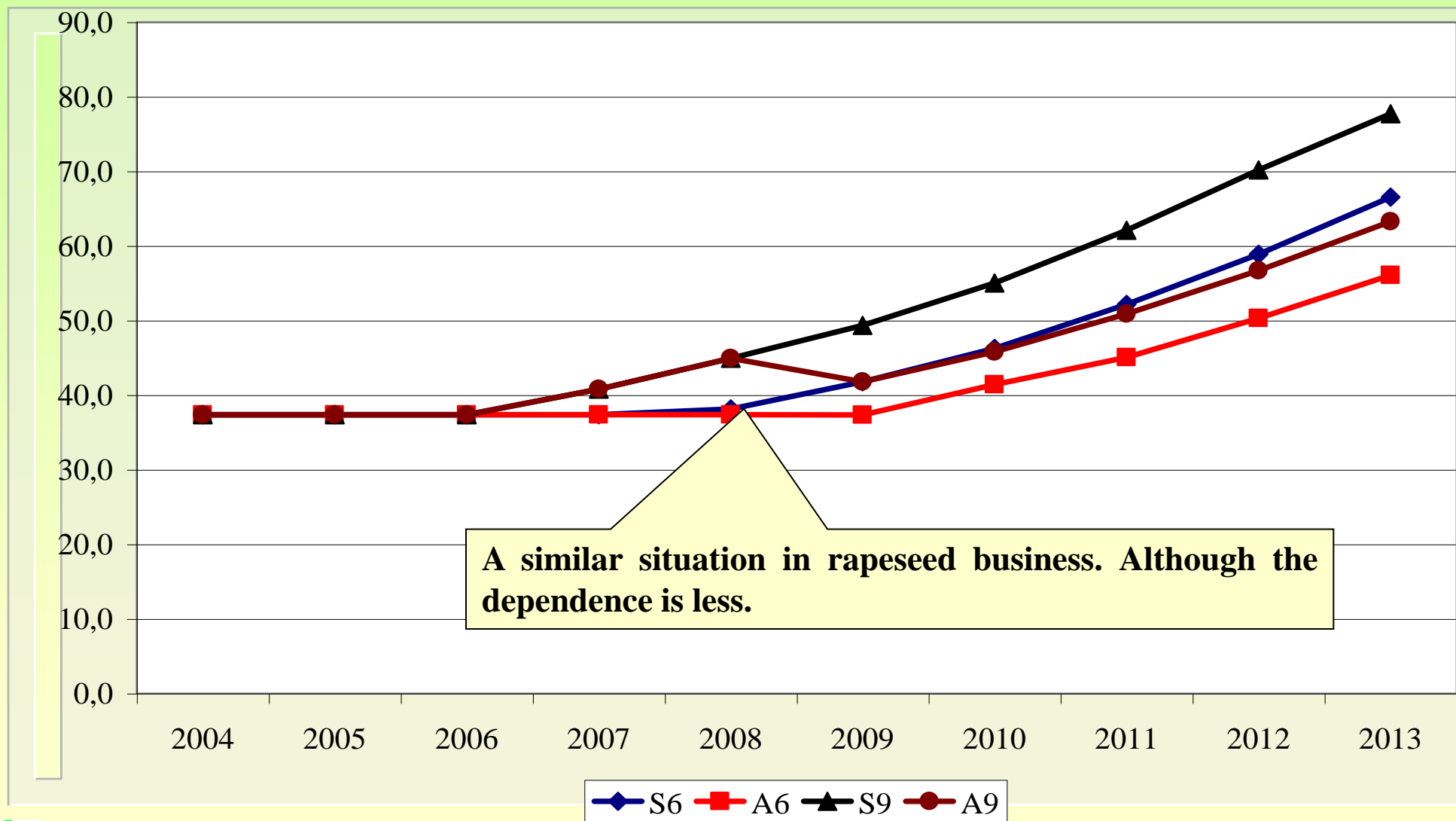
# Predicted area of used agricultural land in Latvia, under different scenarios, thsd.ha



