

# Competitiveness of Latvian Agri-business in Regional Context

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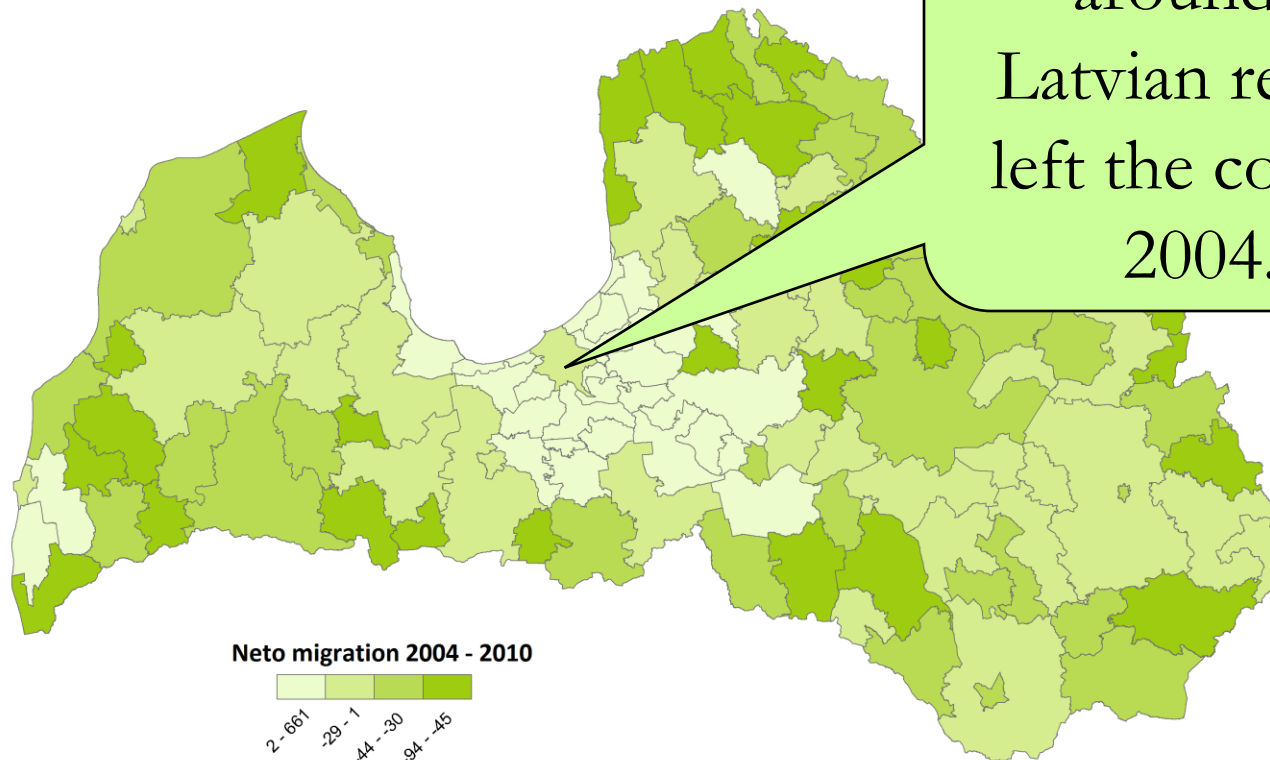
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March 29, 2012 Tallinn, Estonia



