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# Reasons and consequences of foreign farmland acquisitions in Latvia

- A case study of Alūksne municipality

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Department of Urban and Rural Development

Master's Thesis • 30 HEC

Rural Development and Natural Resource Management - Master's Programme

Uppsala 2016

## Reasons and consequences of foreign farmland acquisitions in Latvia

- A case study of Alūksne municipality

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**Credits:** 30 HEC

**Level:** Second cycle, A2E

**Course title:** Master's thesis in Rural Development and Natural Resource Management

**Course code:** EX0777

**Programme/Education:** Rural Development and Natural Resource Management – Master's Programme

**Place of publication:** Uppsala

**Year of publication:** 2016

**Cover picture:** A field of winter crops in Alūksne municipality by Elina Apine

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**Online publication:** <http://stud.epsilon.slu.se>

**Keywords:** *land acquisition, foreign investors, Latvia, Alūksne municipality, colonisation of lifeworlds*

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## Abstract

This thesis describes farmland acquisitions by foreign investors in Latvia and explores the historical land reforms and regulations of the land market. Furthermore, the study explores what has caused Latvian farmland to become an attractive investment target for foreign companies, and how these investments affect the countryside and the Latvian farmers. In order to comprehend the economic, social and cultural impacts on the farmers, I have attempted to describe their lifeworlds, by the use of narrative analysis. There is a particular focus on how local farmers experience foreign investments and bureaucratic interventions. The study was conducted in the Alūksne municipality, close to the Russian and Estonian border.

The thesis shows how Latvian farmland became an investment target through a land privatisation process, based on a neoliberal market oriented discourse, in the 1990's. Furthermore, this process increasingly commoditised land and transformed its social and cultural meaning. The investors seldom use farmland for agricultural production, but rather regard it as a source for long-term profit; leasing out the land to local farmers. This has a negative impact on the local economy and creates few employment opportunities. Besides the economic changes local farmers are subjected to constant bureaucratic interventions and policy changes; thus experiencing a high degree of colonisation of their lifeworlds.

Keywords: *land acquisition, foreign investors, Latvia, Alūksne municipality, colonisation of lifeworlds*

## Acknowledgments

Firstly, I wish to thank all those who found the time to share their stories and knowledge. The contributions are greatly appreciated and allowed me to complete this thesis. I would like to thank my supervisor Örjan Bartholdson for his guidance, encouragement and expertise. I would also like to recognize and thank my parents. Thank you both for your unwavering belief and encouragement during this time. I am very grateful to have such wonderful support from my family and friends and without you the completion of this thesis would not have been possible.

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## Abbreviations

EC	European Commission
EU	European Union
FDI	Foreign direct investment
FP	Farmers' Parliament
LFF	Latvian Farmers' Federation
Ltd.	Limited liability company
MoA	Ministry of Agriculture of the Republic of Latvia
MoERD	Ministry of Environmental Protection and Regional Protection of the Republic of Latvia
NGO	Non-governmental organisation
SLS	State Land Service (Valsts zemes dienests)



# 1 Introduction

Large-scale land acquisition or ‘land grabbing’ attracted particular attention after the worldwide crisis in financial markets and peaking food prices in 2008 (Hall, 2011; GRAIN, 2008), an event that served as a stimulus for importing countries to look for options overseas to ensure food security in their own countries (Deininger et al. 2011). Yet, ‘land grabbing’ is not a new phenomenon but has indeed been present in various forms since the middle of the 20<sup>th</sup> century and even earlier. Contemporary land grabs, however, are of significantly greater scale and intensity (Zoomers, 2010). Without any doubt, the Global South, Africa in particular, is the main target region for farmland acquisition. According to a report by the World Bank, two-thirds, out of a total of 59 million ha of land, of the land acquired globally between 2008-2009 was in Sub-Saharan Africa (Deininger et al. 2011). Yet, emerging from the Global South, the tendency of large-scale land acquisition now has expanded, leaving no region unaffected such as Middle East, Australia (Teklemariam et al. 2015), post-Soviet Eurasia (Visser and Spoor, 2011), Latin America and the Caribbean (Borras et al. 2011) as well as Europe (Transnational Institute, 2013; Transnational Institute, 2015).

