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SITUATION AND PESPECTIVE FOR THE MEAT SECTOR IN LATVIA

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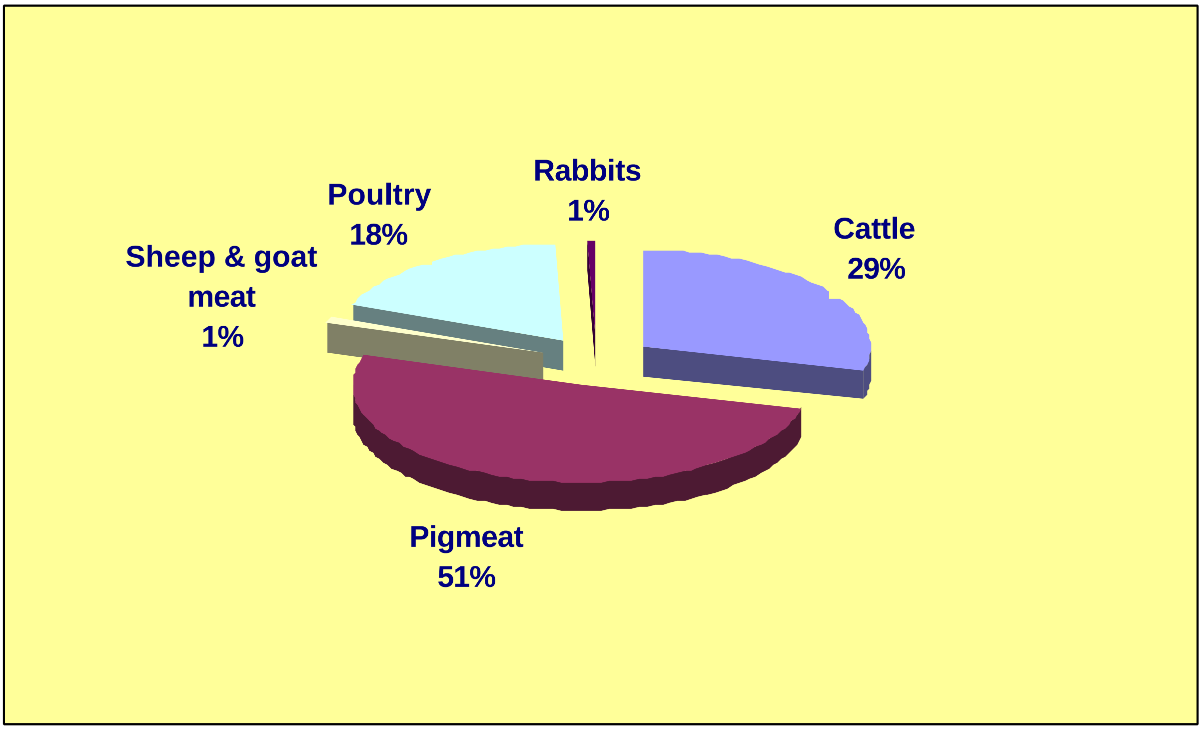
CONTENT

1 Introduction to the meat sector

Meat production and processing are important sectors in Latvian agriculture and food processing. In terms of production value, this is the third biggest agricultural sector behind the dairy sector and cereals production. The share of meat production in Latvian agriculture is quite stable. In 2005, the value of meat produced in the primary sector (in agriculture) was about €110 million i.e. approximately 18% of total agricultural output. The sales value of meat products was € 250 million, which equates to 21% of the total value of the food industry.

The contribution of the meat production and processing sectors to the output of the whole national economy (1.4%) was almost unchanged between 2000 and 2005. In association with the rapid growth of the national economy during this period (over those 5 years, the output in current prices doubled, or 1.5 times in real terms), there has been considerable development in the meat sector too. Pork, beef, veal and poultry are the major meat products in Latvia; however, other kinds (mutton and goat meat, horse meat, rabbit meat) are also produced in small quantities (see Figure 1).

Figure 1 The structure of produced meat value in 2005 (%)

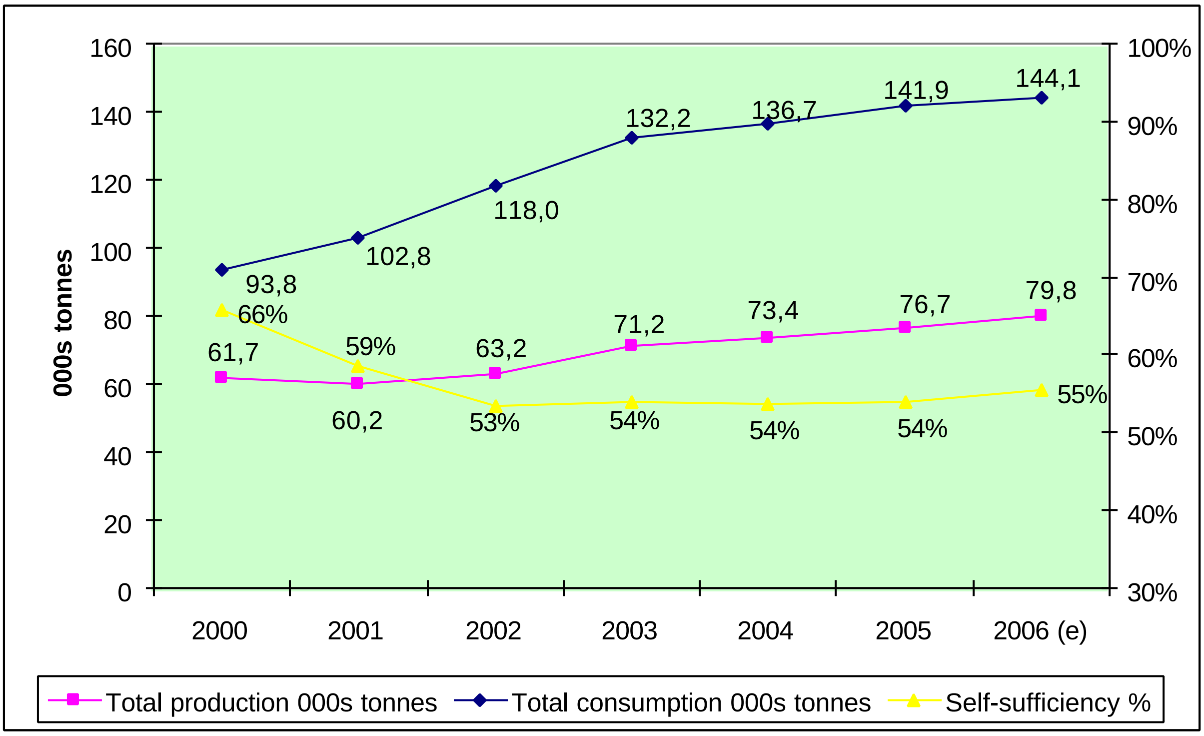


Source: Economic Accounts on Agriculture (LSIAE)

Approximately one half of the meat produced is pork. Although poultry has the smallest share among the main kinds of meat, the production of this meat has grown consistently since 2000, while that of the other kinds has fluctuated.

However, the production of meat has not grown as rapidly as consumption. During 2001-2005, the production of meat in Latvia increased by 27% reaching 76,700 tonnes in carcass weight. At the same time consumption of meat increased by 38% – up to 142,200 tonnes. As a result, there is an inherent negative balance of trade in meat and meat products: Latvia is a typical net importer, and the level of self-sufficiency since 2002 has been stable at 54% (see Figure 2).

