



# CAP after 2013: the progress we should expect and suggest...

EP Committee on Agriculture and Rural Development  
delegation visit to Latvia: meeting with experts of  
agricultural policy

Guna Salputra  
(Latvian State Institute of Agrarian Economics)  
15 July, 2010



# Outline of presentation

- CAP in 2007-2013: the main weakest points to be improved
  
- Comparison of proposals of 3 recent studies regarding change of CAP after 2013
  - do they contribute in reduction of weak points?
  - what policy scenarios should be selected for further analysis?
  
- Direct support scenarios results: what could be the production and market effects?



# CAP in 2007-2013:

## the main weakest points to be improved

- Mixed policies – agricultural, environmental, cohesion - between 1st and 2nd Pillar and in total, bringing to
  - Unclear targeting of policies.
  
- Outdated or not quantified “objective” criteria for eligibility of support, bringing to:
  - Unequal application of policy measures,
  - Unfair competition conditions.

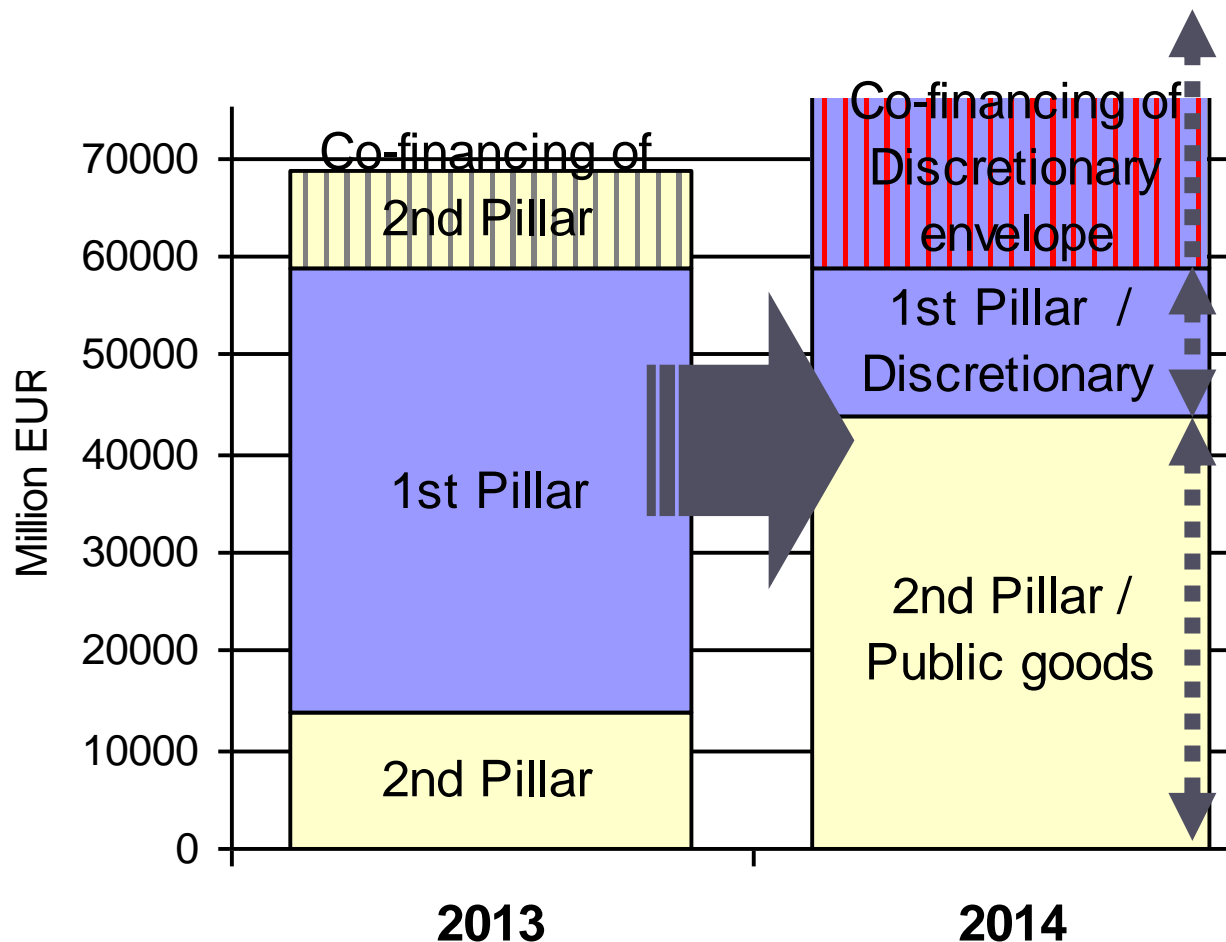


# Recent studies – background for changes of CAP...

- *Public Money for Public Goods: Winners and Losers from CAP Reform*,  
ECIPE Working Paper, No. 08/2009;
- *The Single Payment Scheme after 2013: New Approach - New Targets*,  
Study requested by European Parliament, April 2010
- *Forthcoming modifications of the EU Agricultural and Rural Development Policy from Baltic perspective*,  
LSIAE study (using AGMEMOD model) requested by MoA of Latvia, 2009



