



# CAP IN YOUR COUNTRY

The common agricultural policy (CAP) is Europe's answer to the need for a decent standard of living for 22 million farmers and agricultural workers and a stable, varied and safe food supply for its 500 million citizens. As a common policy for all 28 EU countries, the CAP strengthens the competitiveness and sustainability of EU agriculture by providing direct payments aimed at stabilising farm revenues, and finances projects responding to country-specific needs through national (or regional) rural development

programmes, which also cover the wider rural economy and life in rural areas. The CAP also provides a range of market measures, including tools to address the impact of price volatility and other market difficulties and additional elements, such as quality logos or promotion for EU farm products, which complete CAP action to support farmers. The CAP budget for 2014-2020 is €408.31 billion, with €308.73 billion intended for direct payments and market measures and €99.58 billion for rural development.



- covers an area of **64 573 km<sup>2</sup>** of which **30% is agricultural land**; forests cover 54%
- has a total population of **around 2 million**, of which around 730 000 (or 36.6%) live in predominantly rural regions.
- has a farming sector characterised by relatively **large farms** (23 ha compared to the EU28 average of 16.1 ha)

# INVESTING

## in Latvia's agriculture 2014-2020



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In the period from 2014 to 2020, nearly **€2.5 billion**<sup>1</sup> is expected to be invested in Latvia's farming sector and rural areas through the CAP. Certain key political priorities for which CAP funding should be used have been defined at European level - jobs and growth, sustainability, modernisation, innovation and quality. However, Latvia also has the flexibility to adapt both direct payments and its rural development programme to meet its specific needs.

## Fairer and greener direct payments

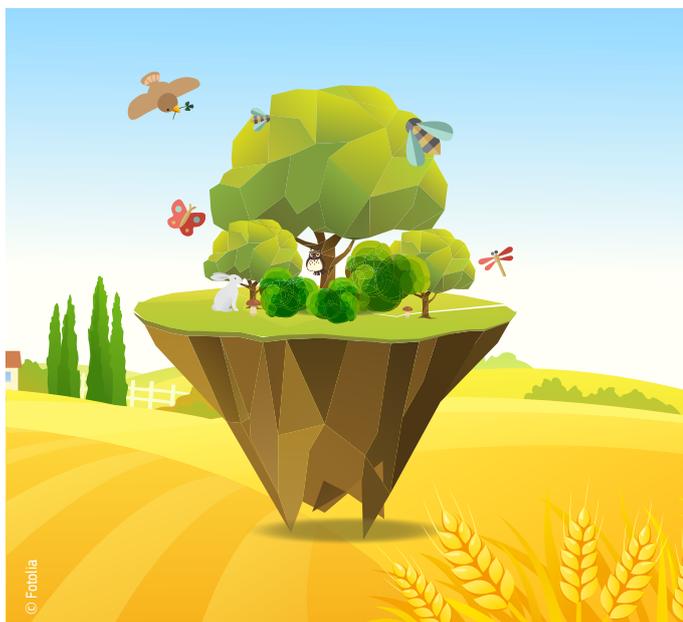
Latvia's direct payment allocation for 2014-2020 amounts to around **€1.5 billion**.

Farmers in Latvia, as they are across the EU, are subject to so-called '**greening**' rules, designed to ensure that they farm in a sustainable way and help **contribute** to the EU's efforts to tackle climate change, biodiversity loss and soil quality. Under this system, 30% of the direct payment allocation, paid per hectare, is linked to three environmentally-friendly farming practices: crop diversification, maintaining permanent grassland and dedicating 5 % of arable land to environmentally friendly measures (so-called 'ecological focus areas').

As one of the newer EU member states, until the end of 2020 Latvia will apply a simplified system for allocating direct payments to farmers – known as the **single area payment scheme** or SAPS. This system links the amount of basic income support for Cypriot farmers to the area of land declared by each farmer in a simpler form than the main direct payment payments scheme applicable in most other EU countries.

The Latvian authorities have also decided to earmark 15 % of the direct payments allocation for voluntary coupled support – i.e. linking payments not only to the number of hectares farmed but also to specific products or processes – in this case dairy cows, dairy goats, bovine animals, sheep, starch potatoes, certified seeds of grasses and fodder crops, seed potatoes, certified seed of cereals, spring rape and turnip rape, vegetables, fruits and berries, protein crops and barley.