Figure 2 Meat production and consumption in Latvia: 2000-2005 ('000.tonnes)

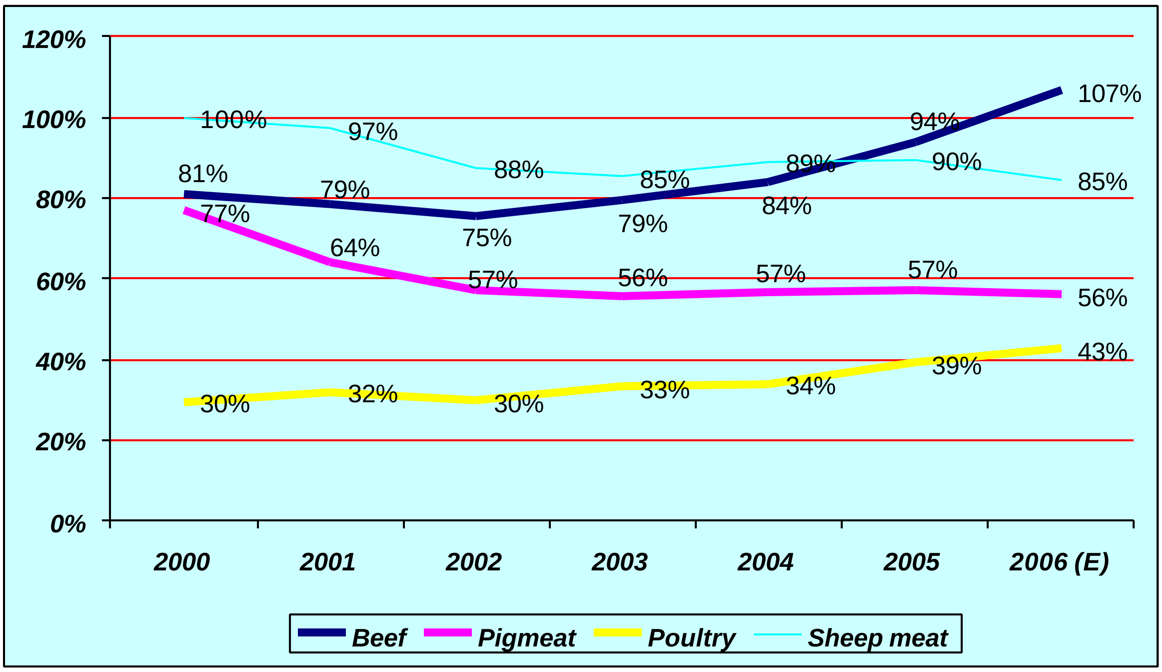


Sources: CSB of Latvia, Rural Support Survey, Comext & estimations.

The self-sufficiency rates for different kinds of meat are shown in Figure 3. Since the beginning of the 1990's, the lowest rate of self-sufficiency has been for poultry, and in recent years this has tended to increase. For pork, the self-sufficiency rate is only 56%.

Figure 3 The self-sufficiency rate of separate kinds of meat in Latvia in 2000-2005

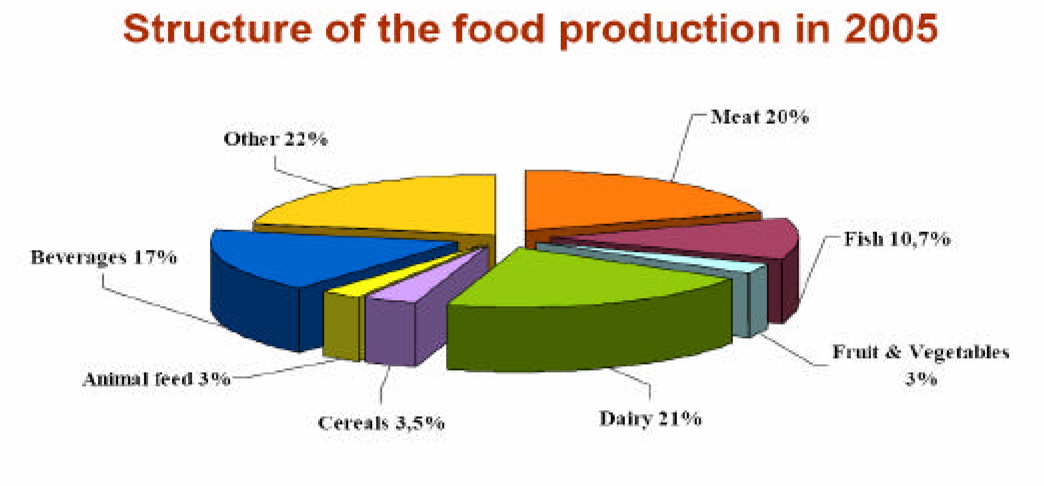
(approximate data)



Sources: CSB of Latvia; Comext database.

Statistical data have indicated an improvement in self-sufficiency in beef over the last few years. Indeed, in 2006 exports exceeded imports although production had not been increased. The reason behind this is the very low price of beef, which forces producers to seek export markets in order to get reasonable remuneration, but there is no incentive for increasing the domestic supply.
As regards mutton, the market is still not sufficiently developed, therefore both production and consumption are much below their potential.
According to data from the Central Statistical Bureau of Latvia, production of meat and meat products exceeds the average rate of development in the food industry (see Table 12).
Meat contributed 19.6% of the value of total food production in 2004 with a further slow increase up to 20% in 2005. (Figure 4)

Figure 4



Along with the increase in production, the number of employees has also risen, and yet there has been a simultaneous growth in productivity per employed person, which points to positive development, and improved production efficiency (Table 15).
Analysis shows the dynamic development of the meat processing industry - growth in production quantities and sales, the number of employees and their productivity. There has also been growth in the consumption level per capita, and the quality of Latvian products is also improving. (Since joining the EU, export of meat products has also started to develop). There is no lack of resources which are provided by Latvian farmers and supported from the EU.
The following analysis details the different levels of development for each sub-sector as well as the main problems encountered for the sector as a whole.

2 Structure of the sector and recent evolutions

2.1 Primary production

The main indicators of meat production for the period from 2000 to 2006 are summarized in Table 13. The data identify pork to have been consistently the main meat type produced, but trends towards changes can be identified: the production of poultry is increasing gradually, while the share of beef is decreasing, and the volumes of both of these kinds of meat were almost the same in 2006. In more detail, between 2000 and 2006, the share of pork in total meat production dropped from 51% to 47%, the share of beef – from 36% to 26%, the share of mutton and goat

