

State role in agriculture – intentions and possibilities.

Some lessons from Latvia in the context of EU

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For the Conference

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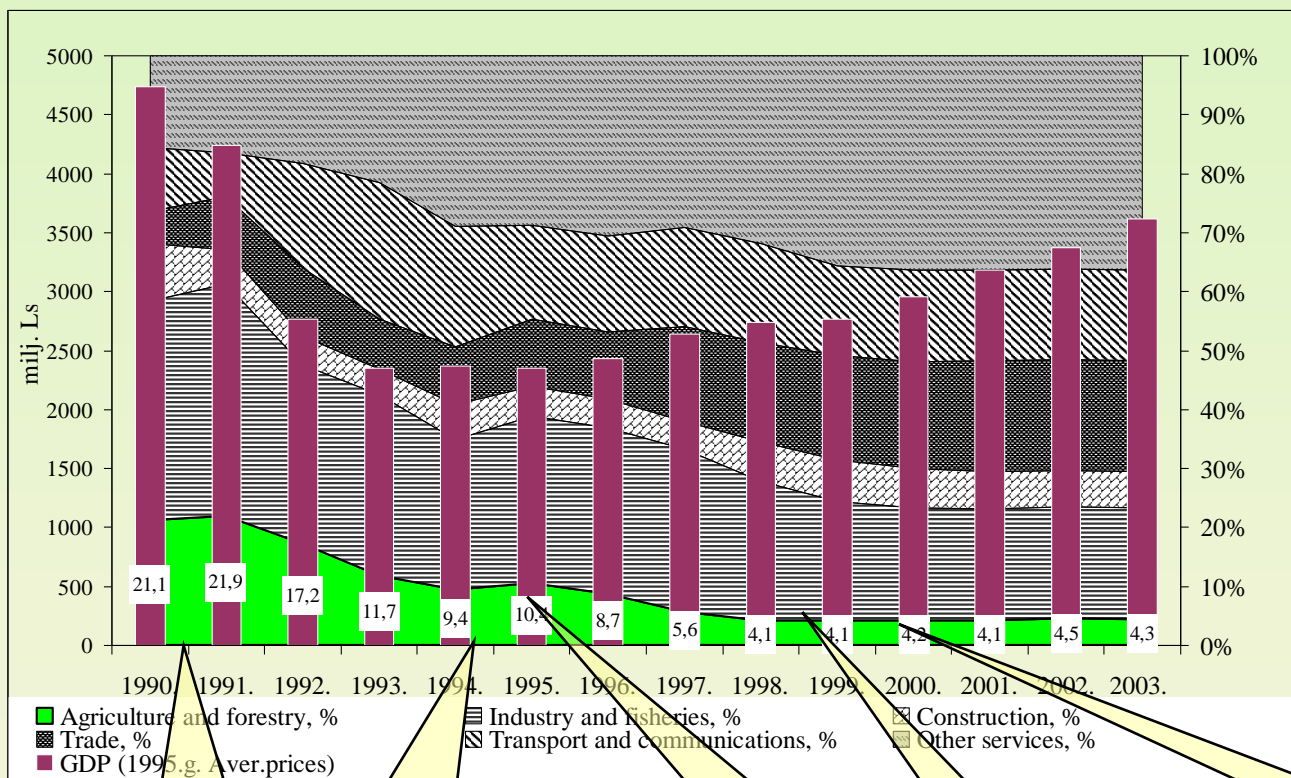
Minsk, May 26-28, 2004

Today about:

- ❑ Latvian ag-policy development background
- ❑ Policy objectives and set of measures –
 - why and how?
- ❑ State and ag-policy development
 - Defining and implementation
- ❑ Sector and policy development trends
 - after joining the EU