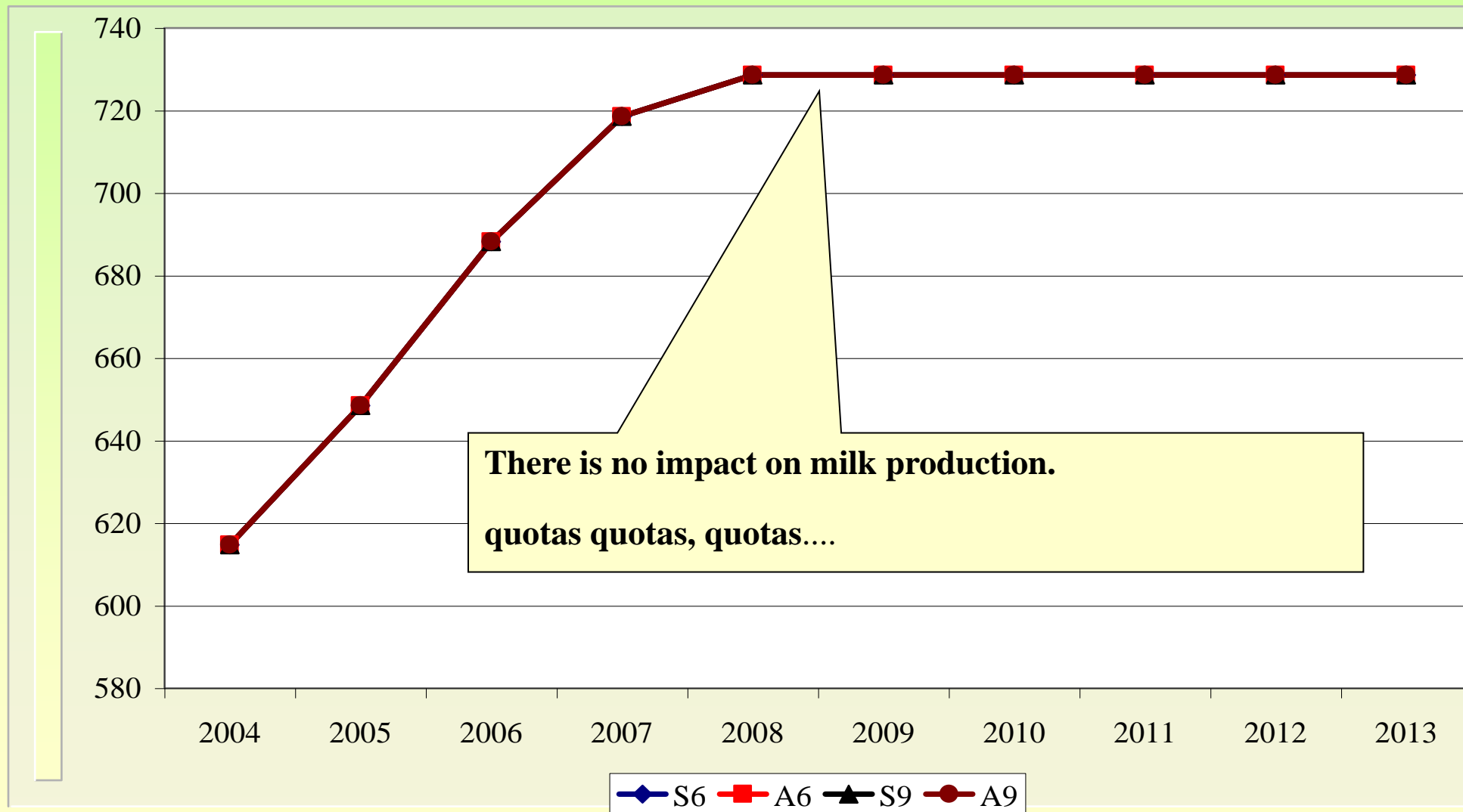
# Forecasts for grain production in Latvia under different scenarios for 2004- 2013, thsd.to



