

Lithuanian institute  
of agrarian economics



# IMPACT OF THE CAP SUPPORT MEASURES ON THE AGRICULTURAL SECTOR IN LITHUANIA

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# Today's CAP structure



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- **I pillar**
  - **Direct payments**
  - **Market measures**
- **II pillar**
  - **1 axis** - Improving the competitiveness of the agricultural and forestry sectors
  - **2 axis** - Improving the environment and countryside
  - **3 axis** - Improving the quality of life in rural areas and encouraging diversification of the rural economy
  - **4 axis** - Building local capacity for employment and diversification (LEADER)

# Farm structure's change in Lithuania: 2005 vs. 2010

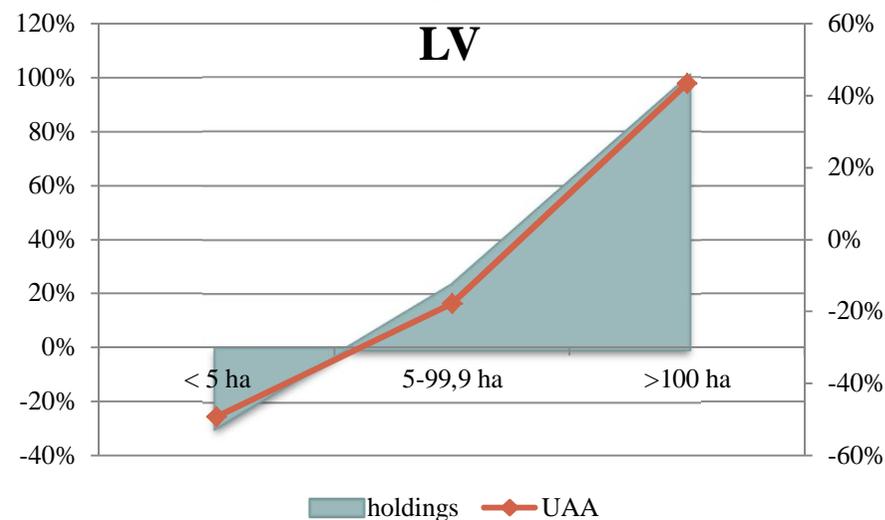
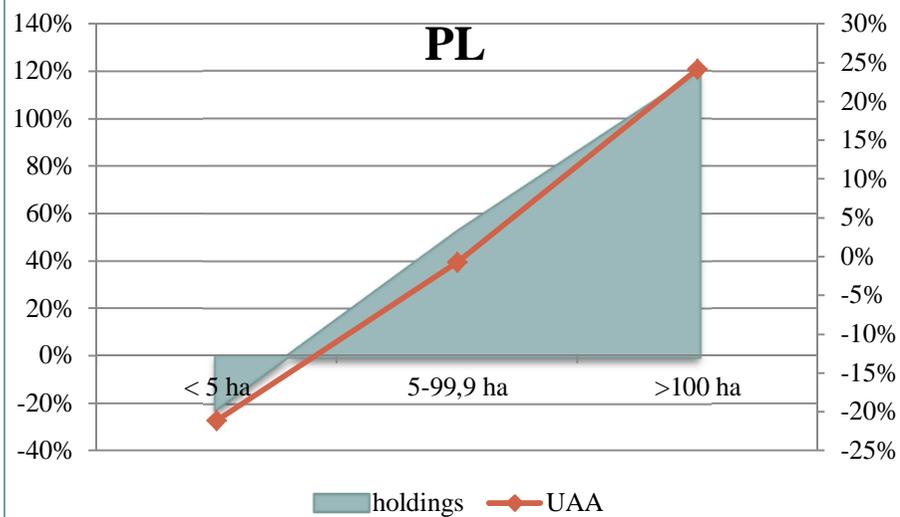
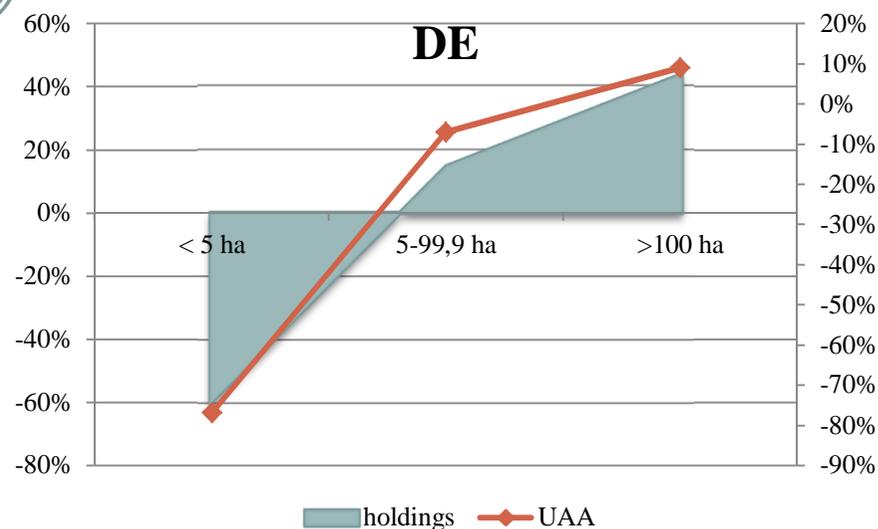
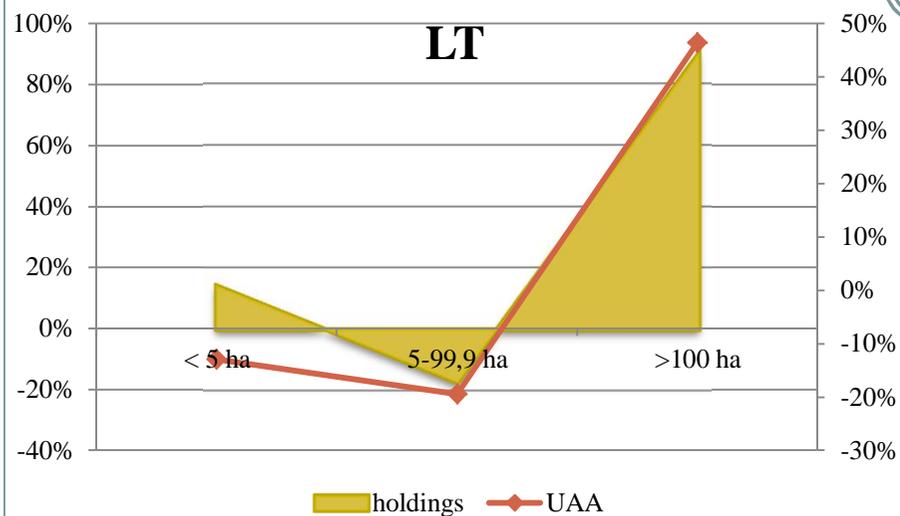