The term “land grabbing” is considered by many to be activist terminology (Hall, 2011). Still, however, the term is widely used by researchers together with term “large-scale land acquisition” and “(trans) national commercial land transactions” (Borras and Franco, 2010). Usually land deals are considered land grabs when they exceed a commonly-accepted minimum of 1000 ha, when there is a direct involvement of foreign governments and these investments have or may have negative impacts on food security of the target country (Borras et al. 2012). In addition, land can be either sold or leased for a long-term (55-99 years) (Antonelli et al. 2015). Media has played a big role in raising public awareness and gathering data (Cotula, 2012), yet it is worth to keep in mind that land acquisitions are complex and multi-layered processes, which tend to be oversimplified by the media (Hall, 2011). Peluso and Lund (2011:669) emphasise that “there is no one land grab, but a series of changing contexts, emergent processes and forces, and contestations that are producing new conditions [...]”. Despite the constant reflection in the media, regular reports and the establishment of the land monitoring initiative Land Matrix, not all land deals are disclosed and transparency of data is questionable (Antonelli et al. 2015). Driving forces behind land acquisitions across the world are mainly related to increased demand for food, feed and raw materials caused by population growth and rising prices of commodities (De Schutter, 2011; Deininger, 2011) and also market forces and policy changes in favour of biofuels (Cotula, 2012; Hall, 2011). Land grabbing can also take place in order to gain access to water, usually referred to as “water grabbing” (Anseeuw et al. 2012, Borras et al. 2013). Investors comprise of governments, private companies, state-owned companies, investment funds, public-private partnerships and private individuals (Antonelli et al.2015; Anseeuw et al.2012). While wealthy Europe and the US (Global

North) still play a significant role in land acquisition around the world (Borras et al. 2013), emerging countries such as the Gulf states and China, South Africa, India and Brazil (BRICS countries without Russia) are now articulating their desire to have a say in international commodity markets and ensure their food security (Anseeuw et al. 2012; Borras et al. 2013). In addition to the power of the Global North in the Global South there is a new tendency of regionalism, which means that wealthier countries acquire land in the same region, for instance, South Africa acquiring land in other African countries, such as Nigeria and Mozambique (Hall, 2011).

Latvia, a member state of the European Union, does not fall into the category of the most targeted countries when it comes to land acquisition and has not gained worldwide attention. However, privatisation process and a rapid change from a communist regime to a free-market economy in the country in the beginning of the 1990s created good circumstances for foreign investors, in terms of low prices on farmland and many land owners willing to sell their land. The amount of farmland owned by foreign investors in Latvia changed from 1.9% in 2001 (Stradiņš et al. 2002), to 8% in 2014 (Valsts zemes dienests, 2014a). Since then, foreign land acquisitions have been in the spotlight both among local people and in the media (e.g. Pelane, 2012; Veidmane, 2014; Deutsche Welle, 2015). Despite restrictions for foreign citizens to acquire land as natural persons until 2014, it was, and still is, easy to establish Limited Liability companies (Ltd.) in Latvia in order to buy farm or forest land. As a result, 47% of all Ltd. companies partly or fully receive their financial capital from abroad (Valsts zemes dienests, 2014a) (see Fig.1). In addition, only two out of ten large-scale farms in 2014 were either fully owned by Latvian citizens or they hold majority stake; the rest were owned by foreigners (Šteinfelde, 2014).

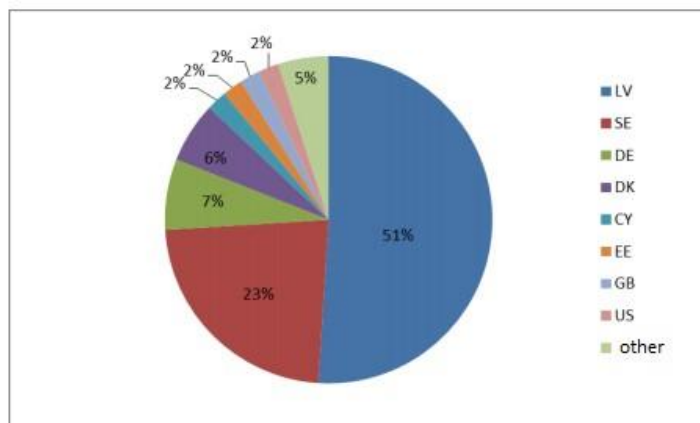


Figure 1. Source of financial capital of limited liability companies owning farm- land in Latvia. (Valsts zemes dienests, 2014a).

## 1.1 Aim and research questions

Despite the fact that there have not been any reported land deals exceeding 1000 ha, and foreign investments do not seem to affect food security, the acquisition of farmland by foreign investors is a widely debated issue in Latvia. This can be further confirmed by a recent public initiative proposing to forbid foreign citizens, or Ltd. companies owned by foreign citizens, to buy land in Latvia. The initiative has been supported by 10 612 Latvian citizens and will be submitted to the Parliament of the Republic of Latvia (Mana Balss, 2016).

