

The transformation of the Agriculture in Latvia

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INTRODUCTION

After successfully gained political independence, Latvia is facing the task of restructuring its economy and reducing its economic dependence on the former Soviet Union.

The energy shortage initially had a limited impact on industrial output, which was unchanged from 1990 to 1991, but real gross domestic product (GDP) fell significantly as activity in the construction and services sectors contracted sharply and agricultural output declined. Several price reform measures were introduced during 1991 and, as a result, annual inflation reached more than 300 % by the end of the year. Price liberation, together with a very cautious expenditure policy, had a strong positive impact on the budget.

Real GDP, was 22,305 million LVR(Latvian roubles) in 1991, about 8 % lower than in 1990. There was a deepening of economic recession in 1992. However, inflation in 1992 was high, although it decreased over the year. From January 1993 the average monthly inflation rate has been less than 1%. After introduction of new value added tax November 1993, the inflation increase again, but dramatically about 2-3% per months.

Compared to 1990, the 1992 GDP has decreased by 40 %, the majority of the decline being in the industrial and services sectors.. The recession in industrial production became conspicuous after the introduction of the Latvian interim currency in May, 1992. Initially the exchange rate to the Russian rouble was 1:1; however, due to the sky-rocketing inflation rates in the former Soviet Union republics, the Bank of Latvia introduced differentiated exchange rates for the "soft" currencies. The result is poor marketing potential for Latvian products in the CIS countries; this continuously decreasing purchasing power makes imported goods very hard to obtain. The situation in the Russian market will be aggravated by the import and export customs duties introduced by Russia in early 1993.

From March 1993 the Latvian Bank gradually introduced the national currency - lats (Ls), with fixed exchange rate to Latvian roubles (1 Ls = 200 LVR), but free floated rate to foreign currency. From October 1993 lats became the only currency in Latvia. The exchange rate in the spring 1994 floated from 0.57 to 0.59 Ls per one US\$.

1. MAIN CHANGES IN THE AGRICULTURE SINCE 1989

The current complicated situation in the national economy exists also in agriculture. During the period of the planned economy the sectoral structure of the national economy was distorted. This is very much true in the agricultural sector. Agriculture was intentionally overdeveloped, with a strong emphasis on dairy and meat production: the main target was to increase exports to the Soviet Union. At the same time farm inputs, especially feed grain, fertilizers, and agricultural machinery, were supplied in abundance and at very low prices.

After proclaiming independence and making efforts to achieve it politically and economically, Latvia has to re-orientated its agriculture on a self-sufficiency basis with a little surplus for export. This may involve a liquidation of excess capacities and reduction in output, which is painful for the national income.

The year 1992 was dramatic for agricultural producers. Agriculture had started to experience difficulties in 1990 when the prices of industrial products were partly liberated and increased considerably, whereas the prices for agricultural products were fixed. The agricultural producers

were put in an extremely disadvantageous situation. At the end of 1991 and later in 1992 prices of agricultural products were also partly liberated. That meant that producer prices of primary agricultural products were negotiated every 10 days between the representatives of producers, processors and government. The government also guaranteed a minimum producer price for the primary agricultural products. These prices could vary considerably from one district to another. For example, the producer prices for cattle were 20,000 LVR per tone in Liepaja and 42,000 LVR per ton in Saldus; for pigs - 95,000 LVR per ton in Ludza, Gulbene, Aluksne, Balvi and 135,000 LVR per ton in Saldus. The wholesale prices (set by the processing plants as there is no real agricultural commodity exchange in Latvia) may also differ from place to place. Thus, at the same time the processing plant in Cesis sold beef for 58 LVR per kg, while the plant in Riga sold at the highest price in the country (100 LVR per kg). However, the costs of farm inputs and labor have increased on average by 27 times if compared to 1990 (by 31 times for crops, by 26 times in livestock farming), whereas the producer prices for the same period have increased only by 14 times on average (by 77 times for crops, by 12 times for livestock

The scope for increases in the prices of agricultural products is restricted by lack of demand both in domestic markets and in the markets of the former Soviet Union republics: low purchasing power of the population is the main reason for this weak demand. In addition, in the Eastern markets Latvian agricultural products cannot compete on price because Latvian farmers purchase most of their inputs at market prices close to or equal to world prices, and without any subsidies (except the grain purchasing in 1992), while agriculture in the former Soviet Union territories is strongly subsidized. The actual situation in 1992 was that crop production in Latvia has been operating at a profit (the government of Latvia purchased grain at world prices) but livestock production has incurred losses of 14 billion LVR.

