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## **The role of systems and evolutionary approaches to agricultural and rural policy measures: lessons from Lithuania**



**Scientific problem.** When European countries started to cooperate economically in 1951, only Belgium, Germany, France, Italy, Luxembourg and the Netherlands participated. Over time, more and more countries decided to join. In 2013 the European Union (EU) reached its current size of 28 member countries with the accession of Croatia. The admission of a new Member State poses a major challenge for the single EU economic policy makers since they need to take account of the national specificity of such Member State. The need to adapt to the specificities of the new Member States became particularly apparent after a considerable number of countries, which had no market relations or experienced major limitations of the planned economy, joined the EU. The needs of those countries were quite different from those of the old Member States and required a new approach towards the economic development. The efforts to coordinate the agrarian sector development policies in all Member States gave rise

to particularly big challenges since the differences between the socio-economic indicators for rural areas in the EU-15 and the new Member States were striking [11]. Furthermore, reforms in the agricultural sector require more time than in the industrial or service sectors due to the economic and social relations in the rural areas that are more difficult to transform than in the cities.

Created as an instrument to address the problem of food shortages in Europe after the Second World War, the EU Common Agricultural Policy (CAP) has been subject to significant changes with new aims and objectives responding to the actual situation. To integrate new countries into the continuously evolving system of governmental support for agriculture and rural development, there was a need to define a theoretical framework of the key rural policy ideas, to demonstrate how and why the focus of the rural policy and the main features of the implementation of political decisions were changing, and to find ways to assess

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whether the proposed policy measures were relevant to the new Member States.

**Analysis of recent researches and publications.** The efforts to find the best solutions to define the CAP and the rural policy of the enlarged EU revealed a lack of theoretical approach. There are no holistic concepts or methods that would allow taking into consideration the differences between the new and old Member States, while agrarian policy decisions take into account only the factors affecting agriculture. In the meantime, the systems approach, which sees an analysed object as a system representing a part of a larger system [1] and requires to evaluate the role of the agricultural sector and its potential to affect the economy of a Member State or the EU, is rarely referred to. Although the emergence of new ideas and their integration into practical decisions of the rural policy are closely related to the changes in the general economic development theory and practice, there are quite small numbers of published works, where the analysis of rural policy ideas is based on the systems approach. This approach earned most attention at the initial phase of the CAP implementation, when urban economy and rural economy were clearly distinguished pursuant to the dual economy model proposed by W. A. Lewis in 1954 [15]. As a result, the rural development concept started playing the most prominent role in the general development theory [3], while rural policy became a separate sector of public management in developed countries with its own budget and specific management motives, aims, and measures. The dual economy model suggested by W. A. Lewis was improved in 1964 by G. Ranis and J. Fei [7]. The improved dual economy model focuses on the mechanism of economic development and specifies methods and resources (surplus labour in the traditional sector, savings of agricultural workers, on the one hand, and agricultural machinery produced by the industry, on the other hand) that could speed up the development process. The efforts to reduce rural-urban migration often had recourse to Harris-Todaro model, which explains migration through income differentials between rural and urban areas [12]. Furthermore, major contributions to the investigations of the agricultural impact on the overall economic system

were made by B. J. Johnston and J. Mellor [14]. Since the 1960s, when economy development models started assuming an increasingly complex character, developed countries extended the regulation concept that was used in other sectors of the economy and urban areas to the agrarian sector and rural areas and, consequently, the aim of improving competitiveness was brought to the fore. Pursuant to M. Porter, who claimed that "competitiveness is a bottom-up process in which many individuals, companies, and institutions take responsibility" [17, p. 24], rural policy, just like general economic and regional policy, highlighted the importance of cooperation between rural citizens and the authorities and paid increasing attention to improving the capacities of an individual farm to export their products.