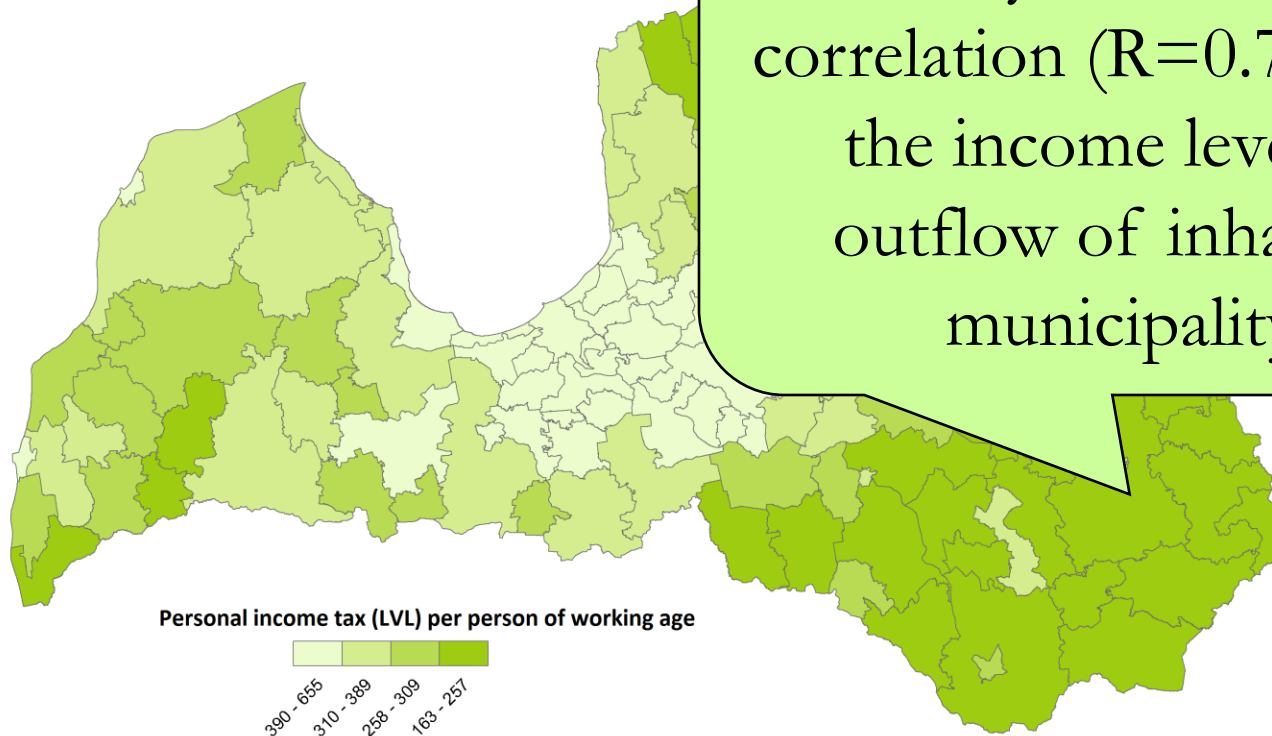
# Migration - serious threat to the economical, social and demographical development of Latvia

around 200 thsd.  
Latvian residents have  
left the country during  
2004. – 2010.