All farmers suffer from chronic shortages of finance. The farmers who have already started to produce need short-term credits which are available only at commercial banks at a very high interest rate (120 - 180 % in 1992 and 60 - 80 % in 1994). Long-term credits are not available at all, except a small amount from international loans (interest rate 15-17%). There are many problems with mortgages too. The situation is made even more complicated by the delayed payments to the farmers for the farm products they have delivered to the large processing plants. The delay often is as long as 2 to 5 months.

The lack of economic incentives and other difficulties caused decreases in production of all primary agricultural products in 1992 compared with 1991 (production of meat decreased by 15 %, of milk by 12 %, of eggs by 20 %). In 1993 compared to 1992 level of production are follow: meat -76%; milk -82%; eggs -65%; cereals and pulses - 107%; potatoes - 109%; vegetables 114%. Falls in production were greatest in livestock farming where herds were reduced. The situation is not uniform for different types of agricultural producers. The private sector has been gaining momentum. Its contribution to total agricultural output was 40 % on average in 1992 (49 % of milk, 40 % of meat and 20 % of eggs,) and about 60 % on average in 1993 (52% of milk, 51% of meat, 25 % of eggs, 62% of grain, 93% of potatoes).

Since December 10, 1991, when the government took the decision on price liberation, the relations between all types of producers, processors, tradespeople and customers have changed dramatically. In a period of one year an economic and psychological revolution has taken place: the structure of the system has changed; the demand and supply interact in a way closer to that in market economies; and the food market has become more international.

If at the end 1991, when the prices for foodstuffs were set by the government, the public opinion was very much concerned about the export of food and tried to protect the domestic food market for local consumers, then at the end of 1992 the farmers, processors and tradespeople were occupied with problems of a completely different nature. There were difficulties with foodstuff exports from Latvia caused by relative high domestic prices and with import of foodstuffs from the CIS and Lithuania, where the prices are lower (they are state - regulated); it is hard to restrict this influx even with import customs tariffs.

Whereas in 1991 the consumers bought food chiefly at state stores and not at the marketplace, at present the customers are more likely to buy food at a private store or at the marketplace, where the prices are lower.

At the same time the marketing section of the food-chain is evolving from a planned distribution system to a free market; several phenomena testify to this fact.

- 1) The number of livestock is being reduced: they are slaughtered for meat. As the incomes of the population increase at a slower rate than inflation (from middle of 1993 these trends are in a balance), while the export possibilities are limited, supply exceeds demand, and, theoretically, prices should be reduced; however, this does not happen. The situation is full of paradoxes: the state meat processing plants do not accept livestock from farm producers, because after adding the high processing costs, the traders find it difficult to sell meat; or else, the state trade organizations do not settle their payments with the meat processing plants, which, in their turn, are in debt to meat producers. The meat producers find it impossible to lower the producer price, because the input prices increase more rapidly. They would rather sell live cattle to buyers from Poland, who have export potential.

In this chain several drawbacks, which have remained from the former economic system, can be pointed out:

- ◆ state processing enterprises are operating inefficiently and with large costs; however, at present they are monopolists;
 - ◆ there is an insufficient proportion of private traders, especially at the wholesale level;
 - ◆ real competition among agricultural producers is insufficient, because the existing taxation system in particular and agrarian policy in general do not promote competition between producers.
- 2) As meat prices in the world are still considerably higher than in Latvia (even without the import tax of 0.3 US\$ per kilo), the major "imports" are from the CIS (bread and flour also from Lithuania): usually are in small consignments, sold directly at the marketplace without any sanitary inspection.
 - 3) Food expansion from the Western countries is indirect - as humanitarian help in kind. This saturates the market still more.
 - 4) Sugar costs more if it is produced in Latvia, if it is imported - from Brazil, for example, even when the import tariff of 0.2 US\$ per kg is included it is cheaper. This means that Latvia should determine an appropriate level of agrarian protectionism; most probably it would not be useful to keep the prices of Latvian foodstuffs above the world price level.
 - 5) The consumer is absolutely defenseless as to the quality of foodstuffs. The responsibility here largely lies on the customer himself, as he, owing to the low income level, often chooses the cheapest products, even at the so-called "black market" (i.e. illegally imported foodstuff market).

