

DEVELOPMENT AND FUTURE PERSPECTIVES OF ORGANIC FARMING IN LATVIA

BIOLOĢISKĀS LAUKSAIMNIECĪBAS ATTĪSTĪBA UN NĀKOTNES PERSPEKTĪVAS LATVIJĀ

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Abstract. Nowadays the organic farming as method and organic food takes important role for the sustainable and environmental friendly agricultural and food production. The paper analyzes the development and issues of future perspectives of organic farming in the Latvia. Some findings of organic agriculture development are given, estimating the primary information on organic farming in Latvia regarding the trends of the organic farms' number, utilized organic agricultural and share of organic land in the total agricultural land. Besides, the state policy and support for organic farming have analyzed and compared with European Union (EU) and it's Member States. The influence of Latvia's accession to the EU on the organic farming development is assessed. Some issues of further perspectives of development of Latvian organic agriculture are evaluated.

Keywords: organic farming, development, policy, support, Latvia.

1. Introduction

The XXI century is called 'green' century and it faces increasingly serious environmental and natural resources problems, and all countries concerned, particularly in Europe (24.), should take actions on the basis of sustainable development strategy, with priority given to food production. In connection with organic farming, sustainability must be understood as 'functional integrity', or the ability of a system to reproduce itself and thereby survive on a long-term scale (2.). The global development of organic agriculture as well as the practice and extension of alternative agriculture, whether lower exterior input agriculture are the outcome of the search for the models of sustainable food production and consumption. The organic production also plays important role for further entrepreneurship's development in the rural areas and the forming value added products of agri-food chain. Furthermore, organic farming has particular advantages for small-scale farmers.

The newest definition of organic agriculture was approved by General Assembly of International Federation of Organic Agriculture Movements¹ (IFOAM) in Vignola in June 2008 - "organic agriculture is a production system that sustains the health of soils, ecosystems and people. It relies on ecological processes, biodiversity and cycles adapted to local conditions, rather than the use of inputs with adverse effects. Organic agriculture combines tradition, innovation and science to benefit the shared environment and promote fair relationships and a good quality of life for all involved."

IFOAM (22.) defines the organic principles: Health, Ecology, Fairness and Care, which have the potential to contribute significantly to future food security and sovereignty relying on integrated, robust, resilient, productive and ecologically intensified systems, which are owned by the people practicing these methods in their daily life.

Organic agriculture or farming as environment friendly and sustainable production method has been encouraged on international (4.) and regional (European), *inter alia* Latvia's level and has been recognised as an important part of assurance of sustainable agricultural production (3.). Thereto, European organic agriculture, *inter alia* Latvian, offers effective means of satisfying consumer demand for healthy and safe foods and reducing the environmental pressure of agricultural production, whilst simultaneously addressing important animal welfare issues (20., 21.).

The **aim** of the study is to evaluate the development issues of organic farming in Latvia and to estimate their further perspectives, which are covered due to following **tasks**: to evaluate Latvia's policy and support for organic farming; to analyze development issues of organic agriculture; to estimate the further development potentialities of organic production.

The principal **materials** used for the studies are as follows: different sources of scientific publications, research papers, EU and Latvia's legislation, and the reports of international and EU institutions; unpublished data from Rural Support Service (RSS) and Food and Veterinary Service (FVS). The suitable qualitative and quantitative research **methods** have been used for various solutions in the process of study: analysis and synthesis; logical and abstractive constructional; data grouping and comparing; linear regression analysis, expert, etc.

¹ http://www.ifoam.org/growing_organic/definitions/doa/index.html Association of Latvian Organic Agriculture (ALOA) is also member

2. Development of organic farming

EU and Latvia's policy and strategy

The growth in the organic sector in the EU has been influenced by common regulation for organic farming in the EU introduced in 1991 by European Commission (EC) Regulation (15.), the inclusion of organic farming in the agri-environmental programmes of the Common Agricultural Policy (CAP) in 1993 (8.), and by the growth in consumer demand for organic food (10.). In June 2004 EC (2004) published the European Action Plan for Organic Food and Farming. The plan set out a range of policy measures to support development of the organic sector in order to meet consumer demands in a market-oriented way and to deliver public goods such as environmental protection and animal welfare. The measures included revision of the Regulation defining organic food, support for organic farming through the rural development programme and a consumer promotion campaign.

