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**Subsistence farming
in Latvia**

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1. SIZE AND CHARACTERISTICS OF THE SUBSISTENCE-SECTOR

1.1. Farm and household characteristics

1.1.1. number of subsistence holdings/total number of holdings

1.1.2. types of products cultivated for subsistence, share of produced quantity per product used for subsistence

These figures will be available only in the middle of march, because of the need to develop a methodology, how the database from farm structural survey could be as the source of information.

1.1.3. Amount of monetary income from farming, from off-farm work, from other sources (capital earnings, remittances etc.)

Data giving some impression about the subject are presented in Table 1. Net income from agricultural production here represents the total income, got in kind and in cash. During last years, since these surveys are carried out according to the same new methodology, giving the comparable results, income from agricultural activities in monetary terms is decreasing. It is a result of two factors: cost- price squeeze, and also the decreased volumes of the agricultural production. Lack of employment alternatives in rural areas hampers the compensating increase of the off-farm earnings from labour or other businesses. This has lead to the increased role of social transfers in the farmers' household budgets.

Table 1. Dynamics of total disposable income and its composition in farmers' households, 1996 - 1999

		1996	1997	1998	1999
Total disposable income (per household member)	Ls, per month	47,48	47,99	46,99	42,33
Net income from agricultural production	%	45	43	39	23
Compensation for labour	%	8	7	8	8
Social transfers	%	40	43	46	62
Net income from other businesses	%	0	0	0	0
Income from property	%	0	0	0	0
Income from sales	%	1	0	0	0
Income from other transfers	%	6	6	6	6

SOURCE: CSB (1997, 1998, 1999, 2000)

There are no published statistics available, characterising the share of in kind income in farmers' households. Therefore the analysis of rural households was done in order to find a share of in-kind income in total disposable income, and also in the income, earned from agricultural activities. The results are presented in Table 2.

Table 2. Importance of in-kind incomes in the budgets of rural households (1996-1999)

	1996	1997	1998	1999
Share of in-kind income in total disposable income of rural households	0,29	0,25	0,24	0,2
Share of in-kind income in net income from agricultural production by rural households	0,85	0,79	0,84	1,1
Share of in-kind income in total disposable income of urban households	0,11	0,09	0,08	0,08

SOURCE: CSB (1997, 1998, 1999, 2000)

The opportunities of farm households to find non-agricultural employment in rural areas are very limited, their ability to migrate to the urban sector is also limited typically by the low level of their skills and also high transfer costs (also due to the low real estate prices in rural areas and growing ones in the cities). As a result agricultural households have become increasingly dependent on social transfers.

1.1.4. value of subsistence production

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1.1.5. share of consumption that is of own production

We can assume that expenditures in kind correspond to the consumption that is of own production. Based on this assumption, the analysis of household budget survey has been done, results of which are presented in Table 3.

Table 3. Share of in-kind (presumable- own produced) products in total consumption

	1996		1997		1998		1999	
	Rural	Urban	Rural	Urban	Rural	Urban	Rural	Urban
Food	0,49	0,19	0,46	0,17	0,44	0,14	0,39	0,14
Bread and cereals	0,06	0,04	0,05	0,03	0,05	0,03	0,04	0,03
Meat	0,52	0,11	0,48	0,09	0,47	0,09	0,39	0,08
Fish and f. products	0,16	0,11	0,17	0,1	0,17	0,08	0,16	0,1
Milk, cheese and eggs	0,68	0,11	0,67	0,11	0,64	0,09	0,6	0,07
Fats	0,24	0,06	0,2	0,05	0,15	0,05	0,14	0,03
Fruit and berries	0,72	0,44	0,69	0,4	0,5	0,21	0,45	0,25
Vegetables	0,87	0,53	0,85	0,51	0,83	0,45	0,8	0,44
Potatoes	0,94	0,47	0,94	0,46	0,92	0,37	0,88	0,38
Sugar	0,04	0,03	0,02	0,03	0,03	0,02	0,01	0,02
Honey, jam and confectionary	0,52	0,38	0,55	0,38	0,59	0,39	0,54	0,31
Salt, species,	0,18	0,08	0,15	0,07	0,03	0,02	0	0,02
Non-alcoh.bever	0,16	0,08	0,13	0,09	0,12	0,06	0,09	0,06
<i>Alcoh. bever.</i>	0,09	0,11	0,07	0,1	0,07	0,07	0,04	0,09

Own produced products have high importance in the food consumption in rural households (39 % in 1999), although it has a steady decreasing trend (from 49 % in 1996). Of the highest importance there is milk (60 % in 1999), potatoes (88 %), vegetables (80 %), fruit (45 %). Also in urban households own produced food still gave high importance, however significantly lower as in rural ones (14 % in 1999). The product range, excepting milk and meat products, is similar to that in rural households.

1.1.6. factors of persistence

Probably several factors have contributed to the high importance of self produced products in the consumption structure.

- ◆ **The rare settlement structure, which** contributes to the increased transaction costs to get food in the retail.
- ◆ **Not developed alternative to agriculture employment opportunities**, which could ensure the definite increase of income in cash;
- ◆ **Traditions (habits) to have (maintain) some agricultural activity**, in particular to grow potatoes, vegetables, fruits, and also to have a cow and some pigs, mainly for own consumption;
- ◆ ***Vicious circle: efficiency- scale- investments - capital costs - low prices*** (also due to high transaction costs) - *efficiency*

2. GEOGRAPHICAL LOCATION:

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3. SUMMARY: ASSESSMENT OF SITUATION AND IDENTIFICATION OF KEY ISSUES CONCERNING SUBSISTENCE FARMING

The role (importance) of agricultural activities as the income source of rural households is steadily declining in recent years. At the same time, along with the declining sectoral income, the importance of income from the marketing of agricultural produce continues to diminish. It is illustrated by the increasing share of in-kind income in the net income from agricultural production.

The falling agricultural profitability has affected all the farm structures, while there has been a noticeable fall in a number of the smallest farms, contractions of also larger farm numbers can be monitored.

Even including in-kind income, total farm and also rural household income is low, also relative to the urban one.

The opportunities of farm households to find non-agricultural employment in rural areas are very limited. As a result agricultural households have become increasingly dependent on social transfers.

Subsistence production has provided a buffer to those, who are not capable to follow the market oriented farming strategy due to their age or skill level or capital availability. That could be considered as the short term assistance, although the long term territorial development strategy is urgently required. The support to establish alternative to agriculture employment opportunities should be part of any long term strategy.

4. REFERENCES

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