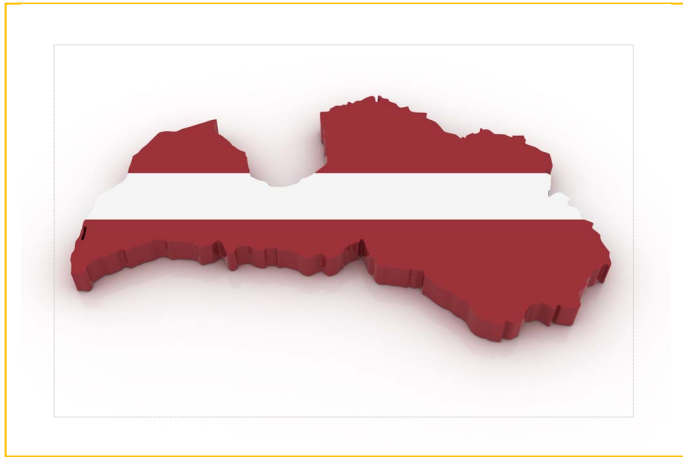


LATVIA AND THE CAP



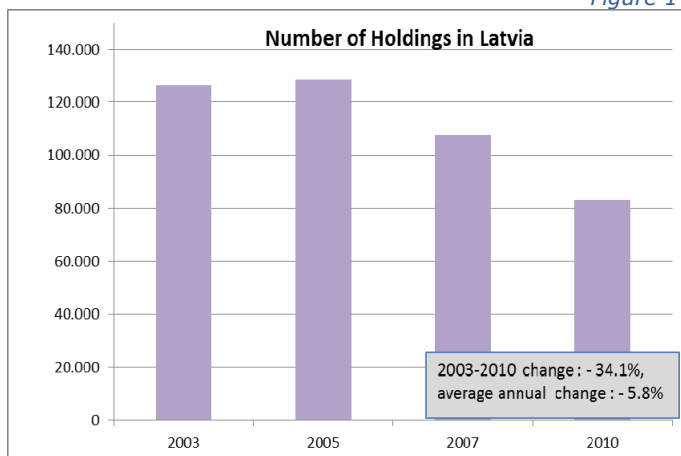
Ten years ago, on 1 May 2004, the EU enlarged from 15 to 25 Member States (and with two subsequent enlargements to 28). The balance of these ten years of EU membership is clearly positive for agriculture and the agri-food sector in Latvia.

1. Structural Adjustment

Fewer farms

The number of farms has declined by one third in Latvia since 2003.

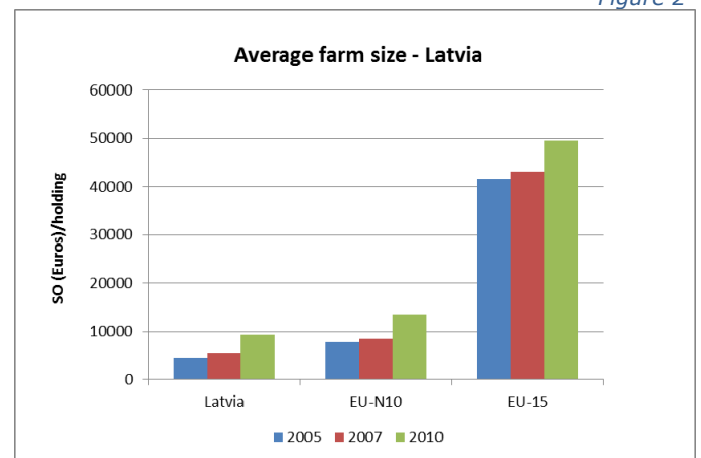
Figure 1



Bigger farms

Farms in Latvia have grown (in economic size¹) by 266% since 2005. It is one of the most dynamic countries, with the value of production/holding showing 15.4% average growth/year (EU-15:3.5% and EU-N10:11.2%).

