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LATVIAN BEEF CATTLE BREEDERS ASSOCIATION

Case study report

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LATVIAN BEEF CATTLE BREEDING ASSOCIATION (LBCBA)

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1. INTRODUCTION

1.1. PRINCIPAL INITIATIVE

The proposed case study: **Latvian Beef Cattle Breeders Association (LBCBA)** was selected because this initiative is addressed to:

- improving farmers' livelihoods;
- building/improving local capital (natural, social, cultural, economic, institutional);
- responding to health concerns/ecological crises;
- raising awareness and stimulating changes in attitudes and behavior of the involved actors;
- open/enlarging new markets of sustainable products;
- raising awareness and stimulating changes in attitudes and behavior of the involved actors;
- open/enlarging new markets of sustainable products;
- improvement of management of distribution aspects;
- development of small and medium size slaughterers, restaurants and steak-houses;
- a fair distribution of added value within the system;
- perspectives for the most fragile producers;
- credibility of the sustainability promise to the consumer;
- protection (creation) of positive externalities to (re)build rural resources.

Notes

Initiative utilizes natural potentials for the development of beef production. It is environmentally friendly - extensive beef cattle breeding practically does not have negative environmental effects. There is growing consumer demand and new market niches for high quality beef. The social impact is related to maintaining of rural employment, providing solutions for relatively large proportion of small and medium size farms. The initiative offers solution for land abandonment problem and is compatible with rural tourism. Beef breeding are suitable for older farmer. The growing membership of LCBA suggests that initiative has future potentials.

The initiative is linked to development of new type of niche markets in Latvia (specialized butcheries, restaurants, outlets), which specialize in high quality products and corresponding short supply networks.

Extensive beef breeding is sustainable in many aspects – environmental, socio-territorial and economic. Practices of beef cattle breeding in Latvia are corresponding with trends towards development of organic farming and need to change land use practices. Many cattle breeders have biological certificates.

This is a national scale initiative and the association unites members from various regions. LCBA has regional branches. The association is a collective member of Latvian Agricultural Joint Consultative Council, cooperates with other farmers' organizations.

The association took part on organization: of the beef breeds record system in Latvia; communication between stakeholders; education, training; technical innovation;

standard creation; certification; regulation; political actions; organizational arrangements; creation of new channels (LBCBA has organized the cooperative "Laidars G" to establish a system of beef sales).

Specific **objective**s of the case studies are:

- a detailed description and analysis of socio-economic dynamics of the Latvian Beef Cattle Breeders Association;
- investigation of the Latvian Beef Cattle Breeders Association food supply chains;
- an assessment of performance of the Latvian Beef Cattle Breeders Association food supply chains;
- identification of bottlenecks and constrains towards sustainability.

1.2. DATA COLLECTION: INTERVIEWS AND SURVEYS

Subcontractors collected data by means of interviews (11 face-to face interviews with farmers (August, 2004); 14 phone interviews with farmers (October, 2004) and 9 interviews with experts); focus group discussions; meetings of stakeholders and analyzed the documents (government, association, statistical and media).

Respondents- farmers were randomly selected in the following 15 districts:
Bauskas, Cesu, Daugavpils, Dobeles, Jekabpils, Kraslavas, Kuldigas, Liepajas, Limbazu, Ludzas, Ogres, Rigas, Saldus, Tukuma, Venstpils.

<u>A questionnaire for the interviews with beef cattle breeders</u>

1. Name of a farm
2. Address, phone number, other coordinates of the farm
3. Owner of the farm, a person to be interviewed
4. Fields of specialization in the farm
5. Organic or conventional farming
6. Current size of the farm (hectares owned and rented)
7. Current number of employees in the farm
8. Professional experience and education acquired by the farmer
9. The year since which cattle breeding business started
10. Reasons for starting cattle breeding business
11. The number of cattle in the beginning
12. The current number of cattle
13. To whom beef cattle are sold
14. Future plans concerning beef cattle breeding business (to reduce the number of cattle/to increase the number of cattle/ to keep the number of cattle (to what extent)/
15. Whether any of the family members could keep on running cattle breeding business
16. Main sources of information about beef cattle breeding
17. Experience in dealing with the structures (institutions) of the Ministry of Agriculture, consultation centers (institutions of state administration and municipalities)
18. Loans, EU funding
19. Cooperation with the Latvian Beef Cattle Breeders Association
20. Main problems concerning beef cattle breeding business

21. Your proposals for the improvement of the situation in the beef cattle breeding industry in Latvia
22. Would you like to say something else what we did not ask you?

A number of meat products producers were interviewed (Karlis Graudins, Jelgava meat processing plant, head of the supply department; Dzintra Ozola, Cesis meat processing plant "Ruks", a livestock supply specialist; Agris Veide, cooperative "Laidars G", Chairman of Board.

Questions for producers of meat products

1. Did the volume of beef production increase or decrease in the recent years?
2. Who are the main suppliers of beef meat? Are long-term contract signed with suppliers?
3. What kinds of problems are most frequently encountered in the relationships between suppliers of beef meat and producers?
4. How satisfied are you with the quality of products?
5. Could the purchasing prices for beef rise in the near future? Why?
6. In what ways does beef reach consumers? How do producers of beef meat products form relations with the retail business? Who are the main partners in the retail business (do they cooperate with retail chain stores to sell beef meat and with which ones?)?
7. Who does the export of beef meat develop? Is the volume of the export of beef meat planned to increase?
8. Does the producer carry out marketing research? How could a Latvian consumer be characterized? Which advertising campaigns has the producer organized recently?
9. What are the main problems in selling beef meat?
10. What are the relationships with state institutions?
11. What are the relationships with the local municipality?
12. Is the SAPARD funding received? Where have these funds been spent? How will the funding influence the future operations of the producer?

This desk study on LBCBA activities, beef market and consumer attitude towards beef consumption was carried out. The team analyzed publications (scientific and public (national and regional)), Internet sources, official documents, and statistical sources.[1]

[1] Arnis Kalniņš. Starp ienesīguma iespējām un ierobežojumu aplokiem, Latvijas Vēstnesis, 2003. gada 29. oktobris; Uldis Graudiņš. Zaļie lauksaimnieki neprasa, bet darbojas, Lauku Avīze, 2003. gada 16. septembris; Andis Mājenieks. Bioloģiskās lauksaimniecības aktualitātes, Druva, 2003. gada 11. jūnijs; Daiga Laukšteina. Paņem mani, es esmu veselīgs! sauc Latvijas ekoprodukts, Zemgales Ziņas, 2003. gada 27. marts; Aiga Pelāne–Sļusare. Ap 200 zemnieku nodarbojas ar bioloģisko lauksaimniecību, Diena,1998. gada 6. aprīlis; Amanda Liepa, Bioprodukti – veselīga mode, Lauku Avīze, 2002. gada 6. jūnijs; Ilze Šteinfelde. Pircējs zīmju džungļos, Neatkarīgā Rīta Avīze, 01.09.2001; Iveta Tomsone. Bioloģiskie saimnieki audzē muskuļus, Lauku Avīze, 2003. gada 25. marts; Zane Grotus. Nebūsim dumjāki par tārpiņu!, Neatkarīgā Rīta Avīze, 2003. gada 1. aprīlis; Ilze Žola. Bioloģiskā lauksaimniecība šodien, Ogres Ziņas, 2002. gada 13. augusts; Andis Mājenieks. Bioloģiskās lauksaimniecības aktualitātes, Druva, 2003. gada 11. jūnijs, Ilze Būmane. Izšķiras gaļas liellopu audzēšanas nākotne, Agropols, 2005.g 5.jūlijs; Agris Veide. Kas notiek liellopu gaļas tirgū? Agropols, 2004.g 17.jūnijs; Ilze Būmane. Asociācija roku rokā ar Laidaru G, Agropols, 2004.g 23.aprīlis; Ilze

Two interviews with experts – professor Uldis Osītis and PhD Juris Plēsums took places on October 20, 2004. The objective of the interviews was to find out how farmers and specialists acquire necessary skills to breed cattle, to assess the level of their knowledge and to find out factors that encumber cattle breeding and the production of high quality meat. The aim of interview with Dainis Rungulis, former deputy head of the department of agricultural sectors and development of production was to receive information about LBCBA activities and current problems.

Interviews with the representatives of supermarkets took place in the February of 2005. They were responsible for the purchase of beef meat in the chain stores MEGO and RIMI. The objective of the interviews was to find out retailers of meat products evaluate the quality of beef, its assortment, their cooperation with suppliers of beef, contentment and competence of consumers.

A focus group discussion took place on March 10, 2005. There were 7 participants (5 women and 2 men representing different age and income groups. The objective of the focus group discussion was to find out the habits of the consumers, their motivation to buy beef meat and prepare meal out of it, expectations towards various kinds of beef meat products.

<u>The following questions were asked in the course of the discussion</u>:

1. Who in the family more often buys food products?
2. Where are food products purchased mostly? (supermarkets, specialized shops, marketplaces? Is it possible to purchase beef meat and its products?
3. How often is beef meat purchased in your family? Did you buy beef meat or any beef meat products? Are you satisfied with the choice of beef meat in supermarkets at the moment? Which beef meat products do you purchase most frequently? How often do you purchase ready-to-cook beef products?
4. Why do you prefer pork or chicken to beef?
5. When purchasing meat products, do you pay attention to labels where products are produced (their origin)? Do you prefer products produced in Latvia? Do other indications or inscriptions influence your choice?
6. Is your choice influenced by the fact that organic farmers have delivered meat?
7. Do you try to purchase the products of one and the same supplier? What do retailers have to do that you purchase beef or its products more often?
8. Who in your family prepare beef meat dishes mostly? Which dishes (stakes, soups, meatballs etc.)? Do you possess necessary knowledge how to prepare beef best?
9. How do you assess the quality of beef in retail stores?
10. Do you choose beef meat dishes in restaurants? Why do you choose or not choose beef in restaurants? Which dishes do you choose more frequently?
11. Has the consumption of beef and it products changed in your family during the last ten years? What could influence your choice to buy beef more often?

Zālīte. Zaubes kooperatīvs šogad plāno sasniegt pusmiljonu latu apgrozījumu, Agropols, 2005.g 25.septembris, Aelita Runce, Jāmācās izaudzēt gaļas liellopus, Agropols 2004.g 15.jūnijs; etc.

The information about the breeding, production and sales of cattle and beef meat was also discussed in three meetings. The first meeting took place on June 6, 2004 where two representative of the Latvian Beef Cattle Breeders Association (LBCBA) and three participants of the SUS-CHAIN project took part (Aivars Tabuns, Aija Zobena, Laura Suna). Three board members of the LBCBA and two participants of the SUS-CHAIN project (Aija Zobena, Laura Suna) took part in the second meeting on April 12, 2005. The third meeting was organized by the Latvian State Institute of Agrarian Economics (LSIAE) in cooperation with a bulletin "AgroPols". Farmers, representatives of the Ministry of Agriculture, meat producers and scientists took part in the meeting[2].

<u>The following questions were discussed</u>:

1. Who influences the breeding of cattle and the production of beef in Latvia? Where is the sector of beef meat production located among the other agricultural sectors?
2. Which factors determine the purchasing prices for beef?
3. Are there advantages or disadvantages in the organic and conventional production of beef meat?
4. How can one secure the growth of a qualitative meat production?
5. Are there any opportunities for beef expert after the accession of Latvia into the EU? How does the support of the EU influence the production of beef?
6. How should one develop a strategy for breeding cattle in Latvia?