As there is a tremendous margin between the producer price and the price in the state or consumers' association retail shops, the farmers have an option to sell their product to private retailers. Quite a considerable proportion of farmers supply meat to small privately owned or cooperative stores, thus lowering the consumer price. Typically, this happens in fruit and vegetable marketing, lately, it has occurred in dairy marketing. Yet, most of the private traders buy meat from the processing plants and not directly from farm producers. Though the plants charge a higher price, the traders have lower transportation and processing costs.

One of the most serious shortcomings in food marketing is the monopoly in the wholesale trade. This belongs either to state owned wholesale bases, or to the consumers' association, which formally is a cooperative, but in fact is a structure preserved from the socialist times.

From second half of 1993 many of the above characterized processes experienced changes:

- ◆ on the April 1994 mainly all former state processing are privatized, and that created more flexible system in meat, dairy and partly also in sugar market (for example, in the first two months sugar exports exceeded imports);
- ◆ Latvia is on the stage of preparing agreement with EU (which would start from 01.01.95), it means that now are political discussions in Parliament and in Government considering new tariffs, quotas and other measurement for achieving agricultural protection on base of consumer payment.

Before the 1990 land reform (all the land was nationalized) the main land users were collective and state farms (see Figure 5.2.2.in annex). The peculiarity that before occupation the landowner in the majority of cases coincided with the land, which also carried a political connotation, determined the procedure of land reform.

2. PRIVATISATION OF AGRICULTURAL PRODUCTION ENTERPRISES (NON-LAND ASSETS OF COLLECTIVE AND STATE FARMS)

Dynamics of the privatisation process

Analyses of privatisation dynamics of collective (state) farms from statistics data is possible in 4 groups of assets:

- 1) farm productions units - include integrated units like animals husbandry, plant cultivation units (include machinery, fertilizer storage's), services units (like mechanical workshop);
- 2) non-farm production units - sawmills, processing or other industrial objects;
- 3) non-production units - kindergartens, cultural objects, apartments;
- 4) single units or items - tractors, lorries, cars, combine harvesters, cows, calves, pigs.

It has been found that single units or items from Inventory lists have been privatized more rapidly than operational units such as cattle sheds. To achieve good progress on privatization shareholders of companies must choose - at the general meeting - two options. They can divide large farm operation units to smaller units (or into single items), or they can decrease the price of the large scale farm operation units. Data from the Latvian Agriculture Districts departments in July, 1993 showed that nobody wants to privatize at 'bookkeeping prices' 97 animal husbandry units, 15 grain drying storage's, and 7 mechanical service stations and other objects.

Comparison of the structure of auction prices among types of integrated units and single items suggests certain conclusions.

The first year of privatization looked for many shareholders like a good time to "buy cheap" machinery, livestock and operating units from companies, because auction prices were much higher than balance sheet values. In many cases the buyer later sold the machinery or livestock on the market for money and got a good profit. In the half year from January to June 1993 (see Figure 1.) the excess of auction prices over balance sheet values disappeared for all kinds of operating units and single items (except cars and lorries).

The main reason for this was that farmers did not have a profitable market for their output.

By January, 1994 about 69 % of companies' assets were privatized (see Figures 5.3. in annex), 330 are in the process of liquidation (including companies which had undergone liquidation), and the large enterprises had ceased to exist as legal entities.

There have been some instances when from the large livestock-farms empty buildings remain and livestock is sold separately, but this can be explained by the decrease in purchasing power of the population; and it is difficult to sell agricultural products at the price that would cover production costs.

3. PRIVATIZATION OF STATE OWNED PROCESSING AND AGROSERVICE ENTERPRISES

The rapid privatization of collective (state) farm assets and production units causes considerable structural changes in the service sector in rural areas. Different aspects in the processing sectors of two main branches of Latvian agriculture - dairy and meat - are considered here. There are differences between the dairy and meat industries such factors as historical tradition, technology, point of view of farmers and processing enterprise structure. Because of these differences, approaches to privatization of state owned processing enterprises in the two industries have been developed quite differently.

Dairy processing

Since World War II in Latvia, as well as in other former Soviet republics, there was a strictly centralized system of selling and processing milk produced by agricultural enterprises. The total area of the country, from the point of view of dairy processing, could be divided into ten dairy processing regions with dairy processing enterprises at the center (see Map in annex). They are the main dairy product manufacturers, including condensed milk and cheese.