As the 21st century dawned, mankind was increasingly confronted with different crises: natural disasters and climate change, a financial crisis and a global economic recession, a food and fuel crisis. While people were trying to find a way out of those crises, the concept of sustainable development policy has been increasingly used. Although the concept of sustainable development emerged in the 1970s, its content in the theory of the development policy was not clearly defined. At that time practical decisions of economic policy mostly focused on sustainability in the narrow sense of the word. At the level of national economy, the environmental dimension of sustainability was emphasised, while the rural policy also highlighted farm and rural household sustainability focused on the economic and social dimensions of sustainability.

Recently, the theory of rural development pays increasing attention to the evolutionary approach that allows comparing the rural policy objectives and their implementing measures relevant to the stage in the evolution of the agrarian sector of the old and new Member States. However, research in this field is scarce. The situation is aggravated by the fact that some of the publications are in the national languages of the new Member States and thus they are not accessible to a wider readership. The latest works based on the evolutionary approach that need mentioning are [2; 4; 5; 6; 8; 9; 10; 13; 16; 18; 19].

**The objective of the article** is to analyse the main challenges and to evaluate the impact of the EU agrarian policy measures to agrarian sector development of Lithuania taking systems and evolutionary approaches.

**Statement of the main results of the study.**

The Lithuania became the member of the EU in 2004. From the perspective of the agricultural sector, the decade of the membership in the EU was rather erratic, characterised by climate change challenges and financial difficulties caused by the global crisis. The EU support under the Common Agricultural Policy (CAP) helped Lithuanian producers and processors of agricultural products to deal with new risks and to pursue their business activities. Although agriculture had been identified as a priority branch of the country's national economy and received support from the national budget already before Lithuania became a member of the EU, neither the scope nor the diversity of measures of the national aid could compare to the support that became available after the accession. Lithuanian farmers and entities engaged in farming activities started receiving support through direct payments and measures of rural development programmes financed by the EU. Compared to the support available till then, the farmers could avail themselves of huge amounts of money. In 2004 through 2014, the amount of the EU direct payments came up to EUR 2,641 million. A further EUR 777 million was contributed by the national budget of Lithuania. Another support measure – support for rural development – was of crucial importance not only to farmers but also to rural population in general and over the period from 2004 to 2014 it amounted to EUR 2,286 million (from the EU and Lithuanian national budget).

The EU support gained special relevance in the light of the new farm structure prevailing after the re-establishment of Lithuania's independence. The Soviet farming system was fully transformed by means of land restitution. In a very challenging environment, new Lithuanian farmers had to go the whole length of farm establishment and organisation despite their lack of financial resources and business management knowledge. The land reform launched following the declaration of independence not only introduced major changes in the ownership structure,

but also substantially slimmed down the basic agricultural infrastructure of the past. The reform resulted in reduced arable areas, decreased numbers of livestock, and lower volumes of agricultural output. Due to low incomes, agriculture came to be economically unattractive when compared to other economic activities. The EU membership provided the national Lithuanian agricultural policy with CAP resources and experience of implementation.