The new Council Regulation (EC) 834/2007 for organic production (in force from 2009 and it replaces the EU organic Regulation (EEC) 2092/91) states the following general objectives for organic production: 1) establish a sustainable management system for agriculture that: a) respects nature's systems and cycles and sustains and enhances the health of soil, water, plants and animals and the balance between them; b) contributes to a high level of biological diversity; c) makes responsible use of energy and natural resources, such as water, soil, organic matter and air; d) respects high animal welfare standards and in particular meets animals' species-specific behavioural needs; 2) aim at producing products of high quality; 3) aim at producing a wide variety of foods and other agricultural products that respond to consumers' demand for goods produced by the use of processes that do not harm the environment, human health, plant health or animal health and welfare.

In July 2004, EC presented a new proposal for a Council Regulation on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) for the programming period 2007-2013 which has been agreed upon in June 2005. The explanatory memorandum of the new Rural Development Programme (RDP) presented by the EC mentions that after a period of reforms of the First Pillar of the CAP, now focus will be on the reform of rural development policy. However, this does not mean a paradigm shift but rather a consolidation and administrative simplification making the rural development policy more efficient and coherent (5.).

Regardless of the requirement of EU legislation and recommendations (3.) for the Member States to develop their own national Action Plan for Organic Food and Farming, based on the EU statement, Latvia still has failed

to produce such a document. Moreover, till 2003 (26.) there were no policy (strategic) documents regarding organic farming and food, except support measures under Rural Development Plan (RDP) 2007-2013.

Comparing all EU countries in order of presence or absence of national Acting Plans for the organic sector of agriculture and food, there are some countries (e.g., Romania, Malta, Poland, Hungary), *inter alia* Latvia, which have not approved Action Plan (19.).

Development of organic agriculture

The history of Latvia's organic agriculture originates in 1990, when there were only three organic farmers in the country, but rapid development of organic farming began after 2001, when in the Law "On Agriculture" organic farming and state assigned subsidies for this farming method were defined. As it can be seen in Figure 1 after Latvia's accession to the EU in 2004 the number of organic farms, the area of utilized agricultural land under organic farming, as well as share of organic land from total Latvia's utilized agricultural area (UAA) has increased more than four times. However, the number of farms dealing with organic agriculture continued to grow in 2007, although the pace decreased. In comparison with 2006, in the year 2007, the total number of organic farms did not increase significantly, only by 0.4%. In the period from 2007 to 2008 the growth pace of number of organic farms and agricultural land has slowed down. In 2008, as compared to the previous year, the total number of organic farms has not increase significantly - only by 2%.

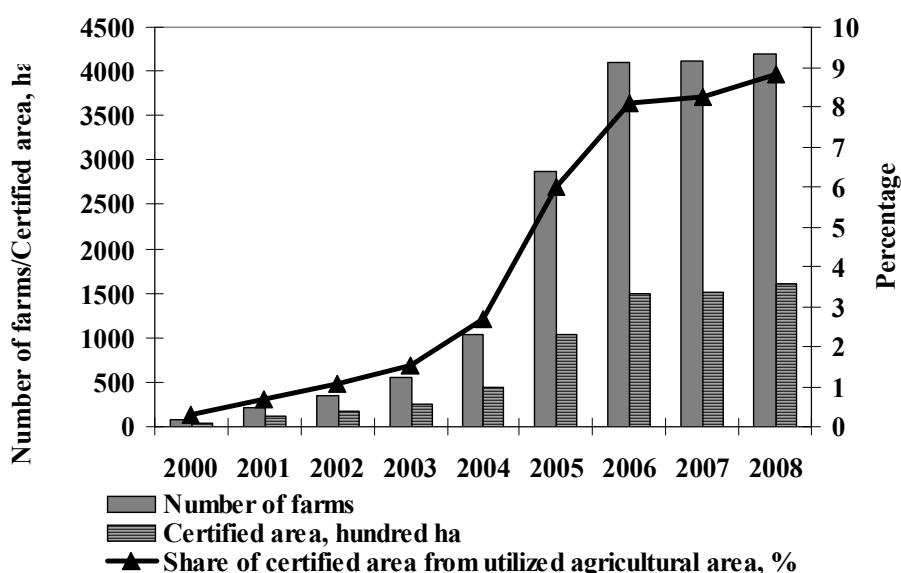


Figure 1 Number of organic farms, certified area under organic farming (ha) and share of certified area from total UAA (%) in Latvia, 1998 - 2008

Source: Author's calculations based on unpublished data from RSS

The growing trend of the number of organic farms from 1998 to 2008 is statistically significant, where coefficient of determination - $R^2 = 0.84$, coefficient of correlation - $r = 0.92$, $\alpha = 0.01$. The same trend has been observed in the increase of certified area ($R^2 = 0.86$, $r = 0.93$, $\alpha = 0.01$).