In order to ensure a fairer distribution of direct payments between farmers, the Latvian authorities have also opted to apply a 5 % reduction of payments on all amounts above €150 000 per farm, benefiting smaller farms in particular. Latvia also applies the **small farmers scheme (SFS)**, a simplified system of support for the smallest beneficiaries, that replaces any other form of direct payment for the farmers concerned. Under this scheme, farmers receive a lump-sum payment of €500. In exchange, farmers taking advantage of this scheme are exempt from **cross-compliance** (i.e. environmentally friendly farming rules) and from greening rules.



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1 Total allocation of direct payments and rural development for the period 2014-2020 (in current prices).



## Farmers at the heart of the food supply chain

Through the CAP, the EU also supports [producer organisations](#) that can help farmers to get better organised and to market their products more effectively, strengthening their position in the food supply chain.

## Supporting key priorities for Latvia's rural development

For 2014-2020, a total public contribution of more than **€1.5 billion** (of which €1 billion from EU funds and around €500 million in national funding) has been allocated for measures that will benefit Latvia's rural areas.

The [2014-2020 rural development programme for Latvia](#) focuses on the following priorities:

- modernising and restructuring at least 3 600 farms, helping them expand their range of products and improve their access to markets
- helping farmers convert to organic farming and supporting the overall development of the organic sector, covering least 2 700 ha of farmland
- supporting the development and implementation of 34 local action groups, covering 65 % of the rural population and creating at least 200 new jobs in rural areas
- helping the development of the SME sector, increasing product diversification and development of SMEs (creating 140 jobs)
- supporting the development of risk management techniques covering almost 5 % of farms
- helping farms affected by natural disasters to recover.

Most of the funding will go on investments in physical assets, support for areas facing natural constraints, organic farming and basic services and village renewal in rural areas.



### Example of a rural development project supported by the CAP

#### Boosting organic baby food production

Lat Eco Food is the only baby food manufacturer in Latvia and produces fruit purees from organic fruit and vegetables grown in Latvia. Thanks to EU funding, the company was able to invest in developing its business and adding value to its products.

The company worked with the Latvian State Institute of Fruit-Growing and the Latvian Association of Pediatrics-Gastroenterology to develop new recipes, and built a new factory in the Adazi region with a production capacity of four tonnes of purees a day. The investment allowed the company, which already exported 80% of its output, to increase production volumes and extend the variety of its products.

Total project cost: €3 million (EU contribution: €1.5 million)

More project samples: [European Network of Rural Development](#) and [EU results](#)

# KEY ACHIEVEMENTS



Between 2007 and 2013, the CAP invested **more than €1.8 billion<sup>2</sup>** in Latvia's farming sector and rural areas to stabilise farmers' income, modernise and increase the sustainability of Latvian farms and to secure the supply of safe, affordable and quality food for its citizens.

## Latvian farmers benefit from the CAP

In recent years, direct payments have been a key safety net for Latvian farmers. For example, in 2014 some 61 530 Latvian farm businesses received **more than €143 million** in direct payments, 24 930 of which received a payment below €5 000. In 2015, meanwhile, the EU spent more than €11 million on market measures in Latvia, targeting mainly the milk and milk product sector.

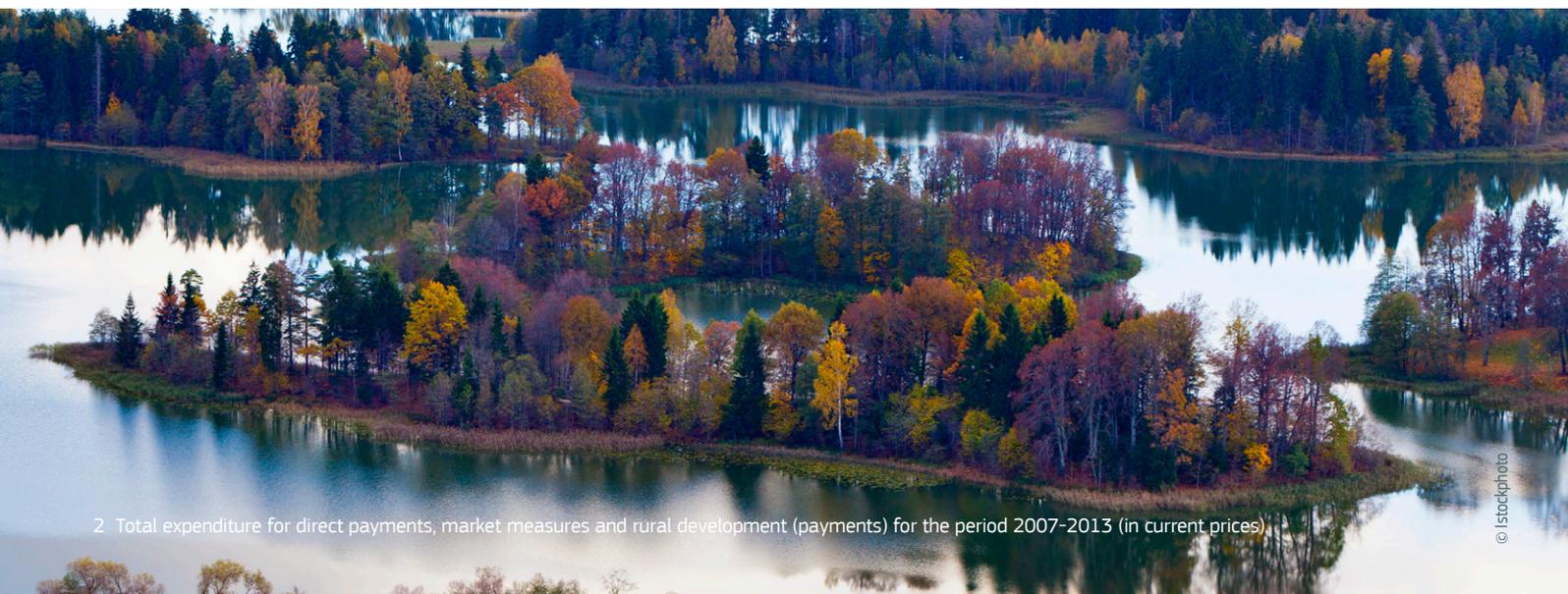
## Fostering growth and jobs in Latvia's rural areas