meat – from 0.6% to 0.5%, while the share of poultry increased considerably – from 12% to 26%.
The structure of the meat production sector is changing with livestock numbers becoming concentrated in the biggest companies.
Poultry is mainly produced in 2 enterprises with historically recognizable brands, and this has largely contributed to the development of these companies.
Production of pork is increasingly concentrated onto farms with relatively high numbers of pigs. In 2000, only 18% of pigs were kept on farms with more than 500, but in 2005 these farms accounted for 40% of the total number. The total number of pig-keeping farms decreased considerably – from 59,100 in 2000 to 39,400 in 2005 (a 33% decline). 40% of pigs were kept by the 16 biggest farms, which constitute only 0.04% of the total number of pig-keepers. This kind of concentration has resulted mainly from a decrease in the number of farms with 3-50 pigs (see Annex 2: Country profile for pig meat). Provisional data indicate an even more rapid concentration of production and decrease in the share of small producers in 2006 than in the previous years.
The beef sub-sector is more fragmented (see Annex 1: Country profile for beef and veal). This is probably one of the reasons for beef prices in Latvia being about half those in the EU on average.
Data of livestock numbers (Table 14) show a tendency towards an increase of animals kept for slaughter and for breeding, but the dairy herd decreased. As shown in the Table, proportionately the most growth since 2000 was in poultry numbers – almost double; and the lowest – for pigs (6%). The number of pigs increased up until the end of 2002, but it decreased consistently in the remaining years, in association with the tendency for keeping more animals on big farms and fewer on small and medium ones. The numbers of cattle and sheep increased up to 2005, but that growth has now stopped. One of the reasons for that is increased export of calves due to the high feed costs relative to the revenues from animals sold for beef.
The cattle herd was almost completely made up of dairy cows until the late 1990s, when beef was mainly a by-product of milk production. With the introduction of state aid at the beginning of 2000, the keeping of specialist beef cattle began to develop. At the end of 2006, 6600 suckler cows were recorded, 3.5% of the total number of cows. The number of suckler cows has grown by 30% in 2006. As well as crossbreeds with dairy cows, pure beef breed animals are widespread. According to expert estimates, at least 10% of beef is produced from meat breeds. According to the EU classification system, the average quality of cattle in Latvia is not high, which impedes export opportunities.
The quality of pork is also changing, with breeding techniques being used to increase the yield of lean meat etc. However, as the price of pork in Latvia is higher than in the EU overall, the export of pork is limited.

2.2 External trade

Since the 1990`s, the external trade balance for meat has been clearly negative. The export values are insignificant; only between 2005 and 2006 have they increased to some extent. Even in 2005 the export of meat and meat products constituted only 2.3% of the total exports of the Latvian food industry. Meat has reached €6.6 million (a fourfold increase), with the export of meat products reaching €5 million (+53%). It was beef that accounted for the largest part of the total value of exports, and it has developed since Latvia joined the EU. However, imports are very significant comprising €85 million (+12%) in 2005, of which meat was the main component – €71 million. Imports continue to grow due to increasing demand; in 2005 the growth of import in absolute figures was larger than the increase of export.

2.3 Changes in income

Since Latvia joined the EU, the incomes of meat producers have risen in common with those in Latvian agriculture as a whole. This was facilitated by increases in product prices, as well as by state aid which is paid for the management of agricultural land, including aid for arable crops and payments for cattle. Between 2003 and 2006, the annual average producer prices for beef rose by 70% (though, from a very low level – €430/t), for pork – by 19%, for poultry – by 23%, and for mutton and goat meat – by 38%. (Source: EAA) Aid in the form of subsidies increased for cattle, but it decreased for pigs. Consequently, between 2003 and 2005, the net value added per working unit in farms specializing in grazing livestock increased about 2.3 times on average, but on specialized pig and poultry farms (grain feeding or intensive livestock) only 1.6 times. Both of these groups fell behind the average growth rate in agriculture, which was 2.4 times. Despite the considerable percentage growth, the net value added in absolute terms on the EU scale is still very low – €5,775/AWU on grazing livestock farms and €6,725/AWU on specialist pig and poultry holdings in 2005 (source: Latvian FADN).

2.4 Slaughterhouses and processing industry

A particular feature of the meat sector in which the slaughtering and processing operations are combined in the same processing enterprise, still exists in Latvia to some extent. There are 106 slaughterhouses recorded in the Food and Veterinary Service register, but according to data from the Central Statistical Bureau, 49 meat processing enterprises, which met the statistical requirement of at least 20 persons employed or which had a turnover in the previous year of over LVL 300,000, operated in Latvia. The value of the sales of these enterprises totalled LVL 146.3 million (€209 million), but the total output of all enterprises in this sector was LVL 173.2 million (€247 million). Presently there is a comparatively fragmented production and trade structure in the meat sector with the sales value of the four largest meat processing enterprises comprising 32% of the total, and the share of the 10 largest of the 49 enterprises referred to above is 61%. Unlike other kinds of production, this sector is one of the few, having reached the next stage as regards processing of organic products – low-capacity slaughterhouses.

When analysing the whole processing sector, the most important product in terms of the sales value is sausages, the share of which was 38% of total meat product sales value in 2005, followed by fresh, chilled or frozen meat including, salted, dried or smoked meat and finally prepared or canned meat. (Table 16 and Table 17).

There are signs of vertical integration in the sector, where, in order to ensure that the further processing stage has sufficient supplies, some manufacturing enterprises have taken up resource production. Some farmers also process the meat, which they have produced. The establishment of cooperation among participants of the chain has also started, mainly with regard to primary meat processing. Cooperation in beef processing has facilitated the emergence of new possibilities for the slaughtering of animals from organic farms, thus ensuring that quality features provided by the use of organic methods are maintained during the processing stage.

However, the majority of enterprises engaged in cooperation do so on the basis of agreements, which do not ensure permanency of these arrangements. Given the different business goals of the participants in the chain, cooperation based only on price agreements and probably on quality advantages, can come to an end with changes in the market situation, including changes in the distribution of market power.

Increased standards set by the Food and Veterinary Service for slaughterhouses and processing enterprises caused problems for some businesses, especially the small ones, as regards finding the capital necessary to meet these demands. As a result, the processing of meat in small enterprises has not been helped, but the development of such businesses could increase the economic activity in less developed regions and the development of niche products. For example, there is still no certified slaughterhouse for organic pigs, and it is also hard to sell mutton and goat meat legally, because production volumes are too small to yield attractive profits for large processing enterprises.

2.5 Production of Beef

Breeding of pedigree beef cattle in Latvia is co-ordinated by JSC „The Latvian Association of Beef Cattle Producers", which launched a programme for beef cattle in 2005 on 35 farms which had obtained the status of pedigree breeding farms. By increasing the number of specialist beef breeds, crossing these with milk breeds and improving the quality of the meat produced, the cattle-breeding sector will have the preconditions for competitiveness in the European Union market. This will be valuable for exploiting the large territories in Latvia, which are difficult to cultivate with heavy agricultural machinery and are therefore not profitable for the growing of crops.

2.6 Production of Pork

Development of the pig-breeding industry is indirectly promoted by the producers, consumer preferences and economic conditions. Under conditions of competition, these factors are equally important, however, the wishes of consumers are changing. Whereas previously the most important characteristic of pork was a high proportion of lean meat, in more recent years European pork producers have paid more and more attention to other quality features: colour, taste, juiciness and softness. Latvian producers of pork are able to provide products conforming to the taste of consumers by using stock from specialist breeding farms.

In 2005, 19 farms were dealing with reproduction of specialist breeding material in Latvia; these farms have obtained the status of "animal breeding farm". Genetic improvement of animals in pork breeding farms is co-ordinated by the pedigree animal breeding companies SIA "Pig Breeding Centre" and SIA "Agrosels". To achieve the selection aims and tasks these organisations have prepared a "Programme for Pig Breeding in Latvia".

