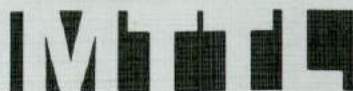


AGRICULTURAL DEVELOPMENT PROBLEMS AND POSSIBILITIES IN BALTIC COUNTRIES IN THE FUTURE

FINNISH-BALTIC JOINT SEMINAR
SAKU ESTONIA 1993



MAATALOUDEN TALOUDELLINEN
TUTKINUSKAITOS. JULKAISUJA 72





JULKAISUJA 72, 1993

AGRICULTURAL DEVELOP- MENT PROBLEMS AND POSSIBILITIES IN BALTIC COUNTRIES IN THE FUTURE

Finnish-Baltic Joint Seminar
Saku Estonia 1993

MAATALOUDEN TALOUDELLINEN TUTKIMUSLAITOS
AGRICULTURAL ECONOMICS RESEARCH INSTITUTE, FINLAND
RESEARCH PUBLICATIONS 72

ISBN 952-9538-35-9
ISSN 0788-5393

Vammalan Kirjapaino Oy 1993

AGRICULTURAL DEVELOPMENT PROBLEMS AND POSSIBILITIES IN BALTIC COUNTRIES IN THE FUTURE

Finnish-Baltic joint seminar
Saku, Estonia 1993

Abstract: Agricultural economists from Finland and Baltic countries had their fourth seminar in Saku, May 31-June 1, 1993. The seminar was organized by the Estonian Research Institute of Agriculture. This publication includes presentations given in the seminar or summaries of them.

Topic of the seminar concerned the agricultural development problems and possibilities in the Baltic countries in the future. This topic was chosen because the transition of agriculture in Baltic countries is in the phase, where lines of changes are visible and the need for collaboration within agriculture and agricultural markets in Europe and worldwide is increasing.

Presentations from the host country dealt with the perspectives in the Estonian agriculture, income policy, prices and consumption of agricultural products and family farming as a part of the society.

Latvian presentations examined principles of the new agricultural policy, targets in income policy, forecasting the demand and supply, grain markets in Latvia.

Lithuanian economists examined the situation of agrarian reform, economic and social factors in agriculture, world market policy options and implications, forecasting the agricultural development and production regulation.

Finnish presentations concerned the experiences of the land reform after the war and its implications on the farm structure in Finland, importance of bookkeeping for profitable farming and the role of statistical data in planning agriculture.

Index words: Agricultural policy, land reform, producer prices, consumption, Estonia, Latvia, Lithuania, Finland

Edited by Tellervo Sallinen
Photos by the participants of the seminar

Contents

	Page
Current Situation and Perspective of Estonian Agricultural Policy <i>Valdek Loko</i>	7
Agrarian Reform in Lithuania <i>Arvydas Kuodys</i>	10
The Principles of Agrarian Policy in Latvia Searching for Our Own Way <i>Inesis Feiferis</i>	14
Some Experiences on the Structural Development in Finnish Agriculture <i>Jouko Sirén</i>	18
Economic and Social Factors Influencing Lithuanian Agricultural Development <i>Antanas Poviliunas</i>	21
European Integration and Finnish Agricultural Statistics <i>Simo Tiainen</i>	25
Lithuanian Agriculture and the World Market: Policy Options and Implications <i>Natalija Kazlauskienė and William H. Meyers</i>	29
Income Policy in Latvian Agriculture for the Next 5 Years <i>Biruta Arnte</i>	35
State Regulation of Agricultural Production in the Republic of Lithuania <i>Irena Krisciukaitienė, Gediminas Kuliešis and Aleksandra Stadnikova</i>	38
Income Policy of the Estonian Agriculture <i>Johannes Kaubi and Andres Tekkel</i>	42
Forecast of Agricultural Development in Lithuania <i>Valerija Uzdavinienė and Algirdas Kilius</i>	45
Course of Development of Privatization of Joint-Stock and Limited Companies in 1992 <i>Roberts Zile</i>	48

Family Farming as the Perspective of Estonian Agriculture <i>Jaan Timmermann</i>	52
Prognosis of Demand, Output and Supply of Foodstuffs and Raw Materials for Industry <i>Visvaldis Pirksts</i>	55
Prices of Agricultural Production and Consumption <i>Tõnu Akkel</i>	58
The Utilization of Farmlevel Bookkeeping Data in Finland <i>Olli Rantala</i>	61
Grain Market in Latvia <i>Andris Miglavs</i>	67
An Estonian Family Farm from the Point of view of Building Economy <i>Viktor Jullinen</i>	72
The Need of Investments for Improving Machinery Park in Estonian Agriculture <i>Jaan Kivistik</i>	77
Memorandum	82
Program of the Seminar	83
List of Participants	86



Director Valdek Loko (on the right) from the Estonian Research Institute of Agriculture presented the current situation and perspectives on Estonian agricultural policy. Beside Mr. Olli Rantala from the Finnish Agricultural Economics Research Institute.