the number of small farms with holdings less than 5 ha increased from 51.4 to 58.7 % of all Lithuanian farms  
UAA of these farms decreased from 13.1 to 11.4 % of total UAA;

the number of medium-sized farms (between 5 and 100 ha) decreased from 47.7 to 39.4 %  
UAA of these farms decreased from 58.5 to 47.1 %;

the number of large farms with holdings larger than 100 ha increased from 1 to 1.9 %.  
UAA increased from 28.4 to 41.6 %.

# Farm structure polarization effect in Lithuania



Source: compiled by the author based on FADN(2010), 2012.

# Reasons of farm's structure change in Lithuania



## Small farms

The increased number of small farms could be caused by:

- the decision of farmers, who got benefits from an *Early retirement from the agricultural activity* measure, to remain in the permitted size of private land for agricultural purposes;
- the decision of people from urban areas to purchase a piece of land for residential house building in a rural location and register it as an agricultural holding, in order to take advantage of farmers' benefits.

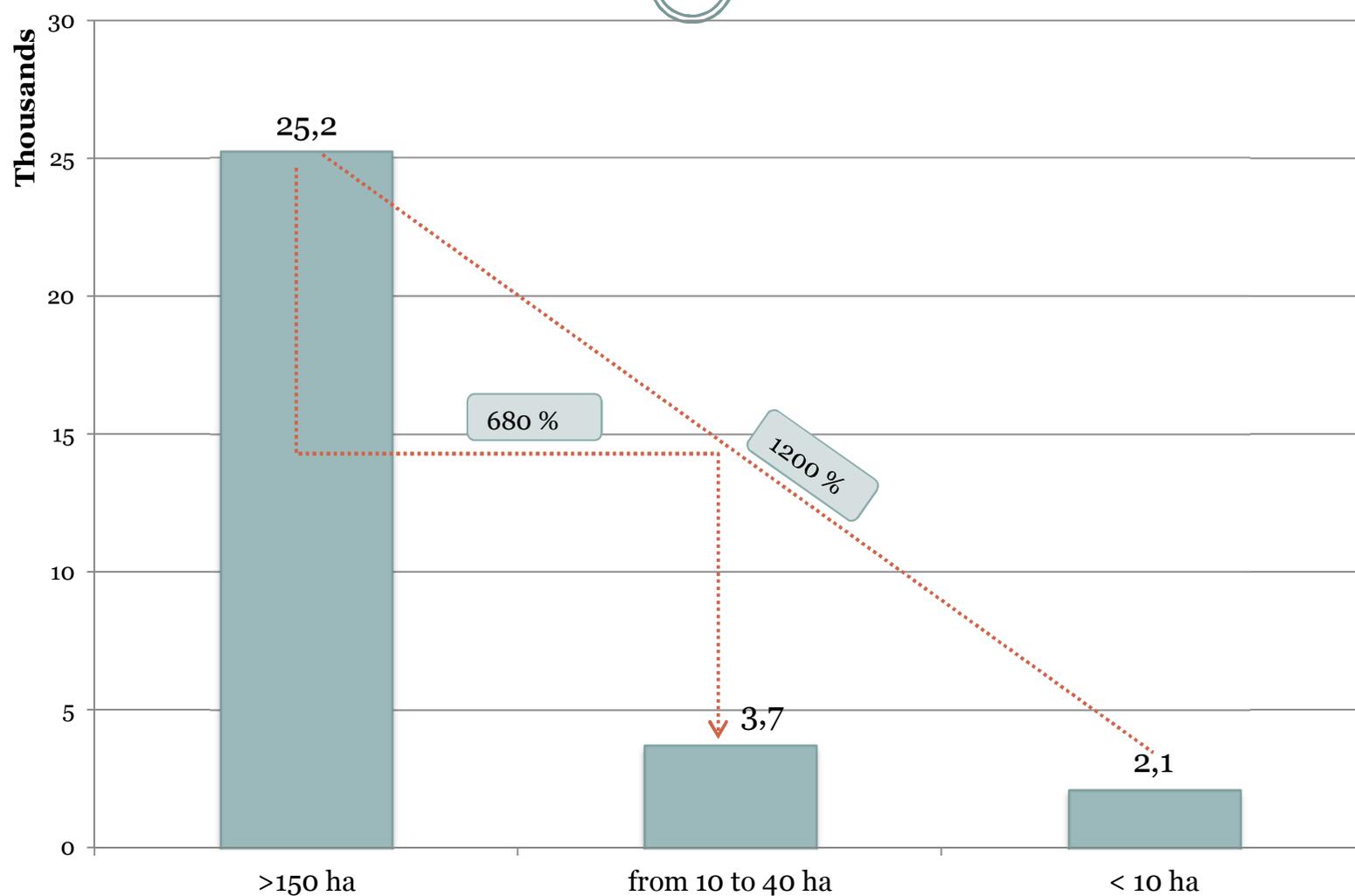
## Medium-sized farms

- absorption by large farmers of the major part of the subsidies influenced the decreasing ability of the small and medium-sized farms to compete in agricultural development process.