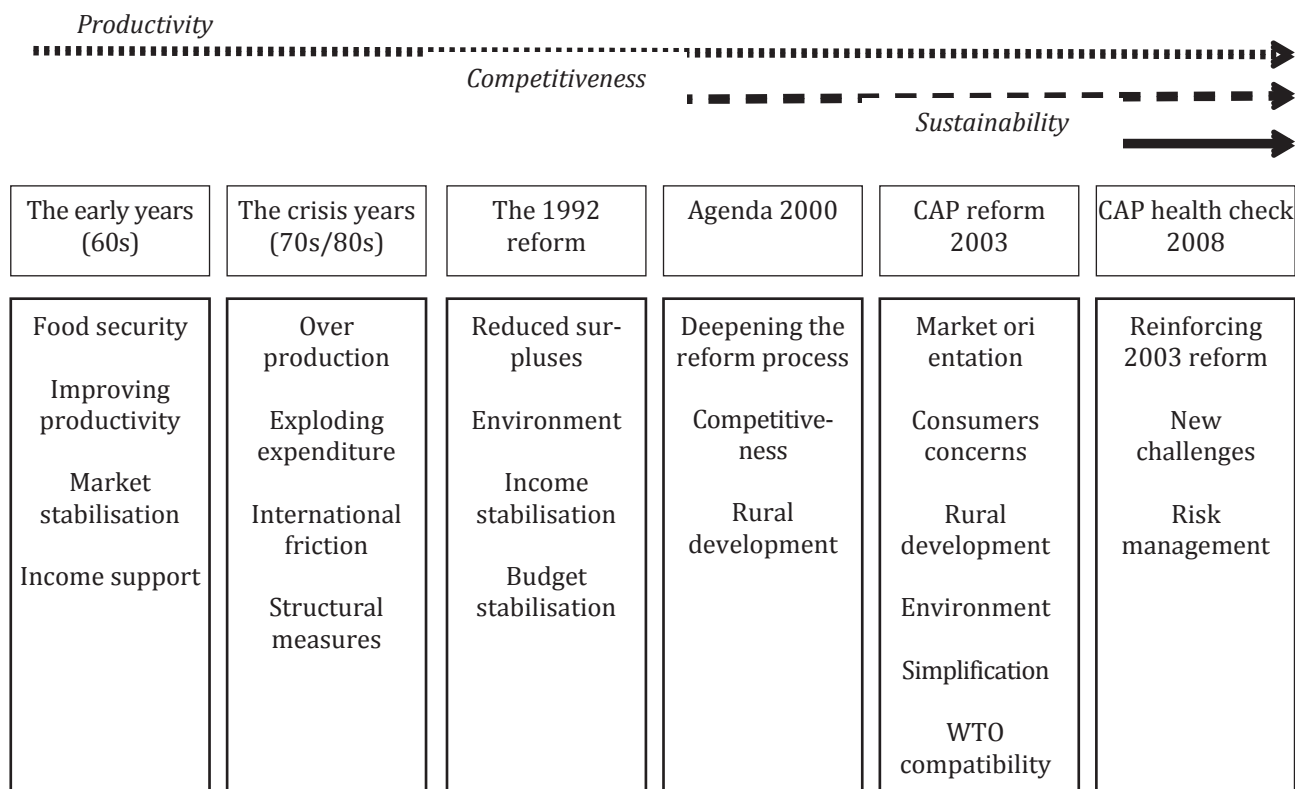
Since the start of the implementation of the EU agricultural policy instruments in the Lithuanian agricultural sector in 2004, Lithuania has seen an emerging problem of the compatibility of the CAP and national objectives as perceived by the farmers and agricultural policy makers. Throughout the life of the CAP, the objectives of the policy have been changing in the light of the challenges in agriculture and the need to have the CAP objectives matched with public expectations. Since CAP changes represent the result of multilateral negotiations between different interest groups, this process was characterised by inconsistency resulting from political compromises. Both scientists and the policymakers find it difficult to break the CAP into stages and to identify when one stage ends and another starts. Nevertheless, the European Commission (EC) maintains that three stages can be distinguished with respect of the main objectives of this policy: improvement in productivity, promotion of competitiveness, and sustainable development (Figure 1).

By their nature, the CAP objectives were evolutionary. Created in response to food shortages in Europe after the Second World War, the aim of the first CAP stage was to increase the volumes of agricultural output and to improve productivity. The growth in productivity not only guaranteed food self-sufficiency, but also led to an increase in the farmers' income and absorbed the fast reduction in the numbers of persons employed in agriculture consequent on the migration of population from rural to urban areas.

The CAP objectives of the EU agricultural competitiveness were adopted in response to the problems caused by the support measures of the earlier period. The focus on growth of agricultural output prompted the problem of overproduction in the EU, which put the farmers in danger of bankruptcy. This situation was tack-

led within the framework of export promotion measures, which encouraged disposal of agricultural surpluses to third countries and an increase of agricultural output prices in the domestic market, and market regulation instruments such as intervention buying and private storage. The latter increased the food prices in the domestic market and consequently the users were forced to use their private money to pay for this policy again. Furthermore, the trans-

formation process was promoted by changes in the structure of rural population employment. Industrialisation of agriculture drastically reduced the numbers of persons engaged in agricultural activities. Therefore rural policy measures, which gave access to support to all rural population rather than the farmers only, were applied in parallel with direct payments and market regulation measures intended to support agriculture.