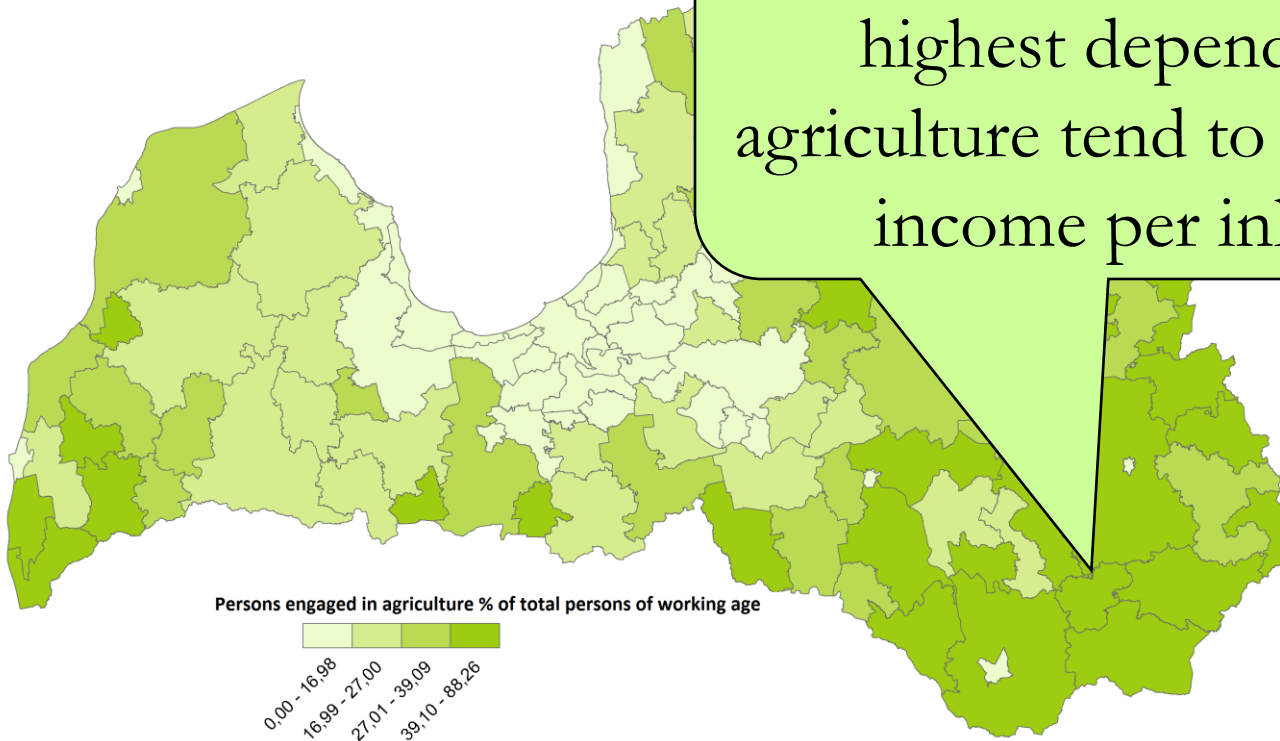
# Level of income in municipality

Analyses shows strong correlation ( $R=0.793$ ) between the income level and the outflow of inhabitants in municipality level



# Dependency on agriculture

The municipalities with the highest dependency on agriculture tend to generate less income per inhabitant



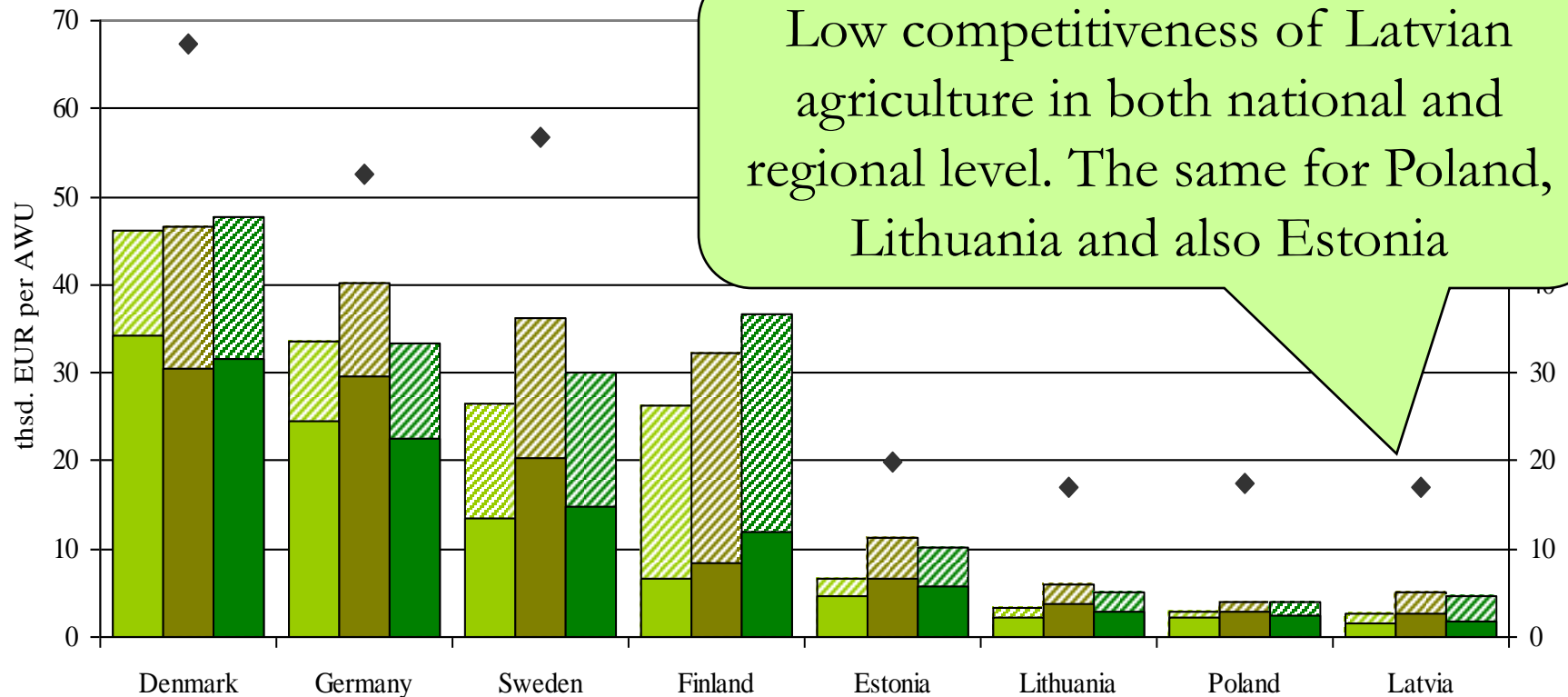
# Regional ranging of migration related indicators in Latvia

