Analyses of Rural Development Plan Measure „Meeting of Standards” Implementation in Latvia

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Abstract. Since accession to the European Union (EU) Latvia has received the EU financial support to reach several goals in agriculture. Rural Development Plan (RDP) measure “Meeting of Standards” received a large attention and popularity between agriculturists. Totally 8278 projects have been submitted and 7800 were approved and accomplished. The funding allocated for this measure is EUR 66 million constituting a significant part (16%) of total financing under the RDP for the period of 2004-2006. The research aim is to evaluate the impact of RDP measure Meeting of standards on the development of agricultural holdings in Latvia over the period of 2004-2008. The achieved implementation result of the measure is conformity of agricultural holdings to the EU standards. It will serve as promotion of achieving the required qualification to uptake the funding under the Rural Development Programme for 2007-2013 for further modernisation of agricultural holdings. The study provides analysis and assessment on the main results of project amount and financial indicators of the measure Meeting of standards. Data are reviewed in the trans-section of regions, time, and specialisation of agricultural holdings. The study reflects accomplishment of the holdings achieving the EU standards: it provides the analysis of 462 projects of the RDP measure Meeting of standards in Dienvidlatgale (Eastern part) and Dienvidkurzeme (Western part) regions of Latvia.

Key words: agriculture, agricultural holdings, EU standards, development.

Introduction
After the Republic of Latvia joined the EU in May 2004, the local agriculturists had to conform to the EU requirements of ensuring the environment, plant health, animal health and welfare, and consumer protection standards in the process of agricultural production. These standards are mandatory to all EU member states. The EU requirements in respect of meeting standards were considerably more rigorous than those in place before. R. Zapereckis (2004) emphasises that a new development stage has set in – Latvia is an EU member state of and all the CAP measures would start working. At this moment, the main problems are associated with stringent requirements of food safety. Our enterprises continue their upgrading very seriously to benefit from operation on the EU market.

Thus agriculturists intending to produce for the market were in need of money resources for upgrading their operations in conformity with the requirements. The European Commission took due account of the fact that spare resources were not readily available to farmers setting up the support measure Meeting of Standards targeted at achieving the compliance with the EU standards in the fields of human and environment protection, plant and animal health, and animal welfare. This Measure was implemented as part of Latvian Rural Development Plan for 2004-2006 (Procedure for Implementation of the Programming Document..., 2004).

The support-related issues have been extensively analysed in the studies by different authors in Latvia: D. Jasjko, A.Miglavs and D.Feldmans (2004), I.Pilvere and A.Rukmanis (Pilvere, 2007, Rukmanis, Pilvere, 2006), V. Buģina and G. Krūmiņš (2005), D. Saktiņa and W.H. Meyers (2005) etc. Despite that, the Measure Meeting of Standards has not been so far analysed neither in Latvia nor in any other EU member state, since it was introduced to facilitate the candidate countries acceding to the EU in 2004. Furthermore, not all of the new member states chose to introduce this Measure.

The research aim is to evaluate the results of the RDP Measure Meeting of Standards implemented in Latvia over the period of 2004-2008. The research hypothesis: the investments provided under the Measure Meeting of Standards have improved the conformity of agricultural holdings to the EU standards, especially in the field of animal production. The following tasks were formulated to validate the hypothesis and achieve the research aim: 1) to analyse the nature and main results of the RDP Measure Meeting of Standards in Latvia; 2) to profile and evaluate the agricultural holdings involved in the Measure; 3) to analyse the implementation indicators for different activities under the Measure.

Methods applied in the study: monograph, graphic, constructive logic, analysis and synthesis, deduction and induction, analysis of documents and mathematically statistic methods. In the course of study, 462 projects were analysed of the Measure Meeting of Standards administrated by Dienvidlatgale and Dienvidkurzeme Regional Agricultural Departments of Rural Support Service (RSS). The former comprises the territories of Preiļi, Daugavpils, and Krāslava districts, the latter – Liepāja, Salduš, and Kuldīga districts. These departments were selected as they had received the highest numbers of project applications consequently they took up the largest portion of funding. The sample size in the above departments constitutes...
6% of the approved projects in each department. On the whole, the study samples represent 6% of all approved project applications in Latvia (7 800).