1.3. THE CONTENT OF THE REPORT

The Report included analyses of:

1. Major trends (privatization, restructuring of agriculture and food processing sector; market liberalization; decrease of the consumers purchasing capacity; high credit rates; out-of-date equipment and machinery; increase of land abandonment; new institutional framework and harmonization of legislation with EU requirements; development of food retail chains);
2. Consequences and responses to major trends (producers (small-scale farming versus development of professional farming; development of new sectors of agricultural production (goat keeping, cranberries growing, beef cattle breading etc.); development of new technologies in agriculture (organic production)); processors (changes (fragmentation followed by consolidation) in the processing industry; deeper specialization in the meat processing industry (development of certified slaughterhouses and meat processing enterprises)); retailers (development of national retail chains (Elvi, Interpegro, Beta); expansion of foreign retail chains (Kesko Food, VP Market)); consumers (diversification of consumption patterns and habits; decrease of meat consumption)

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[2] Aija Vīgnere (ZM), expert in the department of CAP in the Ministry of Agriculture, Iveta Šteinberga (ZM), senior offical in the department of agricultural sectors and processing, Dr. habil. agr., Dr. med. vet. Aleksandrs Jemeļjanovs; Dr. agr. Jānis Nudiens, Biruta Lujāne *(Sigra),* Juris Plēsums, scientist, ASV; Aivars Tabuns, Dr.soc.; Laura Sūna, MA soc.; Jānis Bāliņš; Latvian Association of Meat Breeders and Producers; Dzintra Ozola, stock company „*Cēsu Ruks",* meat quality expert; Agris Veide, executive director of LBCBA; Aelita Runce, chairperson of the board of „*Zaubes kooperatīvs"*; Ilga Straševska, farmer, Dzintra Dunaiska, farmer

3. The aims of the initiative and sustainability problems (insufficient knowledge and experience in producing high quality beef meat: absence of an organization that would defend the interests of cattle breeders and deal with their common problems).
4. The starters of initiative (small scale agricultural producers in unspecialized semi-subsistence farms – mixed beef/diary cattle farmers; large scale intensive cattle breeders; hobby farmers – owners of pedigree cattle; cooperatives, shareholding companies; organic farmers) and main actors (farmers; Ministry of Agriculture; State Food and Veterinary Service; Agricultural Advisory Service; agricultural scientists)
5. The main problems (individual producers are unable to cope with problems and defend their interests) and obstacles (in Latvia, mixed dairy-meat cattle breeding is traditional; share of beef in the meat consumption is traditionally low (in comparison with pork); in general, beef meat is processed into sausages; extensive cattle breeding technologies are new in Latvia; cattle breeding is dispersed in all territory of Latvia; concentration of cattle breeders is lower in the central part suitable for intensive crop production).
6. The tasks of association:
7. LBCBA activities (Dispersion of information about beef breeds (seminars, informative leaflets, etc); Informative and other support to farmers buying pedigree cattle abroad
Advice and consultation to farmers buying pedigree cattle (agricultural advisory centre, University of Agriculture, etc); demonstration of pedigree cattle; providing information to customers on the qualities and preparation of beef meat); government activities (Agricultural advisory service supported to the development of family farms, book keeping services, technological advice, assistance in project development; establishment of a pedigree cattle register) and resources (state support, membership fees, state subsidies, premiums).
8. Consolidation of association (increase in numbers of members, expansion of cattle breeding in other regions in Latvia, informative activities, provision of measurement and scaling services to farmers)
9. The evaluation of main hypothesis

<u>Project co-ordination meeting:</u> The draft descriptions and analyses were discussed by the subcontractor (Aivars Tabuns, Aija Zobena, Laura Suna) and other team members at the SUS-CHAIN 4th meeting in Martigny, Switzerland (10.11.2004.-12.11.2004.) Subcontractor prepared a written presentation (the presentation was sent to other participants on the 5th of November); presented report and took part in discussion devoted to the research findings and the assessment of collected data.

<u>Identification of opportunities and constraints:</u> Subcontractors identified opportunities and constraints for improving the performance of the food supply chains they have studied.

1.4. LOCAL SATELLITE INITIATIVES

Initiative: “Zaubes kooperativs”

Small slaughterhouse “Zaubes kooperativs” is an enterprise of the Latvia Association of Organizations of Organic Farming (LAOOF), the only slaughter meeting demands of biological farming in Latvia.
In 2005, 45 farms joined „Zaubes kooperativs”, and it cooperates with 40 partner farms. In cooperation with an agricultural institute „Sigra”, the cooperative carries out

a study on the opportunities for production of qualitative beef. Farmers in the cooperative began collaboration with the Nature Fund.
The cooperative is a fast growing company. Zaube slaughterhouse specializes in biological cattle meat processing and buys cattle from organic farmers in the nearby region. The main specialization is Highland cattle and cross-breeds with Highland cattle. The slaughterhouse delivers fresh meet to *The Green Market* in the Central market of Riga city, to small shops in the nearby region, to different restaurants (Vincents, Kaļķu vārti), to a number of retail stores as well as to schools.

Initiative: Limited company ”Rosiba ZS”

“Rosiba ZS” Ltd. is small a family business with about 20 employees in 2005. In 1993, a family farm was founded in Zalenieku pagasts in Jelgavas district (in the central part of Latvia). It is a family business (father, wife and two sons). In 2001, the farm was reorganized as a limited company “Rosiba ZS”. It has a butchers’ shop “Jelgavas galas nams“ in the centre of Jelgava (district center) with a small meat processing shop. Fresh meat and meat products are sold in Jelgava and other towns in the vicinity – Bauska, Dobele, Tukums. There are also local schools, kindergartens and cafes among their clients.

2. THE CONTEXT

In Latvia the beef production has been developed alongside with the dairy farming and only during last 10 years it evolved into a separate branch, which is based on the specialized meat cattle breeds. Dominant cattle breeds are *Charolais, Angus, Hereford* and *Limousine* as well as their interbreeds with the local milk cows.
The development of specialized beef production is possible since there are all preconditions for grass growing and preparation of rough fodder, which the basic feed for cattle, as well as available manpower and suitable climate conditions. Further development is ensured by the fact that there is large share of small milk producing holdings, which will not be able to compete in milk production and will seek alternative specialization in agricultural production.
Current economic situation thwarts development of the beef sector. There is a high share of imported beef in the domestic market and the purchase prices for beef do not cover the production costs thus causing the decrease in the number of cattle.

Major trends

- Point of departure (1987-1993): the systemic change, privatization, de-collectivization and restructuring of agriculture and food processing sector;
- Market liberalization (beginning of the 1990s) and continuously increasing competition (mid-1990- till today);
- Decrease of the consumers purchasing capacity;
- High credit rates for farmers and food processors (2001-average 13-16%);
- Out-of-date equipment and machinery;
- Increase of land abandonment;
- New institutional framework and harmonization of legislation with the EU;
- Development of food retail chains (second half of the 1990s).

Meat consumption generally faced a sharp decline during the nineties in almost all accession countries. Declines amounted to between 10 and 20 percent of the consumption amount in the late eighties, however with great differences between the countries. The greatest falls were experienced in Latvia (-49 %) and Lithuania (-28%). Beef consumption declined most sharply in the nineties and unlike the case for other kinds of meat has not recovered so far. The lowest fall was in Romania with –31 percent during the nineties and the greatest fall of –68 percent was observed in Latvia. (Table 1). This shows that the beef sector was the one that was most affected sector of meat consumption.

Table 1: Changes in beef consumption (kg p.c. and year) during the nineties[3]

Country	Country Changes from 1992-2000 (in % of 1992)	Changes from 1997-2000 (in % of 1997)
Latvia	-68	-14
Estonia	-57	-24
Lithuania	-61	-23

[3] Consumption Trends for Dairy and Livestock Products, and the Use of Feeds in Production in the CEE Accession and Candidate Countries, Assessment Report, IAMO, January 2004

Table 2. Total beef consumption during the nineties (in kg p.c.)[4]

	1992	1993	1994	1995	1996	1997	1998	1999	2000
Latvia	30.4	32.5	30.3	24.7	11.4	11.1	11.3	8.9	9.6
EU (15)	21.9	20.2	19.4	19.9	19.3	19.4	19.3	19.1	19.1

Consequences and responses to major trends

Producers:

- Small-scale farming versus development of professional farming;
- Development of new sectors of agricultural production (goat keeping, cranberries growing, beef cattle breading etc.);
- Development of new technologies in agriculture (organic production).

Processors:

- Changes (fragmentation followed by consolidation) in the processing industry;
- Deeper specialization in the meat processing industry (development of certified slaughterhouses and meat processing enterprises).

Retailers:

- Development of national retail chains (Elvi, Interpegro, Beta);
- Expansion of foreign retail chains (Kesko Food, VP Market).

Consumers:

- Diversification of consumption patterns and habits;
- Decrease of meat consumption.

[4] ibid

3. OBJECTIVES AND STATE-OF-ART OF THE INITIATIVE

Aims of the initiative and sustainability problems

Aims

- To produce high quality beef meat for the local market;
- Introduction of new meet production to acquire new export niches;
- To create new employment opportunities for rural population;
- To organize environmentally friendly meet production, to solve problems of land abandonment.
- Problems
- Insufficient knowledge and experience in producing high quality beef meat;
- Absence of an organization that would defend the interests of cattle breeders and deal with their common problems;

4. THE STORY OF PRINCIPAL INTIATIVE

4.1. PROBLEMATISATION

Main problem:
Individual producers are unable to cope with problems and defend their interests

Obstacles:
- In Latvia, a mixed dairy-meat cattle breeding is traditional;
- Share of beef in the meat consumption is traditionally low (in comparison with pork)[5];
- In general, beef meat is processed into sausages;
- Extensive cattle breeding technologies are new in Latvia;
- Cattle breeding are dispersed in all territory of Latvia and there are predominantly small farms that breed cattle[6]; concentration of cattle breeders is lower in the central part suitable for intensive crop production.

Main stakeholders:
- Farmers
- Ministry of Agriculture[7]
- State Food and Veterinary Service
- Agricultural Advisory Service
- Agricultural scientists

Identification of the starters-actors:
- Small scale agricultural producers in unspecialized semi-subsistence farms – mixed beef/diary cattle farmers;
- Large scale intensive cattle breeders;
- Hobby farmers – owners of pedigree cattle;
- Cooperatives, shareholding companies;
- Organic farmers.

In 1994, Dainis Rungulis, a young professional in the Ministry of Agriculture began his career with a task to facilitate the development of the beef cattle industry. At that time, only few farmers were involved in the cattle breeding business. Initially, first cattle breeders wanted to form a section in the Association of Milk Producers because the dairy industry has been traditionally strong. But milk producers were quite skeptical about newcomers and the number of cattle breeders was small, i.e. about 10-20 farmers. Having evaluated the situation, cattle breeders arrived at a conclusion that

[5] As many experts point out, the consumption of beef was historically lower that that of pork „To a Latvian, a term „beef" associated with a beef of old cows for very long time. People were not aware still some time ago what a qualitative beef produced out of beef cattle meant. (Agropols, Nr.9., May, 2005, p 20)

[6] Agropols, Nr.9., May, 2005, p 22. Many people still believe that effective business is possible when there is a herd of at least 40-50 milk cows.