The second link in the system is dairies which also produce dairy products and supply milk to dairy enterprises for further processing. These are mainly engaged in supplying the local district with dairy products, in addition, they make butter and certain sorts of cheese.

Both dairy enterprises and dairies mainly process the milk collected from the agricultural enterprises (especially from individual farmers and other small producers) via the milk collecting stations and dairies.

All the above mentioned enterprises, till recently, were exclusively state-owned, and their network embraced the whole territory of the republic. Thus, peasants and other small producers had only one particular milk collection and processing enterprise to take their milk. The price for milk was fixed by the state and the same price was paid by all dairies: it was the state which purchased milk, processed it and sold it later.

Beginning with 1991 the situation has been undergoing essential changes. Milk is no longer purchased by the state, but by dairy processing enterprises as economically independent entrepreneurs, yet still being state-owned. Consequently, there appears a price difference among buyers of dairy products, and dairy processing enterprises are beginning to face a competition to find markets for their products, the dairy product export potential being substantially reduced.

1992 is noted for a sweeping privatization of the dairy processing branch. In order to change the previously existing centralized system of dairy processing, the process of privatization is being effected in two stages.

- 1) Since 1992 the dairy collection and processing enterprises (up to the dairy-plant level) are transferred without payment under the ownership of dairy-farmers' cooperative associations according to claims. Thus, dairy producers are given an opportunity to choose the level of their cooperation system.
- 2) In 1993 large scale dairy-processing enterprises are being privatized mainly by forming joint-stock companies where the main stockholders will be dairy farmers' cooperative associations. Most investments in dairy processing during recent years were made just in these enterprises and as these plants can process the largest part of the milk produced, it can be predicted that in the future, too, the bulk of dairy products will be produced in these dairy enterprises or their subsidiaries.

The privatization of dairy processing enterprises brought about changes in milk marketing and the system of settling payments. Milk producers, in fact, do not sell unprocessed milk, but the milk is processed in their privately owned enterprises; profits are therefore directly dependent on the results of dairy processing and product marketing.

The existing stage of economic development offers the farmers the following choice of opportunities to market and process the milk produced:

- 1) Participation or non-participation in the rural district dairy farmers' cooperatives. Participation provides certain additional opportunities not only in milk marketing but also in improving the milk-cow herd and in management of a dairy farm.
- 2) Marketing of milk to the state and cooperatively owned dairy processing plants, or processing it locally and marketing the finished product independently. The situation with the settlement of payments for the last year favors the latter. The dairy processing enterprises in most cases settle their accounts with the farmers for the milk supplied with a two or three month's delay when money, due to inflation, has lost 15-30 % of its value.
- 3) Marketing of milk to the enterprise of their association or to other entrepreneurs (other associations or state enterprises), shopping around for a higher price. In the latter case the farmers must take into consideration the fact that they have to cover the transportation costs.
- 4) Being members of the rural district dairy farmers' cooperative, they participate in decision-making on whether to join a cooperative association at a higher level, and on expanding the system of dairy processing enterprises.

In December 1992 a law "On Privatization of Dairy Processing Enterprises" was passed concerning the privatization of the 10 largest dairy plants by transforming them into joint-stock companies, with certain quotas set for the purchasers of stock: not less than 70 % for the dairy producers' associations; not more than 10 % for the employees; up to 20 % - the state owned share, which will subsequently be sold to the investors and for vouchers. As the deadline for this process is after 7 months, the producers are compelled to establish local dairy producers' associations in 2 to 5 months.

Meat processing

Meat production, together with dairy production, has traditionally been one of the main branches of agriculture both in the pre-war Latvia and during the years of occupation. In independent Latvia (data of 1938) the structure of the livestock herd established naturally, i.e. proceeding from the quantity of domestic feed: there were 1224.4 thousand head of livestock, including 896.3 thousand dairy cows (there are no special varieties of beef cattle in Latvia, so beef production has always been a by-product of dairy farming), 813.5 thousand pigs, 1360 thousand sheep and 4391.2 thousand numbers poultry. During the Soviet centrally planned economy pork production

was boosted through a large increase in the pig herd. The number of pigs was estimated to be 1703 thousand in 1986. The number of poultry was also increased and they were concentrated in the large poultry factories. The number of sheep decreased to 160 thousand (1988). The import of concentrated feeds for livestock from the former USSR constituted about 50 % of feed consumed in Latvia.