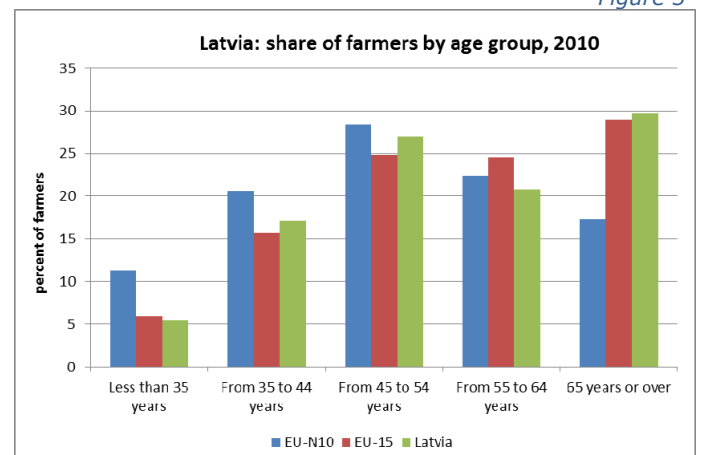
Figure 2



Age structure

In general, farmers in Latvia are older than the average for the EU-N10, with a similar age profile to the EU-15.

Figure 3

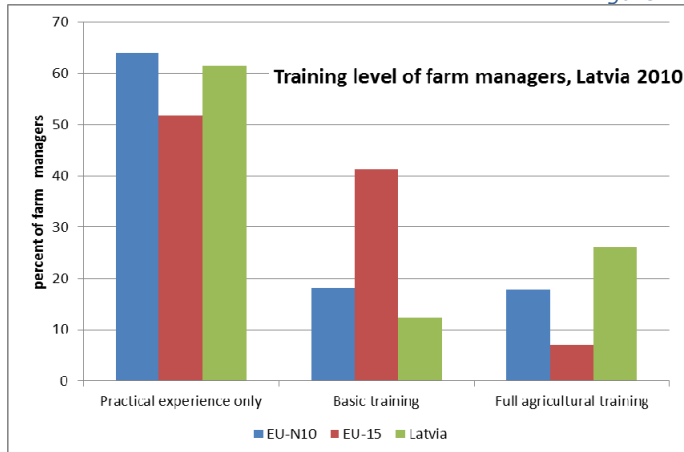


¹ Economic size is measured by the value of Standard Output (SO).

Training of farm managers

A higher percentage of farm managers in Latvia (26%) have full agricultural training than in the EU-N10 (18%) and the EU-15 (7%).

Figure 4

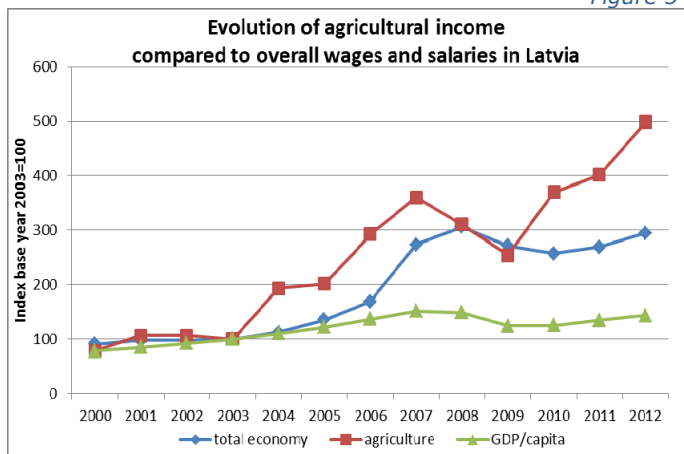


2. Income

Agricultural income rising fast

From 2003 to 2012 Latvian agricultural income² grew fivefold (+19.60% on average per year), far ahead of the increase of 195% in overall wages and salaries in the whole economy (12.8% per year) and the 44% growth in GDP per capita (4.1% per year).