Structural changes are still in progress in the pig-breeding industry, with production concentrating on to the largest farms. In general the quality of pork has improved; the amounts of processed products and the trade in pork among the Member States, as well as exports to third countries, have increased. Higher prices have been achieved for pork of better quality.

2.7 Production of Poultry

The quantity of poultry produced is continuing to grow every year. The amounts of poultry and processed products consumed also continue to grow. In 2005, "The Latvian Association of Pedigree Breeders" was examined and approved as a pedigree breeding organisation in poultry farming. The organisation has prepared and approved the breeding programme in poultry farming for 2005-2010, the aim of which is to promote production of poultry products for the domestic market.

In 2005, a breeding programme was initiated aimed at achieving high quality production through controlled use of the relevant breeding material. In general the poultry and egg sector of Latvia is stable. Price fluctuations in the EU context are minor. Prices of poultry, per 100 kg of 65% chicken, is approximately 7% higher than the average price in the European Union.

2.8 Sheep Farming and Goat Farming

The aim of the sheep-breeding sector in Latvia is to preserve the genetic diversity, renew the national flock, to improve the development of wool and sheep meat production businesses. Sheep meat production has become the main activity in sheep farming. The aim of goat breeding is to preserve the genetic diversity, establish good-quality herds and promote development of goat product processing and sales. The main product from goats is milk.

Total amount of produced sheep meat and goat meat (in slaughter weight) in 2005 was 428 tons, which was 17.3% more than in 2004. From that total amount, 350 tons were sheep meat and 78 tons goat meat.

The Latvian Association of Sheep Breeders implements the breeding programme, which envisages improving the economically useful features of the Latvian dark-headed sheep breed, as well as systematic breeding of various sheep crossbreeds. Due to the fact that the main trend in sheep-breeding is meat production, the main specified goal of the breeding programme is improvement of sheep ewe productiveness, better survival of lambs and intensive production of lamb. In 2005, 15 farms were dealing with reproduction of pedigree material; these farms have obtained the status of "pedigree breeding farm".

3 Policy and standards

Review of the production of agricultural commodities leads to the conclusion that the industry has developed, its competitiveness has increased and also the range of consumer products manufactured in Latvia has widened. Marketing opportunities for poultry, pork, beef and veal, mutton and goat meat have also increased. This is associated with the significant financial support provided to the industry following accession of Latvia to the European Union. Farmers receive common area payments and supplementary direct state payments for forage areas, for suckler cows and for animals slaughtered for meat. Manufacturers can be eligible to receive export refunds for exports of beef and live fattening cattle to third countries. Similarly, opportunities have widened for exporters of Latvian lamb, because in Europe and in the world in general there is a growing demand for lamb as an ecologically pure product.

In order to foster development of agriculture and the rural areas as well as to improve the living standard of the rural population, the government provides state support or subsidies in addition to the support from the EU. Laws relating to agriculture include provision for a minimum amount of subsidy to be allocated as state support for the development of agriculture, which shall not be less than 2.5% of the total value of the annual national budget. The amount of financing allocated within the programme in 2005 was LVL 27,601,197, which was no significant change compared to the previous year.

From the sums allocated within the programme, LVL 23.4 million were used for payment of national subsidies and LVL 4.1 million were paid as co-financing of the SAPARD programme.

Total direct payments to farmers for meat production reached LVL 5,880,000 (€8,400,000) in 2005, which is less than 8% of the total market value of production. In 2006, the amount of support increased by almost 18%, but the value of production increased as well. The level of support is very different as between one activity and another: the largest share of support for meat goes to the sheep breeding sector – about 30% above the market value of production; in the beef sector about 24%; in the pork sector it amounts to only 2-3%; there is nothing for the poultry sector. (Note: the support for imports of breeding livestock, investments and other approved activities available for all sub-sectors is not included here. Also excluded are area and other payments, which are not directly related to meat production or animal rearing).

After enlargement of the EU, the issues of food safety and quality in Latvia have been settled and organised in accordance with the EU's requirements. Standards relating to animal welfare and food safety provision have been introduced by fostering them through financial aid. External frontier crossing points have been organised as required by the EU including improved information exchange on cargo inspections, and an instant messaging system. The EU regulations introduced define the responsibilities of the parties involved in all stages of the food chain, thus promoting food safety.

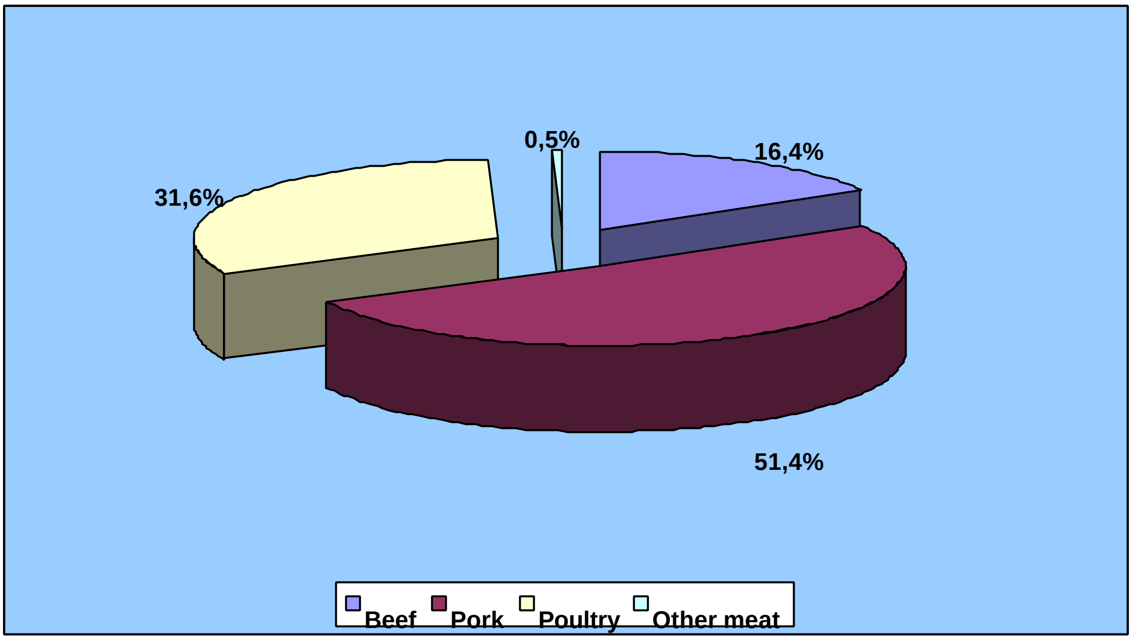
The meat producing and processing branches are important components of the agrarian sector in general, and are particularly sensitive to quality and safety aspects. The quality and safety of livestock products depend on the quality of the raw material. Legislation is harmonized on general food safety, which is also mandatory for meat and meat products, and special requirements regarding those products, as well as surveillance, control and implementation processes have been introduced. The classification system for cattle and pig carcasses – EU SEUROP – has been established and implemented.

The Food and Veterinary Service is a state administrative institution, which ensures unified state surveillance and control of the food chain and of veterinary practices.

4 Market trends and the perspective for meat consumption

The pattern of meat consumption in 2005 according to the CSB meat supply balance sheets was as follows (Figure 5):

Figure 5. The structure of meat consumption by kinds of meat in 2005 (%)



Source: CSB.