# Forecasts for rapeseed production in Latvia under different scenarios for 2004- 2013, thsd.to

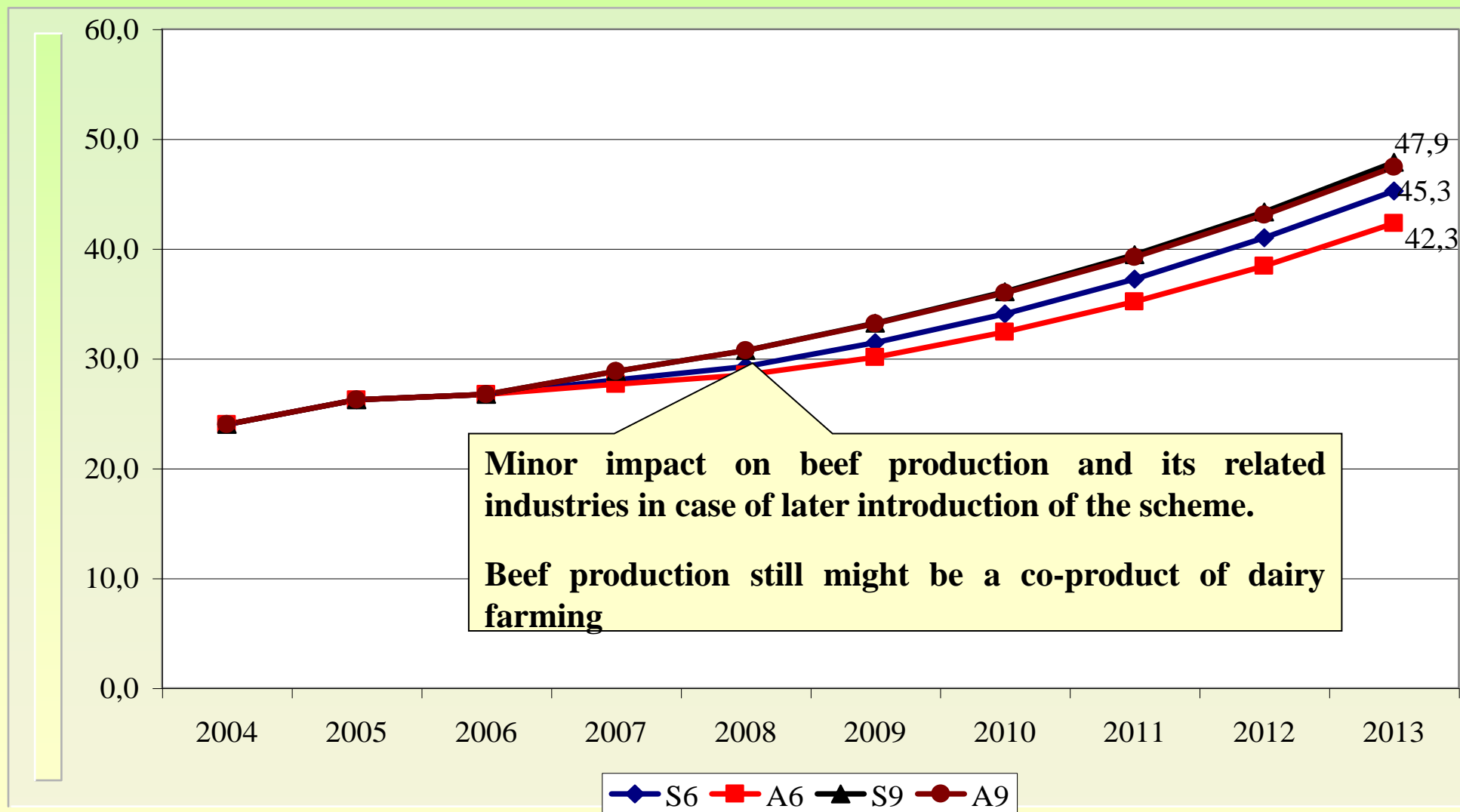


# Forecasts for milk production in Latvia under