Results and Discussion

1. Measure Meeting of Standards as a type of the EU support

The EU financial aid for development of different sectors in Latvia includes several financial instruments: Structural Funds, Cohesion Fund, community incentives, direct payments and rural development measures each tailored for the achievement of distinctive goals. The EU support for Rural Development of Latvia over the period of 2004-2006 was funded from the European Agricultural Guidance and Guarantee Fund, Guarantee Section, pursuant to the RDP and its appropriations had to be fully up-taken by the end of 2008. The total funding available for measures of RDP constituted EUR 410 million, including EUR 328 million of the EU co-financing which makes up 56% of total EU support for agricultural and rural development in Latvia over the period of 2004-2006. The importance of the RDP measure Meeting of Standards is emphasised by its ultimate goal: ensuring of conformity of agricultural holdings to definite EU standards in the fields of consumer and environment protection, plant and animal health, and animal welfare. The RDP of Latvia for 2004-2006 is the main regulatory enactment governing conditions of introduction and implementation of this Measure. The funding provision of the Measure is EUR 66 million: an important share (16%) of RDP financial provision. This is the sole measure providing support to agriculturists for improvement of the conformity to the standards. Consequently, holdings having achieved conformity to the standards in the period of 2007-2013 can qualify for projects under the Measure Modernisation of Agricultural Holdings of the Rural Development Programme because the underlying condition – the conformity of investments to the Community standards applied to them – has been fulfilled (Latvian Rural Development Programme..., 2008).

Over the whole application period for the Measure Meeting of Standards 8278 project applications were received out of which 94% or 7800 were approved. The project approval level for this Measure was comparatively smaller and the highest as the package of documents to be prepared for submission was 57%. The number of applications was submitted to Zemgale (Dobele, Bauska and Jelgava districts) and Ziemeļaustrumu RAD (Gulbene, Alūksne and Balvu districts): 479 and 516 applications respectively.

The total amount of concluded contracts under the Measure Meeting of Standards amounted to EUR 71 149 064, by 7% exceeding the financing provision under the RDP (EUR 66 139 078), for, paying due respect to high interest and activity on the part of agriculturists, the RSS has undertaken over-commitments giving opportunity to implement every relevant project submitted, thus ensuring meeting of the EU standards.

In Latvia, under the Measure Meeting of Standards support was granted to 4 713 agricultural holdings. In 2007, there were 113 382 agricultural holdings in Latvia, 55.2% of which were not market-oriented but producing only for the own consumption, therefore the EU standards were not applicable to these holdings. Thus 44.8% or 50795 of agricultural holdings producing for the market have to observe the EU standards (Structure of Agricultural Holdings ..., 2008). The holdings having received support under this measure represent 9.3% of all commercial agricultural holdings.

2. Profile of the holdings involved in the Measure

The research comprises the analysis of 462 projects implemented by 282 holdings distributed in 6 districts: Krāslava, Daugavpils and Preiļi districts – situated in the Eastern part; and Saldus, Liepāja and Kuldīga districts – situated in the Western part of Latvia. The holdings in the territories of Dienvidlatgale RAD and Dienvidvidkurzeme RAD were evaluated in three areas: land area farmed, number of agricultural animals and financial indicators.