When analysing the development of meat consumption, two features should be noted:

1) The increase in total consumption; there has been growth in the consumption of poultry and pork, but that of beef and mutton remains at an almost constant level for the present.

2) The increase in the share of poultry in overall meat consumption; there has been fall in the share of beef by about 1% point per year, but that of pork remains stable at slightly over 50%.

This pattern of consumption is mainly determined by prices of products and supply, as well as by the traditional preferences of buyers. Because it has not been traditional to rear cattle for meat in Latvia, the taste of the product is not popular, which results in lower demand for raw beef. Nevertheless, quality beef is expensive. Good taste, lower price and a preference for lean meat have promoted the demand for poultry.
In has been observed that Latvian consumers prefer domestic products, which are perceived to taste better (have not been frozen, animals are reared in more natural conditions etc.), though they also buy imported products. The market for organic products is not developed, and these products are only available in some specialized outlets.
The distribution of sales volumes of meat and meat product, as indicated the by data shown in Table 16 and Table 17, is in favour of meat products and preserved meat. Data in Table 17 show that the greatest volume of sales was of different kinds of sausages. The rise in sales of this range of product has been the most stable compared to other kinds.
The growth of production and consumption volumes is associated with increasing individual consumption within Latvia. The trend in the per capita consumption of meat and meat products over the last few years has been as follows: 2002 – 69 kg; 2003 – 74 kg; 2004 – 78 kg; 2005 – 81 kg. Given anticipated improvements in economic well-being, this tendency is expected to continue.
In the years since joining the EU, prices of meat have risen (see para. 2.3); however, further possibilities for price increases could apply mainly to beef, because the price of this product in Latvia has not yet reached the EU average level. As for the pork and poultry sectors, prices in Latvia are higher than in the EU and so there is no likelihood of further increases, even allowing for a rise in feed costs, as has occurred this season.
Increasing the consumption of beef and mutton will be dependent upon the adjustment of the whole supply chain consisting of production, processing and marketing stages, so as to create products, which will satisfy customers as regards price, quality and availability.

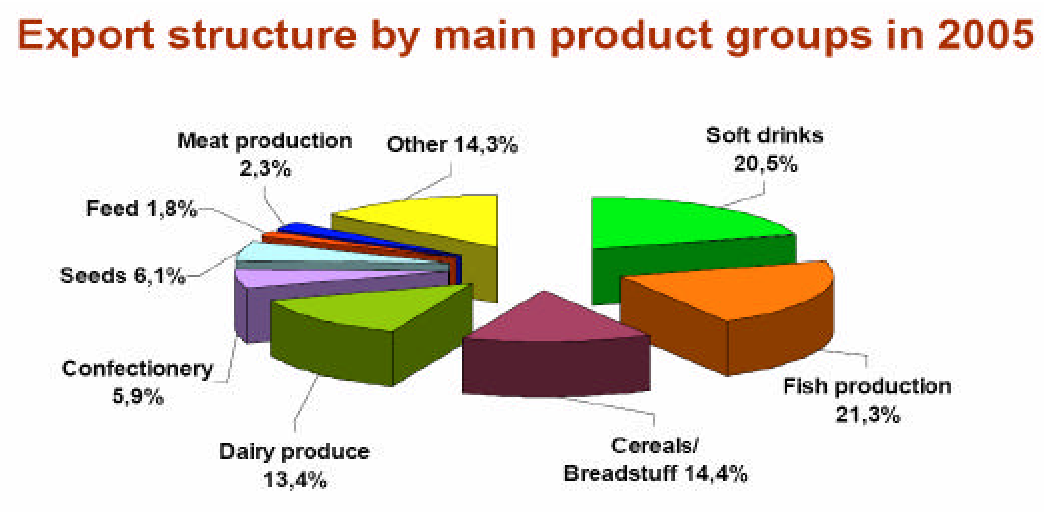
5 Recent evolutions and perspectives for the trade

Production, import and export data for Latvia are shown in Table 13, and from Table 188 to Table 20

Summarized data in Table 188 indicate that along with the increase in domestic production volumes of meat and meat products in 2005 as compared with 2004 (+24%), there has also been growth in import and export volumes up 29% and 174% respectively. The growth of production in terms of value was LVL 33,640,000; imports - LVL 13,541,000; but exports - LVL 5,187,000. Imports amounted to 32.92% of the output in 2004, but in 2005 rose to 34.35%. The comparable figures for exports were 2.14% in 2004 and 4.72% in 2005. Thus imports constitute a considerable part of the production, and they continue to grow.
Presently, the export volumes of meat and meat products are small (Figure 6); however, the growth rates (2.74 times) could indicate that Latvian companies are starting to conquer foreign markets.
The structure of imports is shown in Table 199, which provides data of meat and meat products imported between 2004 and 2005.

The total imported volume of meat and meat products grew by 7,421 tonnes (12%) in 2005 compared to 2004.
The largest share of meat imports was in the form of poultry (44.94% in 2004 and 40.93% in 2005). At the same time, the growth in the actual quantity of poultry imported was small at only 597 tonnes (2%). The main countries of origin for poultry imports in 2005 were the Netherlands (44.32%), Lithuania (17.64%) and the United Kingdom (13.13%).
Pork is in the second place in terms of import volumes (27.52% of the total import volume in 2004 and 36.25% in 2005). The quantity of pork imported grew by 7,999 tonnes (48%) in 2005 as compared to 2004. The main sources of pork imports were Poland (43.98%), Germany (26.55%) and Estonia (15.97%).
Along with the insignificant growth of imports of other kinds of meat in 2005, the volume of beef involved actually decreased by 230 tonnes. The main sources of beef imports in 2005 were Lithuania (48.87%), Poland (28.08%) and Estonia (14.26%). Companies which process beef meat do not face a lack this commodity in the Latvian market – manufacturing needs were mainly met by domestic production and only in the first quarter of the year was there a deficit which had to be covered by imported beef.
Of the total volume of meat items imported, the share made up of meat products and preserved meat is significantly lower than that of separate kinds of meat; in 2004, it was 18.26%, but in 2005 it dropped to 13.86%. Of this, the most considerable decline was in salted, dried or smoked products, down by 1981 tons. The main countries supplying this production were Poland (50.75%) and Spain (19.32%). There was an insignificant increase in imports of sausages and canned meat. The sausages came mainly from Estonia (46.15%) and Lithuania (46.15%), the canned meat from Estonia (50.81%).

Figure 6



Source: CSB

Unlike the situation with imports, the majority of exports comprised of meat products and preserved meat (78.18% in 2004 and 54.29% in 2005). Data in Table 20

Table 20 indicates that the share of exports in the form of beef and other kinds of raw or cooled meat is increasing. Exports go mainly to Finland and Sweden. Exports of meat products (salted, dried meat, sausages and canned meat) are also increasing, but at lower rates. The main destinations for these products include Lithuania, Estonia and Russia. The share of exports going to other EU countries is small; the main supply goes to Germany. According to experts, we cannot at present expect significant increases in export volumes and competition with other

European producers in their markets, as the capacity of Latvian producers is not sufficient to meet the needs of major retailers in Europe.
Overall, the conclusion is that since joining the EU, imports have continued to grow, but at the same time the export trade has also started to develop; this was difficult in the past because of high EU import duties.
The main meat trade partner is the EU. Almost all the imports and majority of exports of meat are connected with the EU-25. However, a proportion of meat products exported as well as some pork and poultry exports are going to Russia, and also to Estonia and Lithuania.
It is difficult to make definite forecasts of future developments because they depend on many factors. Future operating conditions for this sector are unclear. Economic relationships are in the development phase and they are therefore very sensitive to external shocks, as, for example, the reform of direct payments etc. According to current trends, it is over optimistic to expect rapid increases in meat production or considerable improvement in the balance of trade because profitability in the sector is low, and consequently it is less attractive than other business activities as far as capital investments are concerned.