Taking into account the rapid development of area under organic agriculture till 2008, the Latvia takes the 8th place in the range of ten world countries with the highest shares of organic agricultural land in 2008 (24.).

3. EU and national support

State support for organic farming in Latvia began in 2001, when farmers engaged in organic farming could apply for subsidies for organic farming area and organic animal farming. This support for certified areas and certified farm animals was allocated between 2001 and 2003. In 2002, 167 farmers received support via state subsidy programme which amounted to LVL 276,708, but in 2003 already 292 farmers received support which amounted to LVL 479,788, stimulating the growth of areas under organic farming (Table 1).

Table 1

State support for organic farming in Latvia, 2001-2003

Subsidies	2001	2002	2003
Allocated subsidy amount (thous. LVL)	100	100	307
Paid subsidy amount (thous. LVL)	84.6	276.7	479.8

Source: data from Ministry of Agriculture Republic of Latvia and RSS

After accession to the EU the Latvian organic farmers had a possibility to apply for the EU direct support payments in 2004 for the first time and since then the development of the organic farming in Latvia has been supported from the EU structural and state subsidy funds.

Latvia's RDP 2007-2013 devised that the measure of "Agri environment payments" is a priority of Axis 2 (improving the environment and the country side), and more than 40% of the total financing under the Axis has been granted to this measure to support the development of organic farming and integrated horticulture.

Sub-measure "Development of organic farming" ensures support for farms or holdings, which are in the process of managing the utilised agricultural land: 1) Produce organic farming products; 2) Are in transition period to organic farming production.

On the EU level - various regulations and policy documents determine that: the measures of RDP listed under Axis 2 provide enough place to include organic farming support in the national programmes and organic farming, where the area support could be provided under the agri-

environmental and animal welfare measures; it is important to ensure that the organic farming payments are sufficiently higher than payments for integrated production. Furthermore, maintenance payments should continue at a sufficient magnitude to conversion payments; in order to minimise interregional distortion organic trade, the new RDP should ensure that an organic farming scheme will be implemented in each of the national rural development plans of the forthcoming programming period.

Notwithstanding, on above mentioned EU statement, the Latvia has changed the requirements for support or subsidies' receiving for organic farmers, which rise inconveniences for smaller farmers. We would like to stress that not only in Latvia, but in all EU Member States and in the world mainly small-scale farms are involved in organic agriculture (2., 6., 16.). In 2008 new Regulations No. 282 of the Cabinet of Ministers of the Republic of Latvia (13.) were adopted, which cardinally changed the possibilities of organic farmers to receive subsidies. The Regulation requires the minimum farm's marginal revenue from agricultural production in the previous year (Table 2), where subsidies have not been included. It is important to point out that the Regulations ask the for minimum marginal revenue from agricultural production, but not from organic production. It means that farmers could receive the subsidies for organic farming without selling organic products.

Table 2

Requirements for receiving of support for organic farming

Group of crop	Payment, EUR/ha	Farms' marginal revenue per ha
Permanent meadows and pastures, nectar plants	138	For meat production and bees' products production farms at least 50 LVL; For other farms at least 100 LVL/ha
Field crops (int. al. industrial crops), other crops in arable land, perennial grassland and grassland in arable land for seed production, fallow	108	For meat production and bees' products production farms at least 50 LVL/ha; For other farms at least 90 LVL/ha At least 130 LVL/ha
Vegetables (incl. herbs) and household gardens	357	At least 1000 LVL/ha
Potatoes, starch potatoes	318	At least 1000 LVL/ha; For starch potatoes at least 600 LVL/ha
Fruit crops and bush fruits	419	At least 2000 LVL/ha, except new garden (<3 years)

Source: based on *Ministru kabinets, 2008; Zemkopības ministrija, 2009*

Analyzing the trends of the number of organic farms in Latvia and received subsidies (thousand LVL) in the period from 2004 to 2009 as shown in the Figure 2, we conclude that after 2006 the number of farms and received amount of subsidies practically has not changed.