This thesis aims to explore what has caused Latvian farmland to become an attractive investment target for foreign companies, and how these investments affect the countryside and the Latvian farmers. In order to fully comprehend the historical processes and current situation of land market, I focus my attention to the role of the State and limits to the governmental power by applying the theoretical concept of governmentality. In addition, as local farmers are affected the most by the foreign investments, I attempt to briefly describe their lifeworlds, by the use of narrative analysis.

**The research questions therefore are as follows:**

How are foreign investments in farmland regulated in Latvia and how are they perceived by the State?

How do local Latvian farmers perceive foreign investments and the role of the State in relation to the land deals?

What are the socio-economic outcomes of the foreign investments for the Alūksne municipality?

## 1.2 Thesis outline

The thesis is divided into seven chapters. Chapter 1 is an introductory section. Chapter 2 briefly outlines the main theoretical concepts - governmentality and the concept of lifeworld. Chapter 3 describes the methodological approach of the study. Chapter 4 is dedicated to literature review on historical land reforms. Chapter 5 presents empirical findings of the case study. In chapter 6 I discuss main findings with the help of theoretical concepts. Chapter 7 is a concluding section.

## 2 Theoretical framework

According to Miles and Huberman (1994:18 cited in Maxwell, 2013:39), theoretical or conceptual framework is something that “explains, either graphically or in narrative form, the main things to be studied - the key factors, concepts and variables - and the presumed relationships among them”. Therefore, in order to fully grasp every nuance and make sense of all the acquired qualitative data, empirical findings will be analysed by using the concept of governmentality and the concept of lifeworld as analytical tools. This section provides brief characterization of the main elements of them used in the discussion.

### 2.1 Governmentality

Governmentality is a concept first introduced by Michel Foucault in 1970s (Rose et al., 2009), which later has been elaborated by a number of scholars, such as Nikolas Rose, Peter Miller and Mitchell Dean.

Within the body of literature exploring the concept of governmentality it is suggested that as it is not possible for the state to regulate every individual, the state instead aims to create individuals and groups that internalise the norms and values of the state and thus behave accordingly (Li, 2007; Foucault, 1991; Dean, 2010). It is further emphasised by Li (2007) that people are usually not aware of how their conduct is being affected as these actions take place during a long process through various rules and regulations, and through the power of the media. Foucault defines governmentality as an “ensemble formed by institutions, procedures, analyses and reflections, the calculations and tactics that allow the exercise of this very specific albeit complex form of power” (1979:20 cited in Rose et al. 2009:6). Conventional political governmentality or the “arts of governing” according to Foucault (1997) included traditional virtues such as wisdom and justice and common abilities such as prudence and thoughtful decisions, meaning that the state did not intervene directly with high number of regulations. Yet in the 18<sup>th</sup> century, arts of governing of the aforementioned principles were replaced with the “reason of the state”, which acknowledged those arts of governing that “could strengthen the state and its power” (Rose et al., 2009:2). In other words, governmentality or analytic of governmentality is concerned with how the state intervenes and how it influences and affects its citizens (Li, 2007). Rose et al. (2009:3) have defined the analysis of governmentality as an attempt to “identify different styles of thought, their conditions of formation, the principles and knowledges that they generate, the practices they consist of, how they are carried out, their contestations and alliance with other arts of governing”.

Tania Murray Li (2007) recognises governmentality as a useful tool for an ethnographer and especially accentuates the exploration of the limits of governmental power as a terrain of ethnography. These limits can be viewed from four axes and various questions presented in the following paragraphs.

**First**, she asks to consider “the limit to governmental power intrinsic to its characterization as a form of power rather than force” (2007:276). She refers to Foucault who has accented that power only works if the target of the power has a capacity to act (Foucault, 1982 cited in Li, 2007). The empirical questions consequently applicable to the government as proposed by Li are: What actions does it provoke? How? Under what conditions? With what effects? (Li, 2007:277).

**Second**, governmental intervention cannot comprise all sets of relations. There are processes, histories, interactions, attachments that governmental programs and plans cannot rearrange such as historical conquests by foreign rule, forced land reforms etc. Therefore, investigation of that excess in specific times and place through a case study can show significant aspects.