The fourth Finnish-Baltic joint seminar took place at the Research Institute of Agriculture and Land Improvement in Saku in the Republic of Estonia from May, 31 to June, 1 1993.

THE PRINCIPLES OF AGRARIAN POLICY IN LATVIA

Searching for Our Own Way

INESIS FEIFERIS

Latvian State Institute of Agrarian Economics
Riga, Latvia

Latvia regained its political independence and international recognition on August 21, 1991. The issue of determining independent policy in national economy, including agriculture, was topical already before this event, but then came into foreground. The main questions to be answered were:

- a) the place and role of agriculture in strategic development of Latvian national economy,
- b) the goals to be pursued in agriculture,
- c) the model to be chosen for development of agriculture, the political, economic and other tools to be used in order to attain these goals.

At present agriculture and food industry are the major contributions to GDP. According to data of Ministry of Economic Reforms, in 1992 their share in GDP was 33,4% or 5,459 million LVR (in comparable prices to 1991). For the same period the share of industry (except for food industry) in GDP was 4255 million LVR, which is 22% less than agriculture and food industry.

Agriculture and food industry are also major customers of products and services provided by other branches of national economy. It means that they provide incentives for development of these branches.

Apart from that, agriculture, food industry and related services are a significant income source for state, local government and social budgets. Their development is essential for increasing payments to the budgets.

It is a fact of no minor importance that about 16% labour force are employed in agriculture, the living standards of a considerable part of population in Latvia depend on the trends in agriculture: if production decrease, the number of working places will reduce dramatically and the number of unemployed will grow, if agriculture continues developing within the range of its possibilities, the rural inhabitants will have employment. Undoubtedly, number of people employed in agriculture will gradually decrease due to developments in science and technology, anyway, this will be a gradual process, and there will be extra time for creating new working places in the countryside.

We cannot overlook the export capacities of agriculture and food industry and together will it a possible source of revenue in foreign currencies.

There is an opinion being spread that due its geographical position, it would be profitable for Latvia to become a mediator-country (transit country) in the transactions between West and East. This conception would require shifting of the already very limited resources to those branches of economy and adequate transportation, communication and

banking system and other infrastructure that would promote Latvia's playing the role of the mediator-country. It is definite that agriculture as a branch of national economy will be moved to the very bottom of the list, as there exists an opinion that we could easily buy agricultural products abroad, where they are in excess supply and cheaper than the costs in Latvia. According to this idea, money for this can be raised from transit transactions. The supporters of this idea mention Singapore and Taiwan as examples worthwhile to be copied. However, there is no sufficient economic basis for this conception.

Speaking about Singapore and Taiwan, it should be pointed out that these are countries with high development level in agriculture, despite the fact that they are also typical transit countries.

In Singapore the agricultural output for 1989 was 183 million US\$.¹ In Taiwan the export of agricultural products constituted 4,5% of total export. In both countries the proportion of agricultural land to total acreage is very small.

If Latvia is looking for exemplary countries, transit countries inclusive, it would be more logical to look towards EEC countries like Denmark and Netherlands which are much closer to Latvia than Singapore and Taiwan, as to their climatic conditions and European traditions.

It should be admitted that both have well-developed agriculture which allows the countries to be self-sufficient regarding the primary agricultural products. Still more, in Denmark the export of agricultural products in 1990 constituted 25% of total export, and 18,5% in the Netherlands.² Definitely, Latvia is still far from Denmark's and Netherlands' development level in agriculture, but these examples are worth copying in strategic sense.

All this testifies to the fact that agriculture occupies a significant place in Latvian national economy together with industry is a perspective branch.