**Figure 1. Evolution of the CAP**

Source: European Commission Agricultural and Rural Development. 2011. The CAP in Perspective: from Market Intervention to Policy Innovation. Agricultural Policy Perspectives Brief No 1, January 2011 [Interactive]. Available from Internet <[http://ec.europa.eu/agriculture/policy-perspectives/policy-briefs/01\\_en.pdf](http://ec.europa.eu/agriculture/policy-perspectives/policy-briefs/01_en.pdf)>.

The emergence of sustainable development ideas in the agricultural and rural policy was driven to a large extent by public expectations of safe and clean environment and preservation of natural resources for future generations. The industrialised and monocultural agriculture oriented toward increase of productivity and reduction of production costs came to be a source of chemical pollution posing a risk to biodiversity and the danger of soil erosion. Furthermore, social problems in the EU rural areas became equally important. Owing to shrinking levels of employment in agriculture and difficult conditions for starting alternative businesses in rural areas, the migration outflows

from more remote rural areas into urban areas remained large. The migration of rural population damages the vitality of communities and most importantly becomes a threat to agricultural activities: some regions have increasing areas of abandoned land. In the light of increased risks associated with globalisation and climate change, which pose threats to farm viability, diversification of activities and other risk management measures became essential in effort to increase the sustainability of farming activities.

The arsenal of the CAP support instruments allowed Lithuania to pursue the objectives that had been implemented by the old EU countries

in the earlier policy stages. That is one of the reasons why throughout all programming periods since 2004 Lithuania has been seeking to use a wider set of support measures while at the same time the old Member States of the EU were concentrated on the priorities of sustainable development of agriculture. The 10th anniversary of Lithuanian membership in the EU provides a great opportunity to review the achievements in agriculture in an effort to achieve the objectives of productivity, competitiveness, and sustainable development by the use of support instruments.

*Productivity.* The issue of food security has never been a serious concern in independent Lithuania. According to the Department of Statistics, in 2004, the output in Lithuanian agricultural sector exceeded the domestic consumption. Per capita agricultural production included 864 kg of grain, 112 kg of vegetables, 302 kg of potatoes, 547 kg of natural milk, 255 eggs, and 65 kg of meat (carcasses). In the above year, one Lithuanian citizen consumed 127 kg of cereal products, 99 kg of vegetables, 124 kg of potatoes, 302 kg of milk and milk products, and 215 eggs. At the beginning of the EU membership, only meat and meat product consumption (71 kg per person) exceeded the production because the meat production volumes shrank due to the reduction in the animal numbers. Therefore, after the Lithuanian accession to the EU, the objective of improvements to agricultural output was set for reasons not due to a need to address the problem of food shortages unlike in other EU countries at the start of the CAP.

The policy orientation toward improvements to agricultural output was driven by the understanding of Lithuanian farmers that larger production volumes meet the needs of the society and generate higher incomes for the farmers. In 2004, most of the farming experience had been gained by the farmers in the period of planned economy under the conditions of persisting deficit of food products and fixed agricultural output buying-in prices. Therefore, the problem of price decrease due to overproduction, e.g. when an export market closes, was hardly known to them. In the allocation of the EU funds for improvements to agricultural output, the priority was given to supporting invest-

ments intended to provide farms with capital. As a result, over the period from 2004 to 2014, the gross output and the prices in agriculture, forestry, and fisheries increased more than two-fold, from EUR 1,608.4 million to EUR 3,363.2 million (national accounts data). Some of this growth came from the rising agricultural output prices. According to Eurostat data on agricultural accounts, the growth of the agricultural output in response to the increase in prices in 2004 through 2013 accounted for 80.7%. That represented more than one third of the increase in the agricultural output value over this period. The gross value added generated in agriculture, forestry and fisheries was also growing. In 2004 through 2014, it climbed from EUR 760.3 million to EUR 1,133.9 million or by 49.1%.

