



Lithuanian Institute of
Agrarian Economy

STRUCTURAL CHANGE IN LIVESTOCK SECTOR AS A CHALLENGE FOR THE NEW CAP: LITHUANIAN CASE

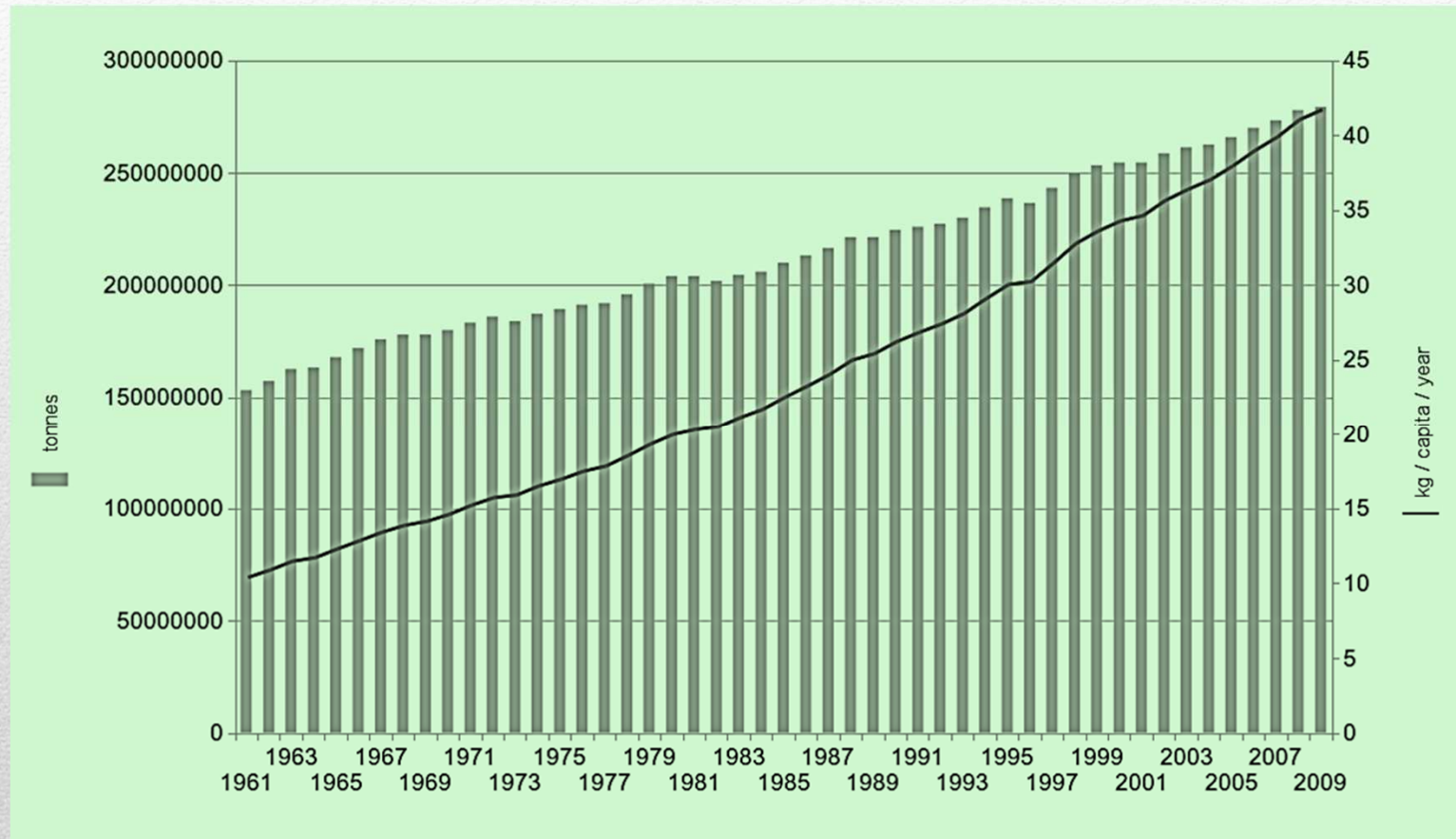
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Jachranka, 11 12 2013

