

**COMMON STATEMENT
OF THE BALTIC MINISTERS OF AGRICULTURE**

September 16, 2002, Mežotne, Latvia

Having regard to the common objective of the three Baltic States – to accede to the European Union and EU accession negotiations have clearly reached the final phase,

Having regard to that there are number of issues like veterinary, phytosanitary, animal welfare etc, where preliminary agreement has been reached,

Having regard to the fact that among the EU candidates only Estonia, Latvia and Lithuania were occupied by Soviet Union and were an integral part of commanding economy and have undergone the deepest and fastest restructuring,

Having regard to the approach that quotas and direct payments for agriculture set for the new Member States shall ensure sustainability of agricultural sectors in enlarged European Union and a fair competition in common market,

Ministers of Agriculture of Latvia, Lithuania and Estonia have jointly discussed the common points for negotiations on agriculture and reached a common understanding.

Accession conditions should be viewed against the background of the specific situation in the Baltic States. The agricultural sectors in Estonia, Latvia and Lithuania underwent severe restructuring in the 1990s. After separating from the Soviet Union's commanding economy, each country:

- Established the state administration and spent a considerable amount of available financial and human resources on the establishment of a border guard, defence structures etc;
- Replaced the state run and centrally administered agricultural system with a free market one;
- During 90'ties producer subsidy equivalent changed from + 80 to – 100 (in some cases even to -250);
- Transformed the farming structure from fully state owned to fully private-owned farms;

- Reoriented itself to new markets for sources of inputs as well as markets for final products;
- Introduced national direct payments at a level comparable to EU Member States as a percentage of national GDP.

In addition to the above mentioned, all Baltic States have faced another drastic shock related to dramatic influence of Russian crisis, which occurred during proposed 1995-1999 reference period. In the period of two years dairy and meat production and related farming sectors in Baltic States suffered from three times decreased export to Commonwealth of Independent States. That negatively influenced the future development of farming and food industry in Baltic States.

As living standards in Estonia, Latvia and Lithuania continue to increase, food consumption levels will consequently approach the EU average. Therefore, the higher quotas would not result in creation of surplus of agricultural products in the EU single market.

The Ministers of Agriculture of Latvia, Lithuania and Estonia believe that in order to ensure the sustainable development of agriculture in the Baltic States after accession to the EU, the reference period for agricultural products should reflect these dramatic changes in addition to the Russian financial crisis of 1998. The proposed reference period of 1995-1999 can only be used if a comparable correction based on recovery and on local specifics is made, this will ensure sustainability of agriculture in the Baltic region and also in enlarged Europe.

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