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The project aims to establish a network of experts involved in agricultural policy analysis and rural development in the New Member States, in the Acceding Candidate Countries and in the countries of the Western Balkan. More detailed information on the project can be found at www.agripolicy.net.

CONTENT

1 General review

1.1 General overview of agricultural and national economy developments

Also during the first half of 2005 as in the first full year period of being EU member, general economic development trends observed during the last years prior to accession, continued to prevail:

- **economic growth** in terms of GDP reached 9.5% compared to 8.3% in 2004, although in agri-food sector the growth was only 3,8 %;
- Improvement in economic performance could be observed also through developments **in internal trade**, where retail trade growth rates in 2nd quarter of 2005 were higher – 118,4 %, compared to 10,7 % in 2004.
- further increase of **external trade** volumes, and as the most important fact to be mentioned - this was the first period since regaining independency, when export growth (37,4 % as compared to related period in 2004) exceeded the growth of imports – 24,2 %, which resulted in improved foreign trade balance –20% of GDP in the first half of 2005 as compared to 22,6 % in 2004. Agri-food sector has been one of the biggest contributors to this trend with the export and import growth rates 64% and 23,7 %, respectively in the first half of 2005.
- **credit rates** after some increase just after the joining to EU (by 2,1 % points) came back close to the levels prior the accession – 5,9 % for short term and 7,5 % for long term credits. Which, compared to the current inflation rates can contribute to further growth of demand.
- joining to the EU and the economic adjustment processes have contributed significantly to the **inflation**, where Latvia keeps the highest rates in European area – consumer prices increased by 4,5 % in the first half of 2005, where agri-food products contributed the most – with 8,6 %, while in 12 months of 2004 prices went up by 7,3 % and 10,0 %, respectively.
- As the new feature of economic development, Latvia has faced after the joining EU and its relatively free labour market; significant **labour outflow** to other EU countries should be highlighted. Even not having exact statistical indicators, according to expert evaluations, net outflow of labour force during the first year ob being within EU can be estimated around 50 thsd. people (~ 5 % of total labour resources), and a good share of it comes from rural sector.

Coming back to agricultural sector, agricultural volume increased for about 7%, prices went up on average by 15% but different kind of support payments more than doubled. For that reason income from agricultural activities increased near by two times. Largely, this was single growth due to low level of the previous period.

Share of agriculture in GDP constitutes about 2.4%, however agriculture plays a significant role in employment (around 10% of employed persons in the main work) and in food supply, and, due to lack of alternative activities, it is the main working possibility in rural areas.

1.2 Overview of agricultural and rural sector development

Production

According to calculations of the EAA[1] for Latvia, gross agricultural production value in constant prices[2] increased by 5% compared to the previous period and was 515.1 mln. EUR[3] in 2004. In nominal prices gross agricultural production value compared to the previous period increased by 21%. It was the highest indicator of ten last years. Share of crop and livestock production each comprise traditionally ~50%.

[1] Economic Accounts for Agriculture
[2] Prices of year 2000
[3] 1 LVL=0,671 EUR (average exchange rate in 2004; source: CSB of Latvia)

Total area sown in year 2004 had a very slight increase up to 899,2 thsd. ha. Half of this area is allocated for grain production, which is quite stable. Latvia has come to full self-sufficiency level for grains produced for human consumption, and favourable conditions on EU grain market encouraging growth in grain exports have contributed to the grain and also rapeseed production development. Further growth of grain production volumes could be expected for feed grain under the conditions of livestock sector development.

The most rapid growing crop sector in Latvia is rapeseed sector. Rapeseed production is influenced mainly by the price in the world markets: having no basis for expectation of significant world market price decrease, the production potential of Latvian rape seed sector has unlimited market. This is evidenced by the increase of planted areas in 2004 about 2 times compared to year 2003, rapeseed production increased about 2.8 times, with further increase by 40 % in 2005. The developments in bio-energy production in Latvia provide extra potential for production increase.