Main points of the presentation

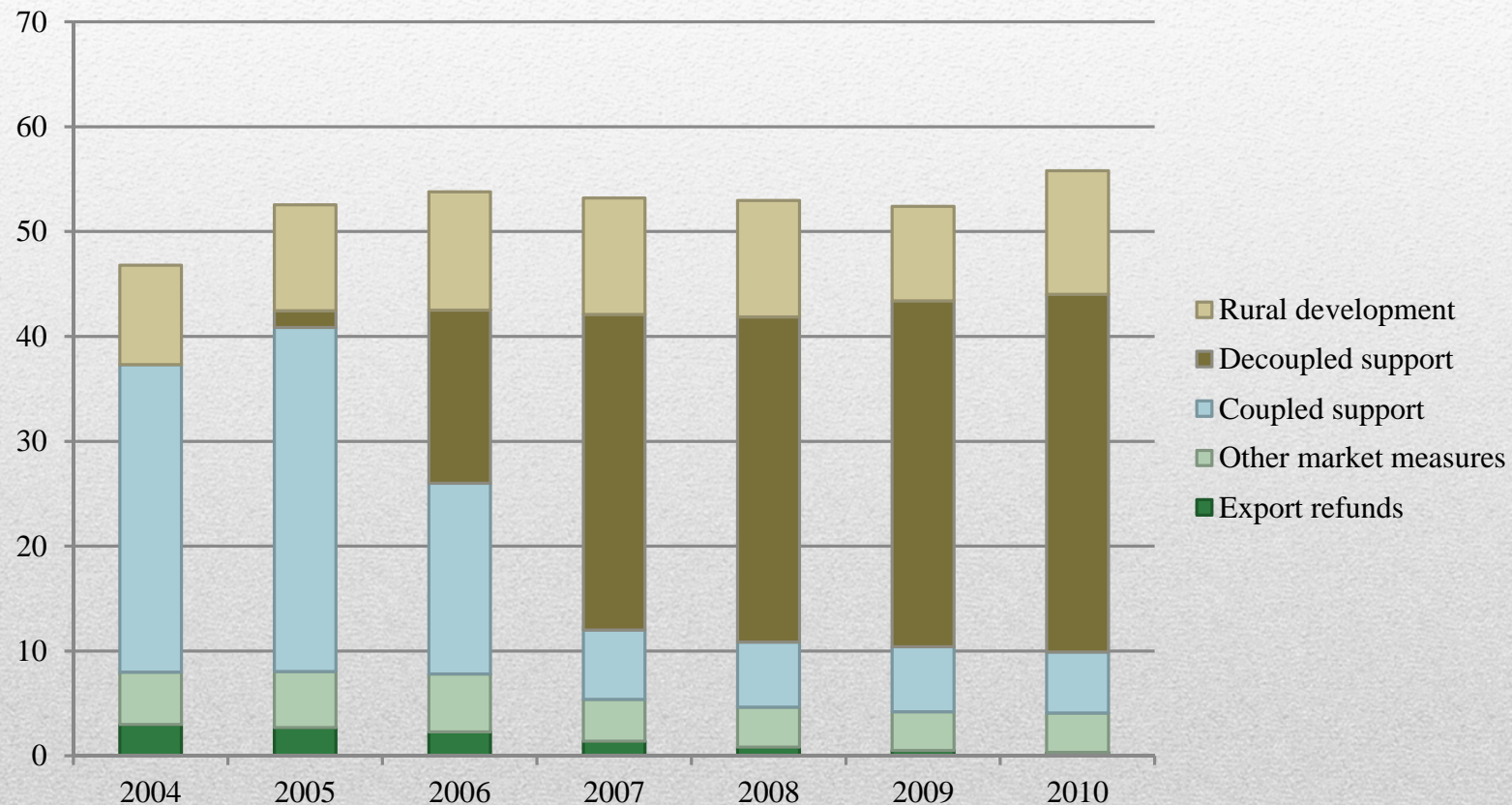
- **Global meat consumption**
 - **Partial impact of CAP direct payments on livestock farming in the EU**
 - **Impact of direct payments on the livestock sector during 2000-2012: Lithuanian case**
 - **Determining the direct payment need for the livestock sector in Lithuania as of 2014**
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Global meat consumption from 1961 to 2009



