

5th International Workshop
on Land Market Development
and Land Consolidation

April 23, 2013
Skopje, Macedonia

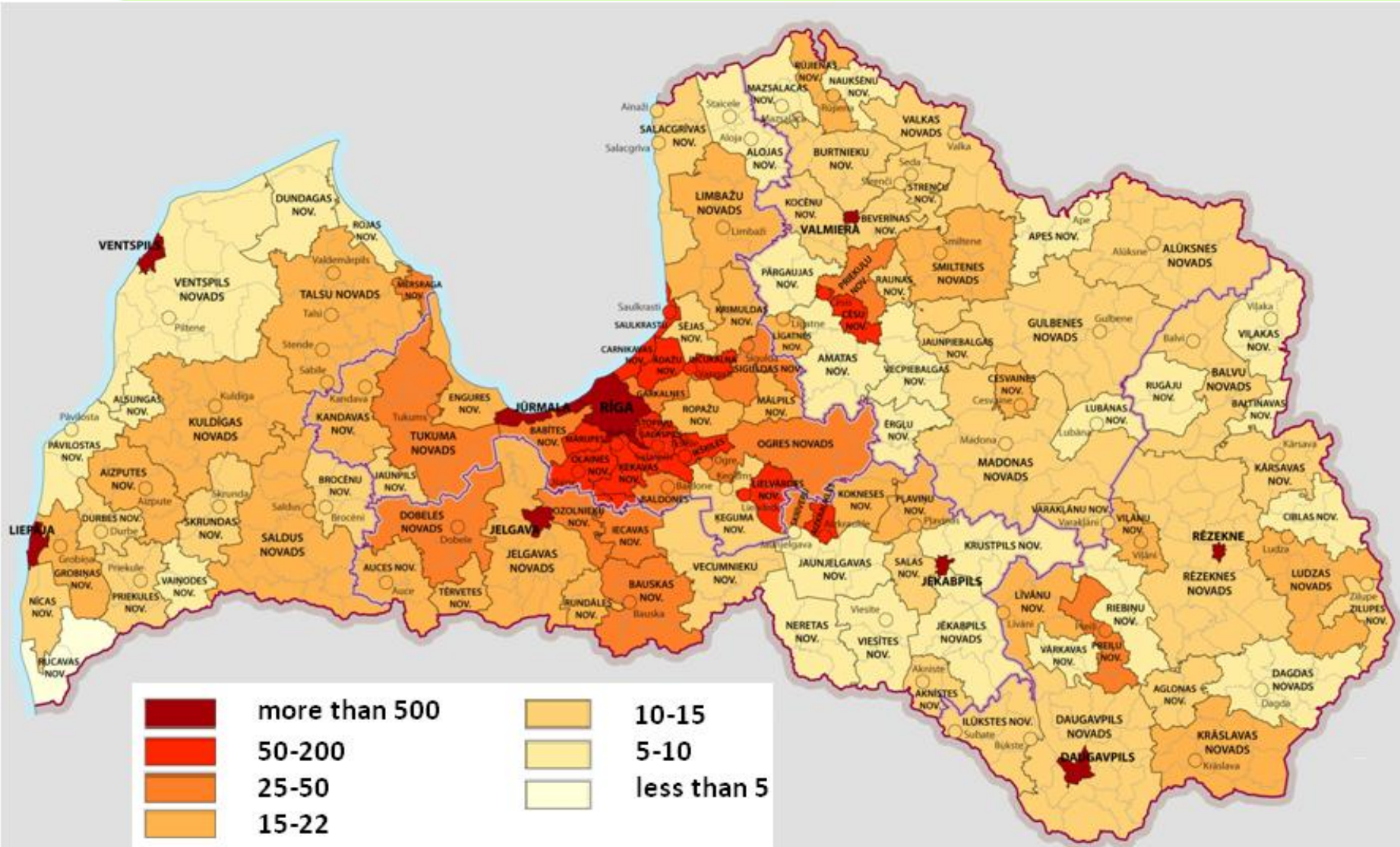
Land Abandonment and Current Policy Initiatives on Land Mobility