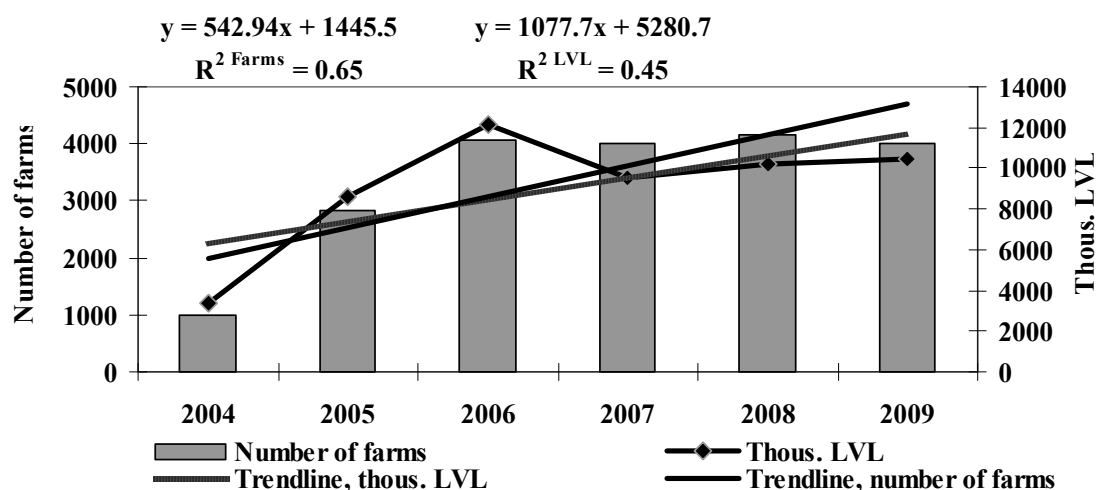


Figure 2. The trend of organic farms' number and received subsidies (thous. LVL) in Latvia, 2004-2009.

Source: Author's calculations and construction based on unpublished data from RSS

Taking into account Latvian requirements, which link the subsidies for organic farming with revenue from agricultural production, the further development of organic farming is under threat.

Many researchers (7., 9., 14., 21., 23.) conclude that direct payments play an important role in the financial viability of many organic farms in both Western and Eastern European countries, and this importance will further increase by 2013, where the specific support for organic farming made within the agri-environmental programmes is particularly visible.

On the whole Latvia's accession to the EU brought positive tendencies in the development of the organic agriculture sector, similarly to other new EU Member States (11., 25.). It was mainly encouraged by inclusion of new EU Member States into the influence area of environmental instruments of the CAP; creating the possibility of the acceleration of organic agriculture's development.

4. Issues of further development

Already in 2006 Aistare G. (1.) noted that the trends of Latvia's policy regarding the support of organic farming indicate the opposite to the reformed CAP support payments, which are intended to support rural

development in general and environmentally friendly low-input farming (as opposed to high-yield intensive farming) more specifically.

Results of study of Tzouramani I. study(21.), who argues that organic farmers are interested in the future of their farm; they consider organic agriculture as a superior farming system, which also contributes substantially to environmental protection, but they face a lot of constraints, lack of information, high cost of production and institutional changes, also conform the Latvian situation.

However, the support for development of organic farming and integrated horticulture is granted in Latvia due RDP, in our opinion, the further development of organic agriculture and other environmentally friendly methods are threatened due to several factors:

- the lack of approved policy and strategic planning documents of state framework for organic farming and food;
- requirements of special rate or at least of marginal revenue from agricultural production;
- high expenses and bureaucratic procedures for certification;
- lack of processing and marketing facilities;
- lack of information, bureaucratic procedures and different kind restrictions, mainly different in the different places of country¹, for small-scale processing;
- bureaucratic procedures and ban for sale, *inter alia* e-commerce, and prohibition of direct sale of organic products for the catering sector, particularly local(e.g. hotels, guest-houses; hospitals, day-care-centres etc).

In our opinion results of the survey done by Marketing House Ltd. (12.), which show main restricted reasons for further development of Latvian organic farming, still remain topical. Those reasons are as follows: low or similar purchase prices comparing with conventional production (16.1%); lack of sale possibilities (9.6%); difficulties with purchase of seeds (4.2%); shortage of machinery (3.6%); imperfection of information (3.6%); insufficient finance recourses (3.0); high bureaucracy (2.9%); shortage of processing enterprises (2.0%).

Organic producers stress the lack of processing possibilities in public mass media. Comparing the number of organic farms, which exceed 4 thousands, and 53 processing and/or packaging enterprises, which mostly are small-scale and processing and use own produced raw materials, we see the shortage of processing facilities. Despite the fact that the number of processing facilities have risen from 2007 significantly – more than 3 times

¹ Differences depend on knowledge and perception of individual inspectors of Food and Veterinary Service

(Table 3), there is insufficient number of places for processing of organic production, particularly of animal origin; as shown in the Table below only one organic meat processing enterprise is registered in Latvian FVS.