Productivity growth in livestock sector helped to keep the production volumes in all livestock production activities, even while the animal numbers were decreasing, especially this trend is typical for dairy sector. However further structural changes in milk sector are anticipated, because milk volume sold to processors was only 478.1 thsd.t or 69% of milk quota.

Beef and pork production remains stable – decrease of production units is compensated by animal number growth in more commercially oriented farming units. While poultry production, the sector with highest concentration rate, annually grows, increasing by 15% in year 2004. Enhancing competitiveness is the major factor for further development of meat production sector due to unachieved self-sufficiency level for all kind of meat.

Prices

In year 2004 compared to year 2003 producer prices increased for the major part of agricultural products. Considerable price changes appear for some products as a result of the EU policy price implementation or diminishing price gap due to price convergence process.

Price changes for sugar beet were the most remarkable in crop sector and raised 1,6 times. As the prices for grain in Latvia before accession were close to the EU prices, 2004 grain prices were close to the same. Fruits and berries is a very aggregate position therefore very little apple yield could be the main factor affecting the average price for fruits and vegetables.

In livestock sector the major rise of producer price was for milk – by 35.2%, beef – by 25.6% and pork – by 11,9%.

Agricultural Trade

Assessing changes in agricultural trade after Latvia joined EU, there must be mentioned more rapid increase in volume of exports in 2004 (34%) comparing with increase of imports (20%). Exports to EU countries increased even more – by nearly 50%. Looking to the balance of external trade, exceed of imports over exports in 2004 increased by 10,5%, (2003 it was 11%).

Latvian agricultural exports in last years mainly comprises of non-alcoholic and alcoholic beverages, processed fishery products, dairy products.

There is observed stable tendency for Latvian export flows to increase in share of EU countries – in 2002 volume of exports to those countries increased by 25%, in 2003 by 18%, in 2004 by 48%. In overall structure of agricultural exports EU25 countries took 59% in 2003, and 65% in 2004. The most crucial increase was observed in trade with new member states – by 65% in 2003, and share of those countries comprises 40%.

Assessing structure of Latvian agricultural imports, there remains tendency of prevailing products in import flow, which are not produced in Latvia at all or are produced with shortage

comparing with necessities for full coverage of consumption. Those include: alcoholic beverages, meat products, exotic fruits, vegetables (in winter period), vegetable oil, coffee, and tea.
The most important increase in imports comparing years 2004 and 2003 there was observed in following product categories: tobacco production by 57% or 10,3 million Lats, alcoholic beverages by 66% or 7,6 million Lats, pork by 34% or 4,3 million Lats, cocoa products by 33% or 4 million Lats, animal food by 23% or 2,6 million Lats.
Assessing Latvian agricultural import flows regarding trade partner countries there is heavy dominance of EU countries – 83 – 85% of imports are originating from those countries. In period of three years (2002 – 2004) there is observed increase of imports only from EU countries, volume of imports from another countries remains stable.

1.3 Agricultural and rural policy developments

The EU CAP 1st pillar policy measures in Latvia in years 2004 and 2005 were implemented within the frame of SAP scheme. The EU direct support was complemented from national budget until the maximum allowed level in the form of payments coupled to agricultural production in order to make agricultural support policy more similar to pre-accession conditions and to provide a gradual shift to mostly decoupled direct payments anticipated in near future under reformed SP scheme.
There is already decided on national level to continue SAP scheme at least in 2006. Different policy reform scenarios, which have been analysed within the frame of CAP reform impact evaluation have initiated public discussions about CAP reform full-scale implementation issues in Latvia. In order to get advantage for further development of agricultural sector through diminishing the gap in DP rates between Latvia and old EU member states caused by *phasing–in rule,* SAP scheme should be continued until year 2009 considering the opportunity to channel more financial resources for CNDP in SAP scheme compared to alternative SP scheme.
85% of direct support available within the frame of the EU CMO was paid to applicants (Table 1-1). Concerning definite coupled payments - in 2005 entire eligible area for SAP is expected to be declared. While, the payment application level for suckler cows and ewes premiums in 2004 was accordingly 14% and 54% only, because of little number of eligible animals, and there could be expected a future impact of payment availability on development of livestock sector.