Income support measures (direct payments and compensation aid) represented a working capital facility for the farmers, who could consequently buy modern farm machinery and use more intensive technologies. Those processes were reflected by higher intermediate consumption expenditure in agriculture. According to Eurostat data on agricultural accounts, over the period from 2004 to 2014 the intermediate consumption expenditure per 1 ha of agricultural land increased twofold. The growth of expenditure on fertilisers/soil improvers and plant protection products (2.3 and 2.5 times, respectively) was faster than the average. Due to increased farm equipment fleets their repair and maintenance costs swell 3.1 times. During the analysed period, the key growth item was agricultural production costs, which are not classified in the group of material costs: other goods and services increased even 3.8 times (this cost group covers a very broad range of goods and services: lease of industrial buildings and long-term assets, salaries for consultants, surveyors, and accountants, communications and transportation costs, insurance premiums, bank charges and costs of financial intermediation services, permit and licence fees, cooperative and trade union membership fees, etc.).

Modern technologies gave rise to an increase in the technical efficiency of agriculture and consequently agricultural output. In 2004 through 2014, the yield of cereal rose by 22.5%, sugar beet for processing by 53.9%,

field vegetables by 24.5%, and potatoes by 33.3%. In the livestock sector, the milk yield per cow demonstrated a growing trend. In 2014, this indicator increased by 35.7% over 2004 – from 4,176 kg to 5,665 kg. The data of economic accounts for agriculture show that owing to higher crop and livestock yields the value of agricultural output per 1 ha of agricultural land grew from EUR 475 to EUR 859 or by 80.6%.

Over the period from 2004 to 2014, the gross value added (GVA) of agriculture (excluding direct payments) per one agricultural worker in full time unit grew up 2.8 times – from EUR 3.4 thousand to EUR 9.4 thousand. Thanks to improved labour productivity, Lithuania was able to reduce the disparity of this indicator with the EU-15 average and to successfully outstrip the levels in EU-12. The value added per capita created in Lithuanian agricultural sector in 2004 accounted for only 11.9% of the average labour productivity in EU-15 and 91.9% of the average in the new Member States. In 2014, it was 30.4% and 154.1%, respectively. Just as in the old EU Member States, industrialisation of agriculture in Lithuania became the cause of reduced employment in this sector. According to Eurostat data, in 2004 through 2014 the numbers of employees in agriculture, forestry, and fisheries decreased from 165.4 thousand employees in full time unit to 147.0 thousand or by 11.1%.

*Competitiveness.* The issue of competitiveness in agriculture was particularly relevant in Lithuania, which produced more agricultural products and foodstuffs than it consumed. Foreign trade was strongly influenced by the Lithuanian membership in the EU, which opened up the opportunity of free trade in the common market. After accession, export subsidies from the EU budget became available to Lithuania. Those payments were made to improve the competitiveness of Lithuanian products in the EU Member States in third-country markets.

Compared with the export levels in other sectors, in 2004 through 2014 the exports of agricultural products and foodstuffs were experiencing exceptional growth. In 2004, it came up to EUR 856 million or 11.5% of the total exports. Over the period from 2004 to 2014, the export volumes of those products increased

5.4 times and in 2014 reached EUR 4,662 million or 19.1% of the national export structure. From the perspective of the contribution of Lithuanian agriculture and food industry, there was a clear trend that the growth of the export levels of agricultural products and foodstuffs was driven not only by the growth of exports of products originating in Lithuania, but also by increased volumes of re-export. In 2004, re-exports of agricultural products and foodstuffs came up to EUR 114.2 million, compared to EUR 1,621.3 million in 2014 – more than 14 times up.

Sector specialisation based on the comparative advantage has a particularly strong impact on the export structure of Lithuanian agricultural products and foodstuffs. The competitiveness of the agricultural sector and its contribution to the national trade balance and economic growth in general depends on the choice of products that should dominate in the Lithuanian agricultural structure and the availability of the best alternative resources for their production and other competitive advantages. At the time Lithuania became independent and later, all strategy documents guiding the rural policy (Priority 4 of the Single Programming Document (SPD) of Lithuania for 2004–2006, Rural Development Programme (RDP) for 2007–2013) identified livestock farming as a priority. However, since accession, the structure of the Lithuanian agricultural output has been consistently changing in favour of crop growing. In the first years of independence, the decline in the numbers of animals resulted from the new farm structure that emerged after the land restitution and privatization of the agriculture.