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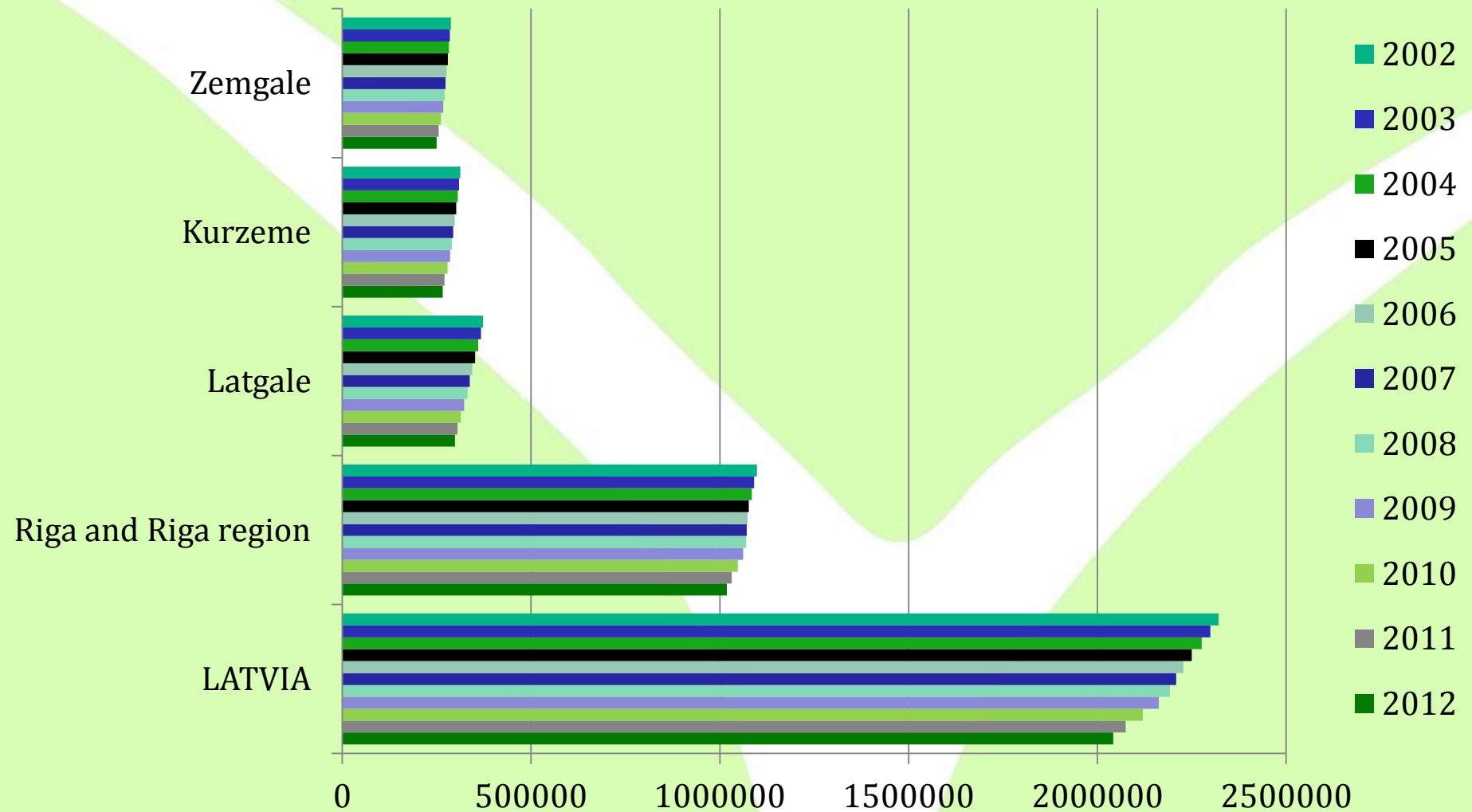
Overall socioeconomic situation

Population density

people per 1 km² (2011)