different scenarios for 2004- 2013, thsd.to





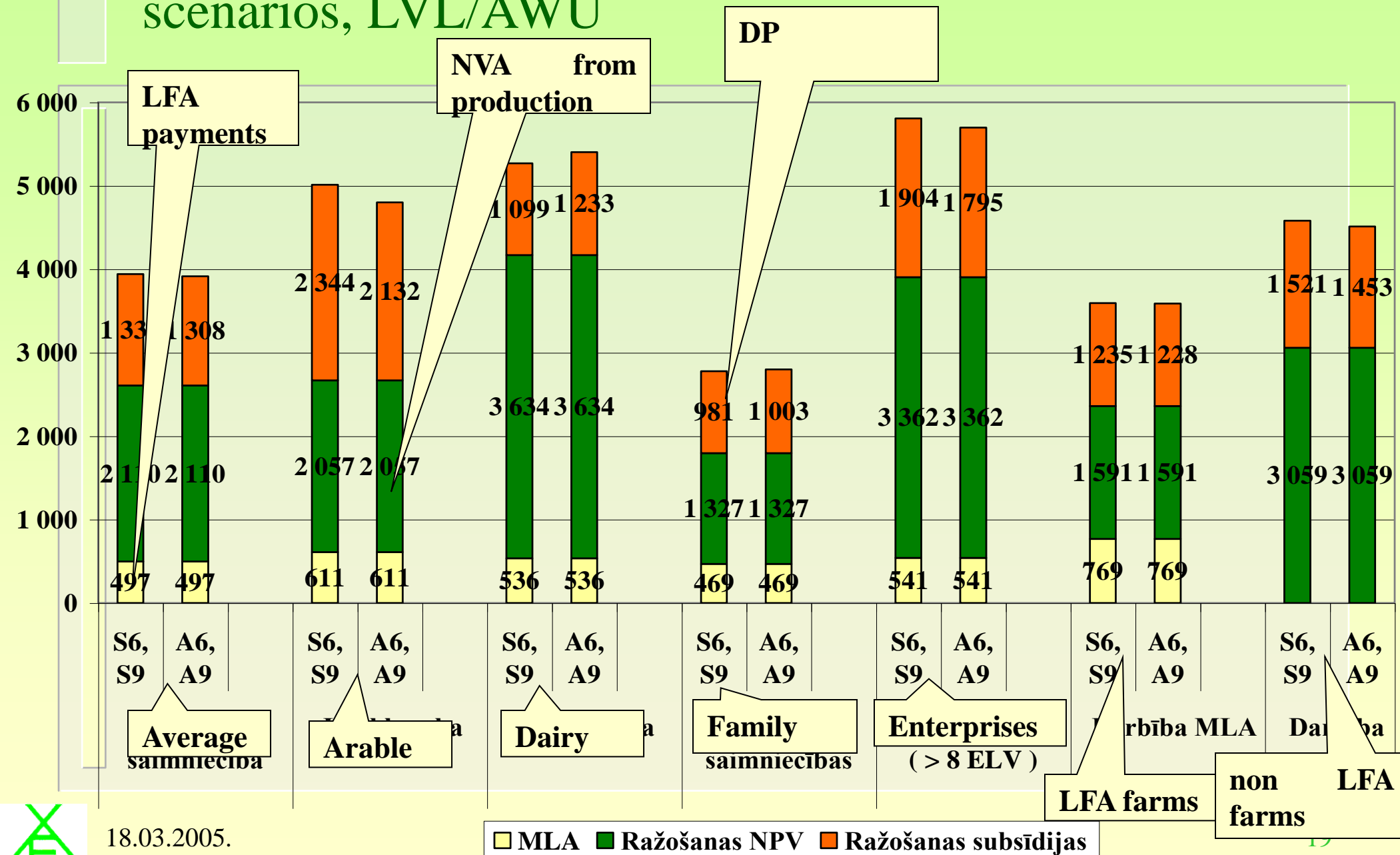
# Forecasts for beef production in Latvia under different scenarios for 2004- 2013, thsd.to