Ag-policies, GDP, volume and structure, Latvia, 1990-2003



Privatisation,
liberal policies

Setting support
policies- tariffs,
subsidies

Banking crisis

Asian and
Russian crisis

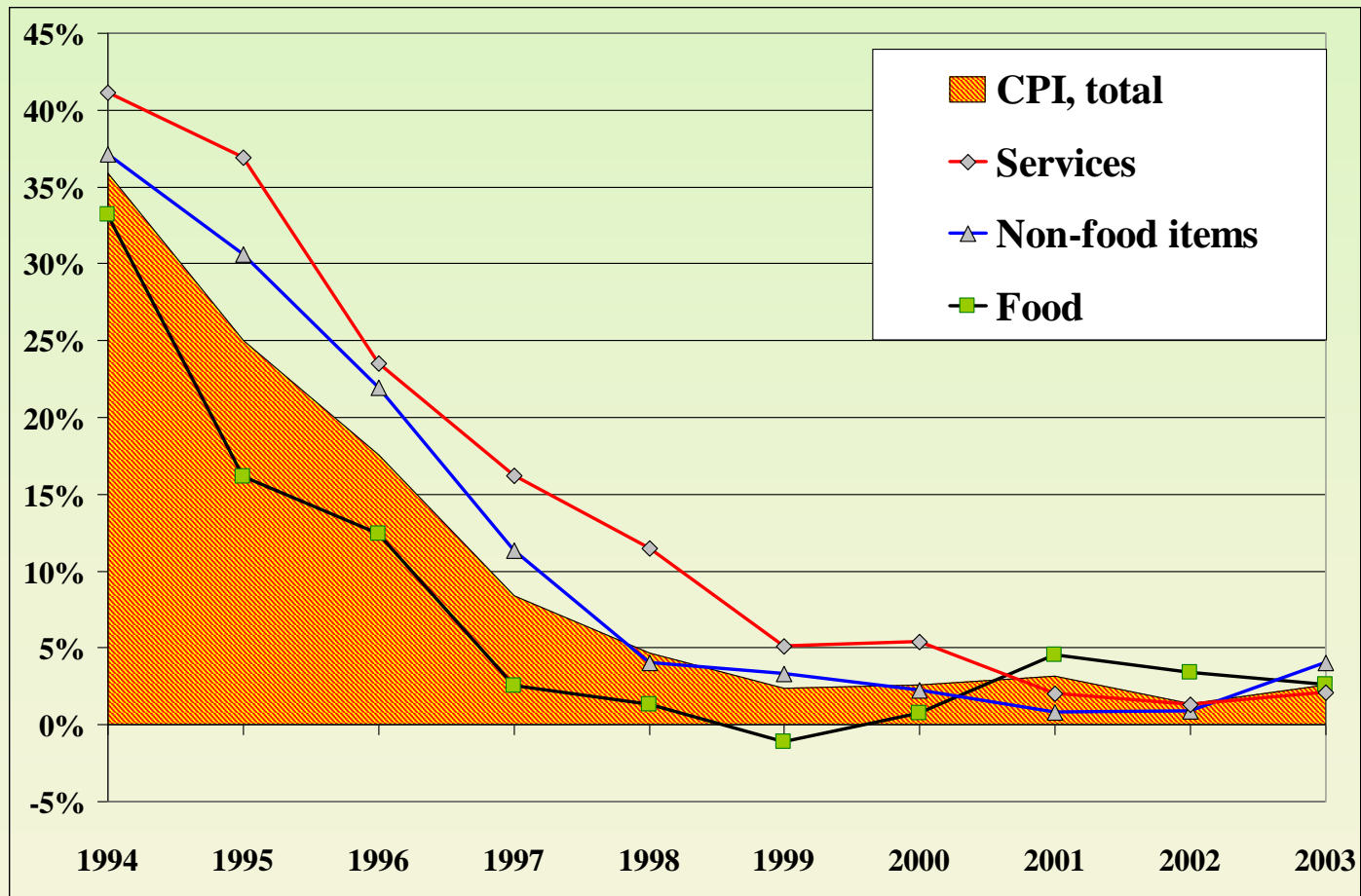
The start of