## Large farms

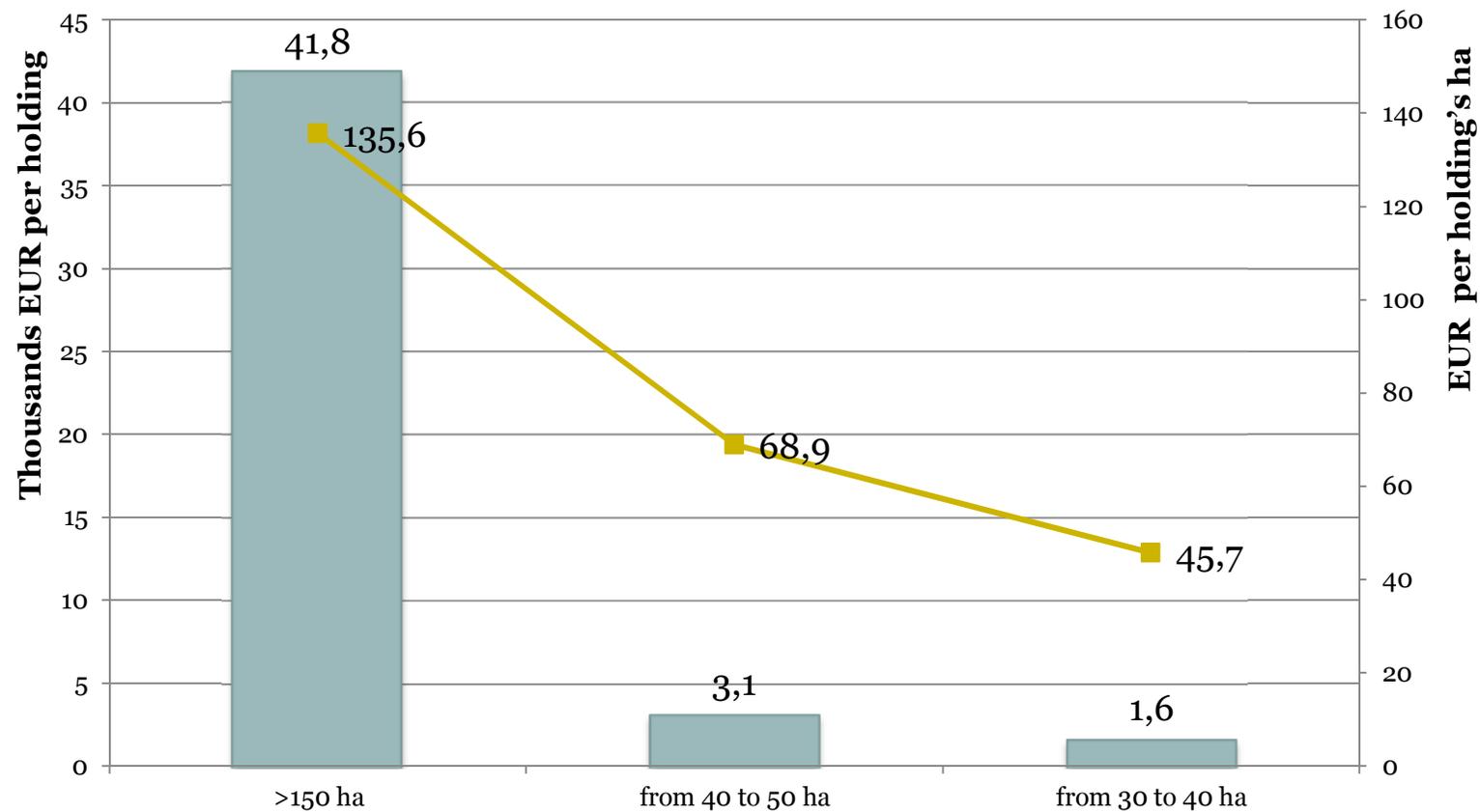
- applicable model of EU direct payments, which provides that the amount of aid depends on the amount of declared hectares of UAA, enlarged number of large farms and affected rapid growth of overall UAA of these farms.