After accession, this process was also attributable to the use of the EU support. With the view of a larger dairy farm, which in 2004 was only 2.6 cows, rural citizens approaching retirement, who had a small number of cows, were suggested to transfer their holdings, in return for a consideration, to larger and thus more competitive farms. However the successors usually changed the farm operations from livestock to cereal and rapeseed production. Upon Lithuanian accession, EU institutions established a model of direct payments from the Lithuanian budget based on the expectation that it would not lead to an increase in the produc-

tion volumes or surplus problems but would rather motivate the farmers to be flexible and to make their own choices of what to produce with regard of the market needs. Therefore the amount payable to a farm was not specifically tied to the production volumes or output types. The support amount depended on the number of agricultural land hectares the farmer declared. However, this support model failed to eliminate an impact on the output structure. Greater support was received by farms with less capital and labour intensive production per one hectare of agricultural land. Because of this support model, Lithuanian farmers opted for growing cereals and rapeseeds. Over the period from 2004 to 2014, the structure of the agricultural output changed in favour of crop growing.

Agricultural producers' determination to reduce animal numbers and to increase cereal and rapeseed areas shaped the changes in the export structure. After the restitution of the independence, the key exports of Lithuanian agricultural and food sector were milk and dairy products. After accession, those products have retained their leading position, although their share in total exports of Lithuanian origin has been steadily decreasing – from 30.2% in 2004 to 19% in 2014 – despite the fact that over the decade its value increased 2.4 times. Cereals also kept increasing their exports share. Furthermore, this growth was supported by the shrinking feed grain demand in the domestic market, which was caused by the decreasing animal numbers. According to the data of the Department of Statistics, in 2004, cereals accounted for 9.2% of Lithuanian agricultural exports. Over the ten-year period this share came up to 19.2%. With growing rapeseed crop areas their export also increased. In 2014, the export of oilseeds, straw and fodder increased 4.3 times over 2004. Although cereal and rapeseed export is profitable for economic entities and exporters, selling cereals in foreign markets means that Lithuania brings out a raw material, i.e. a product with the lowest value added. Changes in the structure of agricultural exports reflect a shift from livestock to cereal and rapeseed production in the long-standing orientation of the Lithuanian agriculture, which was best suited for natural conditions. In effort to reverse this process, in 2010 Lithuania started paying

some of the direct payments to beef cattle, sheep and goat breeders. In view of the negative experience, when the support strengthened large farms only, the payments were differentiated, taking account of the number of animals kept on a farm, and consequently smaller farms received bigger livestock aid.

Changes in the specialisation of agriculture gave rise to the growth of imports of raw materials for the food industry. Owing to the increasing export potential and decreasing animal numbers, some of the Lithuanian agricultural production volumes became insufficient to satisfy the need of raw materials for food industry, which led to a fast growth of their imports. According to the data of the Department of Statistics, from 2005, when raw milk imports started, to 2014 its imports increased 10.7 times – from 39.5 to 421.9 thousand tons, while its average price went up 1.2 times – from EUR 275.3 to EUR 332.2 per tonne). Already in 2004 Lithuania was importing small quantities of meat existed, however from 2004 to 2014 meat imports were growing very fast and the imported meat value increased 3.2 times. Pork imports experienced exceptional growth and in 2014 it was 3.6 times up from 2004. Statistical data show that in the same period live animal imports were also increasing. In 2014, the imports of bovine animals accounted for EUR 2.6 million, compared to EUR 0.9 million in 2004; the imports of pigs came up to EUR 19.7 million and EUR 1.4 million, respectively.