negotiations with
EU

Source: A.Miglavs, D.Jasjko, LSIAE

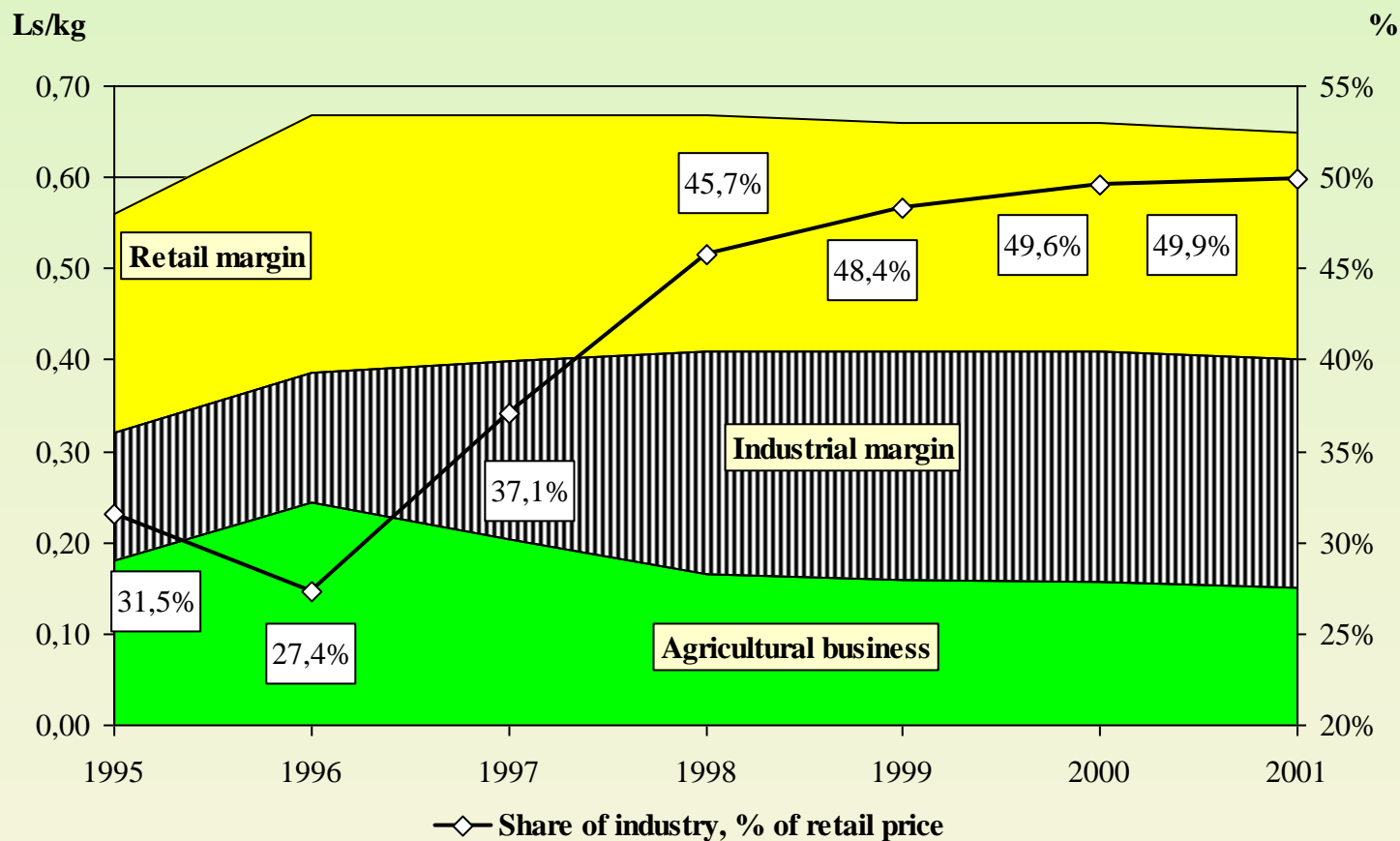


CPI development, Latvia,

% over the previous year



Composition of bread prices, Latvia, 1995-2001



Latvian ag-policy: the milestones (1)