[7] Dainis Rungulis – former deputy head of the department of agricultural sectors and development of production – played a significant role when the association was formed.

the Association of Milk Producers had another priority (to produce milk) and it was more reasonable to found a new organization where those farmers who specialized in cattle breeding would join together.

Negotiations about the foundation of a new organization and its goals took place in the time period from 1996 to 1998. Initially, there were doubts how an organization with few members could function. Both senior officials and politicians also doubted whether such a small organization could exist. However, the very cattle breeding industry was one of the first industries which dared to found their own organization. Other organizations were founded later. Thus it can be assumed that cattle breeders also facilitated the consolidation of farmers of other small industries.

Besides the situation in the market was not favorable because the purchasing prices of beef was considerably low. The situation in the meat market was substantially affected by the import of cheap poultry from the US as well as the imported pork and beef of poor quality. This cheap meat constituted a large proportion of the market.

As Dainis Rungulis, expert in the Ministry of Agriculture, pointed out, “Those people who however decided to run the business, subsidized it from the incomes derived from other sources – wages, revenues from other places, forestry. It was a serious risk which they took. Thus small farms first developed, and the development took place a quite long time. If there were large farms in the first place, it would have been easier for them to operate. Thus farmers’ revenues from cattle breeding were rather small. However, those who believed in the industry and who developed herds of purebred animals are now the winners.

The Ministry of Agriculture helped cattle breeders to find contacts abroad, provided support in training. There was no support for the foundation of the very association but the Ministry of Agriculture supported a number of projects implemented by the association. State compensated a proportion of expenditures to those farmers who keep pedigree books and maintain records in their herds.

In the time period from 1996 to 1998, the number of cattle breeders grew and the industry became popular. The members of the association saw that other farmers were also interested in cattle breeding and there was a confidence that the industry and the organization had the future.

Cattle breeding were attractive to those farmers who:

- had uncultivated plots of land and a desire to diversify business and reduce economic risks;
- did not have resources to meet demands and standards for dairy farms and the production of other agricultural products;
- did not have any opportunity to develop labor intensive milk production (the elderly, farmers in rural municipalities with limited opportunities to hire employees for such farms).

Representative of the association pointed out: “cattle breeding do not require so much financial investments as dairy business. There is no need for much labor either.”
Meat cattle are being bred in all regions but the sector initially developed more actively in Kurzeme and Vidzeme, later in Latgale where there was land well suited for the sector (often uncultivated) and farmers did not have much resources to develop other businesses. Cattle are more rarely bred in districts where there are favorable conditions for the cultivation of grain.

High quality cattle breeding was impeded by the fact that many farmers did not have necessary experience and knowledge and they were not aware of the demand in the market ("many do not know how a good animal looks like and how one should be bred.")

<u>Association tasks</u>:
- To provide advice for cattle breeders;
- To elaborate proposals for the Ministry of Agriculture;
- To organize the pedigree cattle import and export;
- To certify pedigree cattle;
- Acquaintance with new cattle breeding technology;
- Establishment of a pedigree cattle register;
- To represent the interests of producer.

<u>LBCBA activities</u>:
- Dispersion of information about beef breeds (seminars, informative leaflets, etc);
- Informative and other support to farmers buying pedigree cattle abroad;
- Advice and consultation to farmers buying pedigree cattle (agricultural advisory centre, University of Agriculture, etc);
- Demonstration of pedigree cattle;
- Providing information to customers on the qualities and preparation of beef meat.

<u>Government activities:</u>
- Agricultural advisory service supported to the development of family farms (book keeping services, technological advice, and assistance in project development);
- Establishment of a pedigree cattle register.

The State support is granted in the form of subsidies in compliance with the annual decree by the Ministry of Agriculture "On State support to manufacturing of products in conformity with the EU quality requirements" for farmers' education (self-governing organizations of rural youth and agriculture).

<u>Resources</u>:
State support, membership fees, state subsidies, premiums

<u>Milestone</u>:

1998 The main producers' organization in the beef sector is Latvian Beef Cattle Breeders Association (LCBA) founded in 1998 uniting 64 members – among them the state farm "Vecauce" (study farm of Latvia University of Agriculture), organic farmers cooperative "Zaube", a biological slaughterers, a number of small farms (3-4 suckling cows), as well as large farms (about 20-40 suckling cows). The total number of farm animals exceeds 2500 cattle.

2001 - Latvian Beef Cattle Breeders Association became member of Co-operation Council of Agricultural Organizations (LOSP)

The Co-operation Council of Agricultural Organizations consisting of about 40 members – sectoral organizations and five farmers' organizations – Latvian Farmers' Federation, Association of Agricultural Holding Companies, Farmers' Parliament, Latvian Rural Support Association and Latvian Young Farmers' Club. The Cooperation Council serves as firm grounds for a political dialogue between the Ministry of Agriculture and non-governmental organizations (NGOs) in agriculture.
There are more than five hundred various initiative groups in Latvia, which are not united in a single network or subordinated to the single organization. They are scattered all over the territory of Latvia and active in almost all municipalities. The initiative groups are established in view of a specific objective. When the set objective is achieved, the initiative groups are either dissolved or reorganized into permanent organizations.

4.2. ENROLMENT

<u>Consolidation</u>:

- increase in numbers of members,
- expansion of cattle breeding in other regions in Latvia,
- informative and advice activities,
- provision of measurement and scaling services to farmers.

<u>Actions</u>:
2002 - Purchase of animal measurement equipment and scales
2002-203 Ministry of Agriculture (MA) and Danish Ministry of Foreign Affairs funded a project elaboration of pedigree cattle register in accordance with EU regulations.

A joint Latvian – Danish project "Elaboration of regulations concerning registration, pedigree record, pedigree value of Latvian meat cattle in accordance with the demands prescribed by the EU" supported the initial activities and operation of the Association. The project was implemented by the Ministry of Agriculture and the Danish Agriculture Consultation Center in the time period from 2001 to 2003. The project's activities involved the elaboration of regulations and training courses in Denmark. Cooperation with Swiss meat cattle breeders also began at that time. (Aelita Runce).
The Ministry of Agriculture granted a right to the Association to keep pedigree cattle records and control respective operations. The ministry also subsidized the operation of the association. Thus the association has only information about those farms where there are pedigree cattle[8]. Membership fee and revenues from services are the main sources of income for the association. Those farmers who breed bulls should carry out work related to pedigree breeding; therefore, they have to register in the association. The members of the association are charged only a half of the price asked for the pedigree related services.

[8] The association does not gather information about those farmers who breeds interbreeding animals.

The association helps farmers to find out necessary breeding cattle because "all animals have become relatives. The Association may tell them in which herds there is necessary material."

Many buyers did not weight cattle but used only a measuring tape some years ago. Therefore, there were quite serious tensions between farmers and buyers of cattle. Farmers did not have enough money to buy weights. Then the association bought weights for farmers, and farmers could rent them.

Farmers can get information about the association from the members and consultation centers. The leaders of the association think that consultation centers do try to help farmers but there is a lack of specialists who are well aware of specifics in cattle breeding. "Cattle breeding are a rather new sector. There are districts where there are few breeders and specialists as well as little information."

Conception of sustainability is spread and shared among members of the organization

Problems:
Absence of regular supply chains between producers and slaughterhouses

Actions taken by government:
SAPARD support to producers and processors (first projects launched)
Cabinet of Ministers adopted "Rules for food labeling" (2000., No. 46)

Since 1996, the Ministry of Agriculture allocates the state aid to the beef sector in the form of subsidies in compliance with the annual decree "On the State support to manufacturing of products meeting the EU quality requirements".

The sectoral policy and strategy in Latvia is based on the following legal and normative documents:

- Law On Agriculture (24.10.1996);
- Concept of agricultural development (17.02.1998);
- Development basis of agriculture and its sectors (03.12.1998);
- Annual Program for Agricultural Development.

Administrative structure

To ensure the administration of market organization for beef and products thereof the following institutional system exists:

- Ministry of Agriculture – elaboration of policies and legislation, implementation of the EU *acquis communautaire*, forming of the sectoral strategy, representation of the sectoral interests;
- Rural Support Service (RSS) – administration of the national state aid in the sector of cattle breeding. Upon introduction of the CMO mechanisms for beef and products thereof, RSS will perform following functions:
    - administration of direct payments (setting, calculation and payment of premiums);
    - issue of import and export licenses;
    - administration of market measures;
- Agricultural Market Intervention Agency – currently the intervention mechanism in the beef market does not exist. Upon introduction of the CMO

mechanisms for beef and products thereof will provide private storage if necessary;
- State Veterinary Service (SVS) – carries out veterinary supervision of cattle farms and meat processing undertakings. With the Regulations “On Classification of Cattle Carcasses” coming into force the Food Supervision Division of SVS will take over the supervision of the system of classification of cattle carcasses.
- Sanitary Border Inspection – carries out veterinary control on borders.
- State Breeding Information Data Processing Centre, Ltd – creates and arranges
- register of animals and herds, allocates cattle identification numbers and issues cattle passports.
- LSIAE Centre for Agricultural Market Promotion – analyses the market prices for beef and products thereof. Upon introduction of the CMO mechanisms for beef and products thereof, centre will provide price information to the European Commission.
- Latvian Cattle Breeders Association– represents the interests of beef producers.

The objectives of the beef sector as defined in Latvia’s Concept (1998) of agricultural development are:
- to stabilize production and to create conditions for further development of the sector:
- to meet the demands of the domestic market for beef and products thereof;
- to promote the competitiveness of the beef production on the international market.

Negotiation with the EU about beef cattle production quotas

Latvia implemented in full the *acquis communautaire* in the area of common market organization for beef and products thereof as well as assumes responsibilities of a Member State as from the date of accession to the EU, excluding the following items where Latvia deemed necessary to continue negotiations:
1. Direct Payments
Latvia requested a “regional ceiling” of 75 000 animals for the receipt of special premium according to the Article 4 of the Regulation. Corresponding number of animals shall be included in Annex I of the Regulation 1254/1999/EC.
Justification of the position.
The climate and soil conditions in Latvia are suitable for meadows, pasture and growing of forage. In 1999, the total land area used for cattle breeding was 1.023 million hectares. By using Latvia’s natural resources for efficient growing of perennial and annual grasslands, the production of forage with high bioenergetic value will be assured.
The development of cattle breeding and production of quality beef in Latvia is proved by the fact that already for several years the production of quality beef has been promoted by the state aid. The branch of specialized meat cattle breeding becomes more popular in Latvia. The number of holdings involved in the rearing of specialized meat cattle breeds has grown little more than 3 times from 1996 to 1999. In the EU Member States, the consumption of beef is approximately 20 kg per capita. In Latvia, it was only 14.9 kg per capita. The improvements of economic situation and growth of

GDP and following increase in beef consumption to the level of the most developed EU Member States are forecasted after the accession.

2. Direct Payments

EU legal acts: Council Regulation (EC) No 1254/1999 of 17 May 1999 on the common organization of the market in beef and veal Latvia requests a "national ceiling" of 25 000 suckling cows for the receipt of Premium according to the Article 7 (2) of the Regulation. Corresponding number of suckling cows shall be included in Annex II of the Regulation 1254/1999/EC.

Justification of the position.