*Sustainability.* Upon Lithuanian accession, the CAP was putting increasing emphasis on the importance of sustainable development in agriculture. In agricultural policy, sustainable development meant a shift from the objectives of productivity and competitiveness to the priorities of improving farm viability and reduction of farming risks. The agricultural sector ranks among higher risk businesses since apart from commercial and financial risk factors agricultural performance is also affected by natural conditions. In order to reduce risks, the CAP proposed risk management techniques including diversification and insurance of activities, loan guarantees, etc. However, in Lithuania there was only a marginal use of those tools compared to the productivity and competitiveness promotion measures. For instance, a new

system of managing farmers' economic risks resulting from natural causes was launched in 2007. Farmers were encouraged to earmark a percentage of their revenues for insurance so that they could get coverage in the event of a loss. Furthermore, they were entitled to have their insurance premiums partly covered by the State. However, in 2013–2014, insured crops accounted for only 212 thousand ha or 7.6% of the total declared crop area in 2014. The low degree of the use of risk management measures among the farmers was influenced by the fact that the payments received by the farmers substantially reduced income fluctuations, catered for sustained farm revenues, and turned agriculture into a profitable business even in an unfavourable year. The business risk reducing policy role strengthened in 2004, as the launch of the EU support instruments in Lithuania triggered a rapid growth in different payments from the EU and national funds to agricultural entities. According to the data on agricultural accounts, in 2004 through 2014, the annual amount of payments went up from EUR 174.3 million to EUR 449.2 million or 2.6 times. In 2004 through 2014, the growth rate of agricultural factor income (a macroeconomic indicator of the total of agribusiness revenue, wage costs, and payments) in Lithuania was way ahead of the average growth of this indicator in EU-27 (the comparison includes only the states, which were the EU members in 2004). According to Eurostat data, the average growth of this indicator in EU-27 over the said period was only 10%. Lithuania had the fastest-growing agricultural factor income in the EU – even 2.3 times. Similar trends were also observed in other new EU states, e.g. in Estonia and the Czech Republic the factor income increased 1.8 times, in Poland – 1.9 times, and in Slovakia – 1.6 times. The rapid growth in the new Member States can be explained by extremely low farmers' income levels before the accession. Factor income per one agricultural worker in full time unit grew even faster – 2.6 times. Only Estonia enjoyed a faster growth rate. Here the factor income per worker increased 3.2 times. In Lithuania the growth of this indicator was driven by the drop in agricultural employment. According to Eurostat data, in 2004 the average number of agri-

cultural workers came up to 165.4 thousand, whereas in 2014 this number dropped to 88.8% of the number of workers in the year of accession, i.e. to 147.0 thousand.

Alongside the economic dimension of the sustainability, an important task of the CAP is to contribute to finding solutions to environmental and social challenges in rural areas. The EU regulations placed particular emphasis on environmental issues, including possibilities to support environmentally friendly methods of farming and measures to protect biodiversity, and compensatory payments for lost income. An extensive list of environmental measures was included in the programmes implemented in Lithuania. However, in 2004 through 2014, the most notable progress in the implementation of the European environmental protection objectives was made through promotion of organic farms and increase of agricultural land areas for organic farming. One of the main reasons why this measure proved to be so popular among farmers was its consistency with the objectives of the growth of organic output and promotion of competitiveness – the support boosted the comparative advantages of organic production over traditional farming. This led to a significant increase in large farm involvement in the process of organic farming. In 2014, the average organic farm size was 68.3 ha, compared to 36.5 ha in 2004. The numbers of organic farms and areas certified in organic farming were experiencing exceptional growth. In 2014, Lithuania had 2,457 organic farms – 2.1 times up from 2004, when 1,178 farms, including fish farms, were engaged in organic farming on 43 thousand hectares. This was a 2.1-time increase in the number of farms and a 3.9-time increase in the farm area, which came up to 167.5 thousand ha.