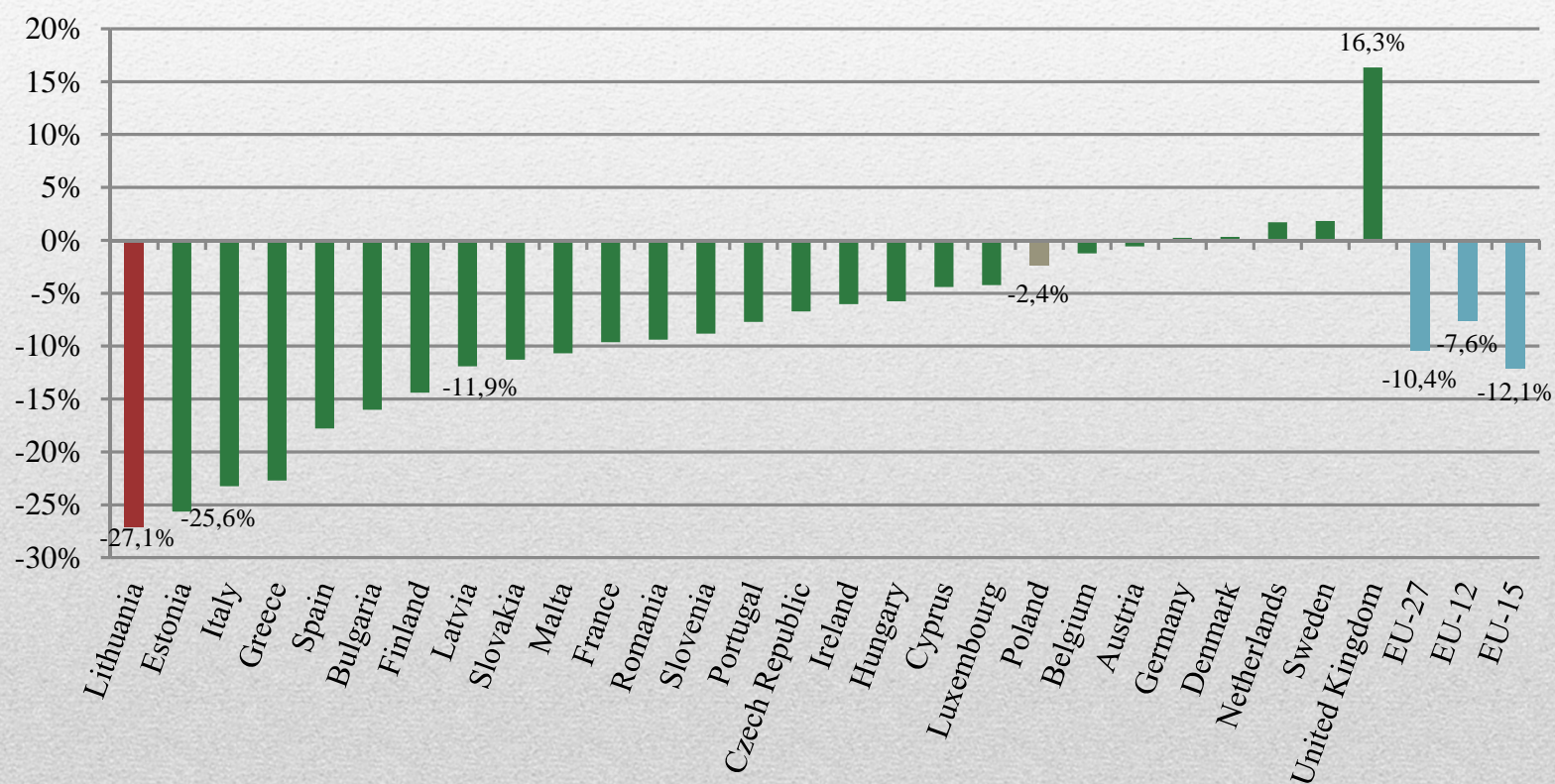
Source: FAO data, 2010

The path of CAP expenditure 2004-2010, billions of EUR (current prices)