Table 1-1 The EU CMO direct support available and granted in Latvia for year 2004

	Direct support,% of the EU-15 level	Direct support available, EUR	Direct support granted, EUR	Direct support granted/available, %
SAP	**25%**	**30 480 000**	**26 424 996**	**87%**
CNDP (coupled to production)	**45%**	**55 067 362**	**46 170 583**	**84%**
Total	**70%**	**85 547 362**	**72 595 579**	**85%**

Source: Ministry of Agriculture of Latvia, Rural Support Service, LSIAE calculations

The EU CAP 2nd pillar policy measures regarding rural development support in years 2004 and 2005 were implemented according to Rural Development Plan for Latvia. Total funding available was 123.4 mio EUR and 71% was paid to applicants. The biggest share of total support – 54% was available for LFA territories, and at the same were applications were received only 62% of the resources available in 2004. Available support is expected to become an incentive payment for renewing the farming activities also in LFA, partially limited prior the EU accession land.

Demand for ***risk management*** measures in agricultural sector has become as a topical policy issue in years 2004 and 2005 due with emphases on farmers training in risk diminishing. Insurance system held by public authorities would share the risk of farmers considering their risk preventive actions, private funding, and education. State policy compensatory measures should be implemented only to support risk preventive actions.

2 Assessment and outlook: market integration in the cereal sector

2.1 General policy implications

Changes in economic environment of agriculture are bringing following advantages and problems to the cereals sector in Latvia:

- at the time being there is observable and growing differentiation of farmers regarding income:
    - large farms are forming into industrial type farms with income level close to EU average;
    - considerable number of small farms remains at the same income level without substantial indications of increase;
- there is no evidence of essential increase in overall agricultural output and therefore social problems in rural areas remain unsolved;
- in some cases there is noticeable decrease of biological quality of products and the environment is ill-affected by intensive large scale production;
- there is anticipated increase in support for the sector in form of subsidies and price intervention but increase of areas under cereals supposedly will erode the rate of support;
- increase in minimum supply eligible for intervention probably will result in growth of co-operation.

2.2 Market development

Prices for cereal products during last two years (2004 – 2006) have changed differently for certain products. For example, price of all kinds of bread increased by 17%, but at the same time, price of the other cereal product like buckwheat has been reduced by 9%. (Table: Consumer price index for cereal products.) Main impact on changes in prices for cereal products was increase of production costs: mainly energy, other non-agricultural inputs and labour, but not changes of cereals` price.

Increase of price level does not impacted customers` behaviour, because generally consumption level did stay stable with tendency slightly to rise. Producers` behaviour does not changed with increase in prices. Cereal prices after entrance in EU did not change a lot, but income level has slightly increased - mainly because of launching single area payments and other support as well. Increase in level of income has affected amount of production – sown area (table: Sown area, production and yield of cereals in Latvia**).**

Consumer price index for cereal products (2004=1)

Products	2004*	2005	2006**

Rye-bread	**1**	**1,10**	**1,17**
Wheat-bread	**1**	**1,04**	**1,18**
Toast bread	**1**	**1,09**	**1,17**
Wheat meal	**1**	**0,97**	**0,97**
Pearl-barley	**1**	**1,03**	**0,99**
Buckwheat	**1**	**0,93**	**0,91**
Rice	**1**	**1,20**	**1,18**
Macaroni (spaghetti)	**1**	**1,03**	**1,04**

Source: CPAM (Center for Promotion of Agricultural Markets; Lauksaimniecības tirgus veicināšanas centrs, LTVC)
* From 04.2004 to 12.2004.
** From 01.2006 to 02.2006.