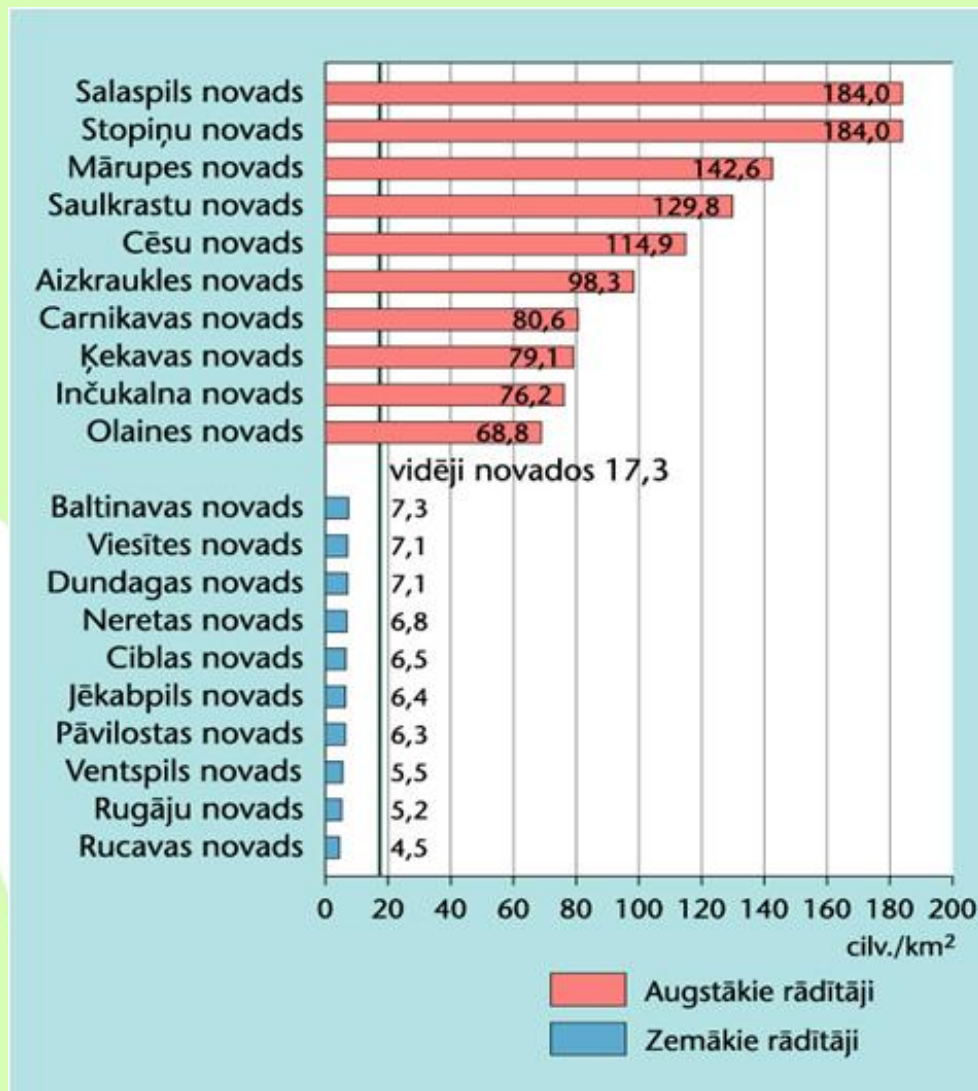
Population decrease in regions



Population density (highest and lowest density)

❖ Currently:

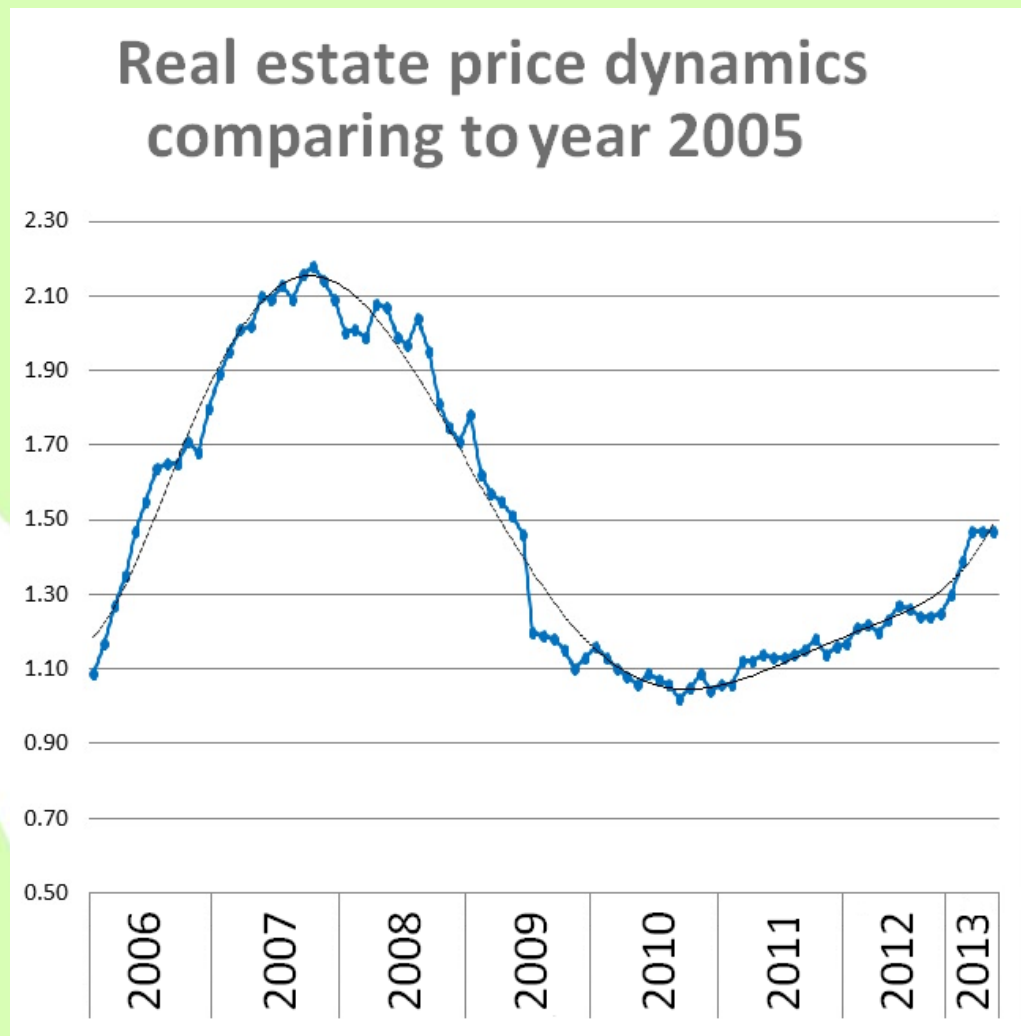
- Negative cross border and natural migration balance
- Average density in Latvia 35 people/1 km²
- Density in rural areas 13-15 people/1 km²
- On 31/12/2012 340 villages with no buildings