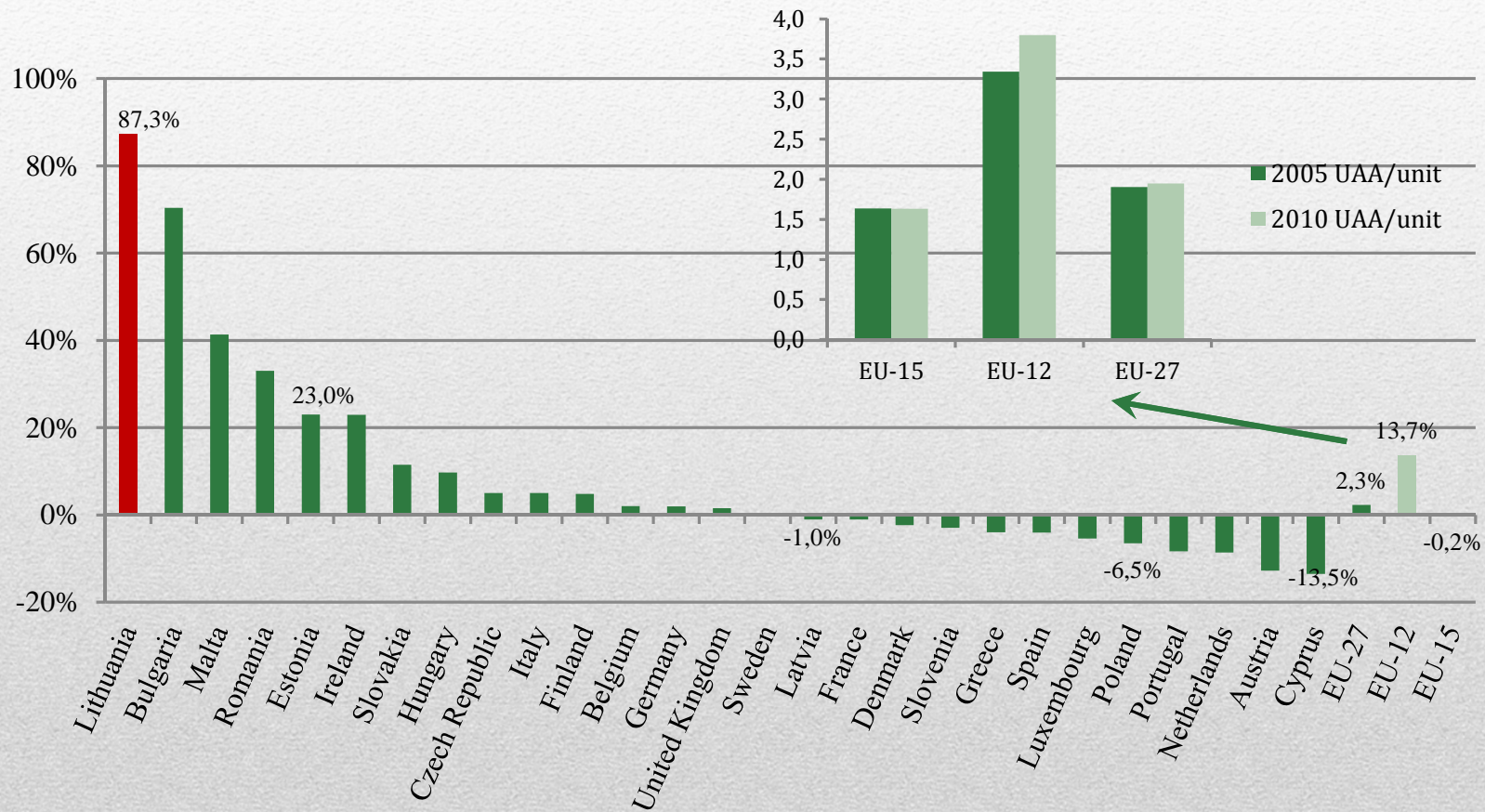
Source: modified from the European Commission, 2013