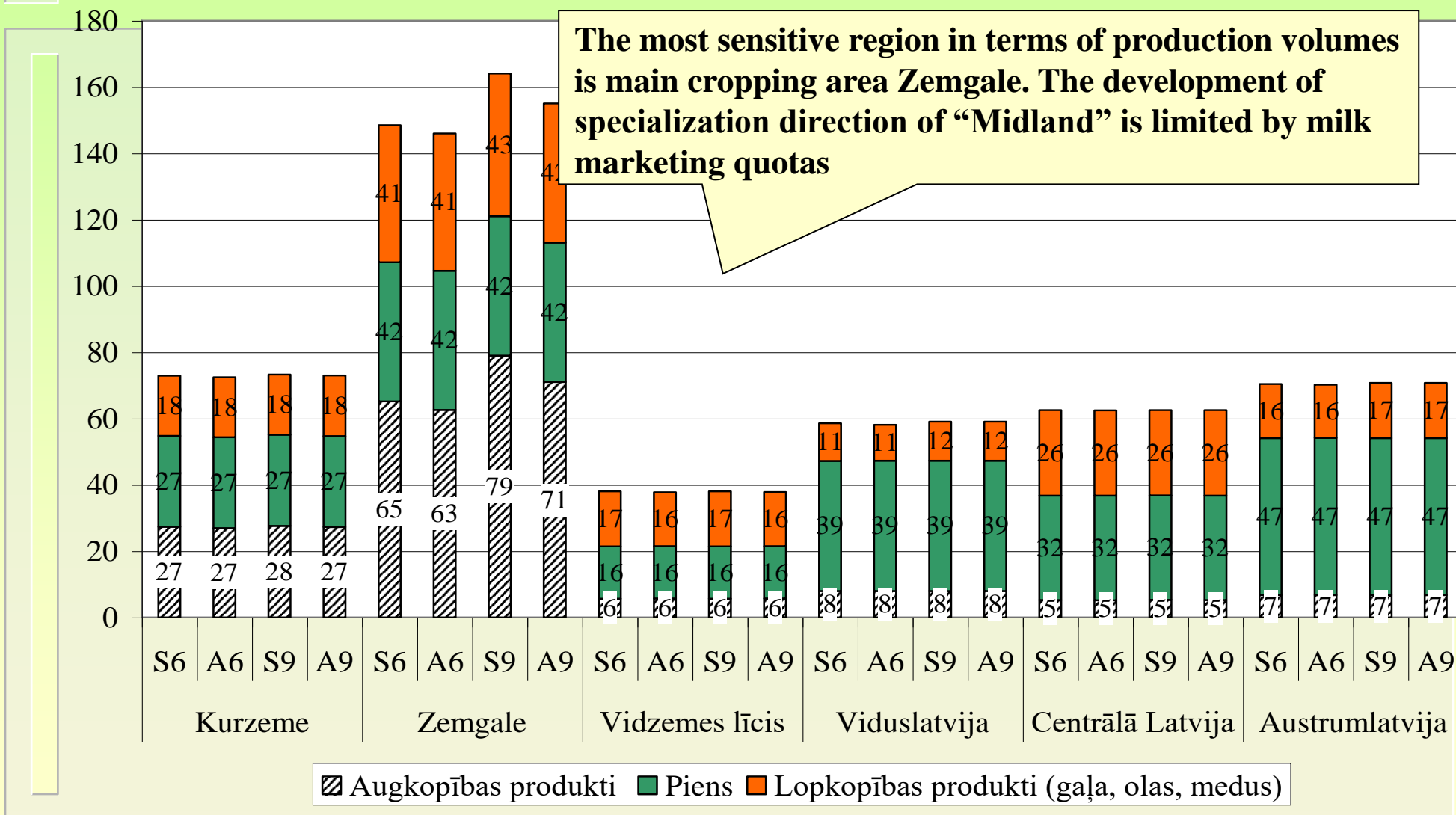
## Comparison between full decoupling and maximal coupling of support in Latvia due to introduction of reform in 2009, (A9-D9)