Huge pig complexes were erected in Latvia: some held 30 000 pigs. Meat processing was concentrated in 14 plants, 2 of which, Riga and Valmiera, processed more than half of the meat produced. Annually about 100 thousand tons of meat were exported to the large cities in the USSR. The "influence" territories for the plants were strictly determined and they existed until 1992. The equipment in meat processing plants is obsolete both from the technological and efficient service life point of view: more than 60% of plant and machinery has been depreciated to less than half its cost. The packing lines for meat and sausage have been depreciated completely: seven of the plants do not have deep freezers.

At present all the meat processing plants but two (in Cesis and Saldus, owned by the former collective farms, now- companies) are state enterprises.

In the second half of 1992 a real basis was formed for competition. The processing zones disappeared, because, even as state enterprises, the meat processing plants had to face competition - the one that offered the highest price to the producer and was the quickest in settling payments, was the winner and took the largest deliveries.

In 1992 essential changes have taken place to the structure of meat producers: while the total number of livestock decreased, in the private sector (small farmers and subsidiary farms) the number increased. Thus, more than half of dairy cows belong to private producers. During 1992, the number of cattle owned by farmers increased 2.3 times, including a 2 fold increase in the number of dairy cows; the number of pigs has increased 2 times and of poultry 2.8 times. These changes, when they increased the capacity of private meat producers, created conditions to start the privatization of large scale state owned meat processing enterprises.

In May 1993 the Supreme Council of the republic passed the law "On Privatization of State Meat Processing Enterprises". It is envisaged that the fixed capital should be privatized 100 % in a comparatively short time period. In contrast to dairy plants, the potential buyers will not be farmers' cooperatives, but joint stock companies as competitive businesses

The main problem during the creation of this Law was found to be political compromise between farmers association, employees of state meat processing enterprises and suggestions from researchers, who pointed out the necessity to build privately owned and market oriented, flexible business entities. The differences among these points of view were quite serious, not only the question of who might own a meat processing enterprise, but also the question of privatization price of enterprises. Farmers associations wanted to get these enterprises without payment and build their meat producers' cooperatives. Employees of the enterprises, following syndicalistic ideals, had proposed to get all the enterprises or a majority of stocks in joint stock companies, which would be created on the assets of the enterprise, for a low price.

Nevertheless, the main principle of the Law is that the Privatization Commission of the Ministry of Agriculture must form for each of the 14 large, state owned enterprises privatization, conditions which consider the rules in the law:

- ◆ 51-65 % of stocks of firstly state owned joint stock companies must be sold to "general entrepreneur"(one private or legal person or a few of them, who or which subscribed to the agreement themselves), and that one is making the business plan and carrying it out;
- ◆ 25-35 % of stocks must be distributed among meat producers, who want to buy stocks according to the size of owned or used land, moreover , those meat producers who

have not received all of the money from concrete state processing enterprises for sold animals, can get stocks to that value without payment;

- ◆ not more than 10 % of stocks can be bought by current employees of enterprises (similar to Employees Share Ownership Plan - ESOP - in Great Britain, USA and some other countries).

The law "On Privatization of State Meat Processing Enterprises" provides that if there is more than one request from eventual "general entrepreneurs", the Privatization Commission will have to decide whose business plan is better, but regardless, it will be auctioned among potential buyers, only the owners of the other business plans have, in this auction, a 20 % price handicap

In conditions of privatization it can be foreseen that all stockholders will have to pay in the first year only 20% of the stock's nominal value or, if no potential buyers exist, the stock's sales price can be decreased.

Privatization of bakeries.

Privatization of bakeries was begun only in 1993 after passing the special law. This law provides similar rules as in the case of meat processing enterprises, excluding no providing selling of stocks to farmers as special group.

Estimated dead line of this process is the middle of 1994.

As the main problem in this process low level of usage of potential capacity and old technology are faced.

Sugar production enterprises.

The main features of the privatization of these enterprises are set by special decision of Latvian parliament in May 11th, 1993. Some priorities to farmers (in quotas and payments) were set by this decision. But almost nothing has been done in this field still now. Mainly it is so due to the follow obstacles:

- ◆ unformed legal sugar market;
- ◆ current payment inability of farmers and caused by it their inability to participate in the process of privatization of enterprises.