6 Expert views on the successes and challenges of the sector

6.1 Beef sector

The beef sector is currently experiencing significant changes whilst seeking to establish its most suitable position in agriculture and the food chain. Rearing of beef breed animals is developing gradually. However, the whole beef production chain (from farm to fork) is still insufficiently developed to ensure a satisfactory range of sales channels with opportunities to gain adequate remuneration for producers. Also, the supply of beef is limited, and its distribution is inhibited by lack of market intelligence and high prices. Furthermore, particular fodder is required to produce quality meat, but such fodder is expensive in Latvia. The Association of Beef Cattle Producer has been founded, which is taking the necessary measures to promote the popularity of the sector, as well as seeking collaboration between processing companies and traders, and export possibilities.

6.2 Pork & poultry sectors

In the early years after joining the EU it became apparent that it is was possible to maintain higher prices than the Union average in these sectors. This has enabled these sectors to develop, but pressures on the market, such as that resulting from the current overproduction of pork in Poland etc., cause instability. The situation is also unstable for producers. Concentration of production is increasing with a rapid decrease in the numbers of small enterprises which cannot compete in terms of production costs.

6.3 Sheep & goat sectors

After rising in the first half of new decade (Annex 4: Country profile for sheepmeat and goatmeat), in 2006 the level of production was almost the same as in 2005 as a consequence of the still unresolved issues regarding prices and processing of these animals (availability of slaughterhouses). These animals are mainly kept on small farms, where difficulties with sales are common and processing, for the same reason, is connected with higher production costs. However, could access to markets (both domestic and foreign) be found, there would be potential for the sector which can serve also as a niche product and a support sector for rural tourism etc.

6.4 Animal health, welfare etc.

There are comparatively strict veterinary and animal welfare requirements in Latvia, the observance of which is actively enforced. The most dangerous diseases – BSE, bird-flu etc. - have not been found in Latvia up to now. The Food and Veterinary Service ensures surveillance and control over the whole food chain (farms, slaughterhouses, processing enterprises, wholesale & retail traders). There has been no evidence of public scandals connected with the quality of meat. However, there are some animal diseases, which are serious even though not considered to be dangerous to humans. The risk of these is increased by live animal imports, which can be carriers of disease. Since the number of animals is comparatively small in Latvia, it is essential to maintain control over the state of health of the herd and prevent the spread of diseases.

6.5 Medium and long term perspectives

Unless circumstances change significantly, it is to be expected that the prices in Latvia and the EU as a whole will gradually level out. For beef and mutton this would mean a rise in prices, but there would be decreases for pork and poultry. The perspectives of Latvian producers and processors will depend on their ability to increase production efficiency and to gain access to the markets through successful cooperation.
To ensure competitiveness of agriculture in the EU market, it is necessary to attract significant investments. Up to now, the major agricultural investments have been into crop production, only a small number of enterprises investing in milk and meat production. But the current trends indicate that demand for meat produced in Latvia can be expected to increase. Domestic demand is growing and there are also possibilities for exports.
One of the factors, which could hinder the development of production, would be any reform of direct payments, which would prevent increasing payments to those farms which are presently investing in order to increase product volumes. It is essential to maintain the stimulus for farms to engage in production.

7 Conclusion

The meat production sector (including meat processing) constitutes 1.4% of the total economic output in Latvia, which is a very considerable amount. It is the third most important sector in agriculture after production of milk and cereals; the latter is closely connected with the production of meat in any case.
The meat sector is import-oriented in Latvia. The self-sufficiency rate is only about 52-55%, and in the last few years it has not changed substantially due to production and consumption growing at similar rates. Pork accounts for about 50% of the total meat production and consumption. The share of poultry is growing – it reached 32% of total meat consumption in 2005 and 26% of total production. But beef consumption dropped to 16% of the total, while production constituted 28% of the total meat production volume in 2005. Other kinds of meat account only for about 1% in the total meat profile, and their market is rudimentary.
In line with the rise in income levels, there has been a significant increase in meat consumption per capita – it grew by 17% on average between 2002 and 2005, reaching 81 kg per capita.
The number of farms keeping animals is large in Latvia. In 2005, cattle were kept on 61,300 farms, which is about 41% of the active total. There were 39,400 farms, which kept pigs (29% of the total number). Consequently, the average number of animals per farm is small – 6 cattle and

11 pigs. Since 2000 the number of cattle-keeping farms has decreased by 24%, but the number of pig-keeping farms by 33%. Most of the farms mainly produce for their own consumption needs. According to the 2005 Survey on the structure of agricultural holdings in Latvia, about 2/3 of the farms do not produce for market; however, this figure is lower for farms with animals. In terms of the numbers of animals, these are mostly kept on market-oriented farms. At the end of 2005, 70% of all cattle were on farms with more than 5 cattle and 80% of all pigs on farms with 10 and more pigs. In the poultry sector there is very high concentration as almost all poultry meat for sale is produced on 2 enterprises, though poultry are kept in 46% of all farms.

Since Latvia joined the EU, adaptation to the new conditions is taking place in the whole of agriculture, including the meat sector. Rearing of animals of specialist beef breeds is developing gradually, work of genetic improvement is being carried out and professional organizations are operating in the sector. Cooperatives are being established, especially in the beef sector, with the aim of ensuring better returns for beef producers; however, only a small proportion of all producers participate in these. The process of establishing and getting approval for slaughterhouses is quite difficult and therefore it is often difficult to sell animals.

According to experts of the sector, the crucial question in relation to improved competitiveness in the EU market is whether Latvian meat can be produced at a low enough cost to allow manufactured products to be sold profitably at prices, which would not exceed those in other member countries. Up to now this prospect has been hindered by less efficient use of feed, as well as by higher feed prices in Latvia than in the most of the other countries. Feed accounts for 41% of total costs on farms specialized in grazing livestock and 52% on specialist pig and poultry units. Decoupled payments can also have a negative effect on animal production: farmers can lose motivation for engaging in this type of farming. But the dynamics of demand have been positive up to now, and there is a tendency towards preference for domestic products. There are also prospects for an organic market. At present, many farms have started organic farming; but it is still under-developed.

Given the data, observations and arguments recorded above, forecasts for the future development are cautious. However, there are possibilities for development if the main preconditions of availability of investment and adjustment of the market should be forthcoming.