# Gross profit with subsidies per AWU in 2010, EUR



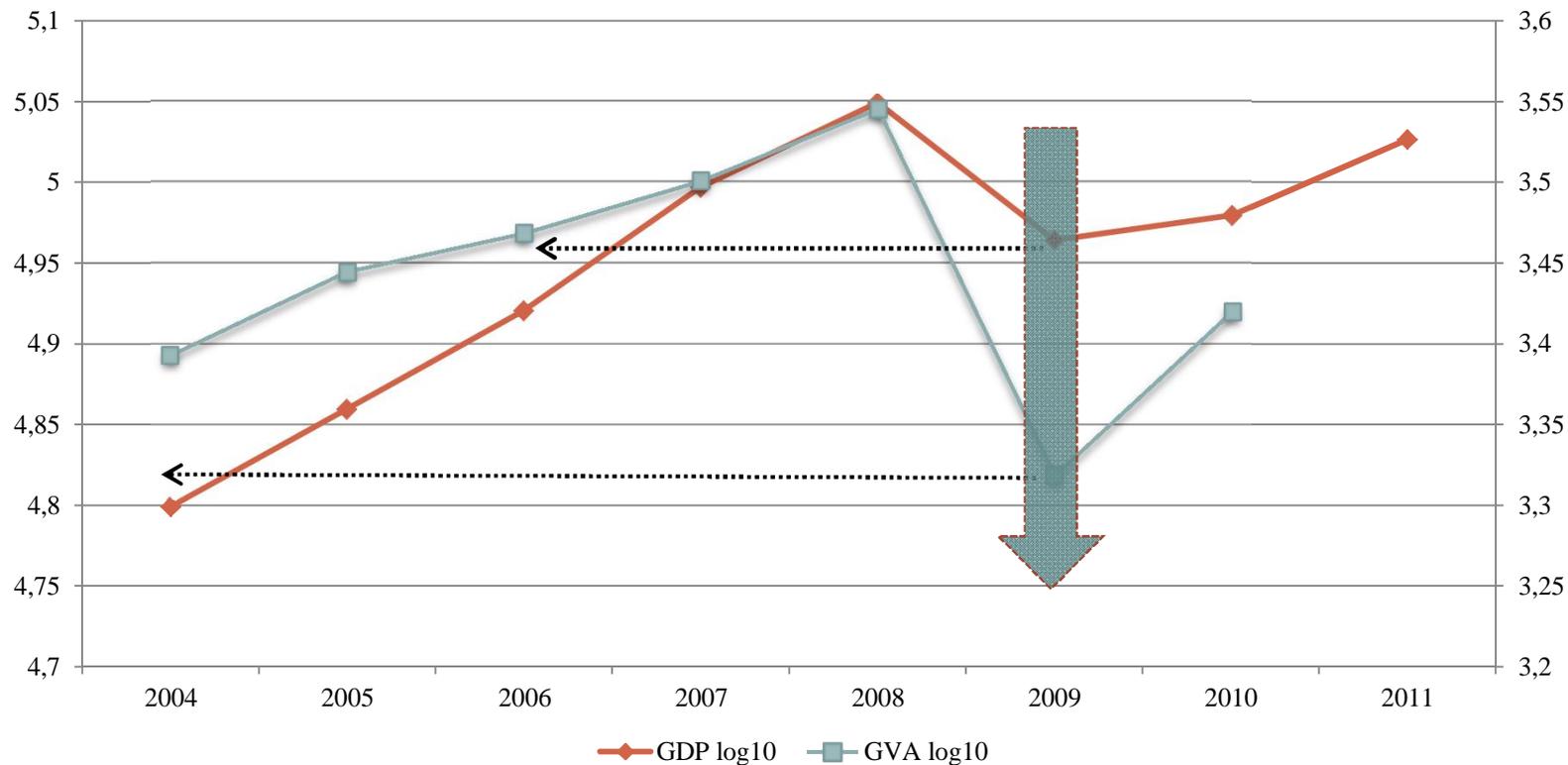
Source: compiled by the author based on FADN (2010), 2012.

# Investing in agricultural land purchases in 2005-2010 period



Source: compiled by the author based on FADN(2010), 2012.

# Logarithmic data of GDP and GVA in agriculture in Lithuania, 2004-2011



Source: compiled by the author based on Statistics Lithuania, 2012

# Most popular support measures for rural development in Lithuania



More than 11 thousand farmers in Lithuania participated in projects implemented under the modernisation of farm holdings

- nearly 90 % were implemented in the period of 2007–2011;
- on average EUR 48.7 thousand was allocated per project.

2.8 thousand farmers were supported implementing projects under the setting-up of young farmers

- the average support amounted to EUR 34.8 thousand.

In 2010, as compared to 2005, assets of farmers' farms per 1 ha of UAA increased by 89.7 %, and assets per 1 AWU – by 38.3 %.

According to the FADN data, the investments into agricultural machinery accounted for 63 % of overall investments in 2010 in Lithuania.

# Changes in farming activities in Lithuania

The numbers of livestock in Lithuania have been falling gradually due to decoupled direct payments

abandoned and unused for production agricultural areas have emerge, under various evaluation criteria ranging from 500 to 800 thousand hectares.