❑ Private ownership

➤ Land

- ✓ Reform (privatisation) started in 1990
- ✓ Primary privatisation finished in ~ 1994

➤ Farming operations

- ✓ Start of the idea in 1988, continuation in 1990 (Land Reform act)
- ✓ Privatisation of col. and st. farms – 1991 – 1992 – 1994

➤ up- and down- streams

- ✓ start of the idea in 1989
- ✓ privatisation of state companies – 1992 – 1996



Latvian ag-policy: the milestones (2)

- ❑ Liberal market policies
 - free set of market prices – since 1991 - 1992
 - custom tariffs
 - ✓ introduced only in 1994
 - ✓ absolutely free trade in Baltics since 1996
 - market intervention
 - ✓ grains and sugar – from 1998
 - financial support –
 - ✓ restructuring (investment support from 1997, also SAPARD)
 - ✓ compensatory DP (per ha/animal basis) – from 1995
 - ✓ information, advisory and research (project financing)
 - ✓ infrastructure maintenance – melioration systems

Latvian ag-policy: the milestones (3)

□ Separation of roles in ag- policy

➤ private individuals

- ✓ initiative
- ✓ ownership
- ✓ responsibility

➤ state

- ✓ policy definition – vision and legislation
- ✓ implementation – institutional enforcement
- ✓ monitoring – EAA (Economic Accounts for Agriculture) , FADN (Farm Accountancy Data Network), MIS (Market Information System), CSB structural surveys



Latvian ag-policy: the milestones (4)

