
EC proposals for CAP changes under the *Health Check*

How to treat them?

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Conclusions

- The EC proposals are in line with the general CAP development approach – towards further liberalisation of EU agri-market
- The major issue for the Baltics is not resolved still:
 - Not even a real mentioning about the need to reconsider the 1st pillar funding distribution
 - Even deeper freezing of the current situation through the modulation
 - Principle
 - Addressing the funding resources -100 % of savings remain in the country



Conclusions II

- Many of the elements in the EC HC proposals are not significant or even relevant for the Baltics:

- The most important issues for the Baltics from the HC package:
 - Full decoupling –especially for cereals
 - Depending on the outcome from here – consideration of SAPS details
 - Modulation- avoiding its reconsideration before RDPolicies are reconsidered
 - If not possible – all the savings to be included in common RD budget to be distributed according to the RD budget allocation criteria
 - Solving the *safety net* issue



Conclusions III

- The HC package offered by the EC:
 - does not have major immediate impact on the Baltic agri sector perspectives;
 - The major issue – balancing of the 1st pillar budget is left for:
 - the “budgetary discussions” or
 - Further CAP reform process
 - Outlines the principles for the continuation of the CAP reform
 - Non negative ones- like enhancing the economic efficiency of the sector
 - Rather negative ones – like freezing the distribution pattern for the CAP budget; not real dealing with the issues of the viability of rural community



Conclusions IV

■ Options for solutions

- Activisation of the debate within the “*Budgetary discussions*”, keywords, t.i.:
 - *activity based*;
 - away from historical approach to reconsidered criteria,
 - viability of rural community
- Policies to increase the competitiveness of the Baltic agricultural sectors
 - Further changes in farm structures
 - *Increase in size and reconsideration of specialisation*
 - *Technological restructuring*
 - Developing real rural regions development policies providing serious jobs alternatives
 - Facilitating the reinvolvement of land areas into agricultural turnover for future commercial use, including reconsideration of land policies



Subject matter for the analysis: the practical EC proposals for the CAP changes

- Compulsory set-aside – to remove
- Support for energy crops – to remove
- Market regulation
 - Milk quota – gradual 1 % annual increase
 - Liberalisation of intervention – dairy and cereals, also pork
 - No additional *safety net* instruments
- Modulation
 - New (higher) rates for compulsory modulation
 - Earlier application in NMS
 - New pattern for the use of savings
- **Issues still not covered:**
 - DP in NMS vs DP in OMS
 - Overcompensation
- SPS scheme
 - Simplification – reconsidered CC
 - Flattering – option for switching from historical to regional
- SAPS – prolongation till 2013
 - Condition of 2003 in GAEC??
- Full decoupling
 - Arable crops
 - Livestock
- RDP
 - Options for amendments
 - Renewable energy production
 - Water management
 - Addressing global climate change
- **Issues “promised”, but not covered:**
 - 2003 condition
 - Common risk management policies



Aspects, HC proposals to be analysed from:

- Production volumes
 - Could it facilitate growth of ag.com. production
- Competitiveness
 - May it improve it in Baltics relative to OMS
- Simplification
 - Better understanding for beneficiaries
- Linkage to factor (Land market) prices
 - Decoupled “over” payments contribute to the growth of land prices
- Financial impact
 - Redistribution of CAP 1st pillar funding and absorption by the BC
- Administrative costs
- Enhancing renewable energy production
 - Will they provide incentives and resources for



Compulsory set-aside – to remove

Impact on production volumes	No impact
Competitiveness of Baltic agri-sector	No impact
Simplification of the policies	Definitely “Yes”
Linkage to factor (Land market) prices	No real impact
Financial impact	No impact
Administrative costs	Could slightly decrease



Support for energy crops – to remove

Impact on production volumes	No real impact predicted, due to increasing demand and policy challenges
Competitiveness of Baltic agri-sector	No impact
Simplification of the policies	Definitely “Yes”
Linkage to factor (Land market) prices	No real impact
Financial impact	No real impact
Administrative costs	Could slightly decrease



Milk quota – gradual 1 % annual increase

Impact on production volumes	No real impact predicted, world market will decide
Competitiveness of Baltic agrisector	May have, if to be used properly to decrease quota market prices
Simplification of the policies	No real impact
Linkage to factor (Land market) prices	No real impact
Financial impact	No real impact
Administrative costs	No real impact