In the period from 2007 to 2013, **more than €586 million** of EU funds (plus additional national funding) was invested via rural development programmes in a range of different activities supporting agricultural production and benefitting Latvia's rural areas, preserving their diversity and enhancing their economic strength, cultural richness and social cohesion. In concrete terms, rural development funds helped:

- **400 young farmers** enter the profession (total investment of €18 million)
- **modernise more than 3 800 agricultural holdings** (generating investments of more than €716 million)
- **improve services** available to rural populations (€101 million)

Rural development funds have also encouraged the development of a more sustainable model of agriculture:

- almost **8 000 holdings** committed themselves to **environmentally friendly actions** going beyond basic requirements on a total land area of 260 441 ha
- 67 052 farms were given support to continue their activities in **less favoured areas**, covering a total area of more than 1 million ha



2. Total expenditure for direct payments, market measures and rural development (payments) for the period 2007-2013 (in current prices)

## Adding value with quality schemes

Through the [quality policy of the CAP](#), the EU provides a number of measures to help producers build on the high quality reputation of European products to sustain competitiveness and profitability. A key tool in this is the register of more than 1 300 protected food names which are classified as a **Protected Designation of Origin (PDO)**, a **Protected Geographical Indication (PGI)** or a **Traditional Speciality Guaranteed (TSG)**. The production of these registered quality products contributes to diversity, development and growth in the rural areas where they are produced and protects local knowledge, skills and jobs.



Latvia has [five food products registered](#), including [one PDO](#) (*Latvijas lielie pelēkie zirņi*), [one PGI](#) (*Carnikavas nēģi*) and [three TSGs](#) (*Jāņu siers, Salinātā rudzu rupjmaize and Sklandrausis*).



In addition to the registered products, the EU also helps highlight food that has been produced in a sustainable way with a clearly recognisable organic logo.

## Responding to market difficulties

Following the prolongation of the [Russian ban on the EU agricultural imports](#) and difficult conditions in certain markets, in October 2015 the European Commission agreed a [support package worth €500 million](#) to help those farmers most affected by the difficulties, including €420 million in national allocations to support the **dairy and livestock sectors** in particular, with flexibility for member states to decide how to target this support. Latvia opted to use all of its €8 million allocation for the milk and pig sector.

In July 2016, the European Commission agreed a [further solidarity package](#) worth €500 million, including aid worth €350 million aimed at the dairy sector in particular. Of this, more than €9 million was earmarked for Latvia.

### Additional help for Latvian farmers

Given its proximity and good reputation on the Russian market, however the impact on the Latvian agri-food sector has been harder than in many other Member States. This has been reflected by the measures taken to support the fruit & vegetables sector and the dairy sector based on historical trade volumes, and a **specific envelope of €7.7 million** to Latvian farmers at the end of 2014 to ease the disproportional impact of the Russian ban on dairy producers in Latvia, given their exposure to the Russian market and the drop in prices.