Trend of producer prices for cereals (in EUR) in a few last years demonstrates significant decrease for most important kinds of cereals. Mainly it's caused by changes in currency exchange rates. Therefore, more illustrative is to analyse producer price index for cereals (indexes are calculated for cereals' prices in LVL – table: Producer price index for cereals). As it's reflected in table, producer price indexes during last five years were quite shaky, but in 2005 price indexes were almost the same like in 2000, except price index of rye. It was significantly lower then in 2000.

Producer prices for cereals (EUR/tone)

	2000	**2001**	**2002**	**2003**	**2004**	**2005**
Soft wheat	109,27	105,04	102,20	97,83	101,19	87,59
Barley	101,48	92,40	91,08	87,91	91,65	82,01
Rye	102,09	94,48	99,69	91,71	90,61	75,33
Oats	92,55	87,44	88,56	79,91	79,88	72,92

Source: CSB (Central Statistical Bureau of Latvia)

Producer price index for cereals (2000=1)

	2000	**2001**	**2002**	**2003**	**2004**	**2005**
Soft wheat	1	0,97	0,97	1,03	1,11	1,01
Barley	1	0,92	0,93	1,00	1,08	1,01
Rye	1	0,93	1,02	1,03	1,06	0,93
Oats	1	0,95	1,00	0,99	1,03	0,99

Source: CSB

The main indicator, used to characterise changes of productivity on cereal farms, is average cereals` yield (table: Sown area, production and yield of cereals in Latvia). There is no data about changes in productivity, characterised by total output per one labour unit in cereal farms. Some notion of changes in productivity could be derived from data for aggregated agricultural and food production sector (table: Index of manufacture of food products and beverages output per employee.)

Index of manufacture of food products and beverages output per employee

	2000*	**2001***	**2002***	**2003***	**2004***
Index of manufacture of food products and beverages output per employee (2000=1)	1	1,08	1,15	1,26	1,47

Source: CSB

*Indexes are calculated on base of the production output in current prices, thereby it includes also changes of consumer prices.

2.3 Impact of production factors

As it's mentioned above, dominating cause of changes in prices for cereal products was increase of production costs (energy and other non-agricultural inputs). Main tendencies in changes in amount, price and value of the most significant inputs (for cereals' production) of agricultural sector are reflected in table below (table: Changes in amount, price and value for different types of inputs of agricultural sector). It's evident from data, that input related costs increased significantly over period of last two years, and taking into account relative stability of prices for cereals the result could be remarkable decrease of sector's income. Next table (table: Impact of income forming factors on agricultural income) explains crucial role of subsidies in stabilisation of income for agricultural sector.

Changes in amount, price and value for different types of inputs of agricultural sector

Types of inputs	Value of inputs (mill. LVL)			Changes (+, - %) 2004 / 2003			Estimate for changes in price (+, - %) 2005 / 04
	2003	2004	2005 (e)	in volume	in price	in value	
Fuels and lubrication oils	35	44	58	5%	19%	25%	25%
Fertilisers	18	22	34	4%	18%	22%	44%
Plant protection chemicals	9	11	14	19%	7%	28%	3%

Source: CSB, calculations – LSIAE (Latvian State Institute of Agrarian Economics, Latvijas valsts agrārās ekonomikas institūts, LVAEI).

Impact of income forming factors on agricultural income

	Increase of income forming components for agricultural production (mill. LVL)	
	2004 / 2003	2005 / 2004
Prices	16,7	-7,9
Subsidies	70,0	25,0
Volume	0,5	17,2

Source: CSB, calculations – LSIAE

Particularly, analysing impact of prices for primary energy resources, we have to look at average retail prices (in EUR) for fuels and natural gas, reflected in table (Average retail price for fuels and natural gas) below. These prices does not demonstrate real trend, because currency exchange rate has changed significantly in last 5-year period. Therefore, to characterise real trend, better is to analyse price indexes for retail prices in LVL (table: Average retail price indexes for fuels and natural gas).