2.1. Land area farmed

The total land area for holdings involved in this Measure widely varies: from 2.5 ha to 641 ha. The holdings in question possess 49 ha on the average. Although the average land area size for these farms is larger than the average for Latvia (25.6 ha) (Structure of Agricultural Holdings ..., 2008), it should be noted that in 75% of the analysed holdings, the land area does not exceed 19.5 ha. The calculations show that the relatively high average indicator has been obtained on the account of the few large holdings with vast land areas. Therefore it can be concluded that mainly small and medium-to-small holdings have benefited from the Measure. Analysing the agricultural land area (AL) it is evident that the agricultural land constitutes on the average 77.5% of total land area belonging to holdings and 39 ha per holding on the average. Also this average indicator is high due to areas of agricultural land farmed by the large agricultural holdings. For about half of holdings, the AL area is smaller than 23.5 ha, but in three quarters of all holdings the AL area does not exceed 40.3 ha.
2.2. Agricultural animals

Analysing the structure of holdings by animal numbers, the conclusion is that 99% or 279 holdings keep agricultural animals. Such indicator had to be expected for the Measure Meeting of Standards was oriented towards achieving compliance with certain standards largely in animal production, and specifically dairying. Apart from bovine animals, 43% or 121 holdings analysed keep pigs, 29% of holdings – poultry, mostly hens. Other animals are met less often: horses are kept in 11% of holdings, sheep – in 9% but goats – only in 2% of holdings.

Mainly the number of animals in the analysed holdings is small. Figure 1 shows that in 72% or 203 sampled farms the number of cattle heads per herd is from 1 to 19, namely 90 holdings keep up to 9 heads of cattle and 104 holdings – from 10 to 19 heads of cattle. This trend contradicts with the common situation in the country, for there are 86.3% of holdings keeping less than 9 heads of cattle, while farms keeping from 10 to 19 heads of cattle constitute 7.2% of the number of total holdings. The total number of holdings in Latvia keeping cattle equals to 42 575 holdings (Visu veidu saimniecību... 2009). The proportion of farms however, keeping more than 20 heads of cattle is small in the overall number, i.e. 29% of the sampled holdings and 6.54% of total holdings in Latvia. Holdings keeping more than 19 heads of cattle, keep 68% of total number of cattle in Latvia which in 2008 constituted 380 232 heads (Visu veidu saimniecību grupējums pēc liellopu skaita... 2009).

Analysing the number of pigs, it is evident that in a similar way as with cattle, for the majority of holdings (82%) the number of pigs does not exceed 20 heads. Totally per country, there are 91.8% of farms with the pig number not exceeding 10 heads. There are just 8.2% of holdings with a large number of pigs. These commercial pig production holdings are the keepers of 82.4% of total number of pigs in Latvia, namely, 339 968 pigs. In 2008, totally 383 724 pigs were kept in 17 582 holdings of Latvia (Visu veidu saimniecību grupējums pēc cūku skaita... 2009).

2.3. Financial indicators of agricultural holdings

Revenues from animal production constitute about 39% of farm income on the average which conforms to the overall indicators per country: the average value of animal production in Latvia makes up 32% of the farm income, and plant production - 36% (Lauku saimniecības darba..., 2009).

The farm cash flow was also analysed, because a positive cash flow as an economic viability indicator was one of the main conditions for receiving support. Analysing the obtained data, one can conclude that over the coming years the cash flow (agriculturists had to reflect the cash flow for the whole term of the project implementation, even for over three years) will increase in 55% of farms. It is a favourable indicator showing that the farm income will grow as a result of meeting the standards. Although agriculturists project the increase of costs due to the inflation in 63% of farms, despite the available cash or surplus in 59% of holdings.

The support amount received implementing projects varies from EUR 370 to EUR 43 870. The average scope of projects in the analysed holdings is EUR 7615. Totally, for 462 projects the agriculturists will receive EUR 3 881 798, adding up to 5% of the total financing provision under this Measure. Consequently, the projects in both RADs analysed, are of smaller scope than on the average, for 6% of total number of applications were sampled for the study.

The financial support provided by the Measure makes up 44% of the farm income. The calculations show that the compensation disbursed for the implemented projects lays a statistically favourable impact both, on the farm income and the cash flow surplus or the cash savings in holdings.