The change in the ratio of the total number of holdings to the number of holdings with livestock in 2010 compared to 2005



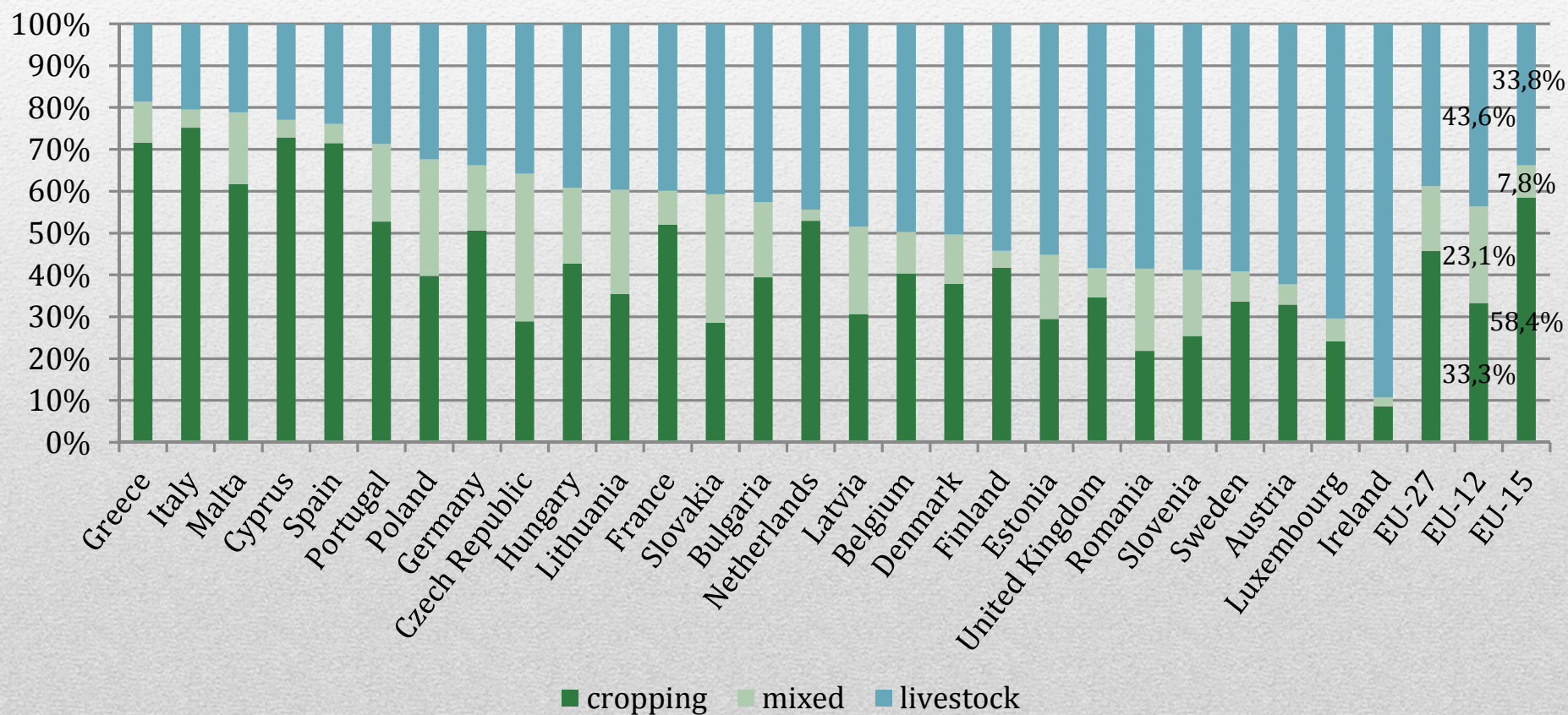
Source: calculated by the author based on the data of Eurostat, 2013