## Regions by...

Migration intensity 2004-2010	Population density	share in the total agricultural employment	share in the total agricultural value added	value added per AWU in agriculture	share of market oriented farms from total number of farms
Latgale	Riga	Latgale	Zemgale	Zemgale	Zemgale
Vidzeme	Pieriga	Vidzeme	Vidzeme	Pieriga	Pieriga
Kurzeme	Zemgale	Zemgale	Kurzeme	Kurzeme	Kurzeme
Riga	Latgale	Kurzeme	Pieriga	Vidzeme	Vidzeme
Zemgale	Kurzeme	Pieriga	Latgale	Latgale	Latgale
Pieriga	Vidzeme	Riga	Riga	n.d.	n.d.



# Value added indicators of agriculture in the Baltic Sea region countries 2004-2009

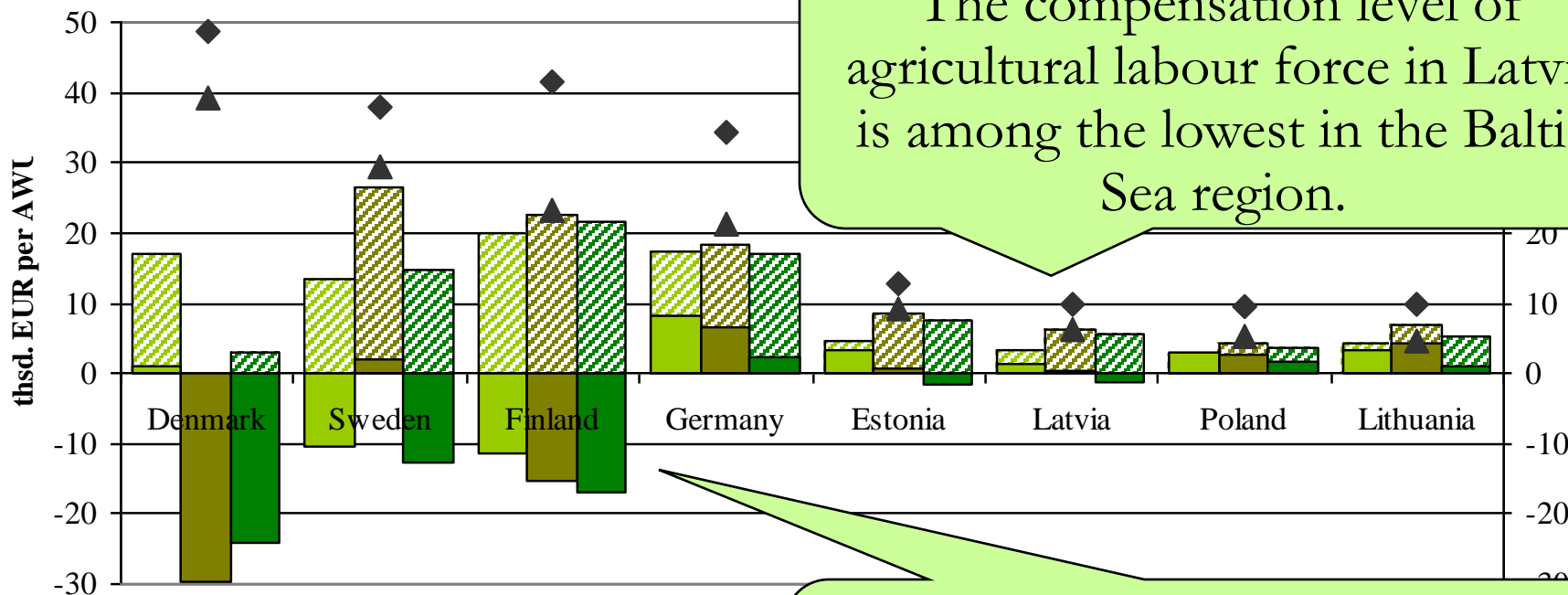


Low competitiveness of Latvian agriculture in both national and regional level. The same for Poland, Lithuania and also Estonia