Real estate market

Overall trends

- ❖ During 2007-2008 the boom of real estate market including land market
- ❖ Urban sprawl next to capital, transformation of agricultural land to building sites
- ❖ Meanwhile economic recession in rural parts of Latvia, growth of unemployment rate



Urban Sprawl and *Meadow Villages*



- ❖ During economic growth the urban sprawl took place near to big cities and towns
- ❖ Many so called meadow villages in farmlands were made with no proper infrastructure – both physical and social
- ❖ During economic decline after 2008 this trend went down
- ❖ Currently the owners of land tend to merge small plots back

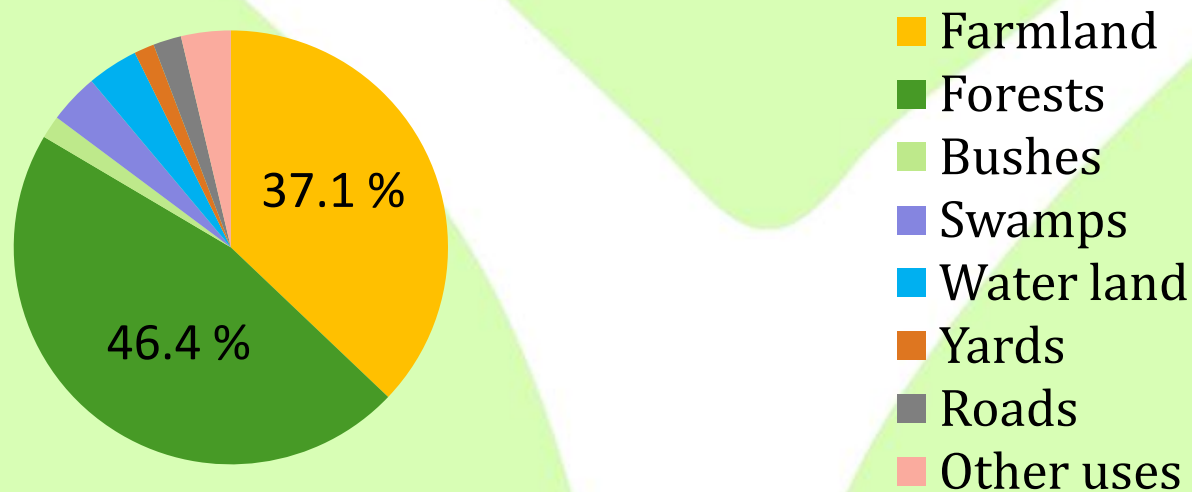


Agricultural land market

❖ The main land use types in 2013:

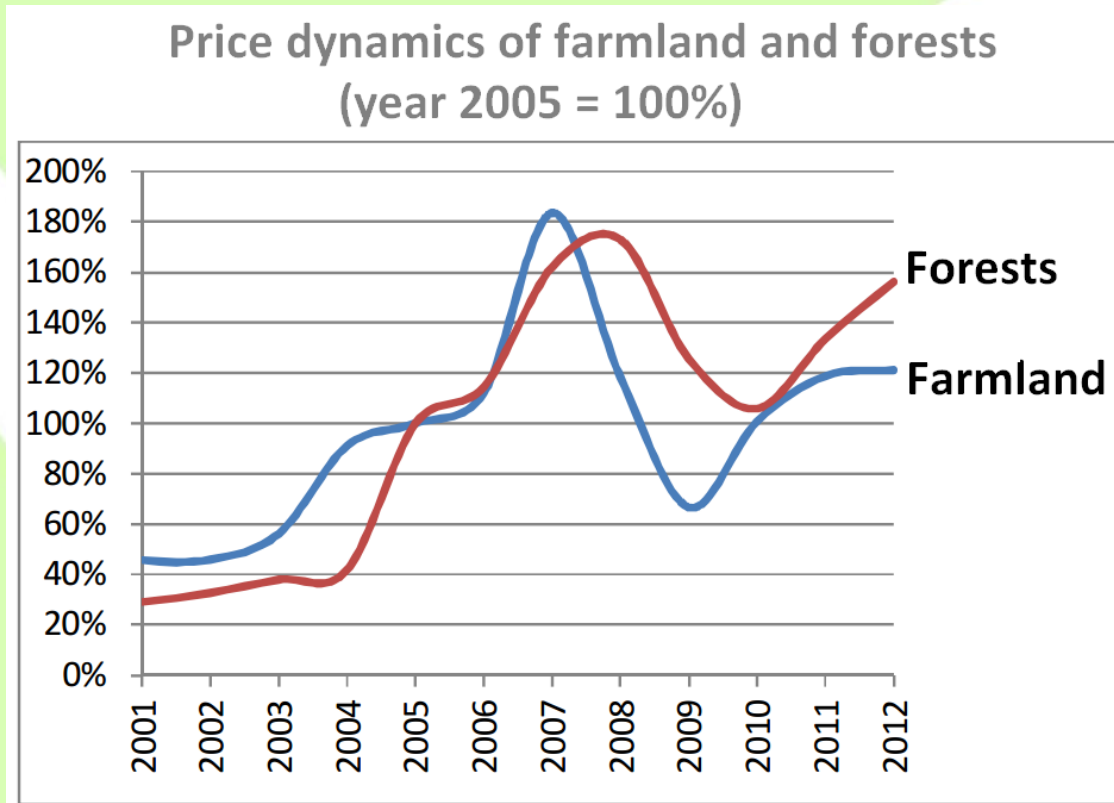
- agricultural land (2 390 904 ha),
 - forests (2 999 605 ha)
- Few dynamics in land use types during last years