The change in the UAA per cattle in 2010 compared to 2005



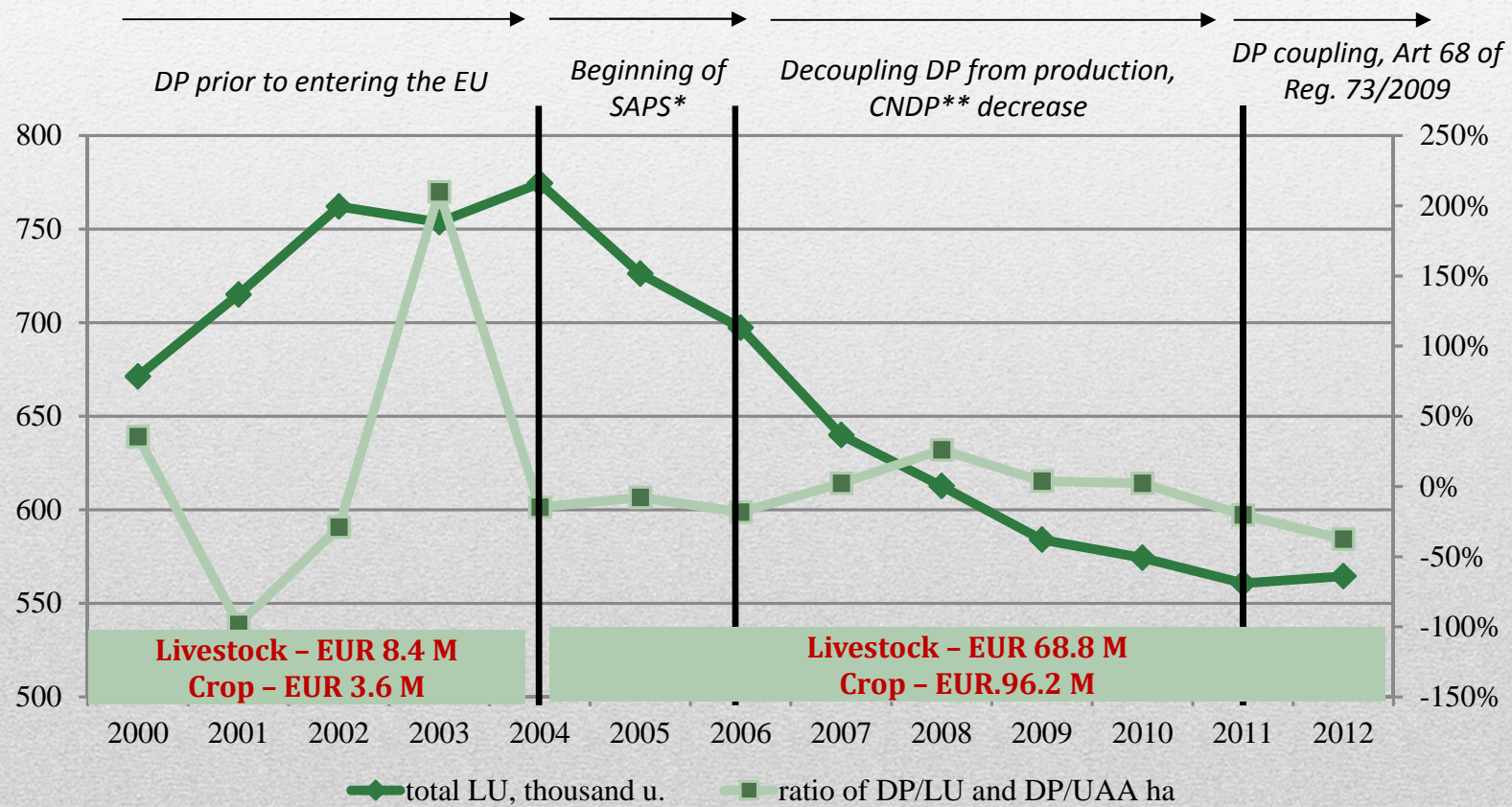
Source: calculated by the author based on the data of Eurostat, 2013