Figure 5

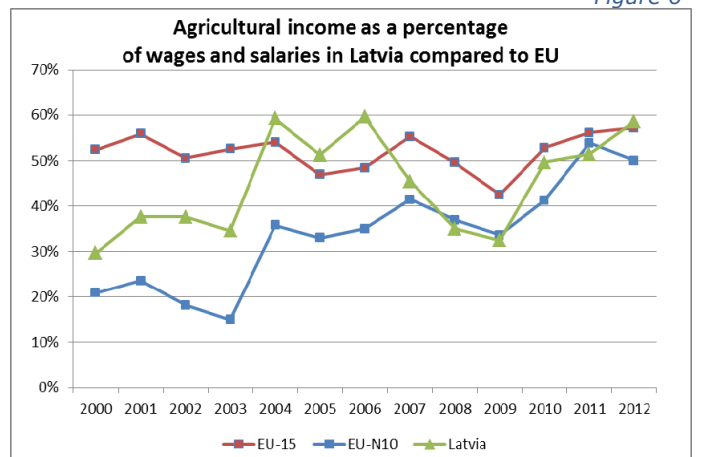


² Agricultural income is measured by entrepreneurial income per full-time non-salaried "Agricultural Work Unit", using an index with base year 2003=100.

Though still below average wages

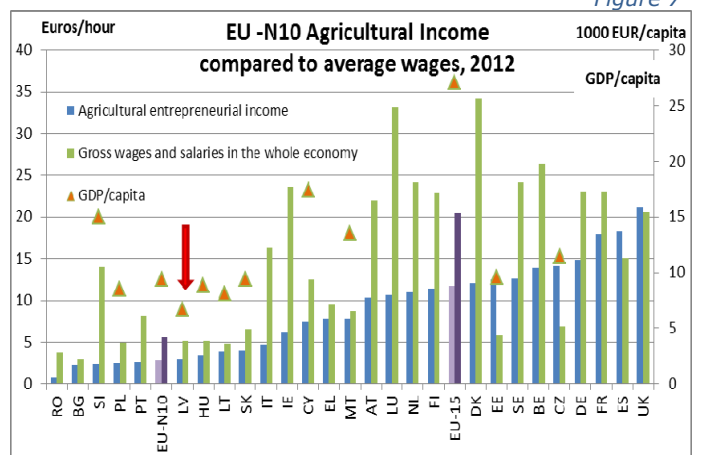
The level of agricultural income in Latvia is lower than average wages and salaries in the whole economy, as is the case for the EU-N10 and the EU-15. By 2012 agricultural income reached 59% of average earnings, just slightly higher than that of the EU-15 (57%), albeit from a lower base in terms of absolute earnings.

Figure 6



Compared to the EU-15, in 2012 agricultural income in Latvia (hourly earnings of €3.0) was 26% of the level in the EU-15 (€11.70). The average hourly wage rate for the whole economy was 25% of the EU-15 level (€5.20 compared to €20.40). This should be seen in the context of Latvia's relative GDP/capita, also 25% of that of the EU-15.

Figure 7

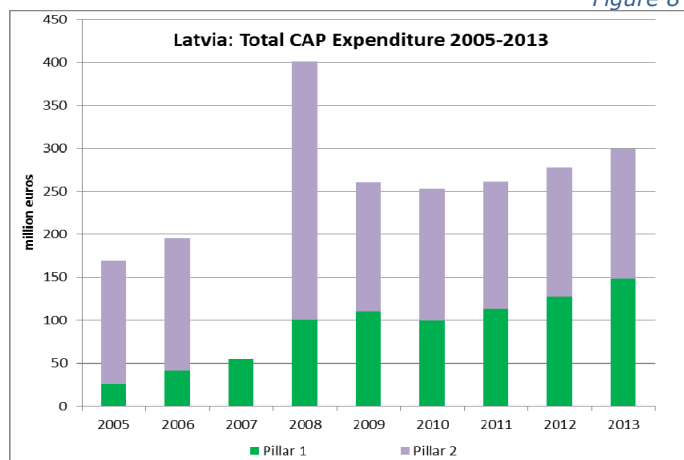


3. CAP Expenditure

Funding for rural communities and supporting farm incomes

Over the period 2005-2013, total CAP spending in Latvia was 2.2 billion euros. Latvian farmers received over 800 million euro in direct aids and market support to support farm income (Pillar 1) and almost 1.4 billion euro was spent modernising agriculture, making it more sustainable and developing rural areas (Pillar II).

