EU Enlargement and CAP Reform: Modelling and Information Availability

Information Systems in Agriculture. DRAGON Seminar

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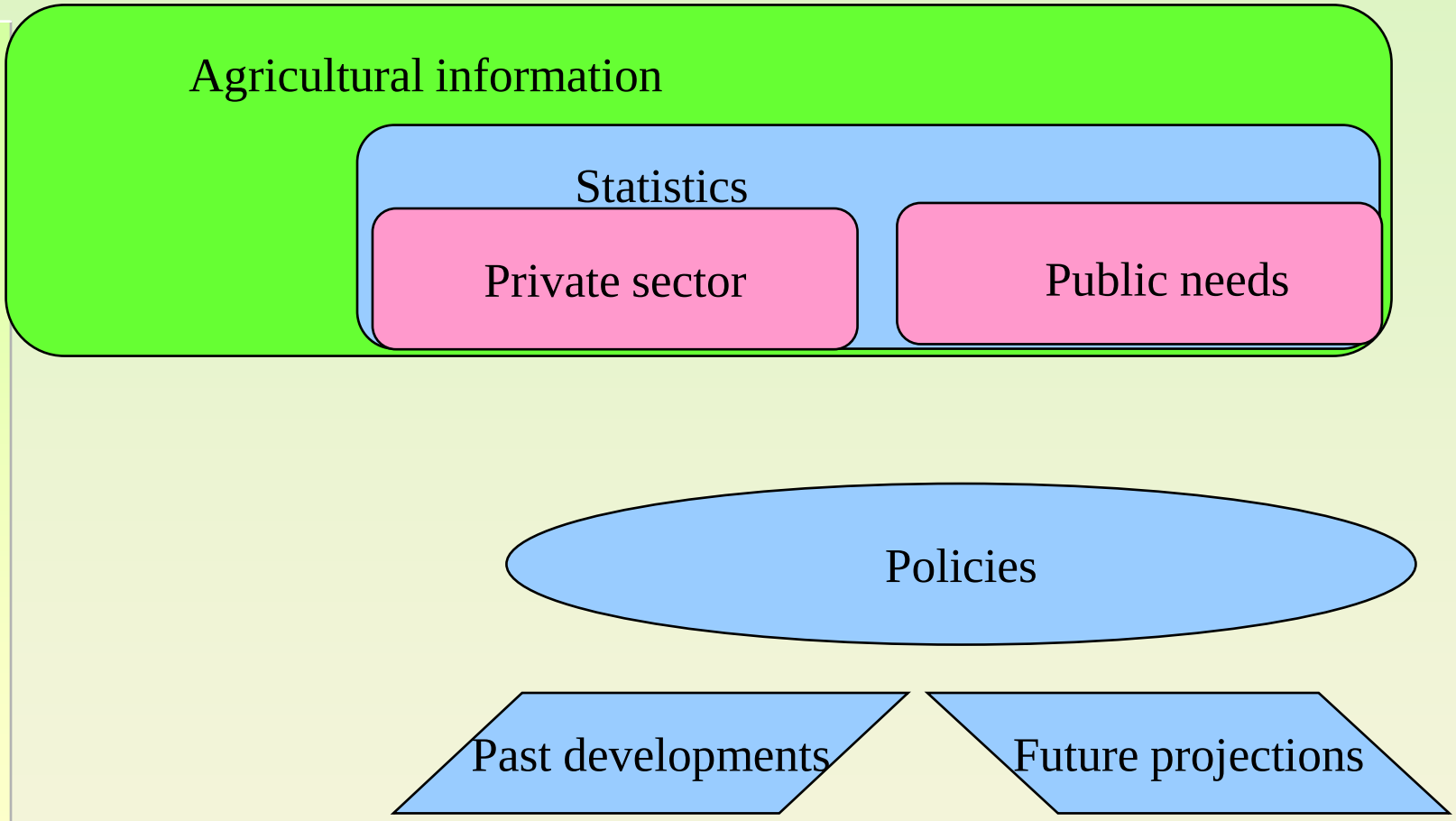
Researchers and agriculture information systems

Our presentation is

- **not from statisticians** point of view, although LSIAE is
  - national FADN agency
  - part of agri-food market information system
- from the ***users interest*** point of view
  - dealing with sector and policy analysis in Latvia
    - ✓ monitoring of development
    - ✓ impact projection of changes envisaged
  - cooperation with the analysts from other countries – case by case, international projects
  - partners of the **5th framework project AG-MEMOD** "Agricultural Sector in the Member States and EU: Econometric Modelling for Projections And Analysis of EU Policies on Agriculture, Forestry and The Environment"