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

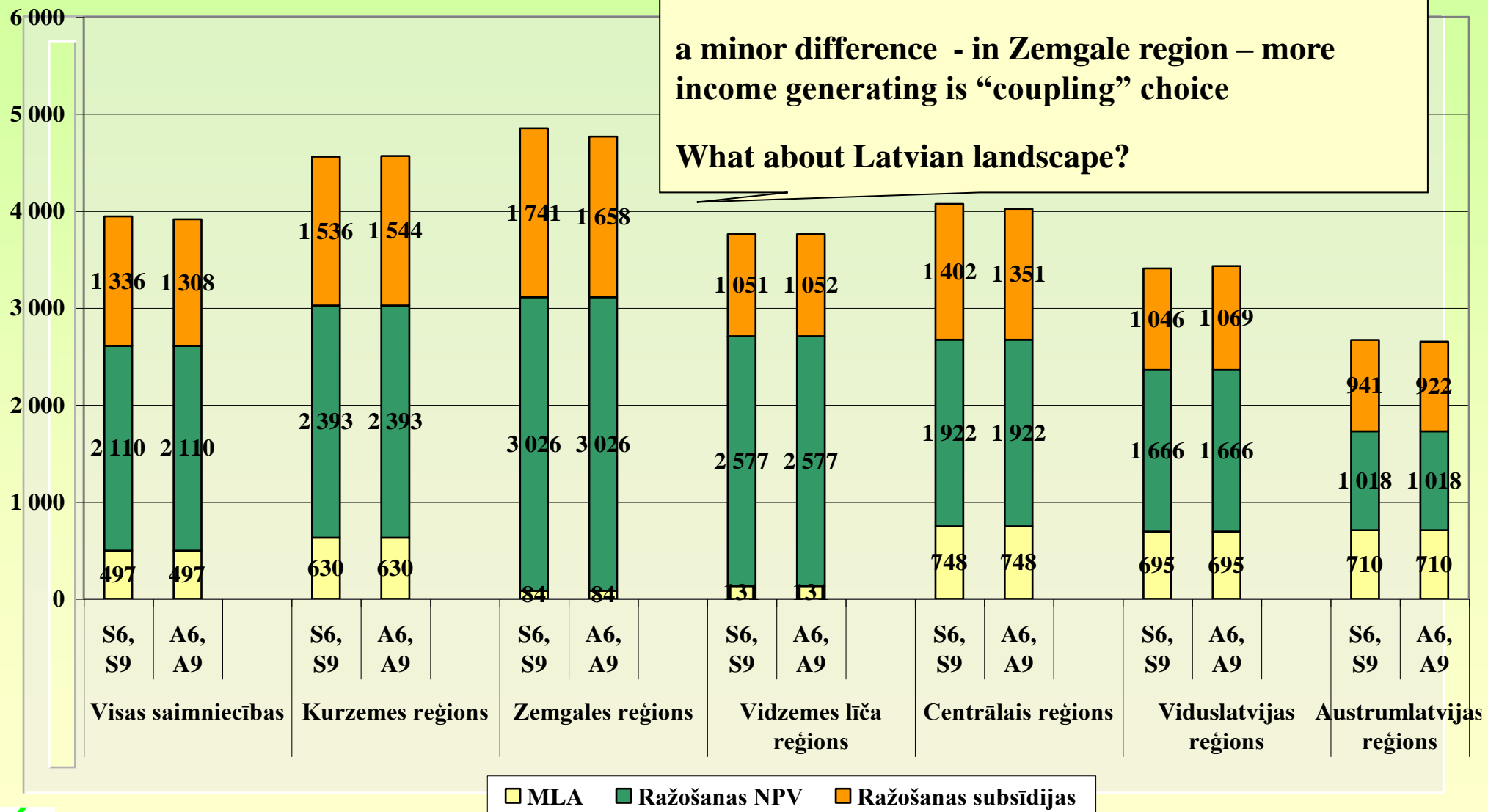
# NPV (NVA) in selected farm groups under different scenarios, LVL/AWU



# Production development options in regional aspect under different scenarios for 2009, mio.LVL



# NVA/AWU in average farm by regions under different scenarios in 2009, LVL



# Deviations in income levels for different farm groups (by specialization)

Practically for all the specialization directions would not benefit from earlier introduction of SPS

Minor differences between the scenarios, if 2009 would be chosen

	2006:		2009: S <sub>6,9</sub>	2013: S <sub>6,9</sub>
	S <sub>6</sub>	S <sub>9, A<sub>9</sub></sub>		
Arable cropping	-5	10	4	4
Dairy farming	7	9	-2	-2
Granivores	-1	0	0	0
Mixed cropping	-5	9	1	1
Mixed livestock	0	5	-2	-2
Mixed farming	0	9	0	0
Average	-1	8	1	1



Deviations in income levels for different farm groups (by size)  
under S6 un S9 scenarios\*, as compared to A6,%

	2006:		2009: S <sub>6,9</sub>	2013: S <sub>6,9</sub>
	S <sub>6</sub>	S <sub>9</sub> , A <sub>9</sub>		
< 8 ESU (family farms)	0	9	1	1
> 8 ESU (enterprises)	-1	8	0	0
Average	-1	8	1	1