The cattle herd in Latvia consists mainly of the "Latvian Brown" breed, which is historically used for milk and meat production at the same time. The calves of the "Latvian Brown" breed are grown for production of meet. Therefore, the low productivity cows, which are used to suckle calves, correspond to the definition of suckling cows according to the Article 3(f) of the Regulation 1254/1999/EC.

Taking into account that approximately in 85% of holdings in Latvia the number of bovine animals does not exceed 5, the low competitiveness of these holdings in a dairy farming shall be noted. It is forecast that these holdings will change their production pattern towards a meat production or a mixed type of production. The provisions of Article 6 of the Regulation 1254/1999/EC, which envisages that the rights to suckling cow premiums are granted according to the individual reference for a milk production as well as the milk yield, improve the prospects for the group of small and medium-sized holdings of the mixed (milk and meat) production to be eligible for this premium. In addition to this, the Preamble (8) of the Regulation 1254/1999 states that suckling cow premium should therefore also be granted for small and medium-sized mixed holdings.

3. Direct Payments

EU legal act: Council Regulation (EC) No 1254/1999 of 17 May 1999 on the common organization of the market in beef and veal. Taking the data of 1995 as the reference year data, Latvia requests slaughter premiums for 220 000 animals including for 145 000 bulls, steers, suckling cows and heifers and for 75 000 calves according to the Article 11 (3) of the Regulation 1254/1999/EC.

Justification of the position.

According to the Article 11(3) of the Regulation 1254/1999/EC the 1995 data of Central Statistical Bureau on the number of animals slaughtered in Latvia is used for the calculation of premiums. The amount calculated takes into account the possibilities for further development in the sector, as the premiums shall be applicable from 2002 onwards.

4. Direct Payments

EU legal act: Council Regulation (EC) No 1254/1999 of 17 May 1999 on the common organization of the market in beef and veal Latvia requests the receipt of additional payments in the amount of 3 500 000 EUR according to the Article 4 of Regulation. Corresponding number of animals shall be included in Annex I of the Regulation 1254/1999/EC.

Justification of the position.

Taking into account the Article 14 (1) of the Regulation 1254/1999/EC, the additional payments shall be made in each Member State according to objective criteria including the relevant production structures and conditions. Latvia considers that the current conditions for beef production and the income level of producers considerably differ from those in the EU Member States that are main beef producers. Therefore, rights to additional payments will provide possibility to equalize structural economic

differences and discriminatory factors. The rights to addition payments will stabilize production and will help to create conditions for the further development and growth of competitiveness of the sector in the EU and international market.
5. Private Storage
EU legal act: Commission Regulation (EC) No 562/2000 of 15 March 2000 laying down detailed rules for application of Council Regulation (EC) No 1254/1999 as regards the buying–in of beef Latvia requests buying-in of A category R2, R3 and O2, O3 class bovine carcasses according to the Article 3 (a) of the Regulation and requests to include these classes into the Annex I of the Regulation 562/2000/EC.

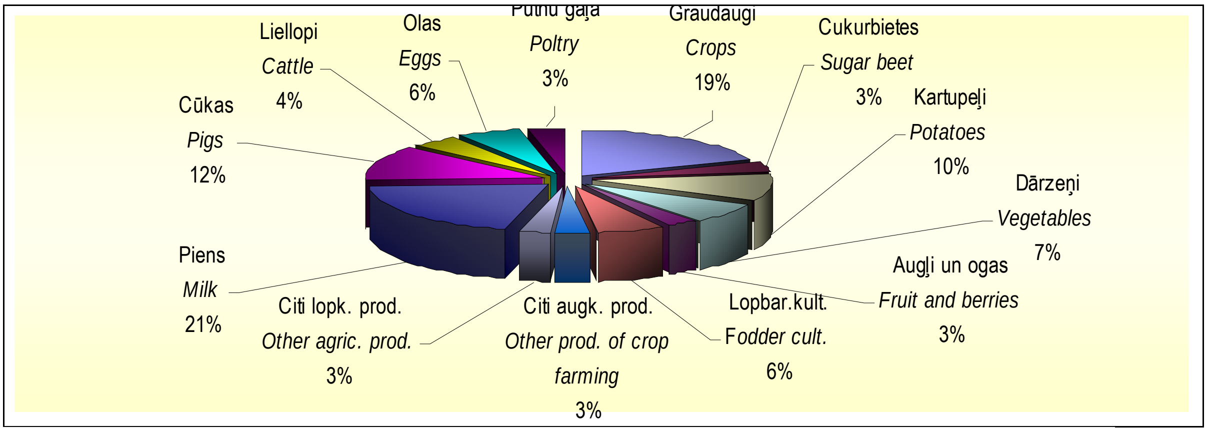
Milestone:
2002 – State confers to the right to keep a register of pedigree cattle and to certify breed animals to the Latvian Beef Cattle Breeders Association

4.3. MOBILIZATION

4.3.1. Context

After the decrease of the number of cattle in the 1990's, the number of cattle increased by 75% in the time period from 2000 to 2003, but the average size of a herd – by 26%.
According to the CSB data, in 2003 the volume of gross domestic product increased by 7.5% against the previous year, and decreased by 2.3% in agriculture. This is the only industry where GDP volume fell. That was due to decline of agricultural produce both in crop farming and cattle-breeding.
In agriculture the share of older employed population continues to grow. In 2001 51.2% of the populations employed in agriculture were of the age from 45 to 74 years, and in 2003 the share of employed of this age group increased up to 53.4% (on the average in this country – 37.4%). The share of population of the age of 55-74 years employed in agriculture (27%) is almost double against the average in this country (14.2%). Small income from agricultural activities fails to attract younger people.
The level of income of people working in agriculture is lower than the average in this country. In 2003 gross salary of employees working in agriculture and hunting amounted to LVL 120 per month, which makes only 62.4% of the average gross salary in this country (Ls 192.5).
In 2003, as well as in earlier years, milk (21%), crops (19%) and pork (12%) had the largest shares in the structure of final agricultural products at basic prices (taking into account product subsidies too). The share of cattle was 4% and it decrease against 2002 by 3%.

Figure 1. Structure of final agricultural products in 2003



The meat of bovine animals amounts to 29.8 % of the total amount of the meat produced. According to the balance data, the amount of the meat produced and consumed in 2003 has increased. The amount of the produced meat in the carcass weight has increased by 1.3 times, but the consumption – by 1.1 times.

In relation to the pig meat consumption, the consumption of the meat of bovine animals in Latvia is considerably lower, which is attested by the statistical data. Thus the consumption of the meat of bovine animals and meat products (converting to meat) was 27.26 thousand tons, correspondingly, the consumption of pig meat was 66.16 thousand tons or by 2.4 times more.

Table 3. Balance of Bovine Animals 2001 – 2003 (thousand tons)

	2001	2002	2003
Resources			
Produced meat, live weight	35,26	29,71	39,20
Produced meat, carcass weight	19,04	16,04	21,20
Meat import (including the live livestock), carcass weight	6,91	7,06	7,44
Import of meat products (converting to meat)	0,02	0,06	0,01
Total resources (converting to meat)	26,27	24,55	29,45
Consumption			
Consumed meat and meat products (converting to meat)	24,50	23,27	27,26
Meat export (including the live livestock), carcass meat	0,01	0,03	0,02
Export of meat products (converting to meat)	0,37	0,45	0,67
Total meat and meat products consumed (converting to meat)	24,88	23,75	27,95

Source: RSS

Table 4. Balances of production and consumption of beef meat and its products (thousand tons)[9]

	2001	2002	2003	2004
Volume of beef production, live weight	35,26	29,71	39,20	39,98
Volume of beef production, slaughter weight	19,04	16,04	21,20	21,59
Import of beef (including livestock)				
Slaughter weight	6,91	7,06	7,44	6,26
Including livestock (when calculated as meat)	1,55	2,27	3,00	1,86
meat	3,92	3,33	3,07	2,98
Variety meat	1,44	1,47	1,37	1,41
Meat products (calculated as meat)				
Import	0,02	0,06	0,01	0,04
In total (when calculated as meat)	26,27	24,55	29,45	29,38
Meat and its products consumed,				
When calculated as meat	24,50	23,27	27,26	27,35
Export of meat (including livestock),				
Slaughter weight	0,01	0,03	0,02	0,18
Export of meat products				
(when calculated as meat)	0,37	0,45	0,67	0,55
In total, meat consumed				
(when calculated as meat)	24,88	23,75	27,95	28,08
Balance on December 31	1,39	0,80	1,50	1,30

Source: Information Department in the Rural Support Service

Table 5. Production of Meat of Bovine Animals by Types of Farms (thousand tons in the carcass weight)

	2001		2002		2003	
	thousand tons	%	thousand tons	%	thousand tons	%
All types of farms	19,0	100	29,7	100	21,2	100
State farms and incorporated companies	2,4	12,6	4,8	16,2	2,9	13,6
Farms, household plots and private subsidiary holdings	16,6	87,4	24,9	83,8	18,3	86,4

Source: RSS, CSB

Table 6 Division of Number of Bovine Animals by Herd Size

Herd	2001.	2002.	2003.

[9] Agropols, Nr.9., May, 2005

size	number	%	number	%	number	%
1-5	180252	43,8	164278	40,2	144596	37,1
6-10	61771	15,0	55837	13,6	49015	12,6
11-15	28491	6,9	25853	6,3	23160	6,0
16-20	16580	4,0	17524	4,3	16636	4,2
21-50	36838	9,0	46843	11,5	49496	12,7
51-100	16158	4,0	22691	5,5	25841	6,6
101-500	71052	17,3	38371	9,4	41500	10,7
more than 500	-	-	37666	9,2	39395	10,1
Total	411 142	100,0	409 063	100,0	389 639	100,0

Source: VCIDAC

The structure of farms producing the meat of bovine animals is still fragmented; however, the number of farms with more than 500 bovine animals in a herd is increasing.

4.3.2. Crisis in 2003 and 2004

A crisis in the beef market began in 2003 when purchasing prices substantially decreased. As one of the board members of the association pointed out: "We do not know what is happening in the market…".

Table 6. Key items of income formation in agricultural industry in 2001 - 2003 (million LVL)

Indications	Value at basic prices, mln. LVL			Changes (+/-)	
	2001.	2002.	2003.(p)	2002./2001.	2003./2002.
Cattle-breeding	161,2	152,5	148,0	-5,4%	-3,0%
Milk	65,8	69,1	63,6	5,1%	-8,0%
Cattle	26,7	21,0	13,5	-21,4%	-35,8%
Pigs	35,3	33,7	36,6	-4,7%	8,7%
Poultry	7,2	5,8	9,9	-19,5%	71,2%

Source: IAEL (EEA)

The association turned to the State Internal Market Protection Bureau and government but we could not receive answers to our questions. It seems to us that a cheap meat of unknown origin got into the market that forces us out of the market. Apparently, there isn't enough control over incoming freights." In such a situation, meat processing plants start to dictate prices to farmers because "farmers were not sure whether somebody will ever buy their production".

To discuss the situation in the beef market, the prime minister and the chairman of Crime Prevention Council met representatives of the Council of Agricultural Organizations, the State Revenue Service and its respective customer and financial police authorities, the adviser of the minister of Agriculture and the director of the Food and Veterinary Service

Director of Financial Police J.Timsans told that, when the authorities in question evaluated the information about a rapid decrease of the purchasing prices for beef, they found out six ways how beef is illegally brought in the Latvian market:

- import of beef from the third countries avoiding the custom control;
- import of beef using a "fictions transit" from the EU to the third country. As a result, the goods remain in Latvia;
- import of beef which is intended for reserves and humanitarian aid;
- import and sales of beef from the EU companies which have large reserves of goods but which are not granted the right to sell them in the EU common market;
- custom control has been eased with other EU countries after May 1, 2004;
- coming-in of beef processed from illegally bred and unregistered cattle in the internal market.