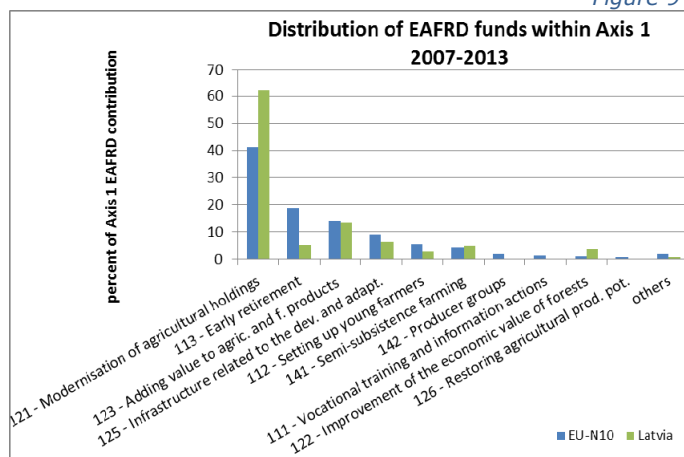
Figure 8



Investing in competitiveness

The largest share of funds under Axis 1 went to investment aid for modernisation of agricultural holdings in Latvia, followed by schemes which add value to production.

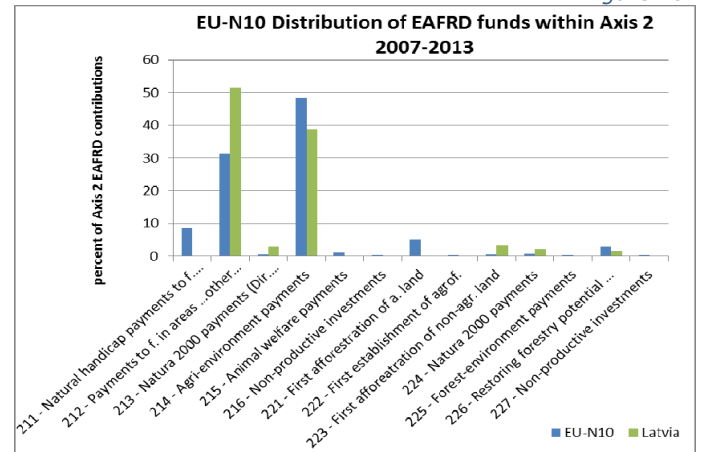
Figure 9



A more sustainable agriculture sector

Within Axis 2 over half of Rural Development money was spent on areas with natural handicaps and nearly 40% on agri-environment measures.

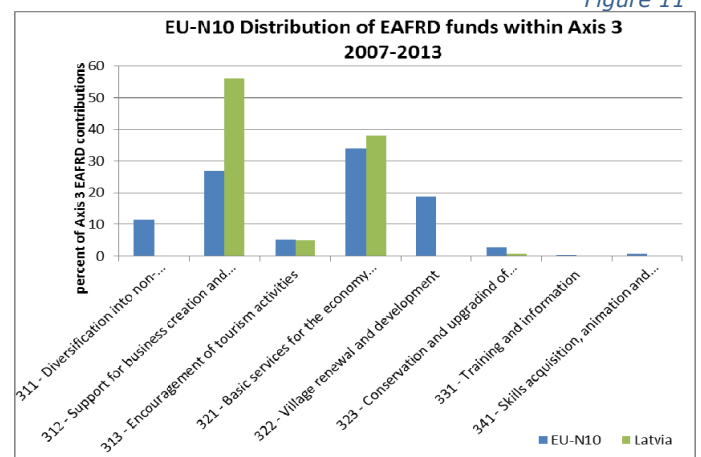
Figure 10



Quality of life and diversification of rural areas

Latvia's focus within Axis 3 is on support for business creation and development (56% of expenditure) and on provision of basic services in rural areas, which accounts for a further 38% of spending.