# CAP after 2013: ECIPE proposal...

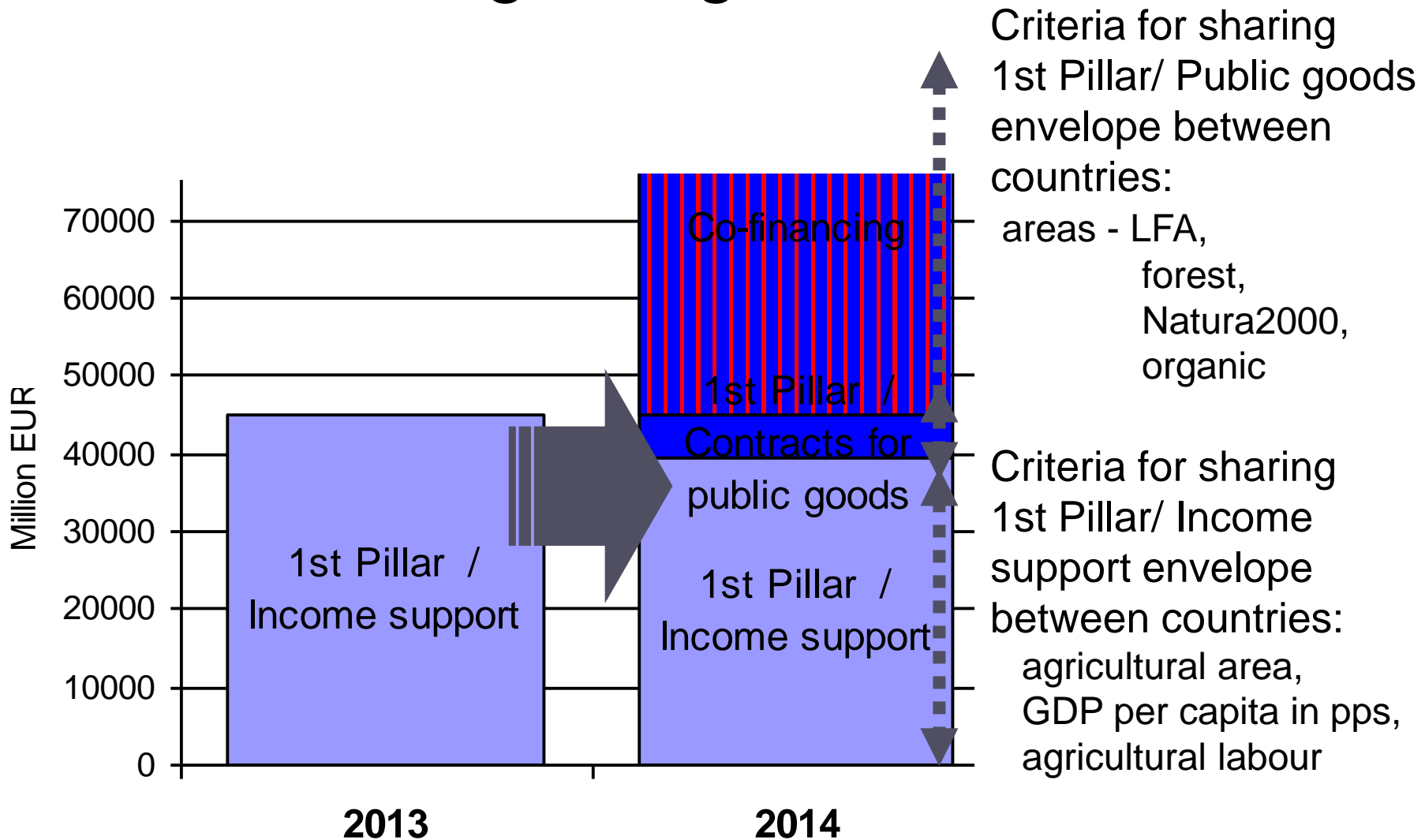


Criteria for sharing  
1st Pillar/Discretionary  
envelope between  
countries:

1st Pillar envelope of  
2013,  
agricultural area,  
GDP per capita in pps

Criteria for sharing  
2nd Pillar/Public  
goods envelope:  
areas - agricultural,  
forest,  
Natura2000,  
organic

# Proposal from study regarding SPS...

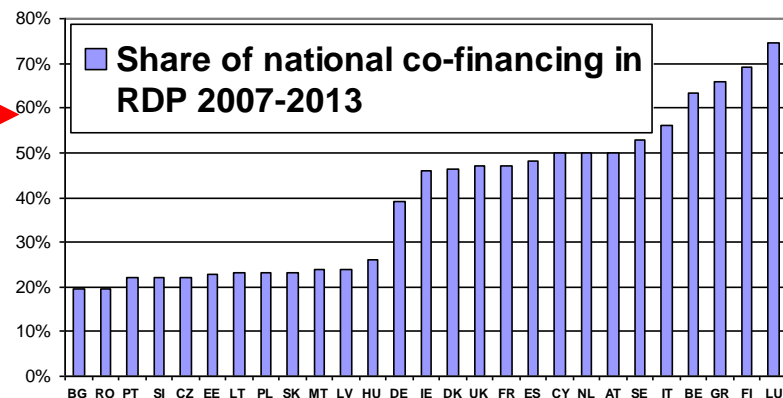




# Issues to be considered:

## what would destroy good resolves...?

- Complete analysis of CAP should capture both 1st and 2nd Pillar.
- National co-financing up to country decision might bring again to different and unfair levels of support like it can be observed in current co-financing of 2nd Pillar. Therefore limits or quantified criteria should be set up.



- Too long period for phasing out the most unfair former 1st Pillar country envelope.
- Agricultural labour as a criteria for support might not enhance productivity growth.
- Focusing on organic farming in Public goods might not comply with food security targets and efficient use of resources.