4. AGROSERVICE ENTERPRISES

Privatization in the agroservice enterprises is regulated by the law "On privatization of assets in Agroservice enterprises", passed on March 30, 1993. According to this law the agroservice enterprises are to be split in the smallest independent enterprises possible, which, in their turn, are to be privatized through establishing businesses. The law provides that capital shares in these businesses are to be sold on the basis of quotas. Initially, about 50 % of shares are planned to be offered to farmers co-operatives (which do not exist in a lot of cases). As the criteria to setting of quotas is business done with the enterprises undergoing privatization. The shares which have not been sold and the remaining 50 % will be offered to the employees of the enterprises, and, subsequently, to other individuals interested in purchasing.

However, this process does not proceed as rapidly as it was initially envisaged.

5. CONCLUSIONS ON CHANGING OWNERSHIP IN AGRICULTURE AND RURAL INDUSTRIES OF LATVIA

The main thrust in agrarian reform of changing ownership rights in agriculture and the industries service agriculture was privatisation of public or state owned property. Approaches to privatization of land, collective and state farms' non-land assets and the industries servicing agriculture are different and complicated, because of the judicial differences in nationalization and collectivization, and of the political constraints.

Some conclusions on privatization in agriculture

So there are six special laws, regulating the process of privatization of non- land assets in agrarian sector.

Rather different goals are being set and the ways have been chosen to promote the process of privatization (see Figure 5 in annex).

There were two main fields, where these differences may be observed:

- ◆ scale of Reorganization of enterprises. It varied from complete Reorganization of enterprises (within agricultural production as itself) through partly splitting (in dairy) to keeping enterprises as whole units (in meat sector).
- ◆ new subjects of ownership relations. They varied from only producers and the employees at the same time (in agricultural enterprises) to dominant capital enterprises in bakery sector.

The process of changing ownership is now well underway: most of the legislation in this area has been passed; institutions which manage ownership reform have been established. However, through their work appear many knowledge and technical problems, which hold up the process.

Changing of ownership is occurring more rapidly in rural areas of Latvia than in other Baltic countries (for example Estonia, only in the spring of 1993, started to privatize non-land assets of collective and state farms), and more is directed to individual farming and private owned business in rural industry (Lithuania is trying to established small and middle sized cooperative farming, where private land, buildings and other moveable property will not be dominant).

The process of privatization in agricultural production and the other parts of the food chain (processing, services, marketing) started at different time, that is why there is disproportion among sectors in rates of privatization. The task for the near future is to remove this imbalance.

Now, when structural changes in ownership have happened or they are clearly foreseeable, the main issues in Latvian rural policy are farm income, loans and marketing problems and also rural social problems. Before the creation of the private property rights, every government injection used to offer protection to agriculture was unsuccessful.

Some judgments on non-land asset privatization

The objective of the former collective-farm privatization law was, starting from July 1,1991, to distribute the production units and other assets of these large enterprises between individual farmers, other entrepreneurs and farmers' cooperative service associations. This was planned to happen within a 2 to 5 year period, and would entirely change the structure of agricultural production in Latvia.

The main principle to be pursued during this process was to encourage and accelerate private entrepreneurship in each pagasts. An effort was made to preserve the production potential of the

large livestock-farms, mechanical workshops etc. of the former collective farms. Much emphasis was placed on ensuring that the principles of social justice and publicity were observed.

Since July 1, 1991, the course of events has been influenced by:

- ◆ The procedure of land reform, which slightly changed due to changes in the political situation. In general, this slowed down a little the pace of privatisation of collective-farm assets.
- ◆ The rapid growth of the inflation rate in the period from December 1991 to December 1992 (there are no official data available, but for agricultural inputs the prices have increased 50 to 100 fold). This definitely accelerated the privatization process: the shareholders, under a psychological stress, were compelled to obtain property with their shares. The prices, of course, increased proportionally.
- ◆ The changes in the economic environment due to market development: free prices, the change of price structure between different groups of commodities, chaotic government protectionism in agriculture etc. This slowed down the privatization of collective-farm assets, because all the agricultural producers found it difficult to market their products (the demand for Latvian foodstuffs considerably decreased in Russia and in other CIS countries).
- ◆ The pace of actual privatization in agricultural production was much quicker than the pace of privatization in its input and output enterprises and in trade. This adversely effected privatization because a private entrepreneur, and, above all, an individual farmer, had to face state monopolies (the privatization of input and output enterprises noticeably moved to privatization at the end of 1992).

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