Structure of land according to types of land use



Agricultural land and forest land market

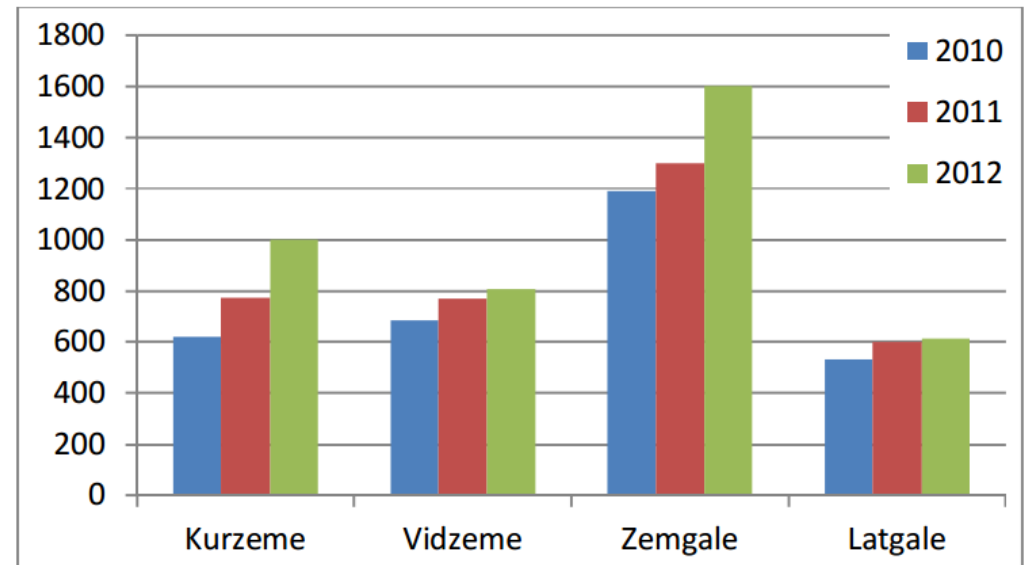
- ❖ The price of farmland and forests goes up from year 2004
- ❖ During 2007-2008 the price almost doubles
- ❖ Recession in 2009-2010
- ❖ The growth of prices in 2011-2012 can be explained by expectations of growing EU financial support in new planning period (both directly for land and for other agricultural activities – livestock, renewable energy resources etc.)



Current trends

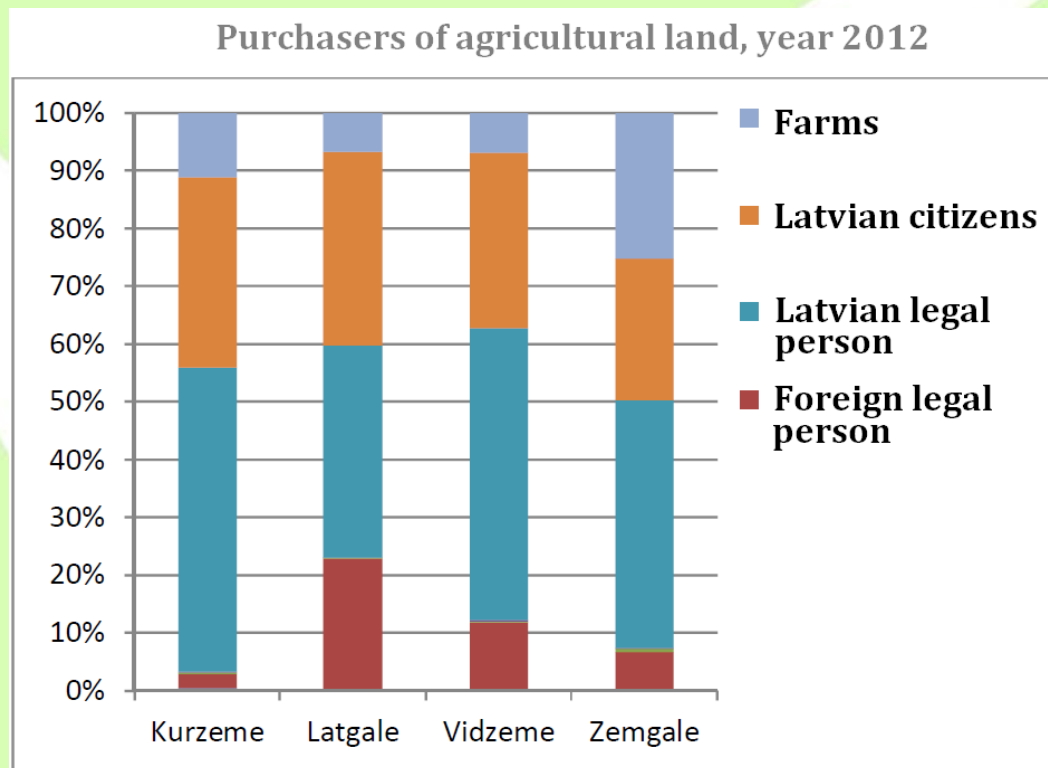
- ❖ The highest price and the most significant increase of price in Zemgale:
 - the most fertile region
 - most of the land with irrigation systems
 - the greatest agricultural activity
 - the area with the highest EU payments per hectare