# To proceed to clear and fair policy...

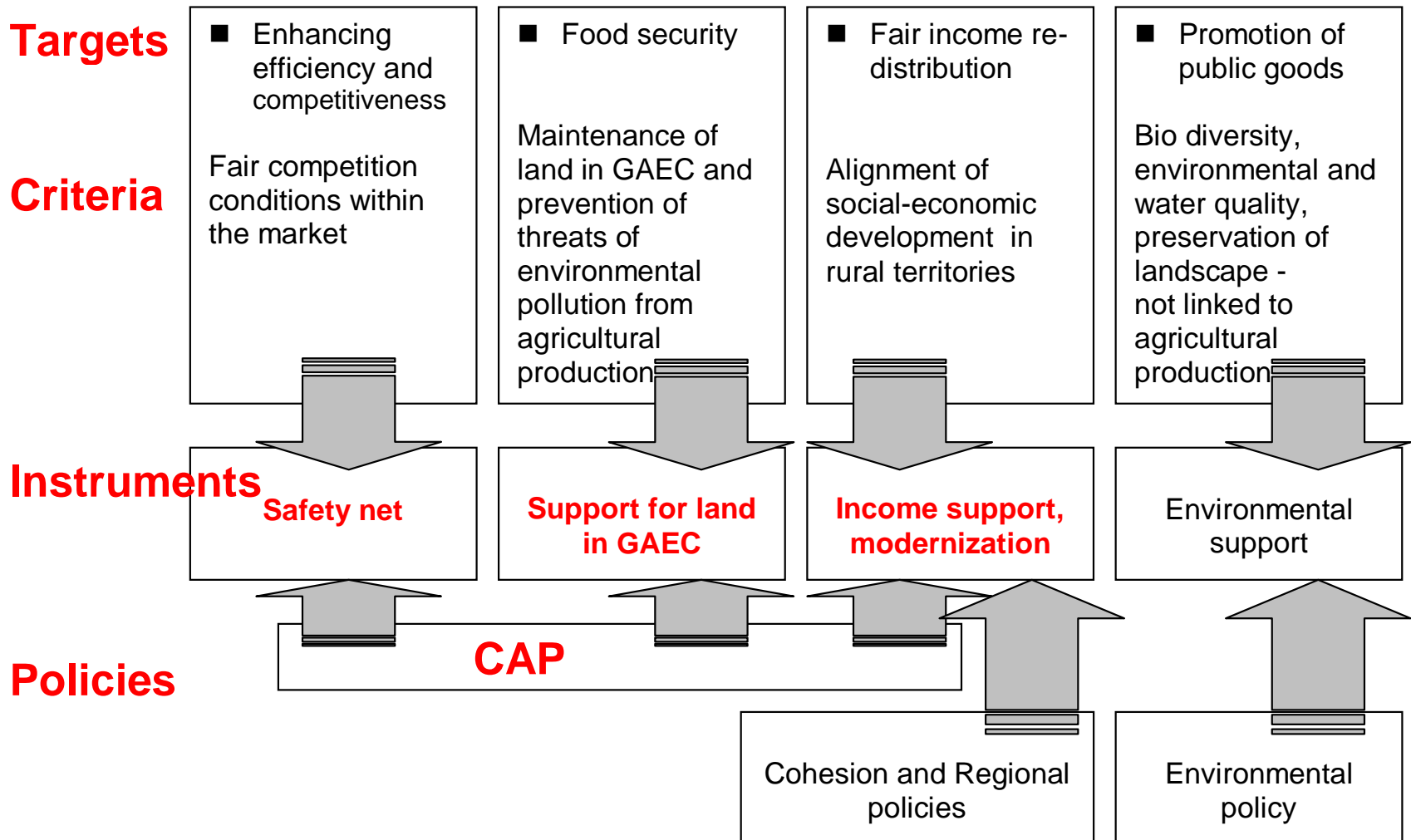
- To **define** targets/objectives;
- To **quantify** objective criteria both applicable at the EU and country level;
- To **avoid** any direct or market support at the level defined by countries themselves (co-financing, “objective” criterias etc.);
- To **specify** foreseeable time period for implementation of reforms





# Latvia's proposal (taking into account the outcome from different studies)...

## CAP after 2013





# Latvia's proposal...

## ■ 1st Pillar

- **Public goods component** – normative calculation for maintenance of agricultural area in GAEC (in order to ensure food security);
- **Income support component** – sharing between countries proportionally to agricultural area and GDP per capita in pps;

## ■ 2nd Pillar

- sharing between countries proportionally to agricultural area and in inverse ratio of GDP per capita in pps (in order to capture the different levels of economic development in Member States).