**A similar situation for farm size types: the both would not be interested in earlier introduction of SPS.**

**And minor differences between the scenarios, if 2009 would be chosen**

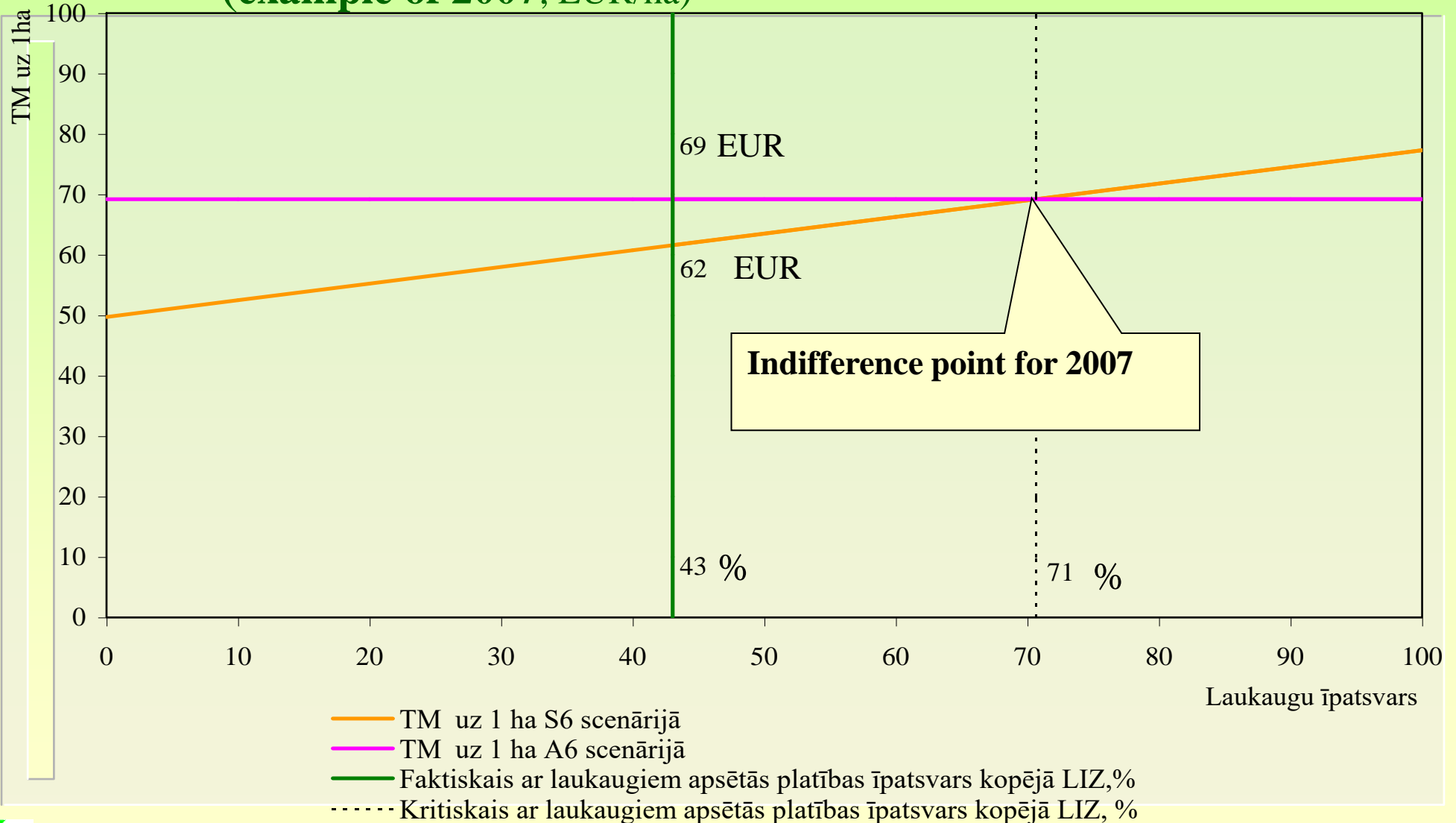
\* Novirze =  $(S_x - A6) / A6 * 100\%$

# Are we farming environmentally friendly?

## What about the crop rotation?

Dependence of DP on share of arable crops in crop rotation

(example of 2007, EUR/ha)





# Some more conclusions?

## 2006

## 2009

**Maximal  
coupling**

- bigger production volumes
- more complicate administration
- Bigger total income
- Possibility not to use EU money fully

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- **Additional support via CNDP till 2009**

**Full  
decoupling**

- Better preconditions for environmentally friendly farming
- simpler administration
- Competitive adjustment to market conditions is urged

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