Agricultural land price in regions
LVL per ha (1 LVL ≈ 1,4 EUR)



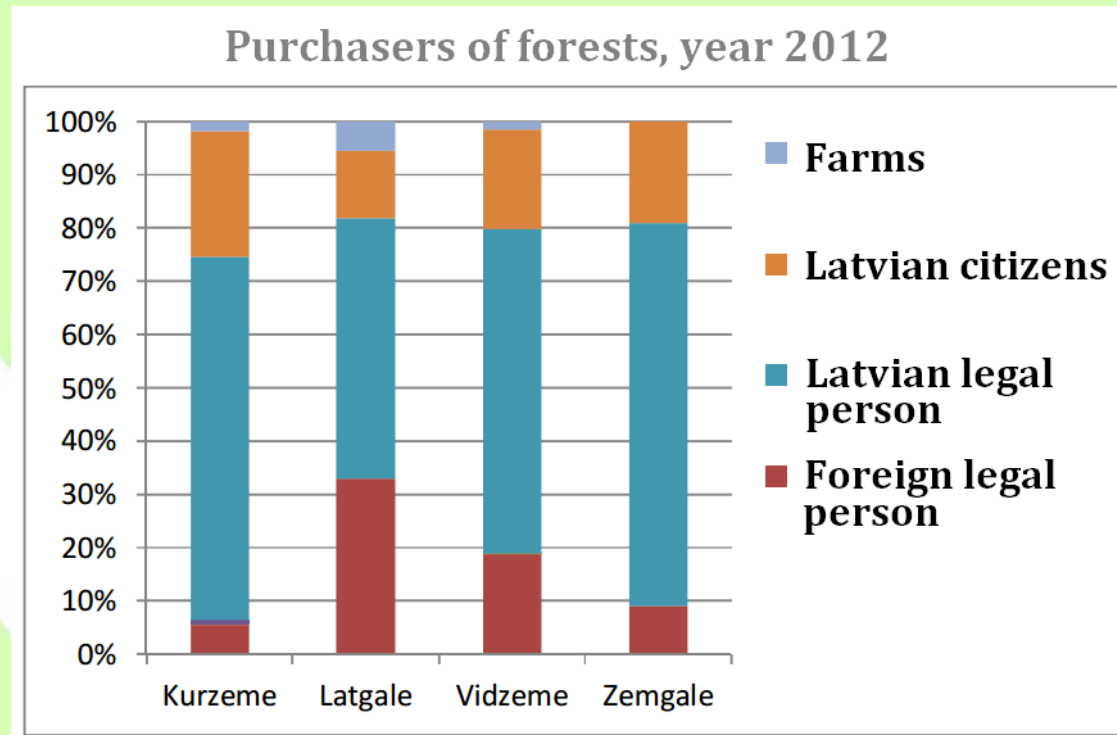
Foreign capital in agricultural land market

- ❖ Due to low market price of farmland Latvia has a transition period for EU enterprises and citizens to purchase land until year 2014.
- ❖ However, the restrictions to purchase land are not effective, e.g., EU citizens or company establishes a company in Latvia.
 - ⇒ EU enterprises and citizens buy out land;
 - ⇒ as the demand grows the price rises;
 - ⇒ Latvian farmers have comparatively low solvency;
 - ⇒ Latvian farmers have limited options to enlarge their farms.



