

LATVIAN STATE INSTITUTE OF AGRARIAN ECONOMICS



Latvijas Valsts  
agrārās ekonomikas  
institūts



EUROPEAN AGRICULTURAL FUND FOR RURAL DEVELOPMENT:  
EUROPE INVESTS IN RURAL AREAS

## **Report**

Rural Development Programme 2007-2013

**Indicators and Support Trends of the Single Area Payment  
and Rural Development Programme Area Payments, and  
their Role in the Use of Agricultural Land and Development  
of Agricultural Holdings**

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## **Summary**

Farmland is one of the most significant resources in the national economy. Area payments, availability of land for the production of agricultural products, quality of soil and application of real estate tax nowadays are becoming more urgent issues. This is a reason, why discussions about the areas of farmland and their efficient use become more topical. Data collection and analysis was carried out in the scope of the study, in order to assess the total area of the territories included in the area payments, their spatial distribution by regions and role in the use of land.

The purpose of the study was to carry out an assessment of the Single Area Payment (SAP) and Rural Development Programme 2007-2013 (RDP) area payments, their role in development of agricultural holdings and in use of the farmland. SAP and Pillar II area payments were analyzed in the scope of the study. Rural Support Service (RSS) data on utilized agricultural area (UAA) and disbursed funding from the integrated administration and control system for the period of 2004-2011 were used for the data collection. Data were analyzed both on state and administrative units level of the rural areas, using Geographic Information Systems. In addition to data analysis, a survey was carried out amidst farmers, and the specialists of the Latvian Rural Advisory and Training Centre and representatives of the farmers' organizations and institutions were interviewed, in order to get their opinion regarding the area payments, their role and provided opportunities in implementation of Common Agricultural Policy (CAP).

Area discrepancies among various data holders (SLS, RSS, CSB) were analyzed in the course of the study, because they are important both for assessment of the area payments and implementation of the (CAP). The greatest area discrepancies are related to registration of utilized agricultural areas and unutilized agricultural areas. SLS and RSS data show significant area discrepancies in the regions with greater number of unutilized agricultural areas.

Evaluating the factors, which affect the use of farmland, in connection with the area payments, the interconnection with specialisation of agricultural holdings, soil quality of farmland and UAA structure was established.

Results of the conducted survey show that the area payments are essential for support of small and large-sized agricultural holdings. A great proportion of the leased land and lack of stability in the long-term management of leased land was mentioned as a significant problem in relation to the management of farmland.

The study was performed by Peteris Lakovskis, a researcher of the Latvian State Institute of Agrarian Economics (LSIAE) Rural Development Evaluation Department in cooperation with the department staff.

## **Conclusions**

A matter regarding all farmland and utilized agricultural areas in Latvia and their interpretation is important in the context of evaluation of the area payments. The greatest area discrepancies among various data holders are related to recording of utilized agricultural areas and unutilized agricultural areas. SLS and RSS data show significant area discrepancies in the regions with greater number of unutilized agricultural areas.

The area supported by SAP in Latvia during the period between 2004 and 2011 has in general increased from 1.28 million ha to 1.55 million ha. The funding disbursed by SAP due to an increase of the rate has grown from 17.44 million LVL in 2004 to 78.45 million LVL in 2011. The number of the recipients of SAP support since 2004 has reduced from 66.7 thousand to 62.2 thousand support recipients in 2011.

The funding disbursed in RDP area payments until 2008 has exceeded SAP financing, but since 2009, SAP financing is the highest in area payments. 69% of SAP support recipients receive also the RDP area payments.

High proportion of SAP supported areas (above 80%) in the Western part of Zemgale and Southeast part of Kurzeme is characteristic already since 2004. The smallest proportion of SAP supported areas is in suburban area of Riga (in many areas below 33%). The proportion of SAP supported areas in many rural territories of the Eastern and central part of Latgale is smaller than 50% of the eligible area.

The areas with quality assessment of UAA over 45 points (Western part of Zemgale) has high proportion of SAP supported areas. Low proportion of SAP supported areas is characteristic for the areas with qualitative assessment below 31 points (Seashore and central parts of Latgale, Vidzeme and Alūksne uplands).

The number of SAP supported areas since 2004 has reduced in the Greater Riga region, while a slight increase (up to 5%) of these areas has been observed in the Western part of Zemgale. An increase of SAP supported areas in most parts of Latvia is within limits of 8-15%. The proportion of supported areas in the Eastern part of Zemgale, Northern part of Latgale and significant part of Vidzeme since 2004 has increased by more than 15%.

Spatial changes of SAP supported areas and evaluation of UAA structure in the rural territories showed that a higher proportion of the use of land is in the areas used for crop farming (arable land), but significantly smaller amount of areas is used for livestock breeding, therefore large potential of this essential resource is available to the industry.

Increase of the amount of area payment, support for the restoration of UAA, stimulation of market and state intervention were mentioned as important measures to facilitate the use of land for the agricultural purposes. Majority of respondents (80%) believe that currently unmanaged and abandoned areas must be returned into agricultural production.

A large database on UAA must be developed for successful management of UAA, where the information regarding the quality of soil of the farmland, condition of amelioration systems, property status, management history, quality of landscape elements, etc. would be included for each field parcel. It would ensure broader opportunities for data analysis and more purposeful implementation of CAP measures.