As 47 different examinations carried out in the September and October of 2004 indicated, large meat processing plants buy beef for comparatively low prices from abroad whereas small meat processing plants – from local producers (for example, the lowest price for live weight kilogram was registered in Latgale, i.e. 0.37 Ls/kg. In 35 cases, there were some violations of regulations including ten serious violations. 18 different audits were carried out. As a result, additional 370000 Ls of extra taxes and dues were calculated and charged from various companies.

4.3.3. Actions taken by government:

- State support to measurement of beef cattle;
- State subsidies to suckling cows;
- Slaughter premiums;
- Steady increasing number of SAPARD projects.

<u>Network operations</u>:

- Stabilization of supply chains between producers and slaughterhouses;
- Joining EU and transition requirements to meat processing enterprises (2006); processing of animal waste (2005); animal welfare demands (2010) etc.;
- Adoption of regulations of animal registration "Rules for identification and registration of cattle"(Nr.712);
- 27 meat processing enterprises received export rights to the EU;
- 4 meat processing enterprises received export rights to Russia;
- Steady drop in beef meat prices in summer 2004;
- First beef meat export experience to the EU countries.

The main objectives for the support of beef sector in Rural Development Program are:

- Maintenance of the cattle register:
- Evaluation of breeder bulls according to the productivity of their daughters;
- Development of the quality beef production, including lump sum premiums:
    a. for calved cow;
    b. for breed heifer grown in herd not younger than 12 month;

c. for younger cattle sold for meat.

The payments are differentiated according to whether the animal is of specialized meet breed or interbred with specialized meet breed. The payments cover other younger cattle if there are at least 100 younger cattle of different age in the herd to fatten (payments for plots allocated for fodder, suckling cows, slaughter premiums).

To reach these objectives the development will be directed towards the increase in the number of holdings and in the number of cattle reared as well as towards the modernization of technological base according to the EU requirements and the cutting down of production costs. To reach these goals the investment will be provided from the producers' own resources as well as from the national and SAPARD (from 2001) financial aid.

From 2001, the modernization of undertakings producing and processing the beef and products thereof as well as slaughterhouses will be supported from the EU SAPARD funds within the framework of Rural Development Program according to the following subprograms:

- Modernization of the Agricultural Machinery, Equipment and Premises;
- Improvement in Processing and Marketing of the Agricultural and Fisheries products.

At the same time 2003 witnessed a turning point in actually made capital investments - whereas earlier approximately twice fewer funds were invested annually than required for renovation of fixed assets, in 2003, according to the CSB data, in individual farms expenses for purchase of machinery doubled, and those for capital repairs and new construction – by nearly 20%. This has been achieved to a great extent by means of using SAPARD financing. However, the total amount does not indicate capital renewal of farms by itself, because considerable funds may be concentrated in very few farms only.

In 2003 the number of subsidies beneficiaries was approximately three times less than in 2002 (in 2002 the number of subsidies beneficiaries was 67 248, and in 2003 only 24 165, the total number of subsidized cases being 109398 and 104344 accordingly).

Table 7. Funding of Programmes in 2001 – 2003 (LVL thous.)

Programmes	2001.	2002.	2003.	% against the previous year
Development of cattle-breeding	6 172,8	9 369,9	8 137,5	87
Total	20 880,2	30 130,2	39 278,5	130

Source: RSS

In 2003, the aim of the subsidies was to increase the proportion of the self-produced qualitative bovine animal meat and to facilitate development of the production of the bovine animal meat as an independent sector by implementing the breeding programme. The total amount disbursed in subsidies for the development of the production of qualitative bovine animal meat was 1.75 million lats.

Until the end of September, 2004, a stock company "Cesis meat processing plant "Ruks" and a limited company "Kompleksim nākotne" have implemented three large

SAPARD projects. Stock companies “Tukuma straume”, “Jelgava meat processing plant and “Daugavpils meat processing plant” have implemented two SAPARD projects. A stock company “Riga Butcher”, a firm “Lankalni and a limited company “M.V.A” have implemented one SAPARD project.

Problems of institutions in state administration:

- Limited administrative capacity and financial resources have a negative impact on the quality of work in state institutions.
- The lack of knowledge among officials in the Ministry of Agriculture about cattle breeding.

4.3.4. Survey of cattle breeders

To get to know how farmers evaluate the situation in the association and market, 25 current or former members of the Latvian Cattle Breeders Association were interviewed in 2004. At the moment of the survey, three respondents had given up their cattle breeding business; therefore, the information was gathered from 22 respondents.

1. As the data of the survey indicated, the respondents’ level of education was considerably higher than on average in the country. They also regularly try to acquire new knowledge. At least one of the family members in 10 farms acquired higher education. One of the respondents obtained a degree in veterinary medicine. Three respondents now study at the Latvian University of Agriculture. A number of the respondents have secondary technical education.
Most interviewed farmers regularly took part in various courses organized by the LCBA, the LUA and the Ministry of Agriculture. Persons with a degree in veterinary medicine and zoo technicians as well as persons in other fields take part in these courses. Most respondents were quite satisfied with the usefulness and quality of the courses. A number of respondents had taken study trips abroad.

2. When asked whether their children might continue cattle breeding, respondents gave somewhat evasive answers. A few respondents pointed out that their children had good education, a job in a city; therefore, they are unlikely to return to the countryside.

3. Ten farms have plots of 60 to 100 ha of cultivable land, one – 28 ha; five – 100 to 200 ha, four – 200 to 1000 ha, two – above 1000 ha. A number of farmers bought new plots of land during the recent years. However, most respondents use not only their own land, but also rent it.

4. Besides cattle breeding, most farms also produce other agricultural products. Those who had smaller plots of land were likely to be involved only in the cattle breeding business („It seems to me that it is more difficult if there are only beef cattle because there is no money from them every day. If it happens to sell them at the time when prices are lowest, then it is quite unprofitable. Beef could be produced in addition to something else. Only beef – then one needs a job somewhere else.” (1V, p.4); „One cannot rely only on one field of specialization, there is need for more” (1V, p. 4); „It

is like this in our district, all went bankrupt. The mill went, the meat processing plant went, the dairy processing plant…"(8L)).

5. Larger farms as well as those farms that produce labor intensive products have also employees. Employees are mostly hired in the respective seasons (except two largest farms). Employees are characterized quite differently – some farms managed to acquire good employees whereas some have a rather high labor turnover. Farmers more often blame employees for heavy drinking. Therefore, many cannot be relied on (farmers often emphasized that more diligent and dutiful people have their own farms.) Family members employed somewhere else help in many farms when there is need for labor in the season.

6. Cooperation with neighbors or other cattle breeders are often irregular. Farmers often help each other with machinery. Some farmers cooperate in preparing fodder. There were some forms of cooperation (common driers, weights), however, that kind of cooperation is not commonplace. Better-off farmers and leading specialists of former collective farms are more actively engaged in such cooperation. Apparently, they do possess necessary skill for cooperation, wider social networks as well as opportunities for investments. Although many farmers acknowledge the benefits of cooperation, they have limited financial, intellectual and social resources. Cooperation is also deterred because cattle breeding farms are dispersed and farmers do not have necessary skill for regional cooperation. Neighbors are considered as a trustworthy source of information. A number of farmers pointed out that, thanks to their example and shared information, also other farmers turned to cattle breeding.

7. More than a half of the surveyed farms (12) are organic farms. Also three, as their owners assured, will be certified in the near future. Some principles of organic farming are used in two bigger farms (above 400 ha of cultivable land). At the same time farmers thin that: "There is hardly any market for the very organic production. The market for organic products - whether they are dairy or beef cattle – they are not separated from the cattle bred in conventional farms. (8L, p.3)& (1V)&(3V) (11V)

8. Most farmers started their cattle breeding business before 2000 (there are only few farmers who started cattle breeding in the recent years). Most farmers admitted that they increased the number of cattle and intended to increase gradually their herd in the future.

9. Most farms had or have bank loans. Farmers admitted they successfully repay their debts. Cooperation with banks is characterized as good. Some farmers did not need loans because they got resources from timber cutting. Some told that they got credits for the purchase of cattle. However, farmers more often took credits to buy machinery or equipment. Some farmers admitted they got loans from local saving-and-loan associations.

10. Farmers often motivated their choice to breed cattle because:

- Their land doesn't suit the production of other agricultural products;
- Cattle breeding is not a labor intensive and time consuming work (one can have another paid job);

- It helps to clean and set in order environment because cattle are pastured in territories unsuitable for the production of other agricultural products;
- Cattle breeding can be profitable in the future.

11. Respondents think that a number of factors deter farmers from increasing the number of cattle (the initiative did not scaled up):

- Low purchasing prices;
- Unclear state policy, possible state support;
- Limited number of plots;
- There are no financial resources for investments (farmers think that it is quite risky to borrow money from banks taking into account the current interest rates and purchasing prices)
- The technical provision of the farm is unsatisfactory (the cow house is too small);
- Sometimes is hard to find employees.

12. Most respondents pointed out that business-like “relationships” with meat dealers gradually become better (in comparison with the previous years, there are now fewer incidents of deception and payment delays).

13. Most respondents told that they regularly receive information from the LBCBA, newspapers, other publications (AgroPols) and the members of the LBCBA. At the same time, they pointed out that it is often difficult to find necessary information.
A quite significant number of respondents were satisfied with the work of the LBCBA. The LBCBA has a good cooperation with the Latvian Association of Organic Agriculture Organizations because some cattle breeders are organic farmers. Some were dissatisfied with the size of the LBCBA membership fee as well as meat dealers. On the whole, the nature of the organization did not changed along the process of scaling up.
The Chairman of LBCBA Adama: Farmers’ think, that attitude has changed towards the association (“We were told a couple of years ago – why do we need your organization? We send to our members information about both local subsidies and European money, about all – when, where, who it should be done. Now the members of the association, also those who still didn’t become members, feel the value of information better”).
The leaders of the association are of the opinion that their task is to take care of pedigree work, bring together cattle breeders with the Ministry of Agriculture, and ensure a flow of information between state and farmers. The association does not have either persons or financial resources to fulfill other tasks.
At the same time, there are quite many passive members in the association (“They only wait for information but do not get involved in the work of the association. They join the organization and think that only the board of the association should work.”).

14. Most respondents characterized the work of the Latvian Rural Advisory and Training Center (LRATC) as good. There were few complaints about the charge for services and the insufficient knowledge of some employees in organic farming and cattle breeding. A number of farmers use the help of the Center for book-keeping. The Center also assisted farmers in the preparation of project proposals. Farmers think that the Center often advocates the interests of farmers in communication with other state institutions.