# Latvia's proposal... 1st Pillar

Payment rates for maintenance of land in GAEC:

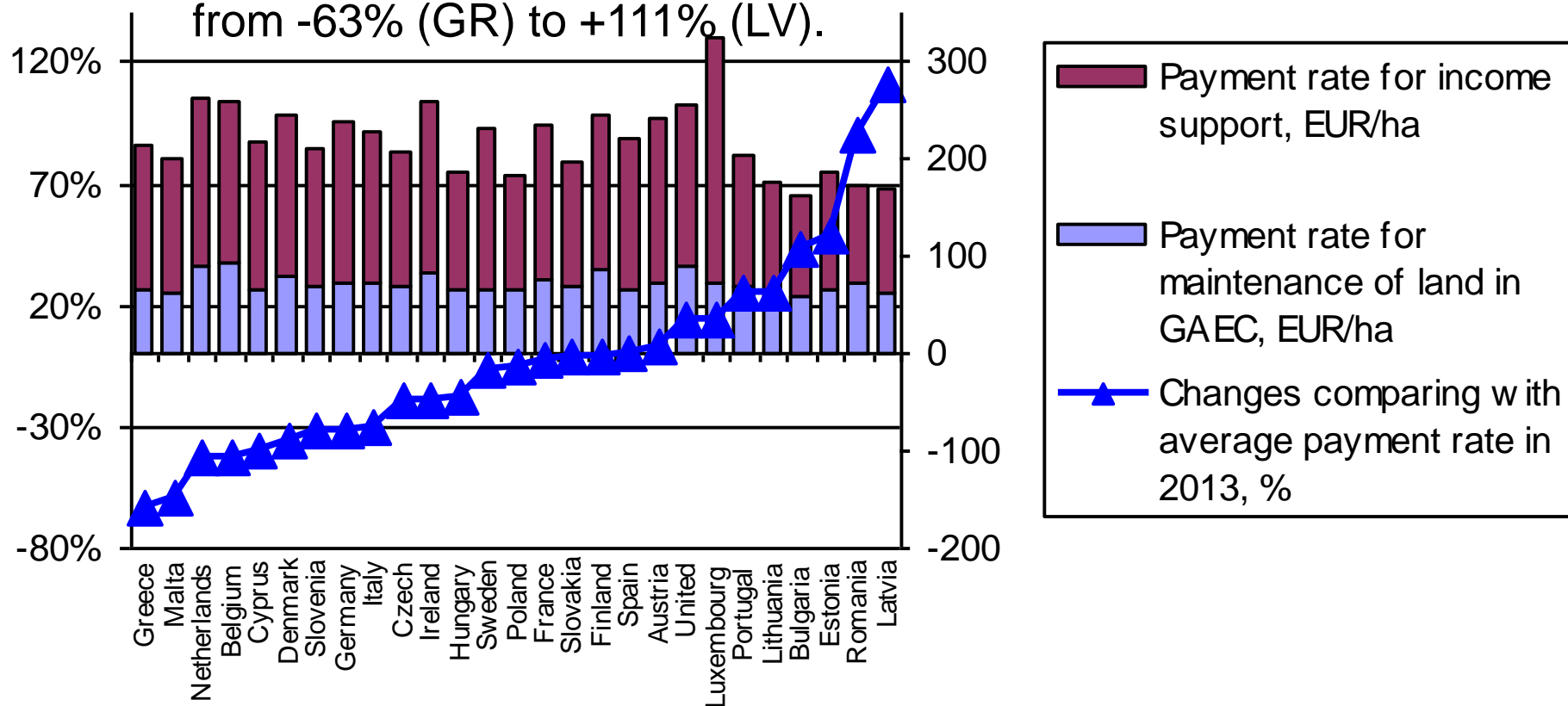
from 62 EUR/ha (LV) to 90 EUR/ha (UK, NL).

Payment rates for income support:

from 102 EUR/ha (BG, RO) to 251 EUR/ha (LU).

% change comparing with average payment rate in 2013:

from -63% (GR) to +111% (LV).