Labour force directly employed by the holdings (AWU) by type of farming, 2010



Source: calculated by the author based on the data of Eurostat, 2013

Livestock units(LU) of livestock sectors financed by direct payments(DP) and ratio between DP/LU and DP/UAA ha in Lithuania, 2000-2012



→ Trend of agricultural policy

* Single Area Payment Scheme (SAPS)
 ** Complementary National Direct Payments (CNDP)

Source: calculated by the author, 2013

Net profit with subsidies and return on assets according to FADN types of farming, 2011

			Net profit with subsidies, in EUR			Return on assets, %
	Farm net income, in EUR	Family remuneration, in EUR	Total	per 1 ha of UAA	per 1 AWU	
Specialist cereals, protein, oilseeds	25481	5335	20146	204	11992	11.27
General field cropping	16759	5294	11465	241	7034	10.18
Horticulture, permanent crops	17381	5458	11923	917	5651	16.91
Specialist dairying	12149	6154	5995	197	3445	7.24
Grazing livestock	5067	6029	-962	-52	-605	-1.84
Specialist granivores	9407	5846	3561	326	2012	4.45
Field crops-grazing livestock	14163	6319	7844	182	4560	8.68
Various crops and livestock combined	4495	5654	-1159	-76	-773	-2.22

Optimization of livestock farm net income by balanced DP size

- The net profits (FADN sample: 1300 of returning holdings) of farmers were optimized by setting the optimal ratio between DP per ha of UAA and per LU, i.e., finding the minimum and maximum of function at any range of function: $f(x^*) = \min_{x \in X} f(x)$. Here X is a set of possible outputs from the set \mathbf{R}^n , $x^* \in X$ – the point of the global minimum of function $f(x)$ in the X area, $f(x^*) \leq f(x), \forall x \in X$.

Results:

- the ratio between the size of payments in the crop cultivation (decoupled DP per UAA ha) and livestock (re-coupled DP for unit (head or ton)) sectors should be as follows:

1:1.44 for support to breeders of bulls,

1:1.50 for support to breeders of suckler cows,

1:1.60 for support to breeders of other beef cattle,

1:0.11 for support to breeders of sheep/ goats,

1:0.11 for support allocated for cattle for slaughter,

1:0.22 for support allocated for one ton of produced and sold milk.

The need for support funds by direct payments in the livestock sector in Lithuania in 2015-2020

	2015	2016	2017	2018	2019	2020
For bulls, in million EUR	9.3	9.5	9.7	9.9	10.1	10.3
For suckler cows, in million EUR	5.3	5.4	5.5	5.7	5.8	5.9
For beef cattle, in million EUR	10.8	11.0	11.3	11.5	11.7	12.0
For slaughtered cattle, in million EUR	4.2	4.3	4.4	4.4	4.5	4.6
For milk, in million EUR	29.1	29.7	30.3	30.9	31.5	32.1
For sheep/ goats, in million EUR	1.4	1.4	1.5	1.5	1.5	1.6
Total, in million EUR	60.2	61.4	62.6	63.8	65.1	66.4

The differences between financing possibilities of the coupled support scheme for 2015-2020 and the need of financial support in Lithuania

	2015	2016	2017	2018	2019	2020
Maximum financing limits according to the scheme in Lithuania, in million EUR	54.3	57.5	60.7	64.0	67.2	67.2
Required support for the livestock sector, in million EUR	60.2	61.4	62.6	63.8	65.1	66.4
Lack of funds, in million EUR	-5.8	-3.8	-1.9	0.1	2.1	0.8
Financing need for livestock sector from national ceiling, in %	14.4	13.9	13.4	13.0	12.6	12.8



Thank you

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