The amount of financing received by the holdings under the Measure is EUR 147 or LVL 103 per 1 ha. The total amount of the EU and state support in Latvia is LVL 146 per 1 ha (Pilvere I., 2007), thus it is evident that the amount of financing acquired through this Measure is 1.4 times lower than that on the average in Latvia; however constituting a...
substantial part (71%) of the average support amount in the holdings analysed.

3. Meeting of the EU standards in the holdings

The representative indicator for evaluation of the impact of the Measure Meeting of Standards is the projects accomplished by holdings: the type and number of the acquired equipment, the buildings constructed, reconstructed or renovated, and the total area of these structures or their volumes in case of manure storages.

Sixty-five per cent of activities in the analysed projects were carried out for meeting standards in the field of milk hygiene (Figure 2). Twenty-nine per cent of activities were targeted at general welfare upgrading of agricultural animals.

Within the Activity Milk Hygiene the most applications were received for the purchase of milk cooling and milking equipment for the milking cows – 37% of total number of projects in each sub-activity (Figure 3). The results of the study indicate that within this Activity there are 313 units of chilling equipment and 315 units of milking equipment acquired or 1.1 units of equipment per holding. The total amount of funding for these projects amounts to EUR 1369 million. The average offset received by agriculturists having purchased milking equipment is EUR 2247 per holding, while the funding amount for the cooling equipment is slightly lower: EUR 2113.

The reconstruction, renovation or construction of milk cooling premises also enjoyed a considerable popularity among agriculturists: 17% of the holdings have taken part in the sub-measure of the Milk Hygiene. The construction opportunity of milk cooling premises compliant with the EU standards has aroused the highest interest: 10% of all the approved projects. Eight milk cooling premises with the total area of 125 square metres have been renovated (Figure 4) costing EUR 20 thousand. There is a higher number of reconstructed milk cooling premises: totally 51 with the area of 836 square metres and the total funding of the projects amounting to...
EUR 188 thousand. However, the interest in building new milk cooling premises has been the highest: 81 milk cooling premises have been constructed with the total area of 1677 square metres. The total funding of the projects has been the largest here: EUR 597 thousand, also the average level of funding for these projects is larger than that for the renovation or reconstruction of milk cooling premises: EUR 7380.

Altogether under this Activity the conditions have been improved in 140 milk cooling premises with the total area of 2638 square metres receiving compensation in the amount of EUR 805 thousand. On the average, each of the premises has cost EUR 5 750 or EUR 305 per square metre.

Nine per cent of projects within this Activity were targeted to shifting of pigs to different premises if pigs have been kept together with cows, thus providing for the improvement of animal welfare standards in cattle care and keeping areas. Altogether, EUR 280 358 have been spent within this sub-activity comprising 11% of total funding under this Activity. The average funding per project is EUR 3689.

The total funding disbursed in offsetting costs in the analysed holdings under Activity Milk Hygiene is EUR 2 455 710, constituting 63% of total funding under this Measure in the holdings analysed. Comparing all the sub-activities of Milk Hygiene among themselves, the largest total funding has been disbursed for the purchasing of milking equipment (EUR 708 thousand or 29% of total funding), the smallest: for the renovation of milk cooling premises (EUR 19 thousand).

Comparing funding among different projects, it is evident that the highest offset has been paid for projects envisaging construction of buildings but the lowest one for projects focussed on the purchase of cooling equipment. The difference between both average indicators in these sub-activities is EUR 5 267 (3.54 times). The results demonstrate that
the average funding per project in the sub-activity for the purchase of milking and cooling equipment is rather small but it has attracted many beneficiaries. Projects under the Activity Welfare of Agricultural Animals comprise 29% of the analysed projects (Figure 5). The total financing provision for this Activity is almost EUR 900 thousand.

Regarding the Activity Welfare of Agricultural Animals the most popular sub-activity in the area of improving the water supply systems was setting-up of water supply systems for bovine animals: 44% of total number of projects. The amount of funding earmarked for this sub-activity is EUR 82 thousand.