The work of various inspectors is often appreciated. They often consult farmers in different matters.
A number of farmers were dissatisfied with too much paperwork ("There are too many reports (1V, p.4); There are too short periods for submitting documents: There is an announcement and you should submit all these documents within 10-15 days. (1V, p.2); Queues when submitting documents (1V, p.3); They do not adjust themselves to our conditions, the rhythm of work (1V, p.3). Often farmers criticized state institutions ("There are seven controlling institutions (1V, p.4); Inaccurate work of officials (8L, 4.lpp); If there is no money, no assistance is provided in the Latvian Rural Advisory and Training Centre." (4 V); To prepare any project, one is to pay too much money to the Advisory Centre and also commute" (8L, p.3); The vet is doing his work badly (8L, p.2)).
Many farmers themselves take care of book-keeping; others use the services of the LRATC).
Farmers also appreciated the assistance of the employees in the Rural Support Service. The service consults farmers in the matters related to funding and credits. It organizes different training courses.
On the whole, farmers appreciated the work of those state institutions responsible for the implementation of state agrarian policy. Nevertheless, they criticize those who work out and adopt the policy and those whose task is to ensure fair competition ("I would like to have stability in the policy of state. When state support changes, farmers risk not repaying debts. There is no point to change one business to another").

The work of municipalities was characterized as good, although most respondents pointed out that they didn't have any request to them.

15. Interviews with cattle breeders also indicated it difficult to change the habits of consumers. ("Pork is more consumed in Latvia." It is difficult to show customers what advantages of beef are and how it can be prepared"). The association does not have necessary resources to finance an advertising campaign. The leaders of the association believe that restaurants and dietologs are the one who advertise beef best, who speak about healthy food (less fat than in pork).

16. The cooperation with restaurants is encumbered by the fact that beef produced from a number of pedigrees is ripened in the course of a couple of weeks to get softer. It boosts the price for beef. The cooperation is also encumbered by the fact that many restaurants do not want to buy beef in large quantities because it must be stored. In turn, when delivering in smaller quantities, it raises the cost of transportation.

17. Most cattle breeders hardly understand the idea of "food citizenship". In comparison with producers of dairy products, meat processors and retailers did not succeeded in linking up the consumers ("When "Green spoon" was first introduced, there was an idea to label also Latvian meat. But there was no one who could implement the idea"). Farmers think that trade marks raise the price for products; therefore, chain stores are not interested in introducing them.

18. Most cattle breeders think that market are very unstable („There is instability in prices all the time – here it decreases, here it increases. How can you calculate how much you could spend if you do not know…Only because of that I am afraid to get

loans from banks, I do not have any feeling of stability that I could profit next year" (1V, p.2); Low purchasing prices (2V) „Low prices are kept deliberately" (11V, p.3)).

4.3.5. The survey of meat processors

1. The interviewed processors of meat products represented large companies which were granted the right to export their products to other EU states. One meat processing plant in Jelgava implemented two SAPARD projects. A stock company "Cesis meat processing plant "Ruks" implemented three big SAPARD projects. They consider the support as a significant factor of development ("There could not be that many resources to invest in development and quality control without the SAPARD money").
The companies exported a part of their production to the Western Europe and Estonia. The interviewed pointed out they predominantly use beef for the production of high quality smoked meat products and sausages. These products are expensive. The demand for the products are low in Latvia, therefore, they are exported. In turn, there is fierce competition in the segment of cheap meat products. European customers are sometimes very cautious about products produced by Latvian producers (if we try to deceive them). However, it is simpler to sell meat to European customers because they pay in due time. They have active cooperation both with European customers and suppliers even before the accession into the EU. The interviewed meat processors think that conditions for export have improved since the accession of Latvia into the EU. Therefore, they plan to increase export to other countries.

2. Meat processors were cautious when they evaluated possible prospects in the Russian market. ("The Russian market is a quite peculiar market – it is hard to get in and to keep one's position. Russia can close its border or open it every moment. There is no point to invest resources and time. Not worth it at the moment.")

3. The companies buy beef both in Latvia and abroad. Local supplies are not enough. Slaughterhouses sell the best pieces of meat to shops and restaurants. The rest of supplies go to meat processing plants.

4. Cooperation with retailers is characterized quite contradictory. Meat processors appreciated cooperation with both large chain stores and smaller shops. At the same time, chain stores are characterized as those "pushing the prices down". Therefore, processors sell a part of their production in the neighboring countries. Large chain stores are interested in decreasing the number of suppliers. Thus processors do not take a risk and do not specialize in producing a narrow range of products. Companies carry out marketing research and develop their brand. At the moment, customers pay more attention to prices, not brands. However, some products are getting more recognized and their sales are gradually increasing. The sales of beef are limited because there are very stable "pork" traditions, and it is very difficult to change them.

5. Meat processors believe that state should continue training programs for farmers. The Food and Veterinary Service regularly controls meat processing plants. Producers think that a detailed control helps them to follow more strictly different regulations.
However, they believe that illegal meat sometimes get into the Latvian market („They juggle with quotas. Meat is brought from Brazil and Argentina and supposedly indented for the markets in Byelorussia and Ukraine but it remains here"). Meat

processors are of the opinion that custom control and different kinds of inspection are mostly carried out in larger companies. Therefore, big processors want state to treat and control all producers without any discrimination, i.e. that equal rules of the game were applied to all producers. Stability is otherwise broken down and there is no fair competition in the market.

6. Meat processors believe that training of meat evaluators should be improved and it should be provided for more people. In order to obtain a certificate of a meat evaluator, one has to take part in a training course. But the training course does not take place on a regular basis.

7. Producers characterized cooperation with municipalities as constructive because "companies are large tax payers" and one can be rather proud of them than to create obstacles.

8. Companies more often carry out different marketing activities, i.e. they advertise particular products and raise publicity about the very producers. Companies use direct advertisement in the press and on TV, sponsor many public events and TV shows. A number of companies created web pages of good quality including catalogues of their products.

9. Processors and farmers usually do not conclude long term contracts to ensure deliveries of meat. They do not conclude such contracts because they hope purchasing prices will increase or they are not sure whether they could meet the conditions of such contracts. Many farmers could not get their money back from bankrupt slaughterhouses and meat processors. Therefore, farmers do not trust meat processors and avoid those who do not pay straight away.

It is risky to conclude long term contracts with farmers because retailers conclude only week long contracts with producers. Meat processors not always understand what is going on in the market and with state agrarian policy („I do not understand at anything at all what will happen in the country. I cannot promise anything. If it may look quite nice at some moment but it may suddenly change otherwise.") Meat processors expect payment in due time and the stability of purchase from buyers. (in order to know at least approximate quantities they will buy").

Experts who were more critical commented in such a way „Mutual agreements do not work among us. If I feel I could sell products to another client for a higher price, I leave the previous client. If a buyer feels he could purchase products for a cheaper price from my competitor, he will break the contracts concluded among us. It also holds true for a farmer. Contracts do not work among us, sanctions for violations of a contract do not work either. Contracts are not secure. Even if the court rules that we are entitled to receive money from a certain company, it is almost hopeless or hopeless to get that money back... Companies are more frequently indebted to each other – if you are not indebted to someone, then someone is indebted to you".

Irregularity of supplies is detrimental to processors because there will be work stoppages but wages are to be paid to workers. On the other hand, stockpiles in refrigerators increase products costs. („We get a refrigerator full with meat but a buyer suddenly says he will take eight tons instead of four. What can I do? There is some kind of instability. We all are nervous”).

Other partners of meat processors also do not observe contracts. („As a processor of food products, we have waste of the first category which should be taken out in time. But a collector of waste does not come in due time. The contract is concluded but the job is not done.”)

10. Latvian farmers cannot meet the demands of the local market (“I fell that there are fewer and fewer beef cattle in Latvia”), therefore, meat processors purchase them in other countries time after time. “It turns out to be more expensive but we do purchase that production will not stop’. The work of meat processors is negatively affected by seasonal fluctuations – especially in winter when fewer farmers sell their cattle. Thus processors have to increase their stocks, which is not profitable.

Processors have objections against the quality of the supplied meat. Sometimes imported meat has a better quality. Animals produced in many Latvian farms have too high proportion of fat. On different occasions, animals don’t have enough weight. (The average weight of a purchased animal is now 270 kg. I cannot meet the demands of many clients because I have too small bull. Purebred animals have a more considerable weight). Many cattle animals are kept in vast pastures. They have a good meat (confirm with the quality standards of organic meat) but farmers have no necessary equipment to get cattle into a truck – they have only a meadow. In the opinion of processors, farmers do not pay sufficient attention to these problems of processors. (if an animal is free but there one comes that wants to catch it. It is almost a game. The pH level is up when it is hunted because it has stress. There are occasions when call a hunter to shoot beef cattle on the spot. Then we slaughter and bring it to a plant for further processing. If one run cattle breeding business, one should think about their transportation”) Many farmers do not possess necessary knowledge of cattle breeding (most uneducated farmers are those with two or three cows but they constitute a quite large proportion of meat suppliers). There were training courses for farmers in a number of districts where processors were also invited to take part. It allows to explain farmers what demands processors have and what should be done to meet these demands. The seminars are organized both by the Marketing Council and local consultation services. In the opinion of processors, the LBCBA should take more active part in education of consumers. Both retailers and owners of restaurants also should be more involved in this endeavor.

<u>Meat processing plants</u>:

- Fierce competition in the internal market including that of with foreign companies;
- Insecure contracts with suppliers and buyers
- Insufficient supplies of local meat
- The quality of beef often doesn’t meet the demands of processors.
- Large chain stores dictate purchasing prices;
- Inability to find export niches;
- Limited financial resources for the development of production.

Small companies become less competitive (in 2001, there were 1319 companies working in the meat and dairy processing businesses. In the April of 2004 – 415 (the

Food and Veterinary Service issued a warning to 39 companies (including 30 meat processing plants) that their work will be stopped).

4.3.6. Consumers' behavior and values

A focus group discussion took place on March 16, 2005 where 8 persons (two men and six women) participated. The purpose of the discussion was to find out the views of consumers on the purchase and preparation of meat.

However, prospective buyers seldom purchase beef because:
1. Preparation of beef requires more time in comparison with another kind of meat. ("We predominantly use chicken because it can be quickly prepared. If there is more time for cooking, we buy pork. We seldom use beef in our diet"; "it is important that meat can be quicker prepared. Therefore, preference is given to chicken.").
2. Are not sure about the quality of meat (I more often buy chicken because I do not need to be careful whether meat could be hard or leathery. When making a purchase, it is more difficult to test the quality of pork. It is even more difficult with beef." "I more often buy pork. Such pieces which I know are not leathery – let's say, chop meat". "I do not choose beef because it takes a long time to prepare and it is leathery. It does not always become such a meat as one could wish. I buy veal because it can be easily prepared. It will not be leathery". Beef is usually a bit harder and leathery; therefore, it is less used.", "It is definitely an influence from the Soviet times. It is because old cows were sold to us.", "Yes – there is a stereotype beef is that old cow".
3. Beef is more expensive than other sorts of meat.
"We predominantly buy minced beef", "We buy beef with a bone for a soup", "I prepare testicles of a bull in a cream sauce. We have also tried them prepared on spits. All liked it." "I cook liver. We also buy tongues. Many of my acquaintances buy lungs and prepare "scones". I like cattle brain".
4. Young people prefer ready-to-cook beef products ("I do not want to cook something. I would like to have some ready-to-cook products which one can purchase and one knows how to prepare them. It is better if they are already half-prepared."
One should look whether the meat is light colored. I think veal is light without fibers."
The discussion indicated that most consumers did not know that beef cattle were being bred in Latvia and whether meat produced from beef cattle differs from other sorts of meat.
6. Most respondents know there is often information about meat producers on packing. However, when they do shopping, most respondents only pay attention to the expiration date of meat, not to its origin. (There is a small inscription but one does not take notice of it. Most discussants buy meat one and the same shops and rely on retailers who should control the quality of meat and the adequacy of the price. (When I buy minced meat in a retail store "Stockmann", I did not take notice where the very meat came from. I once bought to test it. It tasted good; so I buy it there some other time, too. If there were an inscription "it is a very bad meat", I wouldn't buy it. But, perhaps, I wouldn't have read it. All salespersons maintain they are local animals. But I am not able to get to know what kind of food those animals get.") There are no straightforward labels on meat products. (It is not clear whether it is a calf – whether it is one year old or older".)