Average retail price for fuels and natural gas (duties and taxes included)

	2000	2001	2002	2003	2004	2005*
Gasoline - 95E; (EUR/l)	0,69	0,69	0,62	0,60	0,64	0,71
Diesel fuel; (EUR/l)	0,59	0,58	0,50	0,51	0,59	0,71
Natural gas; EUR/10m^3	0,10	0,11	0,10	0,11	0,14	0,15

Source: CSB
*Data about 2005 are regarding January to March

Average retail price indexes of fuel and natural gas (prices in LVL, duties and taxes included)

	2000	2001	2002	2003	2004	2005*
Gasoline (95E) (2000=1)	1	0,98	0,97	1,03	1,16	1,27
Diesel fuel (2000=1)	1	0,97	0,91	1,04	1,25	1,49
Natural gas (2000=1)	1	1,00	1,00	1,29	1,66	1,74

Source: CSB

*Data regarding 2005 are for period from January to March, thereby these prices indexes aren't precise for fuel and gas in 2005.

2.4 Background data:

Sown area, production and yield of cereals in Latvia

	2000	2001	2002	2003	2004	2005	2006e
Total sown area of cereals (ha)	420041	443715	414970	428497	436648	468939	492385
Total production (1000 t)	923,6	928,0	1028,5	932,4	1059,5	1314,3	1487
Yield (center/ha)	22,0	20,9	24,8	21,8	24,3	28,0	30,2

Source: CSB

Sown area and production of wheat and its utilisation by consumption type

	2000	2001	2002	2003	2004	2005	2006e
Sown area of <u>wheat</u> (1000 ha)	158,1	166,8	153,5	167,7	169,9	187,4	218
Production (1000 t)	427,4	451,7	519,5	468,4	499,9	676,5	872
Human consumption (1000 t)	158,8	171,0	173,0	177,2	176,1	172*	170
Animal feed (1000 t)	131,9	210,7	169,1	156,8	160,3	150*	158
Industrial use (1000 t)	4,2	2,2	2,1	4,3	7,9	4,3*	6,5

Source: CSB; agriculture in Latvia in 2003-2004
*Estimates

Sown area and production of barley and its utilisation by consumption type

	2000	2001	2002	2003	2004	2005	2006e
Sown area of <u>barley</u> (1000 ha)	134,9	130,3	136,9	132,6	127,3	148,7	**n.a.**
Production (1000 t)	261,1	231,1	262,4	246,6	283,5	365,8	**n.a.**
Human consumption (1000 t)	8,0	9,7	10,4	9,0	9,5	9*	**n.a.**
Animal feed (1000 t)	224,0	183,2	213,6	186,7	224,5	242*	**n.a.**
Industrial use (1000 t)	27,0	25,6	35,8	36,4	35,1	35*	**n.a.**

Source: CSB; agriculture in Latvia in 2003-2004
* Estimates

2.5 Structural Changes within Agriculture:

Average cereals` area per farm is increasing. Mainly it is caused by significant reduction of number (by consolidation) of farms and also related to overall increase of total sown area under cereals.

Number of cereal farms and average sown area per farm

	2001	**2002**	**2003**	**2004**	**2005***
Number of cereal farms	64083	56433	51735	47110	42000
Average sown area of cereals per farm (ha)	6,92	7,35	8,27	9,26	11,17

Source: CSB; Agricultural farms of Latvia in 2001 – 2004.
* Estimates

As it is reflected in table below, share of total cereals production, produced in large farms (in this case in farms with more than 50 ha of cereals), is increasing year by year, but share of production from smaller farms (less then 50 ha) is reducing. It's related to reduction of total number of cereal farms in Latvia and thereby average cereal area per farm is increasing, but at the same time number of large farms is relatively stable.