Figure 11

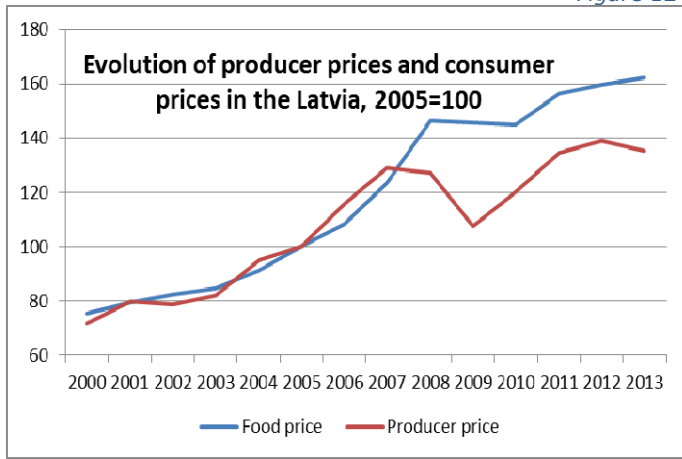


4. Prices and share of food in household expenditure

Food prices rise faster than producer prices

Food prices for Latvian consumers grew faster than producer prices. Agricultural commodity prices in nominal terms increased by 42% from 2004 to 2013, while consumer food prices grew by 78% over the same period.

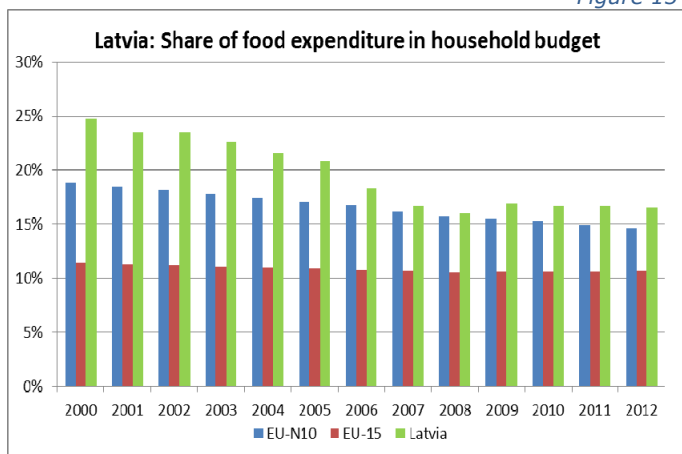
Figure 12



Food accounts for a declining share of household expenditure

Until 2009 food accounted for a declining share of household expenditure in Latvia, and remains at just under 17%, slightly above the EU-N10 average.

Figure 13

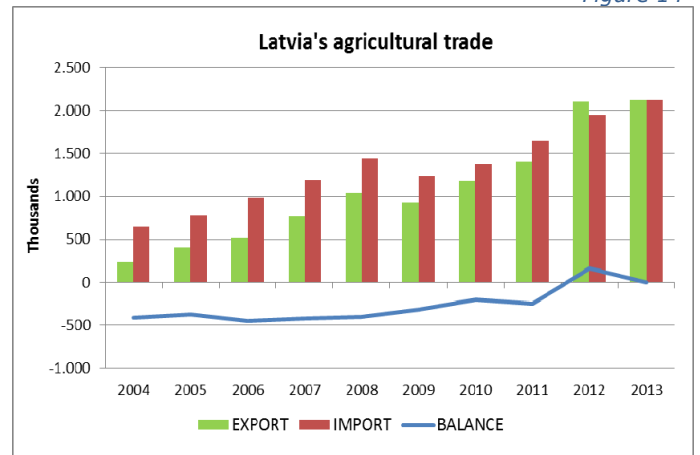


5. Trade

Exports growing faster than imports

Latvian agricultural exports have grown spectacularly (almost tenfold in current prices) over the past ten years. The trade balance improved so much (€408 million) that Latvia switched from being a net importer to a net exporter of agricultural products in 2012.

Figure 14



See the individual EU-N10 enlargement fiches and more on *Briefs*:

http://ec.europa.eu/agriculture/policy-perspectives/policy-briefs/index_en.htm

Policy Perspectives homepage:

http://ec.europa.eu/agriculture/policy-perspectives/index_en.htm



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