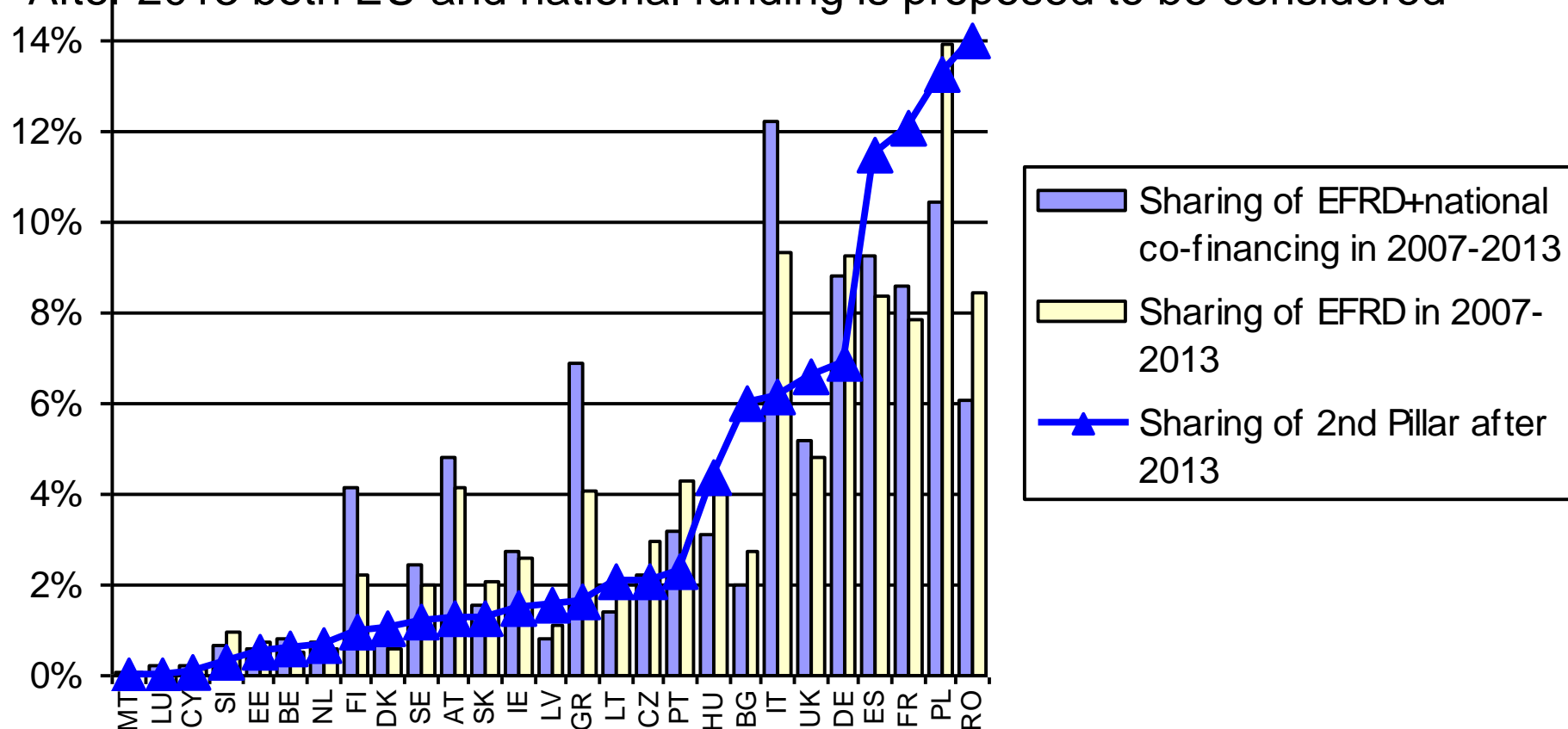




# Latvia's proposal... 2nd Pillar

Share of RDP funding vary a lot depending if accounting for national co-financing: from 0.1% (MT) to 14% (PL), if account just for EFRD, and 12% (IT) if account also national co-financing.