Many agriculturists have opted for an Artesian well: 37% projects, curb-wells on their turn are to be set up in 7% of holdings. These sub-activities utilise the largest part of funding under the Activity Welfare of Agricultural Animals – EUR 717 thousand or 82%. An equal number of agriculturists have set up the water supply systems for sheep and goats as well as pigs: 6% of total number of approved projects under this Activity. The opportunity to set up an artificial ventilation system, an alarm system and back-up ventilation has generated little interest though: just 1% of the projects with the total financing of EUR 3552.

Analysing the average amount of funding across a number of projects under this sub-activity, it should be noted that the highest average funding has been spent for drilling of Artesian wells: EUR 5691 have been paid out to offset expenditure in this field. For drilling of Artesian wells or digging of curb-wells a fixed sum is paid out: it does not change depending on the number of animals or other circumstances.

The total financing provision for this Activity is EUR 868 874 or 22% of total funding under this Measure in the holdings analysed. The largest share is filled by projects for drilling of Artesian wells: 82%. The lowest proportion financed under this Activity is represented by projects supplying water to pigs: 0.003% as well as projects for upgrading of the ventilation system: 0.004%.

Within the Measure Meeting Standards agriculturists were offered an opportunity to set up calf hutchs compliant with the EU standards: 53 projects were included this activity. On the whole, the financing provision for this Activity was EUR 63 461 or EUR 1197 per project on the average. The total funding under this Activity amounted to 1.6% of financing for the whole Measure.

Activities like Manure Storages and Farrowing Pens for Sows have produced a small number of projects: 1% of total number of activities. The sub-activity Manure Storages has been carried out by 12 holdings for the total amount of EUR 485 273 or EUR 40439 per project on the average. The total funding of this Activity is 13% of total financing for the whole Measure. The sub-activity Farrowing Pens for Sows was implemented by 8 holdings for the total amount of EUR 8460 or 0.2% of total financing for this Measure in the holdings analysed. The average offset amount for one project: EUR 1057.

Conclusions

1. The Measure Meeting of Standards has improved the conformity of holdings to the EU standards thus providing for continuation of production and operation on the market of these holdings. Having met the above standards, the holdings are given the opportunity to modernise the production within the Measure Upgrading of Agricultural Holdings of the Rural Development Programme for the period of 2007-2013.

2. Over the project implementation period the income has increased for half of the participating holdings, while the cash surplus has increased for almost two thirds of the holdings. The financial support provided by the Measure makes up 44% of the farm income.

3. The study included the analysis of 462 holdings have been involved in different Activities to achieve the compliance with the relevant EU standards:
   - milk cooling premises: 8 renovated, 51 reconstructed and 81 constructed anew. The total area for milk cooling premises compliant with the
EU standards: 2638 m², investment EUR 805 thousand. For upgrading milk cooling premises in one holding EUR 5'750 have been spent or – EUR 305 per square metre;
- for adherence to milk hygiene standards, the holdings have purchased and installed milking and cooling equipment: 315 and 313 respectively or 1.1 units of equipment per holding. The support for these sub-activities amounted to EUR 1.37 million or EUR 2'181 per holding on the average;
- for adjustment of the water supply system to the EU standards, 26 curb-wells and 140 Artesian wells have been set up in the holdings for the total amount of EUR 763 thousand, the offset amount for setting up one location of the water source has been EUR 1423 and EUR 5691 respectively;
- the adjustment of the water supply system for agricultural animals has taken place in 211 holdings catering for bovine animals, goats, sheep, and pigs. The installation of a pressure pump, trunk water main, secondary water main, and drinkers have cost EUR 102 thousand or EUR 483 per farm on the average.
- Fifty-three of the analysed holdings have set up adequate calf hutches for the total amount of EUR 63 thousand or EUR 1'188 per holding on the average.

Bibliography