Statistics – a part of agriculture information system



Policies, development and statistics

- As stronger policy intervention, as stronger information support required
- Agricultural Policy challenges nowadays
  - EU enlargement-
    - ✓ adjustment of the national sectors to EU
    - ✓ adjustment of EU markets after enlargement
    - ✓ ending of restructuring caused by national agrarian reforms
  - EU CAP reform
    - ✓ fundamental and historical

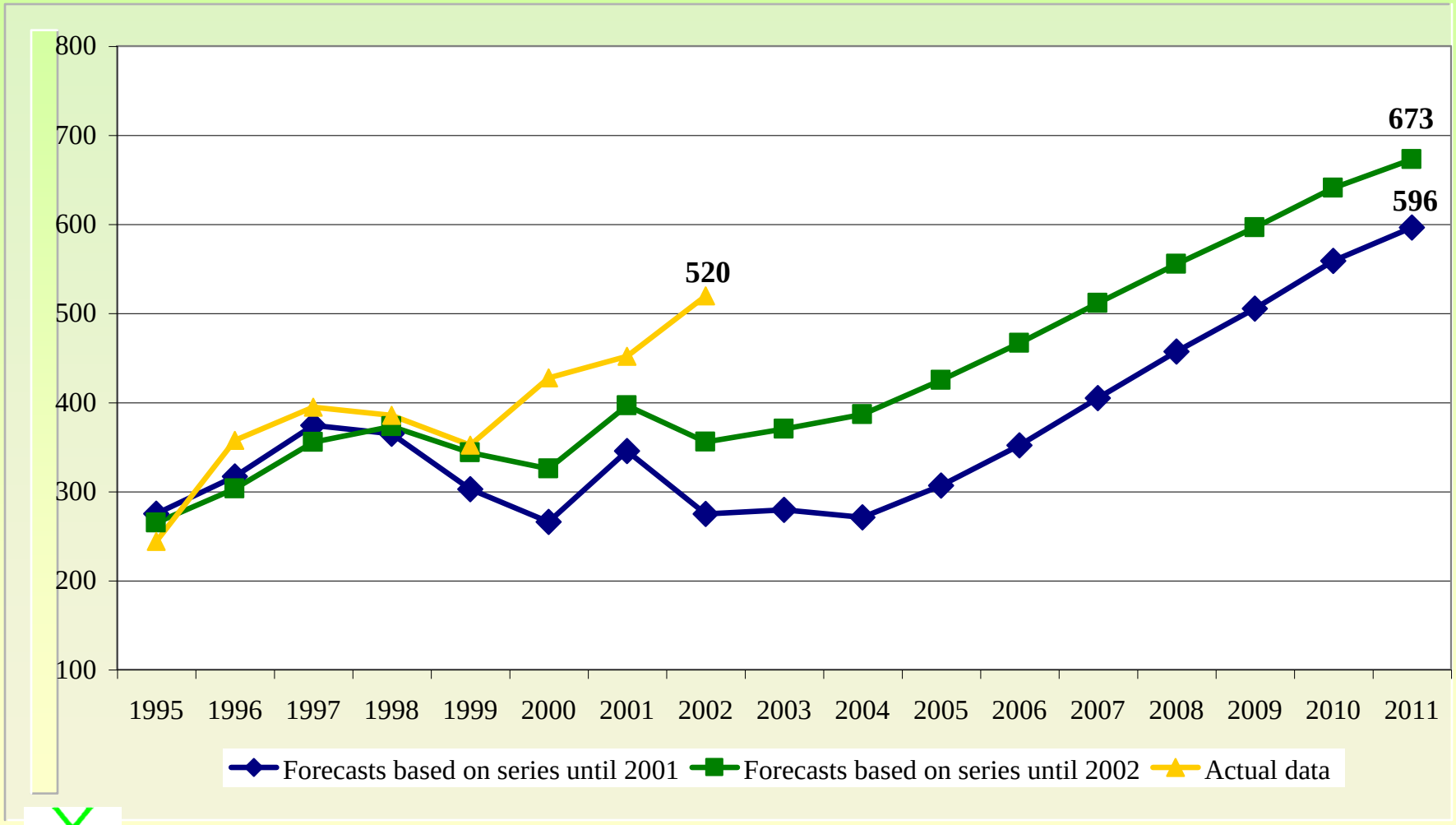
Enlargement of EU: challenge for the economists. New aspects for policy analysis:

- **Convergence of the technologies used** EU-15 and CEEC-10 **might cause also a convergence in productivity levels: possible** increase in the production levels and market surpluses for the whole EU-25;
- **Adjustment of formerly different policies** will motivate the new member states to use more intensive technologies, thus increasing the environmental pressure;
- **Convergence in input and output price levels** will give the additional pressure to the CAP intervention mechanisms;
- The joining of CEEC-10 to the EU will accelerate the **refurnishing of the food production capacities** in order to meat the high EU food safety standards;
- **Existence of double structure of producers**: well developed commercial and semi-subsistance farming