The conception of agricultural development is based on the following assumptions:

1. The conception of Latvian agricultural development is based on socially-oriented market model, which envisages a higher degree of government involvement in building an efficient economy and in caring about the social needs, than it regularly is in the liberal market model. In the transition period from centrally planned to market economy we ought to give up the destructive idea that the state only sets the provisions for economy, but the market economy will automatically settle the relations between the subjects. Without active regulations from the state a quick exit from the all-comprising socio-economic crisis is impossible. This is why owing to economic crisis in Latvian national economy, including agriculture, we should move from entirely liberated economic processes to active state regulation both with economic and administrative methods.

2. In Latvian agriculture is a priority branch in national economy, and its role in the survival of Latvian nation during the present crisis is growing.

3. In future Latvian agriculture should rely on individual and family farms as the prevailing ownership and management form. At the same time it should be stated that all ownership and management forms have equal rights to exist and be legally protected.

4. Agriculture is a branch with export capabilities, therefore it should be oriented not only to meeting the demands in local market, but also export should be stimulated.

¹ 2,7 million inhabitants, territory 625 km².

² In Denmark in 1990 there were 5,1 million inhabitants, territory 43 thousand km², the Netherlands - 15 million and 33,94 thousand km² and Latvia - 2,7 million and 64,6 thousand respectively.

Goals for Development of Agriculture

There are two types of goals that agriculture should pursue: **strategical** and **tactical**. **Strategical** goals are **long-term**, they give an orientation to agricultural development for the next 10 to 15 years. **Tactical** goals are necessary for the activities in the nearest 2 to 3 years. Both types of goals are closely linked, because, when solving tactical problems, we must keep in mind strategical goals, so that tactical activities would promote the achievement of strategical goals.

Strategical Goals

Strategical goals for Latvian agriculture have very much in common with goals for agriculture in the countries of EEC. They are:

1. **Self-sufficiency in primary agricultural products.** This means supplying the population of Latvia with food in accordance with nutrition standards and national traditions, and at reasonable price, supplying industry with raw materials from agriculture, setting up state resources;
2. **Protection of agricultural producers income level, a complex development of rural territories ensuring such living standards in the countryside which would make it possible to retain the rural lifestyle and cultural environment and employment;**
3. **Developing export of agricultural products;**
4. **Increasing efficiency of agricultural production by introducing the latest developments in science and technology, at the same time providing for a rational development of agriculture and optimal use of resources in order to make agriculture more competitive both in domestic and foreign markets;**
5. **Protection of domestic market in order to restrict the competition from outside and prevent the Latvian agriculture from destruction;**
6. **Regulation of agricultural output on state level, in order to prevent over-production above local demand and export possibilities;**
7. **Stabilization of agricultural market.**

Tactical Goals

For the next 2 to 3 years the main tactical goal is to stop the decline in agricultural production and to maintain stability. In order to achieve this, it is necessary :

1. **To revive and consolidate the management of economic processes in agriculture and to activate the role of state regulation;**
2. **To bring in order and supplement legislation as to property conversion in agriculture and related branches. Demonopolization and privatization of agricultural processing enterprises and services, so that they become property of producers. To supplement the law about land ownership, in order to be able, at last, determine to the order for selling and buying of land;**
3. **To settle the delayed payments for products and claim back the outstanding debts to agricultural producers, to restore the working capital in production to a level at which production and marketing processes are stable;**

4. To organize an efficient system for giving credits to agricultural producers, processors and food trade (this involves also mutual credits), the main focus being on target credits.

5. To establish Rural Bank;

6. To promote cooperation of agricultural producers (farmers, shareholding companies etc.);

7. To establish Latvian Agricultural Council (or Chamber) with representatives from agricultural producers, state institutions, as well as from consumers' rights protection organizations;

8. To find incentives for establishment of small and medium businesses in rural territories in order to create employment for redundant people;

9. To work out and implement special target programmes for individual agricultural products (grain, sugar-beet, flax, potatoes, oilseed, milk, meat etc.), which should comprise stabilization of production, processing and marketing;

10. To promote a further development of advisory service for agriculture. The main task of this service should be targeted at bringing down the latest developments in science and technology to the producer. This would enable to reduce costs and to use the resources efficiently;

11. To organize a systematic and active foreign market research, in order to collect information on marketing possibilities for Latvian agricultural products. To channel this information to agricultural producers with the help of advisory service for agriculture.

Within the framework of foreign technological assistance, to involve foreign consultants and specialists in this work.