- 2004 (value added at producer prices // value added at factor costs (with subsidies))
- 2008 (value added at producer prices // value added at factor costs (with subsidies))
- 2009 (value added at producer prices // value added at factor costs (with subsidies))
- ◆ Total value added per employed person in economy (2009)



# Compensation level of agricultural labour force in the Baltic Sea region countries in 2004-2009



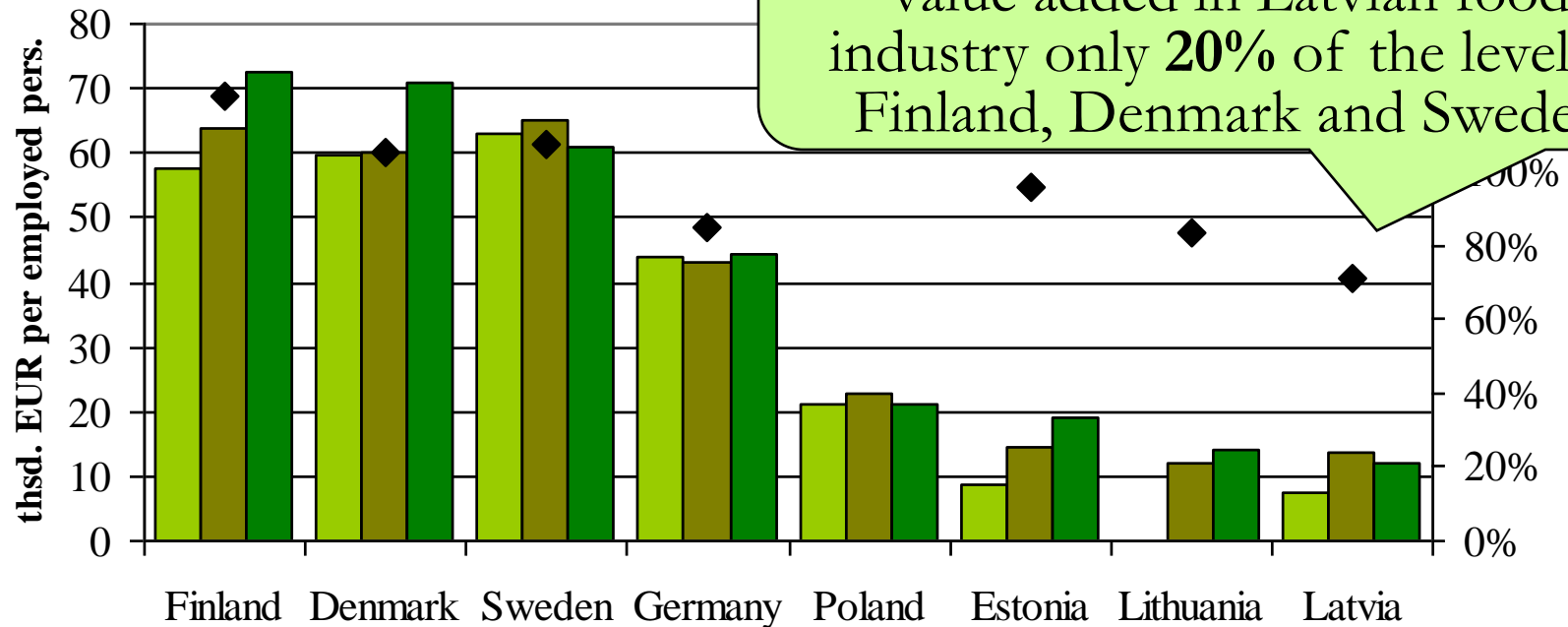
The compensation level of agricultural labour force in Latvia is among the lowest in the Baltic Sea region.