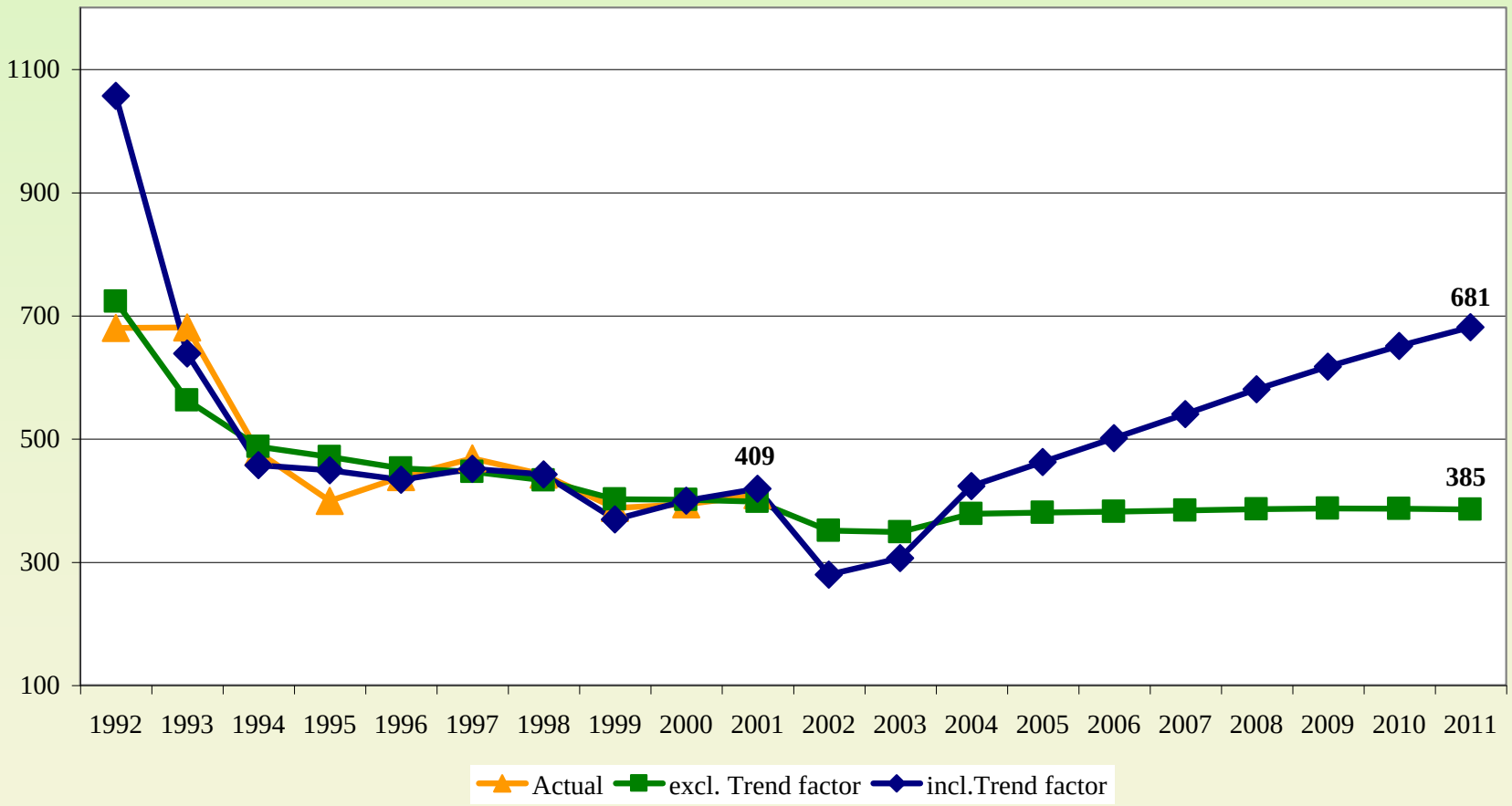
Mathematical modelling and data required

- **Different mathematical models applied in the sector and policy analysis**
  - **Data is needed for all of them**
- **Data problems:**
  - **(1) Lack of data with a good quality**
    - ✓ **Product balances**
    - ✓ **costs per activity unit**
  - **(2) The relatively short time series to describe the development trends**
  - **(3) stability of trends, essential political and economical changes have taken place**