After 2013 both EU and national funding is proposed to be considered



# What policy scenarios should be selected for further analysis?

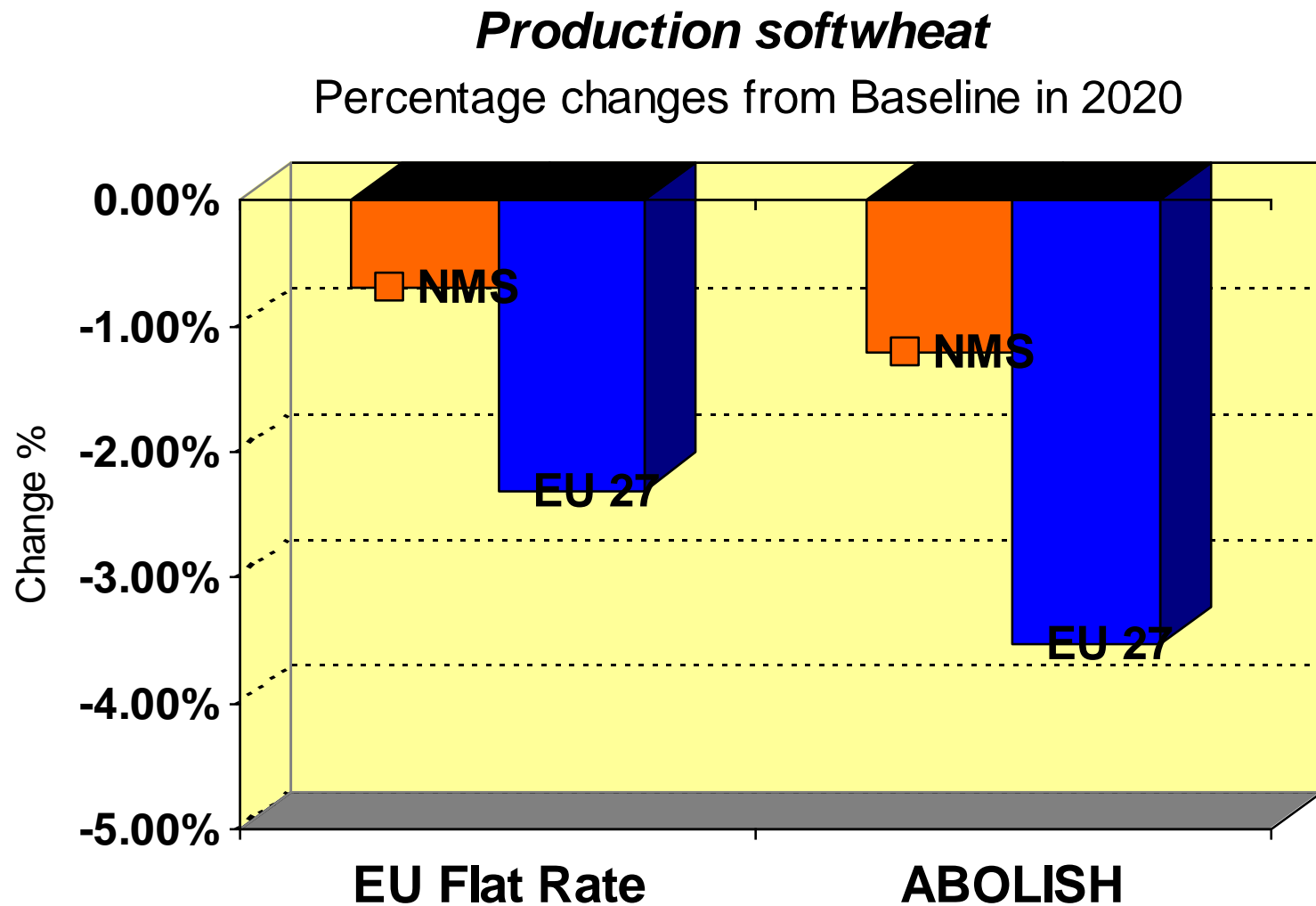
- Baseline scenario with continuation of the policy as agreed under the Health Check
- **EU Flat Rate**
  - Scenario where reduced EU-wide Flat Rate Payment is set at **100 Euros per hectare**.
  - The modulation rate is set at zero as the Pillar I funds are redistributed through the reduced direct payments.
- **ABOLISH**
  - Direct Payments Abolition Scenario examines the impact of a **gradual linear cut of all direct payments** over a 7-year period from 2013 to 2020.