## Net income with subsidies per 1 AWU in farmer's farms of different farming type, in comparison with the national average, in 2004–2010, %

Type of farming	2004	2005	2006	2007	2008	2009	2010
Specialist cereals, oilseeds	169	172	167	205	200	170	211
General field cropping	173	130	107	115	143	135	NA
Horticulture and permanent crops	100	72	77	94	82	82	93
Specialist dairying	103	126	121	86	79	90	91
Mixed cropping	57	49	68	67	52	61	NA
Mixed livestock, mainly grazing livestock	<b>73</b>	<b>57</b>	<b>85</b>	<b>60</b>	<b>48</b>	<b>75</b>	<b>47</b>
Field crops-grazing livestock, combined	85	116	101	80	99	87	85
Field crops and granivores, combined	102	68	34	69	67	70	NA
<b>Average</b>	<b>100</b>						

Source: FADN data.

# Changes of employment in agriculture in Lithuania



The period after 2004 also has been distinguished by an especially rapid decline in the number of the employed in agriculture, as farmers, taking advantages of the SPD for 2004–2006 and RDP for 2007–2013 measures and receiving direct payments, invested heavily in efficient agricultural machinery, thus reducing the need for labour.



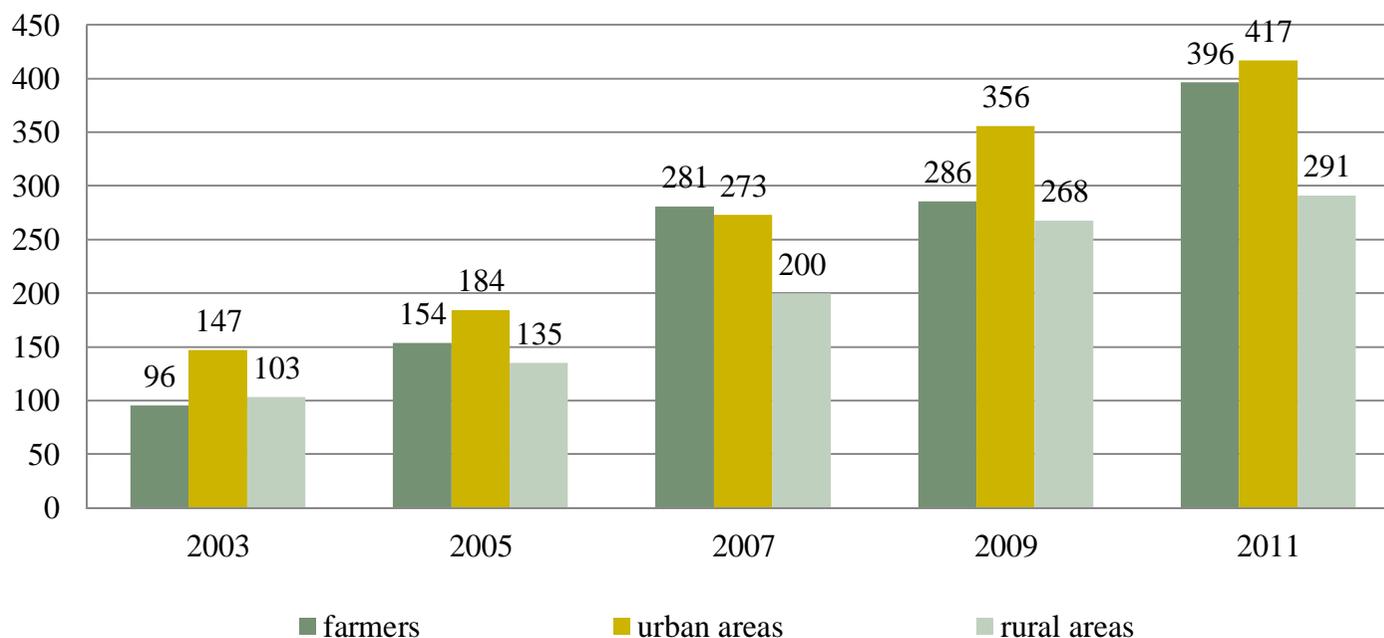
In 2010, as compared with 2004, the share of the employed in agriculture and related services in the overall employment structure decreased from 15.2 to 8.2 %. Investments caused an increase in labour productivity and farmers' income. However, in recent years, the growth of labour productivity has slowed.

# The possibility of social conflict



State policy is aimed at supporting employment in the countryside and reducing property differentiation as the farming is the equivalent of small and medium-sized business in other spheres, and the bigger the middle class segment in the countryside, the smaller the risk of social conflicts in the society.

Average disposable income per household per month by place of residence, EUR



# Priority entities for agricultural support in Lithuania in 2014-2020





Thank you for your attention

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