Most respondents are of the opinion that "There should be an advertising campaign about organic meat. Perhaps, then people would begin to buy it more". One of the discussants said: "I would be ready to pay more if there were a quality assurance. There must be some kind of a recognized symbol. When I see "Green spoon", I really choose the product with this symbol. I have a guarantee it will be tasty. I haven't been disappointed so far in the products labeled with "Green spoon". I think it could be arranged in the same way with meat – if I knew and could recognize in some way it"; "Farmers should cooperate with each other and should develop some recognized mark". A number of respondents said that they would be ready to buy organic beef for their children.

Discussants quite often order beef dishes in restaurants, especially because they seldom cook them at home and "a restaurant is somewhat reliable, there is hope that one will eat a stake" although there were also complaints about their quality. ("I do not take a risk to order a stake in a pub along the roadside. A number of discussants would order a stake but "they are usually the most expensive dishes". The consideration deters customers in restaurants from ordering a stake."

The answers of discussants indicate that most of them are not sure whether they can prepare a stake ("I do not know how to prepare a classic stake". I admit that the stake I prepare differs from that of what a real stake is". We eat stakes in our family if we go out somewhere because one can hardly make a real stake on a stove". Perhaps there are few known recipes; therefore, the meat (beef) is used in few ways." I do not want experiment in workdays' evenings. It is safer to stick to the known thing.")

<u>Main conclusions</u>:

Most discussants more frequently buy meat in supermarkets ("on a way to home"). Meat is quite often purchased in one of the marketplaces; however, "the marketplace is already closed in the evening". Customers are quite satisfied with the choice of meat, and they want to have a greater choice of different meat products. The discussants pointed out that woman more often prefer chicken but men – pork and beef ("when there is too often chicken on offer, then men ask whether there will be meat. They do not like that chicken is too mild"; "Men in my family prefer more beef and pork but I eat more chicken").

4.3.7. Stakeholders survey

Six interviews with salespersons who sell meat in shops and marketplaces took place in the March of 2005.
<u>Main conclusions</u>:
The number of customers who buy beef is stable or is rising; there is a greater demand for qualitative meat and ready-to-cook meat, there is a stable demand for different kind of beef in marketplaces, meat is quite often purchased for pets (dogs and cats).

Two interviews of representatives of chain stores took place in 2005. The interviewed persons were responsible for purchasing meat.
<u>Main conclusions</u>:
The low purchasing capacity of the general population is the reason why there is not enough demand for beef. Therefore, they do not expect that the consumption of beef will substantially increase in the foreseeable future.

Two interviews with **agriculture experts** - prof. U.Osītis and PhD J.Plēsums took place on October 20, 2004. The objective of the interviews was to find out how farmers and specialists acquire necessary skills to breed cattle, to assess the level of their knowledge and to find out factors that encumber cattle breeding and the production of high quality meat.
The experts were of the opinion that it is now quite risky to start the cattle breeding business in such an unstable market. At the same time, they are writing a book "Feeding of beef cattle" because farmers lack such knowledge ("It is important farmers could breed cattle in such a way that there will be more meat but not fat"). An intensive cattle breeding is encumbered by the fact that farmers do not have enough resources to buy qualitative fodder and additives. The experts were quite critical when they evaluated the agricultural policy implemented by the former government.

4.3.8. Government's and stekeholders role in further evolution of the network

1. The decision of government how agricultural sectors should develop and which scenarios should be followed is largely influenced by the ability of representatives of respective sectors:

- to show prospects of their market segment;
- to convince that there will a higher rate of capital return;
- to have opportunities for sales and processing of products in the market;
- to have a significant impact on rural development.

2. Many experts believe it is necessary to encourage farmers to use plots allocated for the cultivation of fodder for cattle breeding. Thus Latvian consumers would be provided with locally produced beef and land would be cultivated.
In 2004, 21.59 tons of beef (slaughter weight) were produced in Latvia. Import of beef (including livestock) reached the level of 6.26 tons but export – 0.18 tons[10]. The volume of beef production is not sufficient to meet the current demand of Latvian consumers. This is a question of the first priority.
Another important question and problem to be tackled is that there are now approximately 1.5 million ha of cultivable land in Latvia, i.e. the land which is claimed by owners or renters who are also interested in getting support payments. To meet the current demand for agricultural products in Latvia, there is need for no more than 800-900 ha of cultivable land[11].
Therefore, a question arises where the rest of 500-600 ha of cultivable can be used. At the moment, three solutions are proposed how to tackle the problem. The land:

- would not be used in the production of agricultural goods. Instead, it can be maintained and valued as a landscape;
- could be used for the cultivation of rape and the like and ultimately for the production of oil;
- could be used for pastures for cattle.

3. Experts acknowledge that the purchasing prices haven't allowed farmers to expend their business so far. Until 2003, beef was imported from Lithuania and Poland. After the accession into the EU, the producers of the countries turned to the Western European market where the prices for beef are higher. As a result, competition in Latvia eased and the purchasing prices increased.

[10] Agropols, Nr.9, May, 2005
[11] Agropols, Nr.9., May, 2005, p. 25

In 2003, the purchasing price for beef was very low (0.30 Ls for 1 kg of live weight, and 0.60 Ls for slaughter weight). The purchasing prices have increased during the recent years (0.60 and 1.35 Ls respectively) but, nevertheless, it still doesn't encourage farmers to turn to the sector. The director of the LSIAE A.Miglavs believes that the current price distort the market because only the EU and national support is the reason why there is an interest in the sector, not money from the very market.[12]

3. Other factors determine why farmers are interested in cattle breeding – fewer investments needed to start the business. Farmers approved the subsidy policy of government but they critically viewed the work of government in customs enforcement.

4. The development of the sector is encumbered by the absence of a classification system of carcass as it is in the EU. Thus the production of qualitative beef is not sufficiently stimulated. There are still slaughteries which pay for live weight. Farmers are stimulated to improve the quality of beef. Representatives of various authorities are of the opinion that the system has been already introduced. It is necessary to inform cattle breeders that they encourage slaughterhouses to take into consideration also the quality of meat. When selling or buying meat, no one can now be really sure about the quality of meat.

5. Meat processors think that state should differentiate slaughter premiums[13] that calve would not be slaughtered in the age of 8 months thus receiving the same premium as for two year old bull. Representative of the association pointed out: "Farmers usually do like this – if there is an opportunity to receive money, they will deliver. If farmers were stimulated to breed longer in order to deliver bigger cattle, they would receive more money." In 2005, buyers from abroad started to purchase calves and young stock because farmers were not interested in breeding cattle for slaughterhouses. Thus those farmers who want to start breeding cattle have to compete with foreign dealers. Experts believe that a mass buying up of young stock will endanger not only cattle breeding but may cause a crisis in the meat processing industry[14].

6. The purchasing prices for the meat produced in organic farms do not differ from the prices for conventionally produced meat. There is a weak organic meat processing industry in Latvia because certification, separation, regular reports and controls require substantial financial resources but prospects for sales are quite insignificant.

7. Meat processors are not satisfied with the quality of meat – most farmers do not deliver the carcasses of the category R (mostly the category P). Therefore, meat processors have difficulties to assemble freight for export (at least one ton of meat of the category R). Meat processors are not sure whether they will get back more if they increased the price for higher quality beef. Meat processors point out that, although average slaughter weight increased in the recent years (at the moment about 220 kg), the weight doesn't meat the EU standards. The purchasing prices considerably

[12] Agropols, Nr.9., May, 2005, p. 25
[13] Agropols, Nr.9., May, 2005, p 22.
[14] Agropols, Nr.9., May, 2005, p. 23, There is concern about a considerable interest in buying calves in Latvia, LETA, 27.06.2005.

fluctuate between seasons and it is not profitable for farmers to breed cattle during the winter time.

8. Most farmers are of the opinion that they have to receive an adequate pay for cattle that allow them to run a profitable business. They do not know that much about the problems of other parties (retailers, processors) involved in the cattle breeding and beef processing business. They do not consider these problems as their own. The purchasing prices are not tied with the quality of meat. There is a perception among farmers that other parties in the market are less interested in the quality of meat. Buyers do not know the labeling of meat and more often look at its color choosing the meat which is lighter.
Dainis Rungulis think that processors should be a bit more flexible regarding cooperation with farmers. There were a number of occasions when business partners were deceived in the meat market, in both sides. A farmer think of the ways to deceive a meat processor; in turn, a meat processors – how to deceive a farmer. The situation looks silly and nothing good will turn out of it unless processors and farmers don't find a logical solution for cooperation. Both farmers and meat processors are businessmen and they should cooperate in the long run and a mutually beneficial way.

Many farmers believe that meat processors are those who destroyed the cattle breeding business. In turn, meat processors believe that the low purchasing power of the general population determined the price level. However, some farmers also acknowledged that: "In order to meet the EU standards, huge investments are needed to run slaughterhouses. Shops also require huge investments. There isn't any buyer now who could get back the investments. Our customers do not have wages of the EU level.

9. Strict requirements imposed by the Food and Veterinary service had a detrimental on the work of companies in the cattle breeding and beef processing business including also slaughterhouses. Many experts now acknowledge that the EU requirements and regulations were not as strict as they were adopted in Latvia. Many small and medium sized slaughterhouses in the EU are still not required to invest so much as it is required in Latvia. Therefore, small and medium sized companies have considerable costs. It causes additional problems.

10. Representatives of various authorities are of the opinion that the primary task is to fill up the internal market with locally produced products. The purchasing price for beef is higher in the older member states, therefore, breeders and processors should also think about export. The cattle breeding business has rather good prospects – we got a quota of 19000. Now we produce 3000. There are a sufficient number of free land plots. But at the same time beef meat are too expensive for Latvian customers.

11. There are still few attempts to attract funds for projects. It mostly depends on a human factor – how active and competent doers are ("Cooperation is not easy in all industries. It is hard to find the willingness to trust someone. It is commonplace in the countryside that I myself can manage all and I can do whatever I want in my farm. And it is better that no one tries to teach and influence me. There are a lot of self-confidence and no will to cooperate on numerous occasions. But if we wish to develop this market, there are no other alternatives but to cooperate").

12. Experts are quite cautious when evaluating the prospects of development in the industry. "There is now demand for beef in Europe and next two years might be good for the industry. But there is no confidence that Europe could protect the agricultural market in the long run, especially when the WTO exerts influence more and more. Now we feel this in the matter concerning sugar. The EU suckling cows and slaughter premiums help farmers to keep running this business to a large extent but we are well aware of the fact production costs are lower in South America and Africa. Production goes on the whole year round; beef is produced in large quantities. This production could fill up the whole European market with cheaper and more competitive products. There is no ground for much optimism. I think there is no particular reason to worry about in the following couple of years but it is not clear how it will turn out in the future.