Table 3

Kind of Latvia's production / processing enterprises and its amount in 2007 and 2010.

Kind of production/processing enterprise	Number of processing enterprises/farms	
	2007	2010
Plant origin product's processing and/or packing	4	22
Milk processing	3	6
Cereal storage	3	5
Milk collection	2	-
Rabbit slaughterhouse	1	1
Low capacity cattle and sheep slaughterhouse	1	2
Cheese production	1	1
Bakery	1	2
Honey packing	1	3 ¹
Oil processing	-	1
Processing of goat milk	-	3
Flour	-	4
Meat processing	-	1
Rye malt	-	1
Hempseed's butter	-	1
Total	17	53

Source: Author's calculations based on data from FVS data bases

However, practice of EU countries was shown by Häring A. et al. (5.) who argue that support measures of organic farming could be specifically targeted to favour organic agri-tourism, and farm shops, but could also provide incentives to village restaurants and hotels to use local, organic raw materials. For example, "Bio-Hotels" is an association of independent hotels offering holidays based around environmentally friendly tourism and organic products, available in many different regions in Austria, Germany, Italy, Switzerland, Spain and Ireland. Through alliances with local organic farmers and constant developments and improvements in their product ranges, their standards are maintained.

¹ One is involved in tea packaging

5. Conclusions and proposals

Organic agriculture in Latvia like in other countries is important for resolving the issues on healthy and local food, resources, and ecological security, *inter alia* biodiversity, water and soil contamination etc., increasing farmers' income, to promoting sustainable development, and sharpening the competitive ability of Latvian organic products in the national and international market. The importance and place of this kind of agricultural production is outlined by support through measures of Rural Development Plan 2007-2013.

After Latvia's accession to the EU in 2004 the number of organic farms, area of utilized agricultural land under organic farming, as well as share of organic land from total Latvia's utilized agricultural area have increased more than four times. Nevertheless, the trends of previous years (2008-2009) show that the development has been almost halted.

The gaps between Latvia's and EU organic policy and support system still exist. The lack of approved strategy and acting plan for the production, processing, labelling and marketing of organically produced products should be tackled. For promotion, the development of organic agriculture the developing of the national of Action Plan of Organic Farming and Food and its approving on the governmental level is substantially necessary. Absence of policy and strategy documents, contributing and encouraged legislation without restrictions for organic agriculture and food, particularly processing and sale activities, hinder farmers' entrepreneurial activity in this sphere.

Despite the fact that the number of processing facilities have risen from 2007 significantly – more than 3 times, there is the insufficient number of places for processing of organic production, particularly of animal origin. Insufficient or lack of processing and sale facilities and possibilities, decreasing demand as well as shortage of different kind information for organic producers has limited factors for future of organic sector in Latvia.

Organic farming is not economically viable and conventional agriculture would be preferred by all farmers, regardless of their degree of risk aversion Taking into account those predictions, the national Regulation (13.), considerably influencing the number of farms particularly small, which can receive the support, could be abolished.

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Summary

The organic agriculture or farming as environment friendly and sustainable production method has been encouraged on international and regional (European Union), inter alia Latvia's level and has been recognised as important part of assurance of sustainable agricultural production. The paper presents the results of studies connected with issues of development and future perspectives of organic farming in the Latvia. Some findings of organic agriculture development are given, which are based on the analysis of organic farming's primary information - the trends of the organic farms' number, utilized organic agricultural land and share of organic land in the total agricultural land. Besides, the state policy and support for organic farming have analyzed and compared with European Union (EU) and its Member States. The influence of Latvia's accession to the EU on the organic farming development is assessed, where positive impact is observed. Nevertheless, the trends of previous years (2008-2009) show that the development has been almost halted. Some issues of future perspectives of development of Latvian organic agriculture are evaluated and main factors, which have negatively affected further organic agriculture development in Latvia are determined, for example, insufficient or lack of processing and sale facilities and possibilities, decreasing demand as well as shortage of different kind information for organic producers; absence of policy and strategy documents, contributing and encouraged legislation without restrictions for organic agriculture and food, particularly processing and sale activities. The proposal for abolishing national Regulation, which considerably influencing the number of farms particularly small, which can receive the support for organic farming, has been proposed.