Production and sown areas in farms by sown area of cereals

		2001		**2002**		**2003**		**2004**	
			%		%		%		%
0,1-5 ha	**Production; 1000 t**	130,5	14%	128,1	12%	97,4	10%	124,3	10%
	Sown area; 1000 ha	74,5	17%	68,9	17%	61,9	14%	55,7	13%
5-50 ha	**Production; 1000 t**	311,4	34%	298,7	29%	231,7	25%	296,6	24%
	Sown area; 1000 ha	158,8	36%	140,5	34%	128,9	30%	125,9	29%
50 and more ha	**Production; 1000 t**	487,8	53%	600,6	58%	602,9	65%	831,4	66%
	Sown area; 1000 ha	209,8	47%	205,3	50%	237,4	55%	254,8	58%

Source: CSB

2.6 Use of Inputs

There is no statistical data on number of machinery units (or equivalent) used in cereal sector, but accordingly to opinion of experts and merchants of agricultural machinery, the market of agricultural machinery in recent years have been more active then before. One of the factors, which encouraged such a trend, is availability of different EU structural funds as well as other new possibilities to obtain different kind of support.

In Latvia there is no common seed-breading program, but still there are companies and institutions, working on creation of new varieties of seeds and improvement of already existing. Common practice is importation of seed material from other countries.
Although there is no statistical information about seed material and it's origin, but generally – opinion of experts is that in Latvia year by year seed material is becoming more qualitative.

Seed use of total cereal production

	Used for seed in own farms		**Sold for seed purpose**		**Used for seed total**	
	ton	% of total production	ton	% of total production	ton	% of total production
2000	63606	6,89%	14628	1,58%	78234	8,47%
2001	91397	9,85%	17659	1,90%	109056	11,75%

2002	95952	9,33%	13866	1,35%	109818	10,68%
2003	96637	10,36%	12781	1,37%	109418	11,74%
2004	91177	8,61%	7862	0,74%	99039	9,35%
2005	100276	7,63%	8688	0,66%	108964	8,29%

Source: CSB

There is no statistical information on pesticide usage in cereal sector, but quite good notion about situation could be gained from information about fertiliser and pesticide usage in whole field crop sector.

Fertiliser and pesticide usage in whole field crop sector

	2000	**2001**	**2002**	**2003**	**2004**
Used mineral fertilizer; 1000 t	37	51,1	48,6	60,9	61,1
Used mineral fertilizer per 1 ha; kg	42	59	55	72	68
Used organic fertilizer, 1000 t	4198,7	4994,7	4054,8	5856,2	4327,6
Used organic fertilizer per 1 ha, t	4,8	5,7	4,6	6,9	4,7
Used pesticides, t	598,1	1089	1048,1	971,1	n.a.
Used pesticides per 1 ha; kg	0,7	1,2	1,2	1,1	n.a.
Used lime; 1000 t	10,2	0,7	32,9	53,8	2,2
Used lime per 1 limed ha of area; t	3,3	6,1	10,2	13,9	2,9

Source: CSB

Fertiliser usage in cereal sector

	2004	**2005**
Sown area of cereals (ha)	436648	468939
Fertilised area of cereals (organic fertilisers; % of total cereal area)	4,4%	6,2%
Fertilised area of cereals (mineral fertilisers; % of total cereal area)	70,5%	74,1%
In average used fertilisers (organic + mineral, converted to pure nutrients - N, P, K); kg/ha.		
-- Nitrogen (N); kg/ha	58,36	61,44
-- Phosphorus (P); kg/ha	17,00	21,44
-- Potassium (K); kg/ha	21,93	26,49

Source: CSB

Currently in Latvia three types of cereal sales (sell at harvest, store cereals themselves, entering pre-harvest contracts with the buyers) are equally popular, but tendency is that more and more important is becoming to store cereals in own warehouses or enter pre-harvest contracts. Main reason for such trend is - since availability of EU structural funds, more farmers have build own dryers and warehouses. But pre-harvest contracts become more common as a result of increasing competition for good quality cereals, and in such a way processors ensure raw materials for following season.