- 2004 (available funds of farms for compensation of labour)
- 2008 (available funds of farms for compensation of labour)
- 2009 (available funds of farms for compensation of labour)
- ▲ Compensation per salaried labour force in agriculture (2009)
- ◆ Total compensation per employee in economy (2009)

In general, agricultural farms are not able to ensure competitive compensation level for the family labour force from value added



# Value added of food industry in the Baltic Sea region countries in 2004-2009



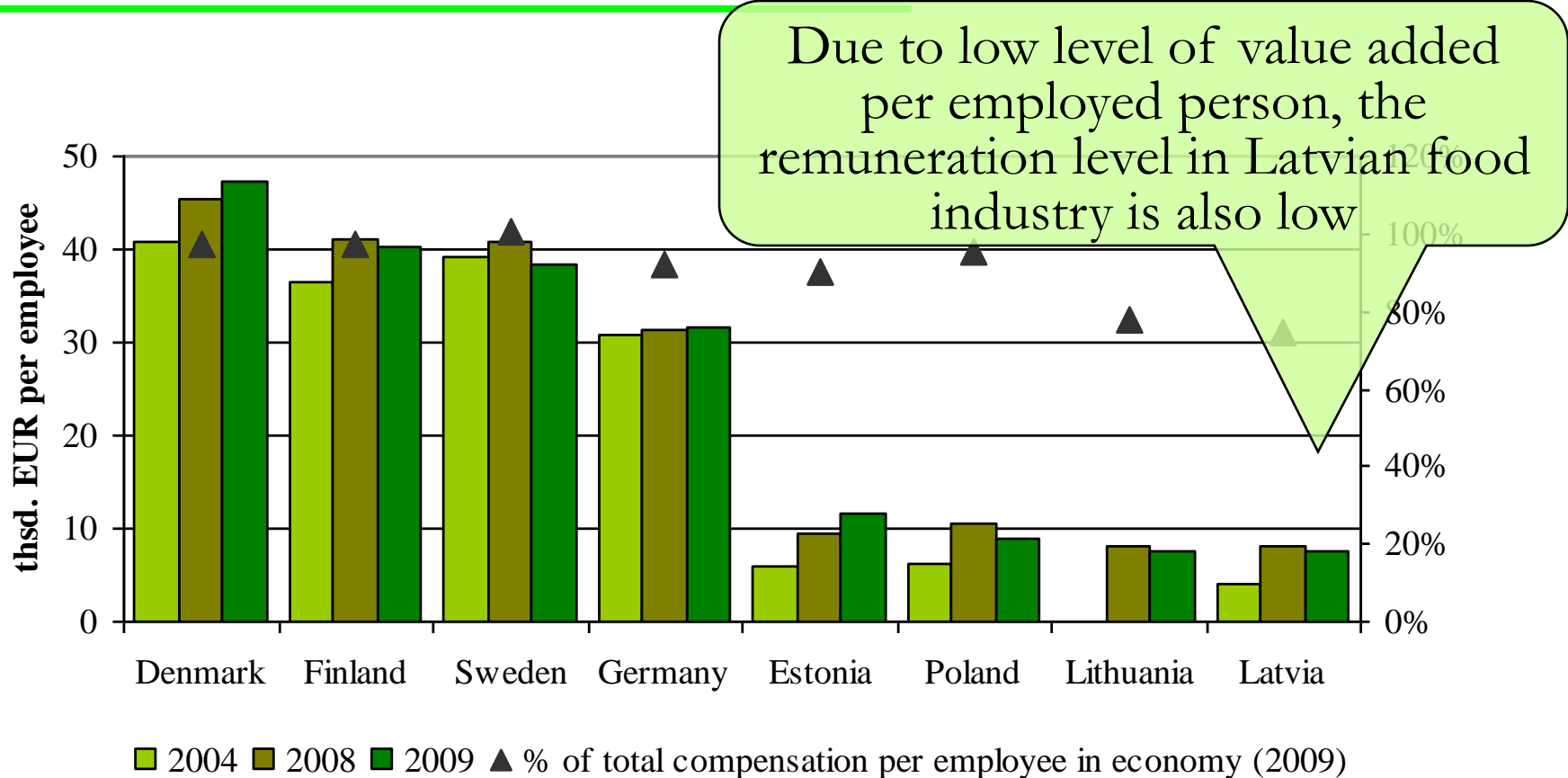
The same picture for food sector – value added in Latvian food industry only **20%** of the level in Finland, Denmark and Sweden