□ Recognition

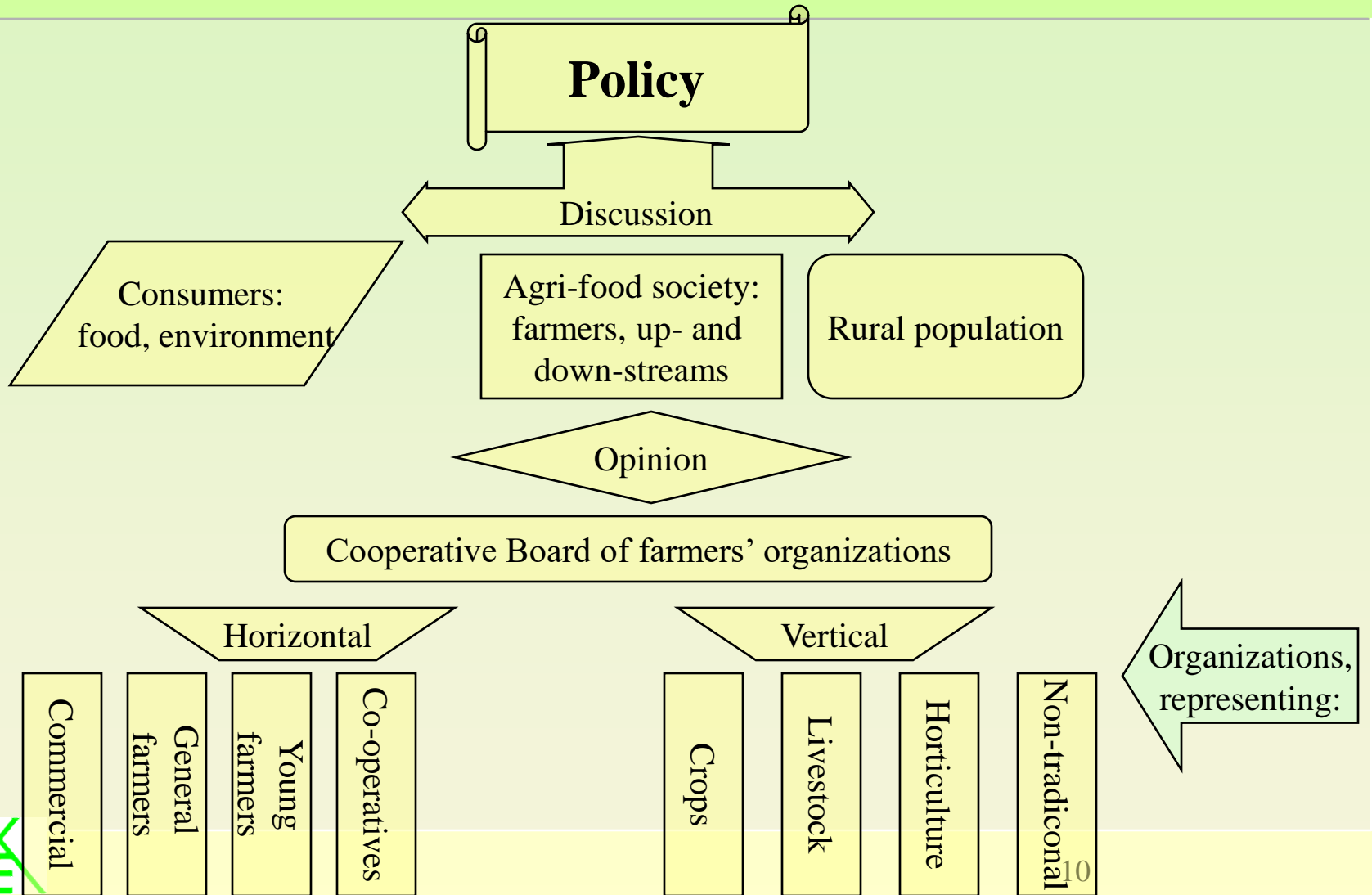
Agricultural and rural policies –

related, but not equal

- Ag- policies – productive sector of national economy –
 - ✓ as efficient as possible
 - over-employment in agriculture - source of inefficiency
 - ✓ sustainable use of resources
- Rural development policies
 - ✓ maintaining viable rural socio economic environment
 - infrastructure
 - territorial planning and complex development
 - rural non - agricultural business as employment source



