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

Zemgale
Kurzeme
Latgale
Riga and Riga region
LATVIA

2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012

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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:

- Farmland: 46.4%
- Forests: 37.1%
- Bushes: 2.3%
- Swamps: 0.6%
- Water land: 0.6%
- Yards: 0.3%
- Roads: 0.0%
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.)
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
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.

Purchasers of agricultural land, year 2012
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.

![Purchasers of forests, year 2012](chart.png)
Uncultivated farmland

- ~311,000 ha of uncultivated farmland (~13%)
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 ($\approx EUR 4 651 661$);
  - purchased 2696.5 hectares of farmland (average price LVL 1208 ($\approx EUR 1726$) 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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