Foreign capital in the market of forests

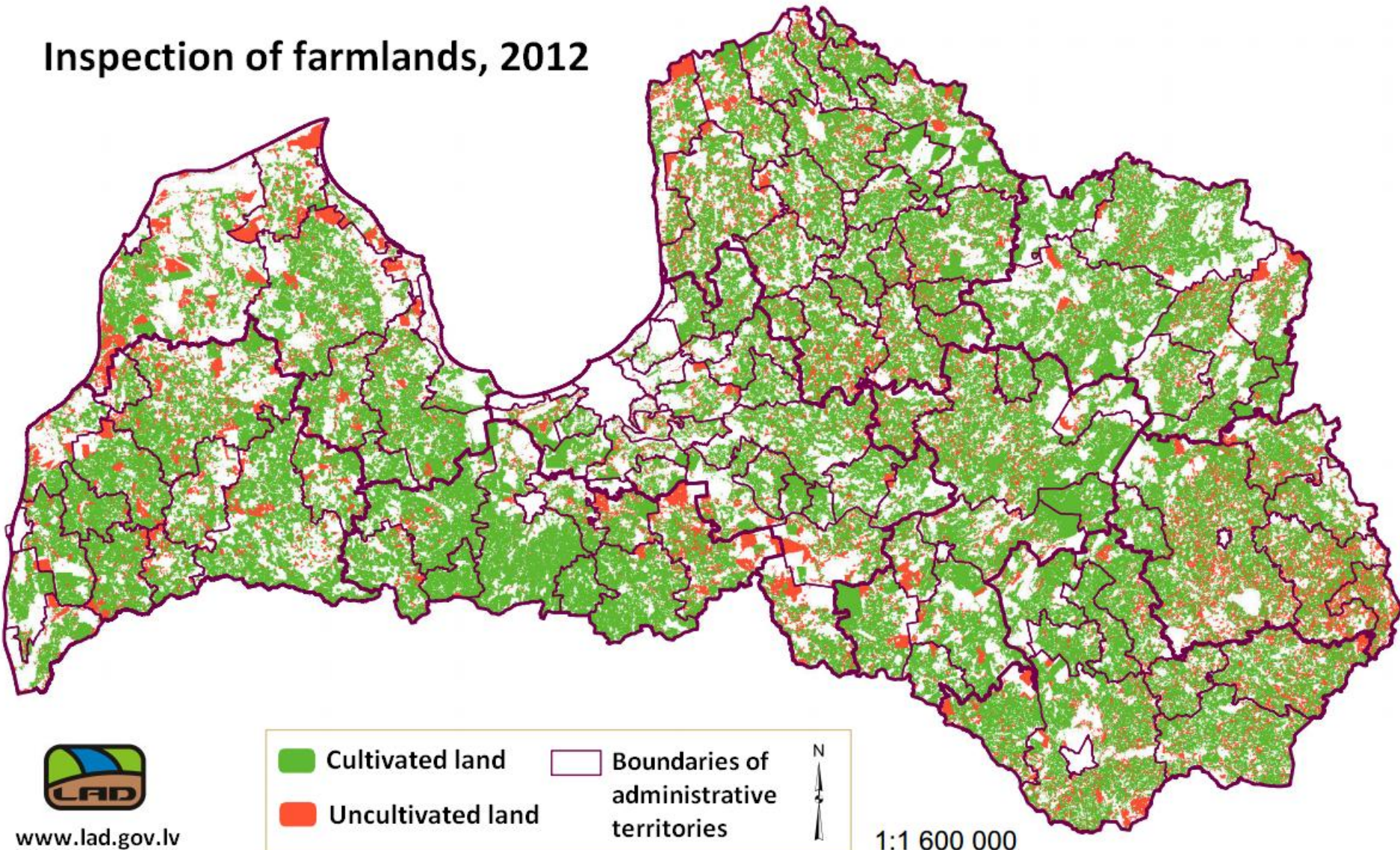
- ❖ The market price of forests is also comparatively low.
- ❖ The foreign legal persons, especially Swedish pension funds have a strong interest in buying up the forests as a long term investment.



Uncultivated farmland

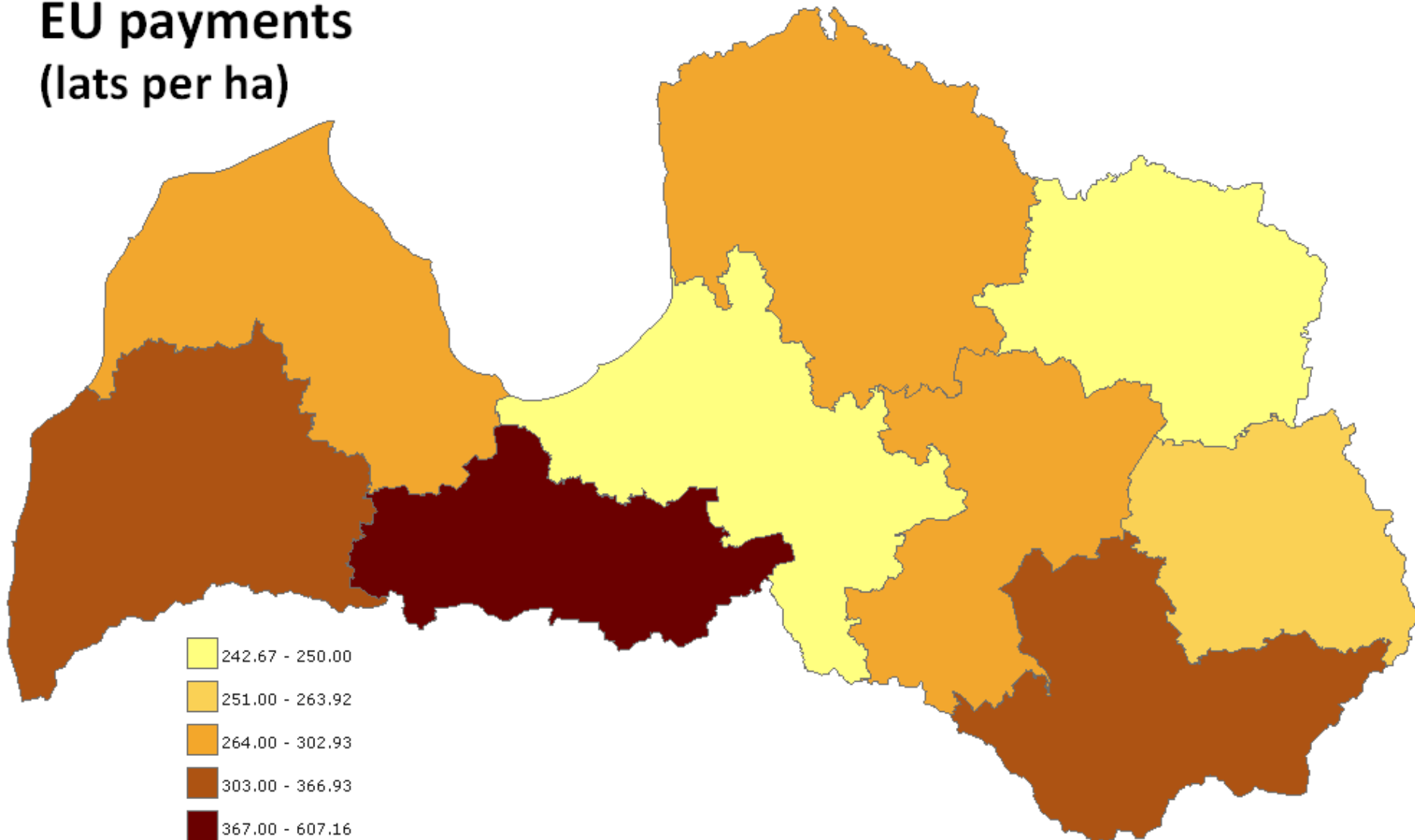
❖ ~311 000 ha of uncultivated farmland (~13%)