**What do the Latvians think of the CAP?**

According to the most recent Eurobarometer survey, published in January 2016, **71 %** of Latvians consider **agriculture and rural areas as very important for our future**. This is more than the EU28 average of 62 %. "**Developing rural areas while preserving the countryside**" should be the main objective of the common agricultural policy, according to **65 %** of Latvians (compared to 46 % in EU28). Furthermore, **66 %** of Latvians think that EU financial support to farmers is too low (EU28: 29 %), and **84 %** would like to see an increase in the next 10 years (EU28: 45 %).

Source: Eurobarometer survey 440 "[Europeans, Agriculture and the CAP](#)"

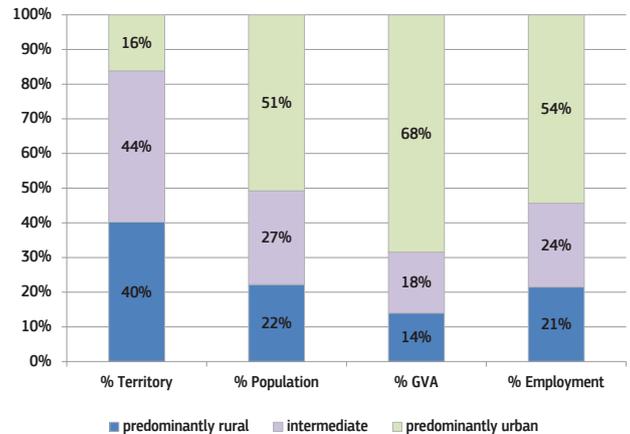


# AGRICULTURE AT A GLANCE

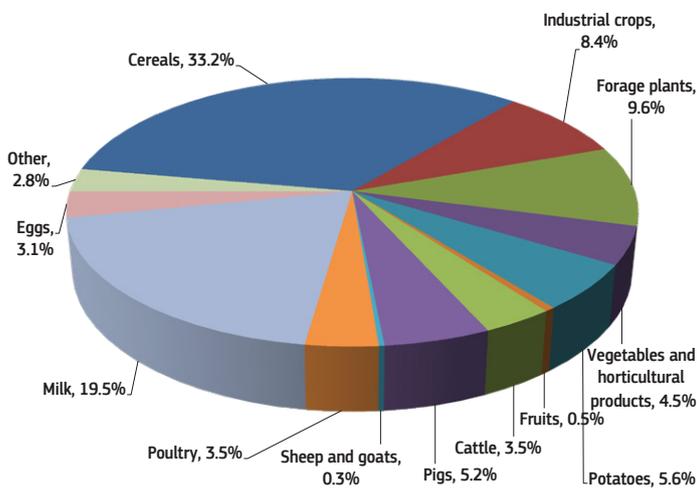
## Latvian agriculture is characterised by:

- **predominantly large farms:** Latvian farms have an average size of 23 ha, larger than the average EU28 holding size of 16.1 ha
- **elderly farmers:** only 5 % of Latvian farmers are below 35 (EU28: 6.0 %) and 30 % are over 64 (EU28: 31.1 %)
- **a strong contribution to the economy:** the primary sector (agriculture, forestry and fishing) accounts for 3.2 % of the country's economy (total GVA) and agriculture for 7.7 % of total employment. This is higher than the European average both in economic terms (1.5 % in EU28) and employment terms (4.3 % in EU28)

## Importance of rural areas

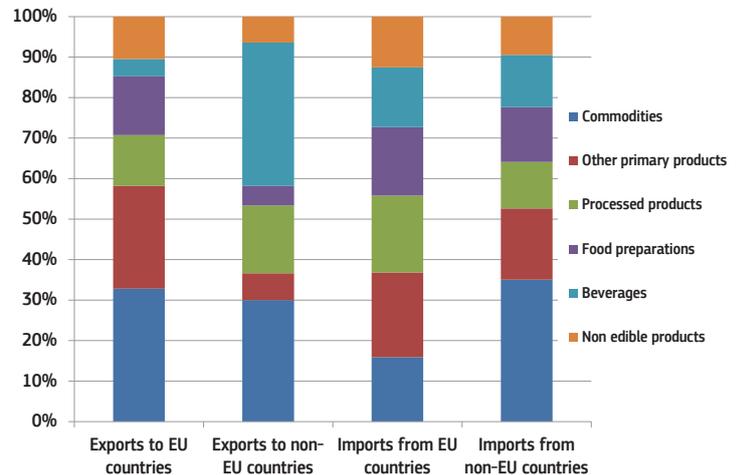


## A very diversified production



Output components (2014-2016 average); values at constant producer prices

## Exporting beverages to non-EU countries is important for Latvia (2016 data)



## Farmer's income continues to be more volatile than wages and salaries in other sectors