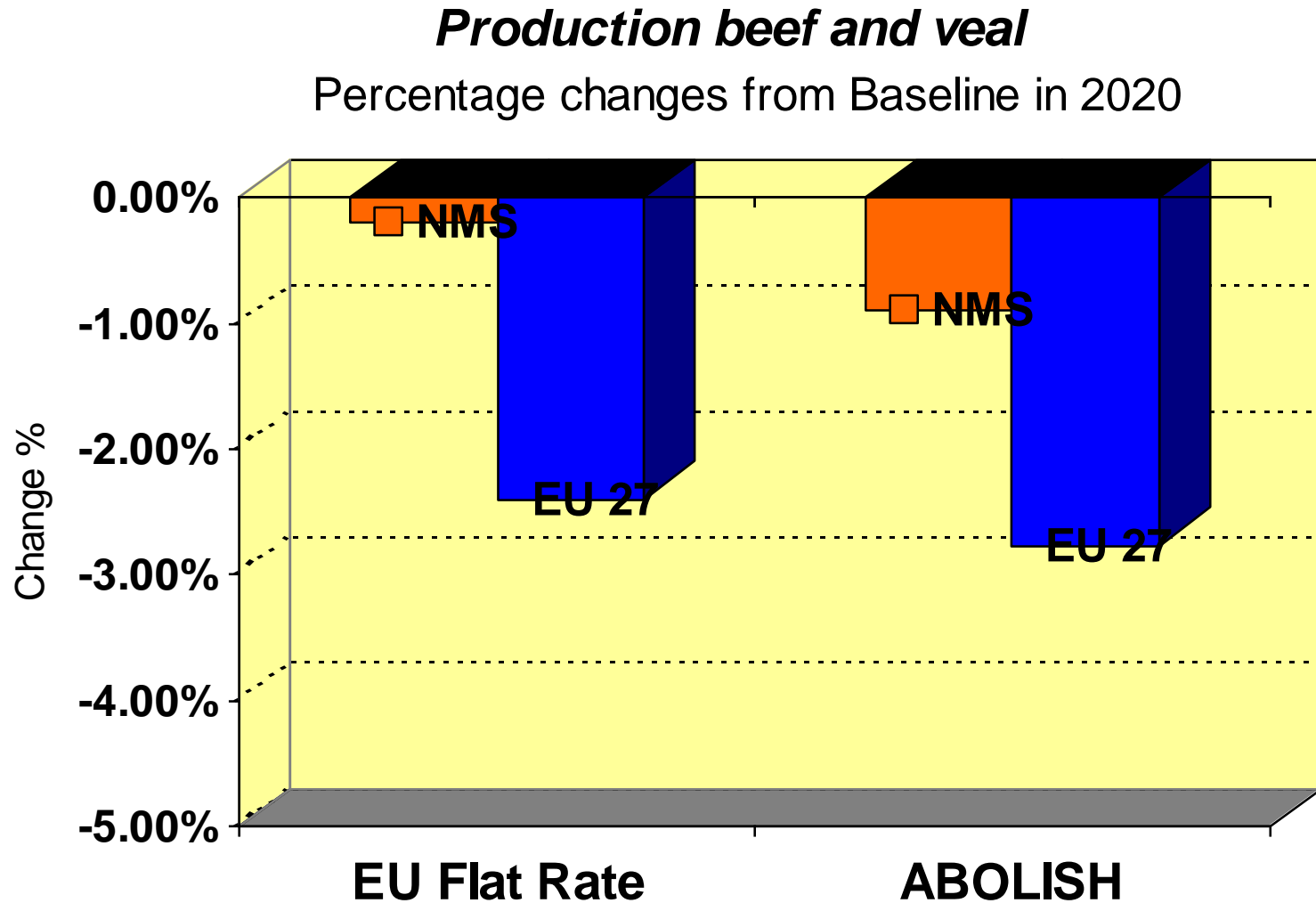
What could be production and market effects in respect of food security?

Policy scenario results using the methodology of EU FP6 project AGMEMOD 2020

# Scenario results: **Soft wheat**



# Scenario results: Beef and veal







**Thank You for attention!**

E-mail: [guna@lvaei.lv](mailto:guna@lvaei.lv)