2.7 Outlook for Cereals

In following years there will continue structural change in agriculture of Latvia – year-by-year number of farms will reduce resulting in increase of average size of farm.
In the following two or three years productivity in cereal sector should increase as a result of improvements in technologies. Also sown areas should rise, but not as much as previous years. The reason is: Latvia’s total production exceeds domestic consumption, but conditions

(mainly climatic and soil) in a region aren't so favourable to successfully compete with producers in other member states. Potentially right now some costs to produce cereals in Latvia are lower compared with *old EU member states*, but together production costs are increasing to reach equal level.
There are some factors that raise doubts about future - not only of cereal sector, but whole agriculture. It is unequal support level for farmers – differences in single area payments between *old* and *new* EU countries. If in Latvia production costs were much lower compared with EU countries before Latvia entered in EU, then now this gap is not so remarkable anymore and in such a way competitiveness of Latvia production is decreasing.

Data for foreign trade for Latvia indicate significant increase in export as well as import volumes of cereals. Share of EU countries in exports and imports is leading and increasing. Deviations of this trend regarding trade volumes in 2003 and 2004 are related to wet summers resulting in low quality grain, not suitable for foodstuff. In those cases markets of other regions where involved to sell excess and buy shortage volumes.

Foreign trade of cereals in Latvia

	2002		**2003**		**2004**		**2005**	
	1000 ton	%	1000 ton	%	1000 ton	%	1000 ton	%
EXPORT	108,2	100%	155,5	100%	80,1	100%	457,7	100%
EU	84,7	78%	92,2	59%	38,1	48%	446,2	97%
Non EU	23,4	22%	63,3	41%	42,0	52%	11,5	3%
- Western Balkan states	0,0	0%	0,0	0%	0,0	0%	0,0	0%
- EU candidate states	0,0	0%	9,8	6%	0,0	0%	0,0	0%
IMPORT	**27,2**	**100%**	**23,3**	**100%**	**74,8**	**100%**	**135,4**	**100%**
EU	13,4	49%	4,5	19%	62,5	84%	127,6	94%
Non EU	13,8	51%	18,8	81%	12,3	16%	7,7	6%
- Western Balkan states	0,0	0%	0,0	0%	0,0	0%	0,0	0%
- EU candidate states	0,0	0%	0,0	0%	0,0	0%	0,0	0%

Source: CSB

As it is reflected in table below (table: Stocks, prices and price indexes of cereals in Latvia), stocks of cereals are going down year-by-year. If to look at prices in EUR, then trend is downward, but mainly because of changes of currency exchange rate. Thereby more relevant indicator is price index (indexes are based on the cereals' prices in LVL, base year - 2002). For this indicator situation is opposite –trend for price index is upward.

Stocks, prices and price indexes of cereals in Latvia

	2002	*2003*	*2004*
Stocks of cereals; (1000t)*	***180,2***	***147,2***	***139,5***
-Stocks of wheat; (1000t)*	***110,3***	***63,3***	***82,8***
--Wheat price (EUR/t)	102,20	97,83	101,19
--Price index of wheat (2002=1)	1	1,06	1,14
-Stocks of rye; (1000t)*	***27,5***	***28,2***	***16,2***

--Rye price (EUR/t)	99,69	91,71	90,61
--Price index of rye (2002=1)	1	1,02	1,05
-Stocks of barley; (1000t)*	***26,9***	***35,8***	***25,1***
--Barley price (EUR/t)	91,08	87,91	91,65
--Price index of barley (2002=1)	1	1,07	1,16
-Stocks of oats and mixed grains; (1000t)*	***10,2***	***11,7***	***8,5***
--Oats price (EUR/t)	88,56	79,91	79,88
--Price index of oats (2002=1)	1	1,00	1,04

**** Stocks are at the end of crop year (end of June)***
Source: CSB