Sustainable development in agriculture is not possible without new developments in the farming community. The social dimension of sustainable development in agricultural policy became highly relevant due to the demographic challenges in the rural areas. Therefore measures for encouraging the younger generation to get involved in the agricultural sector were included in the CAP. Young farmers were also strongly supported in Lithuania. The data of the agricultural census of 2003 and farm structure



analysis of 2013 allow for an analysis of the changes in the demographic structure of the farmer population over the decade and the achievement of the objectives of sustainable development in agriculture from the social perspective. The comparison of the structure of the farmer population in full time unit in 2003 and 2013 reveals that the share of persons under 44 in the total number of workers increased from 45.9% to 48.6%; however, the numbers of young farmers followed the decrease in the absolute number of workers. Over the 10-year period, the number of workers under 44 reduced by more than a fifth or 21.5%. One of the reasons behind this process was the fact that the support received by some small and medium commercial farms was insufficient to upgrade the production cycle and to boost viability. Due to the support model promoting income stratification, the CAP measures only had a limited impact on poverty reduction among rural population. The data of the Department of Statistics show that a rapid increase in the volumes of direct payments, which serve as a measure of farmers' income support, the poverty indicators in rural areas went much higher than the average in Lithuania. In 2013, the poverty risk gap in rural areas was 26.3%, compared to 28% in 2007. In 2013, the at-risk-of-poverty rate before social transfers (pensions excluded) was 42%, compared to 38.5% in 2007. Since agriculture remains to be an important employer for rural population, the poverty indicators show that the EU support has spread very unevenly among rural households and it had only a limited impact on sustainable social development in agriculture.

### **Conclusions.**

1. Research shows that the evolutionary approach towards the development of the society, where it is viewed as a life cycle consisting of inevitable development stages, would have eliminated many of speculative and fruitless discussions when an agrarian or rural policy idea is taken out of the context and proposed without taking account of the subject that is/will be using it or the specific features of the time period. Subject to accession to the EU or any other international organisation with a single agrarian and rural policy, each country has to evaluate its stage of evolution and to com-

pare it to other countries. Such assessment helps to adapt to the single policy model applied in the organisation and to achieve greater success in using the support for development of the agrarian sector and improvement of life quality in rural areas, which may be offered by such organisation. Furthermore, it will eliminate side effects, which emerge when a country introduces rural policy measures it is not ready for.

2. The researches and agrarian policy makers from other new Member States came to similar conclusions and therefore in 2020 the EU is launching an updated CAP and rural policy model with enhanced requirements for the Member States to implement economic, social and environmental risk mitigation measures. Furthermore, the CAP has given the countries more responsibility in choosing the most suitable support measures for these objectives to be achieved.

3. The Lithuanian experience of the first decade of the EU support in agriculture showed that in choosing support measures greater emphasis should be placed on the systems approach. In the first instance, it is important to assess the impact of each planned agrarian policy measure not only on an individual family farm, but also on a larger system – the agrarian sector. In the same vein, rural policy measures should be assessed regarding their impact on transformations in the income levels and life quality not only on the inhabitants in the rural regions, but also on the country, and the EU. It is equally important to align the rural development policy decisions made by the national government according the recommendations of the international organisation with the actual trends in the general economic development in the country. Analysis of the development of agrarian and rural policy ideas and measures using the systems approach helps reveal a lot of new aspects that are important in setting policy objectives and targets, selecting specific support measures, assessing the impact of policy decisions and looking for ways to improve them.

4. The lessons learned by Lithuania show that the systems approach is very helpful for the evaluation of the impact of the agrarian and rural policy measures on the specialisation of the

national agrarian sector. Analysis of the achievements of the agricultural sector in the framework of the objectives of the CAP over the decade of the Lithuanian membership revealed that in this period there was shift in the orientation of the Lithuanian agriculture: in the output structure the share of livestock production kept shrinking and the share of crop production, cereal and rape in particular, was increasing. Unfortunately, the new orientation in specialisation was not based on the comparative

advantages of Lithuania but rather evolved as an additional support effect, since the model of direct payments implemented in Lithuania in 2007 through 2013 prompted agricultural producers to opt for less capital and labour intensive production per one hectare of agricultural land. Consequently, the income of agricultural producers and exports of foodstuffs became dependant on the support model and the business risk increased.

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