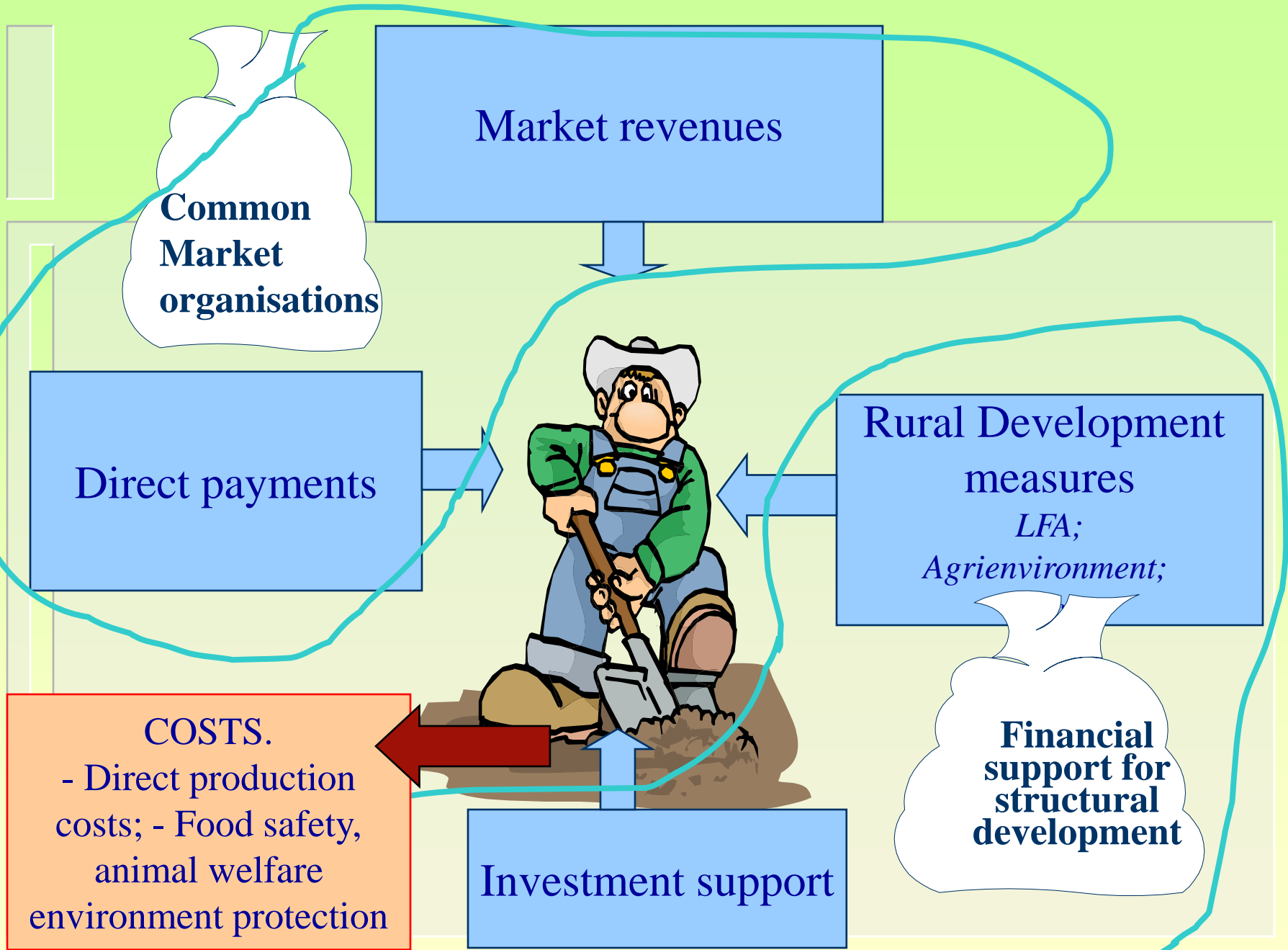
Policy development – as a never ending story of agreements



Agricultural sector as object of public policies

		Set of ag-policy measures	
		<i>Market support policies</i>	<i>Rural development measures</i>
Policy object - Agricultural sector	Production of agricultural products	Volumes and structure of agricultural products	Competitiveness of agricultural producers with limitations in production practices
	Agri-environment	Density of agricultural production and amount of resources involved	Sustainable use of environmental resources
	Production of non-tradable goods	...	Agri-land, Agri-man





Perspectives of national ag- policies after the joining EU

- ❑ EU policies – framework for national policies
 - Common market
 - Structural and RDP measures
 - Decoupled (fully or partly) Direct Payments
 - Food safety, living countryside
- ❑ National choices
 - Priorities for structural policies and amounts of co-financing
 - Rural development vs particular sector competitiveness
 - Regional disparities
 - ✓ Liberal approach
 - ✓ Variation of DP
 - ✓ Introduction of LFA measures



Prerequisites for efficient policies

- ❑ Clear vision
 - Society
 - ✓ Agricultural producers
 - ✓ Rural people
 - ✓ Consumers
 - Politicians
- ❑ Financial allocations
 - For Co-financed measures
 - For National measures
- ❑ Legal framework
 - ✓ EU documents
 - ✓ National acts
 - ✓ Programming documents
- ❑ Choice of appropriate measures
 - Production related
 - ✓ DP
 - ✓ Support for structural development
 - Environment related
 - ✓ Diversification,
 - Rural development
 - ✓ CAP related (narrow meaning)
 - ✓ Viable territory development



- ❑ Many thanks for patience
- ❑ Ready for questions
- ❑ Andris Miglavs
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