13. Now the whole breeding cycle takes place in a farmer's cattle shed. They could cooperate – one takes calves and fattens them but others breed them. There are a number of examples which indicates this model is profitable (it is better than when one manages the whole cycle and tries to earn something with small quantities).

4.3.9. Latvian Beef Cattle Breeders Association' activities

In the summer of 2005, the Latvian Beef Cattle Breeders Association worked out a project on cattle breeding and production of beef for the local market and export. The goal of the project is to increase cattle stock and introduce the EUROP classification of carcasses. It will enable the implementation of a payment system where a price of meat depends on its quality. Before that, a survey of the LBCBA members was carried out. The results of the survey indicate that most members are inclined to increase their stock[15].

The leadership of the association believe that a stock with 40-50 suckling cows would be financially viable. This year government allocated Ls 100 000 to subsidize import of breed animals (covering 50% of total expenditures for the purchase of the animals).

A Swiss project is still going on. The goal of the project is to educate farmers in the issues concerning breeding and quality. The LBCBA is responsible for the implementation of the project. They organize seminars, tell and show who to interbreed, how quality can be achieved, how to assess animals. In the framework of the project, a number of breeding cattle are imported from abroad, namely Simentahl breeding cattle.
Meat processing plants are interested in cooperation with big cattle breeders; therefore, they conclude an agreement only with them, not with small suppliers. On December 16, 2003, a cooperative of beef cattle breeders "Laidars G" was founded where there are about 150 members (the cooperative also cooperates with approximately 500 farmers.). The cooperative buys beef cattle and sell them to slaughterhouses and chain stores. The founders of the cooperative motivated its creation in such a way: "We are intermediaries between a farmer and a meat processor. The cooperative predominantly buys cattle from small farms because

[15] *Ilze Būmane,* Izšķiras gaļas liellopu audzēšanas nākotne, Agropols, *2005.g 5.jūlijs*

"meat processing plants pay substantially less to small suppliers than to the large ones. We are those who prevent small and medium size suppliers from robbery.

The largest news agency LETA regularly take interest in the views of the association. Therefore, the representatives of the association have an opportunity to get their views known to a wider public. Information about cattle breeding and sales is published a bulletin "Agropols", which is funded by the Latvian State Institute of Agrarian Economics (published twice a month). The association gets news from the Ministry of Agriculture and LOSPa which has its own representative in Brussels.

Agricultural exhibitions should seriously consider ideas how to attract the attention of consumers. We should show to Riga's inhabitants what cattle we have, how we breed them, what products we produce, where they can buy these products.

Milestone: Association members founded of a cooperative "Laidars G" in 2004 to organize beef meat cattle purchasing and export.

5. COMPARATIVE ANALYSES OF SATELLITE CASES

Initiative: Limited company "Rosiba ZS"

"Rosiba ZS" Ltd. is small a family business with about 20 employees in 2005. It has a butchers' shop "Jelgavas galas nams" in the centre of Jelgava with a small meat processing shop. Fresh beef, pork, veal, mutton, chicken and rabbit are sold regularly in the shop; there are also other departments where different food products are sold. The company has long term cooperation with local cattle and pig breeders, and it does not use imported meat. Fresh meat and meat products are sold in Jelgava and other towns in the vicinity – Bauska, Dobele, Tukums. There are also local schools, kindergartens and cafes among their clients.

Social history of the initiative

In 1993, a family farm was founded in Zalenieku pagasts in Jelgavas district (in the central part of Latvia). It is a family business (father, wife and two sons). In 2001, the farm was reorganized as a limited company "Rosiba ZS" (reorganization of family farm to the limited company was initiated by the new Law on Entrepreneurship).
Father started the family business when sons were teenagers. Both sons took part in cattle breeding, management of the shop, meat processing and transportation of production. Initially, the main specialization of the farm were cattle breeding and meat processing.The family got 29 ha of land and bred 15-20 *Charolais* bovine animals. Family planned to begin cattle breeding in a large complex to control the whole chain "from barn to the table".
Pig and cattle bred by local farmers of Jelgava and Dobele districts were processed in a small slaughterhouse. Furthermore, production of sausages was started later on. Fresh meat and other meat products (smoked ham, sausages etc.) were sold in two different locations in Jelgava. A bus was transformed for the sale of meat.
The company borrowed money from banks to develop production of meat. It had a rather rapid growth. Its turnover was Ls 37 671 in the beginning of 2001, but, at the end of 2002 - Ls 140 451. Its turnover grew 3.7 times during the two years. The number of employees also grew and reached 50. In 2003, fire broke up in the processing shop, and its operations were halted. In 2003 and 2004 company's turnover decreased seriously.

In the February of 2003, a butchers' shop in the centre of Jelgava was opened where a wide range of other food products were sold along with beef, pork, veal, mutton, chicken and rabbit. There are now 20 employees in the store and the processing shop. Meat is supplied by a number of slaughterhouses, and the owners of the store are satisfied with its quality. Relationships with major buyers (schools, kindergartens, cafes) are good. The store annually takes part in a local competition for the best store award in the district, and it has been among laureates for these three years.

Future plans and intentions

One of the sons of the family graduated from Latvia University Of Agriculture in 1999. In 2005, he started his own company to which Jelgava City Council rented out land for 20 years for the construction of a processing plant. "Rosiba ZSK" Ltd. has to complete construction works within two years and create 50 new jobs. The renter is planning to invest Ls 500 000 in the construction of the plant by 2008.

Initiative: "Zaubes kooperativs"

Small slaughterhouse "Zaubes kooperativs" is an enterprise of the Latvia Association of Organizations of Organic Farming (LAOOF), the only slaughter meeting demands of biological farming in Latvia.
Slaughterhouse started operation at the end of 2002. Distinctive leaders of this initiative are owners of family farm "Kalna Berzini" (Zaubes pagasts, Cesu region, a stock of 100 bovine animals and 186 ha of land) A.Runce and P.Kaleinikovs are active members of Latvian Beef Cattle Breeders Association, *The Green Market* board.

In 2005, 45 farms joined „Zaubes kooperativs", and it cooperates with 40 partner farms. The cooperative is a fast growing company. In 2003, its turnover was Ls 24 777, in 2004, the figure grew 3.5 times (its turnover was Ls 87 705). In the eight first months of 2005, its turnover was Ls 180 000. The leadership of the company believes that the turnover in 2005 may reach Ls 500 000 by more than Ls 250 000.[16]
The sum of Ls 120 000 was invested in the construction of a slaughterhouse which would meet the EU standards. The capacity of the slaughterhouse is 30 – 40 bulls a week, now it is about 8-12 bulls a week.[17].
Zaube slaughterhouse specializes in biological cattle meat processing and buys cattle from organic farmers in the nearby region. The main specialization is Highland cattle and cross-breeds with Highland cattle.

The slaughterhouse delivers fresh meet to *The Green Market* in the Central market of Riga city, to small shops in the nearby region, to different restaurants (Vincents, Kaļķu vārti). The demands of their clients for quality are rather high. President Bush during his visit in Riga ate beef produced in Zaube and appreciated its quality. The meat is delivered to a number of retail stores including mc2, Badm, Maxima as well as schools and a eco-kitchen on the Rupniecibas street in Riga. The beef produced in Zaube is used in the preparation of meat pies in a company „Zelta klingeris". Quite a lot of meat is delivered to individual consumers, i.e. delivered to their home.[18] Livestock is also exported to Italy, the Netherlands and Germany. The leadership of the company thinks that a client has realized the value of the products produced in Zaube. There is a stable and growing group of clients for the products of „Zaube kooperatīvs".
At the same time, a director of the cooperative Aelita Runce thinks that beef produced from young stock are qualitative enough. „We mostly have a meat of 0 category. It is so because improper fodder is given (To feed proper fodder is now unprofitable) or there are flaws in looking after pedigree records. Qualitative young stock is sold by small farms with two or three suckling cows. These people cannot afford buying a bull; therefore, they use services of CMAS's specialists. There are not so many farms with good breeders. Therefore, this year farmers began to exchange bulls for the first time in tree farms in Zaube. Not all farmers are aware of advantages or disadvantages of every breed. Therefore, the cooperative in Zaube educates its members (for

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[16] *Ilze Zālīte,* Zaubes kooperatīvs šogad plāno sasniegt pusmiljonu latu apgrozījumu, *Agropols, 2005.g 25.septembris,*

[17] Uzsākta bioloģiski ražotās gaļas pārdošana "Maximas" lielveikalos *Agropols, 2005-10-24*

[18] Aelita Runce, Jāmācās izaudzēt gaļas liellopus, 2004.g 15.jūnijs, Agropols

example, a detailed analysis is prepared on a stock of given farmers that they could assess their suckling cows and breeds)[19].

In her opinion, processing of organic farm products is now unprofitable for processors because certification, separation, regular reports and additional control require many resources. However, market opportunities for such production are limited.[20].

They think that there will be no need for the import of beef from abroad if the meat industry develops. „An EU quota granted for Latvian suckling cows is considerable but farmers can breed such numbers of cows within two or three years if deliberate measures are taken.[21].

In cooperation with an agricultural institute „Sigra", the cooperative carries out a study on the opportunities for production of qualitative beef. Farmers in the cooperative began collaboration with the Nature Fund that those plots of land where there are protected species and intensive cultivation is not advisable will be allocated for pastures. In collaboration with the Latvian Nature Fund, the state owned stock company „Latvian State Forests", a private company „Vides projekti", the Vidzeme Development Agency, Gaujiena and Viresi municipalities, a project under a title of „Protection and Management of Ziemelgauja valley (2003-2007)" is being implemented. It is funded by the EU LIFE-Nature program and the Latvian Environmental Protection Fund. Both Chairman of „Zaubes kooperatīvs" Aelita Runce and Director of the processing plant Peteris Kaleinikovs have won the most prestigious award in the agricultural sector „Sejejs".

[19] Aelita Runce, Jāmācās izaudzēt gaļas liellopus, 2004.g 15.jūnijs, Agropols
[20] Agropols, Nr.9., May, 2005
[21] Aelita Runce, Jāmācās izaudzēt gaļas liellopus, 2004.g 15.jūnijs, Agropols

6. DISCUSSIONS AND CONCLUSIONS

Sub – Hypothesis 1: Scaling up depends on commercial performance and appropriate public support.

The initiative is slowly scaling up. Unfavorable market conditions and inconsequent government policy have negative impact on scaling up. Most farmers do not have such profits to develop their farms[22]. Stakeholders carry out small scale and irregular marketing activities. They have an insignificant impact on their achievements.

Sub – Hypothesis 2: Nature of organization changes with scaling up as an effect of growth in market power and of the increased pressure of economic constraints and logics.

The number of association members and their market power has increased; therefore, the association gradually begins to fulfill the initially defined tasks. The association has a number of initiatives of which some initiatives had a positive effect and some will have it in the near future.

Sub – Hypothesis 3: NFSCs have a positive effect on rural sustainable development

Initiative has moderate effect on rural economy and has week effect on regional capacity to self organization and self governance. Initiative has moderate effect on sustainability and livability of the rural areas.

[22] Wholesale prices of beef in Latvia are significantly lower than in the EU. However, Latvian farmers have only a little bit more than a half of the Latvian beef market share.