Annex 1: Country profile for beef and veal

Table 1

Grouping of farms of fall types according to the number of the bovine animals at the end of 2004 and 2005

Number of bovine animals per farm	2004				2005			
	Numbers of Farms		Aggregate Numbers of Bovine Animals		Numbers of Farms		Aggregate Numbers of Bovine Animals	
	Number	%	Number	%	Number	%	Number	%
1	18022	27.8	18022	4.9	17235	26.8	17235	4.5
2	18187	28.1	36374	9.8	17038	26.5	34076	8.8
3 - 5	17249	26.7	67077	18.2	17162	26.7	63721	16.5
6 - 9	5911	9.1	43541	11.8	5948	9.3	42571	11.1
10 - 19	2948	4.6	41278	11.2	4048	6.3	53965	14.0
20 - 29	1118	1.7	28259	7.7	1304	2.0	31557	8.2
30 - 49	664	1.0	25911	7.0	844	1.3	31119	8.1
50 - 99	405	0.6	28848	7.8	399	0.6	27234	7.1
100 - 199	149	0.2	21461	5.8	151	0.2	20668	5.4
200 - 299	28	0.0	6725	1.8	44	0.1	10579	2.7
300 - 499	35	0.1	15478	4.2	36	0.1	14992	3.9
500 <	42	0.1	36179	9.8	46	0.1	37479	9.7
Total	64758	100.0	369153	100.0	64255	100,0	385196	100,0

Source: CSB

Table 2

Balance Sheet of Bovine Meat (`000 Tonnes) 2003 – 2005

	2003	2004	2005
Stocks at the beginning of the year	0.80	1.50	1.30
Resources			
Production, live weight	39.20	39.98	37.86
Production, carcass weight	21.20	21.59	20.44
Meat import (including livestock), carcass weight	7.44	6.26	5.03
Import of meat products (meat equivalent)	0.01	0.04	0.89
Total resources (meat equivalent)	29.45	29.38	26.83
Consumption			
Consumed meat and meat products (meat equivalent)	27.26	27.35	23.48
Meat export (including livestock), carcass weight	0.02	0.18	1.86
Export of meat products (meat equivalent), carcass weight	0.67	0.55	0.77
Total meat and meat products consumed (meat equivalent)	27.95	28.08	25.93
Stocks at the end of the year	1.50	1.30	0.90

Source: RSS

Annex 2: Country profile for pig meat

Table 3

Grouping of farms of fall types according to the number of the pigs at the end of 2005

Number of pigs at the farms	2004				2005			
	Number of Farms		Aggregate Pig Numbers		Number of Farms		Aggregate Pig Numbers	
	Number	%	Number	%	Number	%	Number	%
1	12310	28.2	12310	2.9	10405	26.4	10405	2.4
2	16415	37.6	32830	7.6	15945	40.5	31890	7.5
3 - 4	7854	18.0	26521	6.2	7085	18.0	24176	5.6
5 - 9	3705	8.5	23910	5.5	3174	8.0	19835	4.6
10 - 19	1854	4.3	24041	5.6	1400	3.6	18501	4.3
20 - 49	955	2.2	28470	6.6	855	2.2	26619	6.2
50 - 99	277	0.6	17879	4.2	257	0.6	17756	4.2
100 - 199	151	0.3	20216	4.7	161	0.4	23750	5.6
200 - 399	70	0.2	18866	4.4	64	0.2	17806	4.2
400 - 999	31	0.1	20372	4.7	24	0.1	15292	3.6
1000 - 1999	11	0.0	16023	3.7	10	0.0	14328	3.3
2000 - 4999	10	0.0	34474	8.0	12	0.0	38413	9.0
5000 <	14	0.0	154863	35.9	16	0.0	169147	39.5
Total	43657	100.0	430775	100.0	39408	100.0	427918	100.0

Source: CSB

Table 4

Grouping of farms of fall types according to the number of the sows at the end of 2004 and 2005

Number of pigs at the farms	2004				2005			
	Number of Farms		Aggregate Sow Numbers		Number of Farms		Aggregate Sow Numbers	
	Number	%	Number	%	Number	%	Number	%
1	2844	51.1	2844	8.0	2092	48.1	2092	5.8
2	1182	21.2	2364	6.6	775	17.8	1550	4.3
3 - 4	788	14.2	2586	7.3	682	15.7	2302	6.4
5 - 9	408	7.3	2659	7.5	417	9.6	2614	7.3
10 - 19	210	3.8	2698	7.6	258	5.9	3406	9.5
20 - 49	80	1.4	2368	6.7	75	1.7	2349	6.5
50 - 99	27	0.5	2302	6.5	20	0.5	2068	5.8
100 - 199	5	0.1	753	2.1	5	0.1	758	2.1
200 - 499	8	0.1	2471	6.9	8	0.2	2893	8.0
500 <	15	0.3	14502	40.8	16	0.4	15930	44.3
Total	5567	10.0	35547	100.0	4348	100.0	35962	100.0

Source: RSS.

Table 5

Pigmeat Balance Sheet (`000 Tonnes) 2003 – 2005

	2003	2004	2005
Stocks at the beginning of the year	2.70	3.00	2.50
Resources			
Production, live weight	47.30	47.19	49.29
Production, carcass weight	36.90	36.81	38.45
Meat import (including livestock), carcass weight	28.52	28.40	35.13
Import of meat products (meat equivalent)	2.93	3.50	3.64
Total resources (meat equivalent)	71.05	71.37	25.32
Consumption			
Consumed meat and meat products (meat equivalent)	66.16	66.71	73.18
Meat export (including livestock), carcass weight	0.05	0.06	0.66
Export of meat products (meat equivalent), carcass weight	1.84	2.10	2.35
Total meat and meat products consumed (meat equivalent)	68.05	68.87	76.19
Stocks at the end of the year	3.00	2.50	3.50

Source: RSS

Table 6

Number and Breeds of pigs on the breeding farms of the Pig Breeding Centre (2003 to 2005)

Breed	2003	2004	2005	2005/2004,%
Boars				
Latvian Landrace	93	90	74	82
Yorkshire + Latvian White	62	56	54	96
Others	5	41	27	66
Sows				
Latvian Landrace	2194	2708	3158	117
Yorkshire + Latvian White	1517	1534	1832	119
Others	683	864	974	113

Source: Pig Breeding Centre

Table 7 Average pork prices 2003 – 2005 (LVL/100kg)

Average price (LVL/100kg)	2003	2004	2005
Latvia	80.4	89.5	95.1
EU	78.8	89.9	87.3
USA	68.5	64.5	72.5

Source: LSIAE

Annex 3: Country profile for poultrymeat

Table 8 Poultry prices in Latvia

Year	Price (€/100 kg)
May 2004	132.32
May 2005	136.89
May 2006	135.30

Source: LSIAE

Table 9 Balance Sheet of Poultry Meat and its Products (`000 tonnes)

	2003	2004	2005
Stocks at the begining of the year	4.00	3.20	3.90
Resources			
Produced meet, live weight	17.80	20.38	24.58
Produced meet, carcass weight	12.40	14.7	17.20
Meat import, carcass weight	24.56	27.2	28.16
Import of meat products (converting to meat)	1.29	1.2	1.16
Total resources (converting to meat)	42.25	46.0	50.42
Consumption			
Consumed meat and meat products (converting to meat)	38.33	42.5	44.89
Meat export, carcass weight	0.58	0.8	1.22
Export of meat products (converting to meat)	0.14	0.7	0.31
Total meat and meat products consumed	39.05	43.0	46.42
Stocks at the end of the year	3.20	3.0	4.00