■ 2004 ■ 2008 ■ 2009 ◆ % of the total value added per employed person in economy (2009)



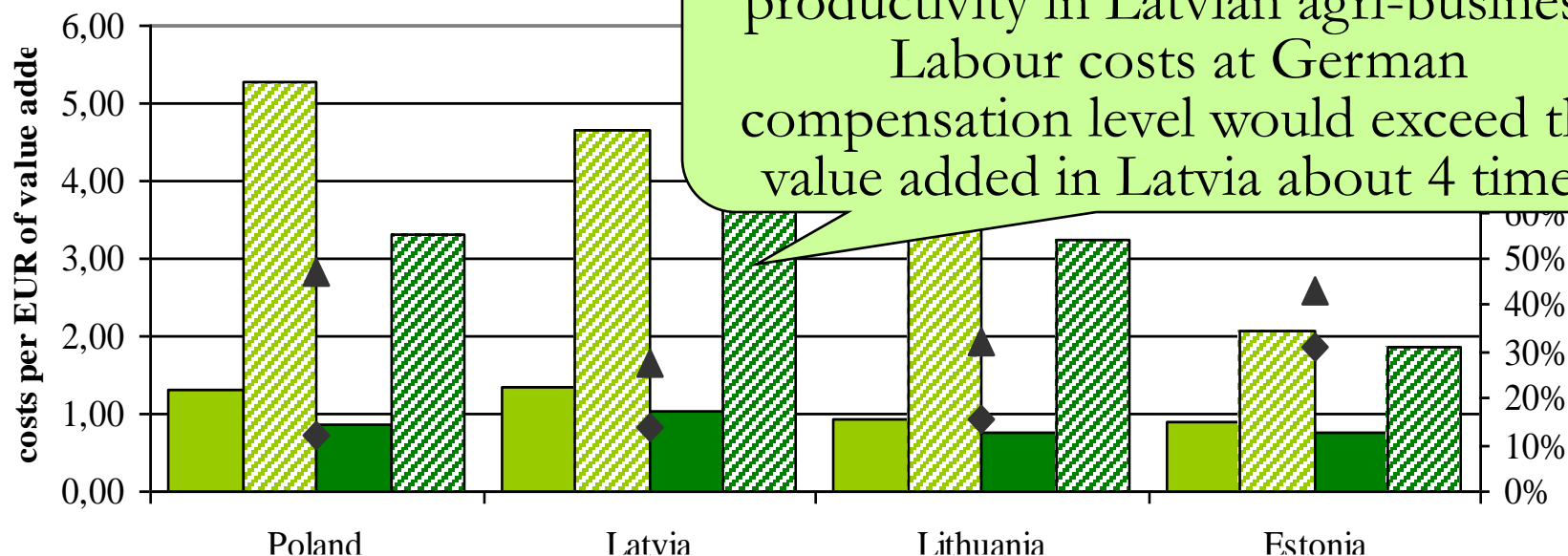


# Compensation level of food industry labour force in the Baltic Sea region countries in 2004 -2009



# Labour cost and labour input indicators in Poland, Latvia, Lithuania and Estonia in 2009

There is large labour input and low productivity in Latvian agri-business. Labour costs at German compensation level would exceed the value added in Latvia about 4 times



- total labour costs in agriculture per value added at factor costs
- ▨ total labour costs in agriculture at the German compensation level per value added at factor costs
- total labour costs in food industry per value added at factor costs
- ▨ total labour costs in food industry at the German compensation level per value added at factor costs
- ◆ labour input at the German productivity as % of the current labour input in agriculture
- ▲ labour input at the German productivity as % of the current labour input in food industry



# Conclusions

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- To improve the competitiveness of Latvian agri-business in attracting labour force, considerable improvement in labour productivity is inevitable.
- Due to high employee density, the possible further expansion of Latvian agri-business will be able to absorb only a small part of the labour force released by the productivity growth, and the further decrease in labour force input is expected.
- **Therefore the growth of the agri-business competitiveness can become at the same time a potential source of further rural depopulation in Latvia.**



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# Thank you for attention!

Agreement Nr. 2009/0180/1DP/1.1.2.1.2/09/IPIA/VIAA/017, contract Nr. 04.4-08/EF2.PD.29