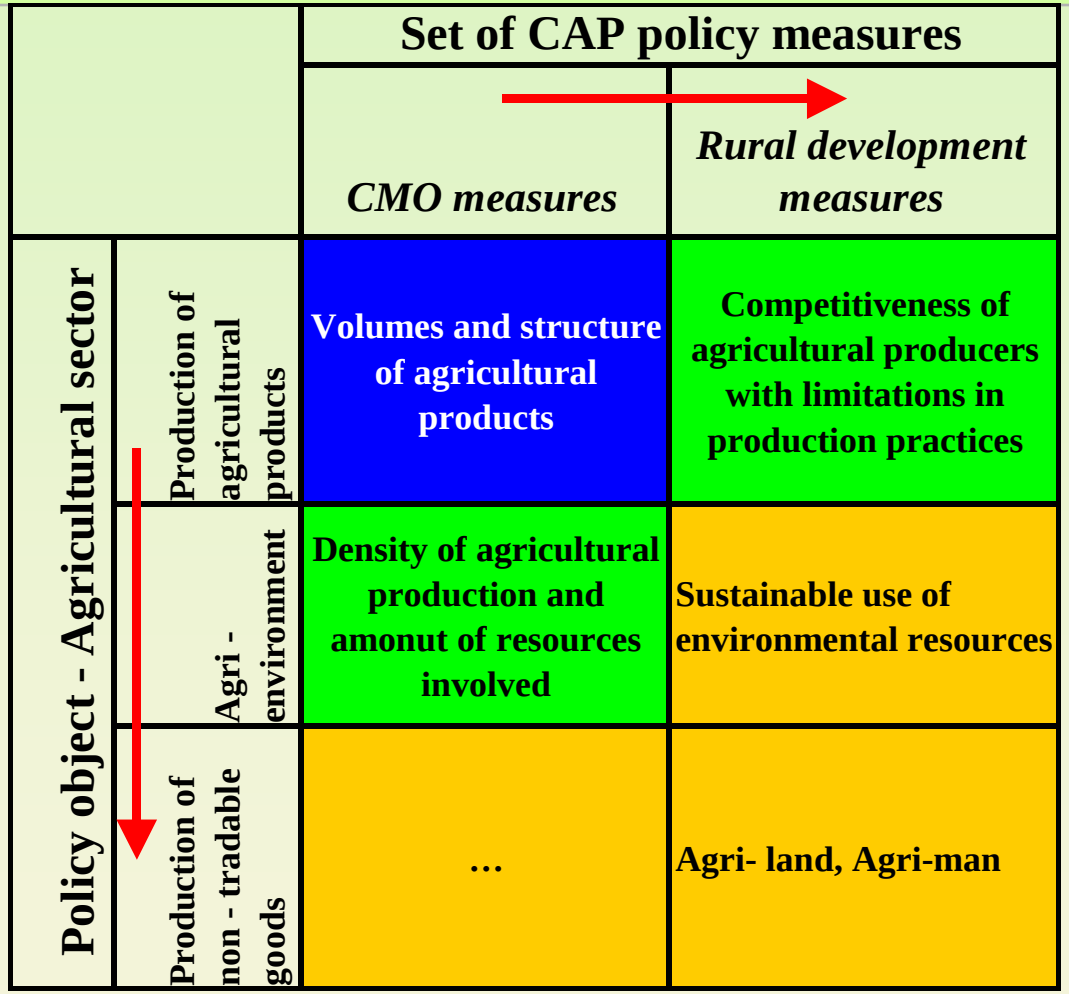
Projections of wheat production in Latvia, 1000 tones



Projections of total area harvested for wheat, barley, rye and oats Latvia, thsd.ha



Agricultural sector as object of EU CAP policy reform analysis



Additional questions to the policy analysts in the respect of new CAP

- How new obligations in a way of **cross compliance schemes** will impact the competitiveness of the farming sector and the level of compensation paid by the society for such a practices?
- How to quantify the **environmental impact** of new CAP policy?
- How to assess the effects of policy change (particularly ***modulation*** **and** ***decoupling***) ?
- How to quantify the the **impact of human resources on the sustainable viability of rural territories**?
- **What is the product of New Agricultural Policy?**

Some options suggested for evaluation of new policy incentives

- The consideration of new products should be assessed for agricultural sector :
  - for instance - ‘agri-land’ and ‘agri-man’ in addition to food and fibre commodities could be introduced and quantified in order to cover also the rural development component of agricultural policies in the complex quantitative analysis of agricultural and rural sectors.
    - ✓ costs incurred for the activities
    - ✓ price paid by the consumer – society?
  - rural human resource - an active person, living in countryside and dealing with some rural territory related business.

Some other conclusions

- The mathematical modelling is the most reasonable tool in analysing the likely impact of policy and other changes on the agri-food sector, and the econometric models are the most available tool in this research;
- It would be more reasonable to use the synthetic econometric or optimisation models in the combination with the expert estimations in projection building procedures, in order to increase the reliability of projections for relatively long time horizons;
- rural people and environment but the production becomes the core of the European agricultural policies – what is a price of rural person? ….