Source: RSS

Annex 4: Country profile for sheepmeat and goatmeat

Table 10

Number of Sheep and Goats 2003-2005 (`000 heads)

	2003	2004	2005	2005/2004, %
Sheep, of which:	39.2	38.6	41.6	107.7
Ewes	20.6	22.8	25.5	111.8
Goats, o which	15.0	14.7	14.9	101.4
Goat ewes	8.4	7.8	9.9	126.9

Source: CSB

Table 11

Production of Sheepmeat and Goatmeat 2003-2005 (in tons)

	2003	2004	2005	2005/2004, %
Meat (live weight)	762	727	856	117.7
Meat (carcass weight)	381	365	428	117.3

Source: CSB

Annex 5: Additional information

Table 12

Comparative analysis of development rates of food sector and its sub-sector, the manufacture of meat and meat products

	2000	2001	2002	2003	2004
Manufacture of food products and beverages (15)					
% compared to					
1990.	42.8	45.7	48	50.3	53.6
1995.	113.2	121	127	133.3	141.9
2000.	100	106.9	112.2	117.7	125.4
the previous year	102.5	106.9	105	104.9	106.5
Production, processing and preserving of meat and meat products (15.1)					
% compared to					
1990.	26	29.2	33.8	38.4	41.7
1995.	110	123.9	143.5	162.9	176.7
2000.	100	112.4	130.1	147.7	160.2
the previous year	108.9	112.4	115.8	113.5	108.5

Source: Industry in Latvia: statistical data, 2005

Table 13

Meat production (carcass weight, ‘000 tonnes)

Year	Meat - total	Beef and veal	Pork	Poultry meat	Mutton and goat meat
2000	61.7	22.4	31.5	7.2	0.4
2001	60.3	19.1	31.6	8.9	0.4
2002	63.3	16.0	35.9	10.6	0.4
2003	71.1	21.2	36.9	12.4	0.4
2004	73.2	21.6	36.8	14.3	0.4
2005	76.7	20.4	38.5	17.2	0.4
2006	79.8	20.7	37.8	20.6	0.4

Source: CSB

Table 14

Number of animals at the end of year (`000 heads)

	2000	2001	2002	2003	2004	2005	2006	2006/2000, %
Cattle (without dairy cows)	162	176	183	192	185	200	187	115%
Dairy cows	205	209	205	186	186	185	190	93%
Pigs	394	429	453	444	436	428	417	106%
Sheep	29	29	32	39	39	42	41	144%
Poultry, total	3105	3621	3882	4003	4050	4092	4488	145%
Poultry, without laying hens	1124	1573	1604	2004	2104	1970	2216	197%

Source: CSB

Table 15

Dynamics of meat output, number of employees and productivity (meat processing enterprises)

	2000	2001	2002	2003	2004	2005
Output, ‘000.LVL	78002	94972	106429	119534	139604	173244
Number of employees	4246	4398	4536	4802	5943	5911
Output per employed person ’000.LVL	18,37	21,59	23,46	24,89	23,49	29,31

Source: Industry in Latvia: statistical data, 2005

Table 16

Sales of fresh, chilled or frozen meat, t

	2000	2001	2002	2003	2004
Beef and veal	6 538	4 702	5 451	10 441	10 512
Pork	6 301	8795	16 614	16 819	18 450
Mutton	7,1	2,3	1,1	5,7	28,2
Poultry	7 968	10 904	8 676	11 564	14 388
Other kinds of meat and edible offal,	1 892	2 820	3 815	4 677	4 876
Total	22 706,1	27 223,3	34 557,1	43 506,7	48 254,2

Source: Industry in Latvia: statistical data, 2005

Table 17

Sales of meat products and preserved meat, t

	2000	2001	2002	2003	2004
Pork salted, dried or smoked	6 924	7 104	9 725	12 083	11 054
Other meat salted, dried or smoked	1 125	1 121	1 571	2 483	2 575
Sausages (inc. liver sausages)	28 256	28 237	31 046	34 496	40 555
Poultry prepared and canned	3 519	3 354	5 977	5 453	7 611
Pork prepared and canned	3 307	3 387	4 497	4 826	5 346
Beef and veal prepared and canned	917	879	1 228	2 098	2 760
Other meat or edible offal prepared and canned	1 001	929	1 536	1 527	1 282
Total	45 049	45 101	55 580	62 966	71 183

Source: Industry in Latvia: statistical data, 2005

Table 18

Manufacture of meat and meat products, import and export in Latvia

	2004	2005	2005/2004
Output of meat and meat products, ’000.LVL	139 604	173 244	1,24
Import of meat and meat products ’000.LVL	45 970	59 511	1,29
Export of meat and meat products, ’000.LVL	2 982	8 169	2,74

Source: CSB of Latvia database

Table 19

Analysis of structure and dynamics of meat and meat products imported into Latvia

	2004			2005			2005/ 2004
	t	%	'000.LVL	t	%	'000.LVL	(t)
1.Fresh, chilled or frozen meat (inc. edible offal) total, of which:	49 706	81,74	36 788	58 773	86.14	49 933	1.18
1.1. Beef and veal	2 594	4.26	3 541	2 364	3.46	3 843	0.91
1.2. Pork	16 733	27.52	16 720	24 732	36.25	26 757	1.48
1.3. Mutton	40	0.07	150	43	0.06	137	1.06
1.4. Other kinds of meat and edible offal	3 009	4.95	1 572	3 708	5.43	2 348	1.23
1.5. Poultry	27 330	44.94	14 805	27 928	40.93	16 849	1.02
2. Production of meat products and preserving of meat total, of which:	11 104	18.26	9 182	9 458	13.86	9 578	0.85
2.1. Pork, beef and other meat salted, dried or smoked	5 517	9.07	2 974	3 536	5.18	2 309	0.64
2.2. Sausages (inc. liver sausages un liver products)	3 393	5.58	3 845	3 497	5.13	4 416	1.03
2.3. Prepared and canned meat	2 195	3.61	2 363	2 424	3.55	2 854	1.10
Total	60 810	100	45 970	68 231	100	59 511	1.12

Source: CSB

Table 20

Analysis of structure and dynamics of meat and meat products export from Latvia

	2004			2005			2005/ 2004
	t	%	'000.LVL	t	%	'000.LVL	t
1.Fresh, chilled or frozen meat (inc .edible offal) total, of which:	733	21.82	678	3 124	45.51	4 639	4.26
1.1. Beef and veal	179	5.33	299	1 323	19.27	2 590	7.38
1.2. Pork	53	1.58	134	333	4.85	439	6.27
1.3. Mutton	2	0.07	9	5	0.07	29	2.18
1.4. Other kinds of meat and edible offal	5	0.14	11	41	0.60	66	8.82
1.5. Poultry	494	14.69	225	1 422	20.71	1 516	2.88
2. Production of meat products and preserving of meat total, of which:	2 626	78.18	2 305	3 741	54.49	3 529	1.42
2.1. Pork, beef and other meat salted, dried or smoked	7	0.22	28	81	1.18	134	11.10
2.2. Sausages (inc. liver sausages un liver products)	1 071	31.88	821	1 306	19.02	1 141	1.22
2.3. Prepared and canned meat	1 548	46.09	1 455	2 354	34.29	2 254	1.52
Total	3 359	100	2 982	6 865	100	8 169	2.04

Source: CSB