Inspection of farmlands, 2012



EU support by regions

EU payments
(lats per ha)



Land abandonment

❖ Trends in 2012:

- In Zemgale cultivated farmland near to 100%
 - the most fertile area;
 - the area with highest EU payments per hectar
- The most of uncultivated areas – in coastal area, borderland and Riga region
 - EU payments in Kurzeme and Latgale relatively high
 - In coastal area and Latgale comparatively low fertility
 - Lower population density and outflow of population in rural areas

Policy initiatives to counter the identified problems

Access to land [I]

State support to land purchases

- ❖ **In 2012 the government adopted the regulations on state loan for purchasing farmland:**
 - maximum loan 100 th. LVL, maximum term 20 years.
- ❖ **Till now:**
 - **90 purchases;**
 - total amount of **state loan LVL 3 256 163**
(*≈ EUR 4 651 661*);
 - purchased **2696,5 hectares** of farmland
(average price LVL 1208 (*≈ EUR 1726*) per 1 ha)
 - **Interest rate 3,315%** (reviewed every 6 months)

Access to land [II]

State mandate to forest purchases

- ❖ As a result of foreign interest the government gave a mandate to state enterprise “Latvian State Forests” to purchase forests that comply with the several criteria, e.g.:
 1. no buildings;
 2. reasonable price;
 3. good location,
 4. good forest type and forest growing conditions,
 5. has an access;
 6. other criteria that determine profitability.
- ❖ In 2012 **99 purchases, 1455 ha** of forests.

Stimulating production

Restrictions to purchase land

- ❖ **Land Management Law** (proposal currently in development)
 - agricultural land and forests can be purchased by:
 - natural person or
 - legal person or
 - new farmers
 - ✓ who have lived/which is registered in Latvia for 3 years;
 - ✓ who/which has done farming or forestry in Latvia for 3 years;
(the conditions above do not apply for new farmers)
 - ✓ with proper education;
 - ✓ will use land for agriculture or forestry for the next 5 years.

Land market regulation

Land Funds

❖ **Land Management Law**

– **State Land Fund**

- managed by state enterprise
- **acts as an actor in real estate market**
- is authorized to expropriate land which is not used properly 5 years after purchase.

– **Local Land Funds**

- managed by local governments
- **used for land consolidation**

Land as the mean of production

Immovable Property Tax

❖ **Amendments in the Law on Immovable Property Tax (2010):**

- an **additional tax** in the amount of **1.5 percents** is applied to agricultural land which is not being farmed, except for land plot which does not exceed 1 hectare or which cannot be used for agricultural activities because of environmental values.
- **Uncultivated farmland:**
 - in 2010 ~369 000 ha (~16%)
 - in 2011 ~312 000 ha (~13.4%)
 - in 2012 ~311 000 ha (~13%)

Other policy initiatives

- ❖ **Regional Development Guidelines until year 2020** (in progress) – polycentric development, one-stop agencies, state subsidies to public transport
- ❖ **Coastal Area Development Guidelines and Latgale Action Plan** as a part of regional policy
- ❖ **Unified regulations** (in development) on spatial planning concerning dividing agricultural land and forest land
- ❖ **Amendments in the Law on Real Estate Tax:** land plot is considered cultivated if the inspection shows that 70% of it is cultivated (up to now – 30%).
- ❖ etc.

Thank you!

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