Liberalisation of intervention – dairy and cereals, also pork

Impact on production volumes	No real impact predicted, world market will decide, because of outdated intervention price levels
Competitiveness of Baltic agrisector	Could only increase pushing the producers to improve
Simplification of the policies	Slightly “yes” for pork, slightly “not” for dairy
Linkage to factor (Land market) prices	No real impact
Financial impact	No real impact
Administrative costs	No real impact



No additional *safety net* instruments

Impact on production volumes	No direct impact predicted, however may limit capital inflow due to long and risky business cycle
Competitiveness of Baltic agrisector	Could only increase pushing the producers to improve
Simplification of the policies	Slightly “yes”, no need in achieving new instruments
Linkage to factor (Land market) prices	No real impact
Financial impact	No real impact
Administrative costs	No real impact



New (higher) rates for compulsory modulation

Impact on production volumes	No direct impact predicted, however rather contradictory.....
Competitiveness of Baltic agrisector	Rather contradictory – good through relatively lower factor prices, badly due to smaller money flow
Simplification of the policies	Not
Linkage to factor (Land market) prices	No real impact
Financial impact	THREAT!!!!
Administrative costs	May slightly increase



Modulation rates applied

Receipts of EU direct payments	2012	2013
0 - 5 000 EUR	0%	0%
>5000 - <100 000 EUR	3%*	13%
100 000 EUR - <200 000 EUR	3% (6%)	16%
200 000 EUR - < 300 000 EUR	3% (9%)	19%
300 000 EUR and more	3% (12%)	22%



“Output” from the modulation

	2012			2013		
	Latvia	Lithuania	Estonia	Latvia	Lithuania	Estonia
Share of farms affected by modulation, %	4.5%	1.0%	14.4%	5.0%	1.2%	15.7%
Share of EU direct payments, to which modulation applies, %	35.3%	23.0%	66.3%	36.7%	24.9%	67.9%
Amounts resulting from application of modulation, mio EUR	1.5	2.4	2.3	7.1	12.3	9.5
Amounts resulting from granting no CNDP to farmers, to which modulation applies, mio EUR	7.0	9.2	8.1	-	-	-
Total reduction of direct payments, mio EUR	8.5	11.6	10.4	7.1	12.3	9.5



Earlier application of modulation in NMS

Impact on production volumes	No direct impact predicted, however rather contradictory.....
Competitiveness of Baltic agrisector	No direct impact predicted
Simplification of the policies	Not
Linkage to factor (Land market) prices	No real impact
Financial impact	THREAT from EU budget point of view!!!! Good- to save national money via CNDP
E Administrative costs	May slightly increase

Modulation: New pattern for the use of savings from it

Impact on production volumes	No direct impact predicted, however rather contradictory.....
Competitiveness of Baltic agrisector	No direct impact predicted
Simplification of the policies	Not
Linkage to factor (Land market) prices	No real impact
Financial impact	ABSOLUTR THREAT from EU budget point of view!!!!
Administrative costs	No real impact



SPS: Simplification – reconsidered CC

Impact on production volumes	No direct impact predicted, however may slightly facilitate
Competitiveness of Baltic agrisector	No direct impact predicted
Simplification of the policies	Slightly yes
Linkage to factor (Land market) prices	No real impact
Financial impact	No real impact
Administrative costs	Slightly positive



SPS: Simplification – Flattering – option for switching from historical to regional

Impact on production volumes	No any impact
Competitiveness of Baltic agrisector	No any impact
Simplification of the policies	No any impact
Linkage to factor (Land market) prices	No real impact
Financial impact	No any impact
Administrative costs	No any impact



SAPS – prolongation till 2013

Impact on production volumes	No direct impact predicted, however may slightly facilitate
Competitiveness of Baltic agrisector	No direct impact predicted, however may slightly facilitate
Simplification of the policies	Definitely “yes”
Linkage to factor (Land market) prices	No real impact
Financial impact	No real impact
Administrative costs	Definitely positive



SAPS – Full decoupling

Impact on production volumes	May slightly increase due to higher market proces, however
Competitiveness of Baltic agrisector	Definitely “yes”
Simplification of the policies	Definitely “yes”
Linkage to factor (Land market) prices	May slightly increase
Financial impact	No real impact
Administrative costs	Definitely positive