**Third**, governmentality’s main form of knowledge is political economy (Foucault, 1991 cited in Li, 2007:277) and therefore it is possible to talk about limited forms of knowledge and technique. This limit can however lead up to generating contradictory effects in the society. For this reason, Li draws attention to reflexivity and suggests questions such as: Who reflects? What weight do the outcomes of previous interventions carry in their reflections?

**Fourth** and final Li (Li, 2007:277) mentions the frontier between governmental rationality and the practice of critique. To clarify, it involves investigating politics and governmental programs - what was promised and what was actually achieved and how multiple programs co-exist. Questions correspondingly are: What causes shifts in relations of power? How do the governing and the governed come to position themselves as adversaries? What can we discover about the conjunctures when reversals occur? I will apply these questions in regard to the privatisation process in order to find answers why it was not successful.

Acknowledging the usefulness of the above presented approach by Li in order to comprehend the role of the state in the historical and current situation of the land market, empirical findings of this study will be viewed from the viewpoint of these limits and questions in combination with main elements of the concept of governmentality, such as mentalities, programs and techniques (Dean, 2010; Rose et al., 2009; Rose and Miller, 1992).

## 2.2 The concepts of lifeworld and phenomenology

The concept of the lifeworld (*Lebenswelt*) was founded by Edmund Husserl (Inglis, 2012) and is an essential element of phenomenology, a philosophical study of *phenomena* - the appearance of things and everyday experience of people (Cohen, 1987). Phenomenology, according to Michael Jackson, is “the scientific study of experience” (1996:2) as it strives to understand how people perceive the world around them. Phenomenological research is not exclusively tied only to philosophy, but has been used in other disciplines such as psychology, sociology, and physics (Cohen, 1987). Furthermore, phenomenology as a study is not uniform and constant; it has variations such as hermeneutic phenomenology founded by Martin Heidegger (Laverty, 2003). Husserl’s phenomenology and the concept of lifeworld were mainly elaborated by Alfred Schütz and Thomas Luckmann, together with the philosophers Heidegger, Maurice Merleau-Ponty and Jean-Paul Sartre.

Lifeworld, as defined by Husserl, is a pre-reflective experience without categorisation and conceptualisation or aspects that are taken for granted (Lavery, 2003). Moreover, Schütz has based his views of the lifeworld concept on the philosophy of consciousness as Husserl did (Habermas, 1981). However, sociologist Jürgen Habermas (1981) argues, in his *The Theory of Communicative Action, Vol.2.*, for an analysis of people's lifeworlds by a communication-theoretical approach. It is important to note that the concept of lifeworld holds different meaning to different people. It has been described as *Dasein* or *Being-in-the-world* by Heidegger (Lavery, 2003) and also simply as *everyday life* by Berger and Luckmann (1966).

In order to fully understand the lifeworlds of the local farmers, and their interaction with the state, I will furthermore rely on the concept of *colonisation of the lifeworlds*, as developed by Habermas (1981). This concept allows seeing the influence of the media, market and the state among local farmers, and other interviewees, in their perception of foreign investors. Colonisation of the lifeworld can be described as “monetary re-definition of goals, relations and services” and “bureaucratization of decisions” (Habermas, 1981:322), as well as power of steering media and process of legitimization. The concept is noteworthy tampered by the ideas and propositions of Weber and Marx. In a phenomenological study it is important to acknowledge the presence of ‘first-order’ and ‘second-order’ categories, as described by Schütz. The ‘first-order’ category is the consciousness of the people that are being studied and ‘second-order’ category is the consciousness of the researchers who are studying them (Inglis, 2012). Therefore, the analysis of the case will be my ‘second-order’ description of ‘first-order’ categories of local people's lifeworlds. As I am looking both at historical processes that have influenced the current land acquisitions and possible future development, I find it useful to apply additional categories elaborated by Schütz. These categories are: ‘consociates’ - close people - family and friends; ‘contemporaries’ - people with shared lifeworld but who do not know each other personally; ‘predecessors’ - people who lived in the past and ‘successors’ - people who will live in the future (Inglis, 2012). These categories will help to link different actors and various generations.

By applying two different concepts, I aim to comprehend the complexity of land transactions from the perspective of both the state and local farmers. The concept of governmentality allows not only to investigate how the state has created the land market and regulates it, but also what limits the power of the state. At the same time, exploration of farmers' lifeworlds discloses how their everyday lives are colonised by the consequences of capitalistic system.

## 3 Methodological approach

### 3.1 Research design

The research questions stated in the beginning of this thesis showed that besides a general review and analysis of laws and regulations, as well as interviews with representatives of ministries and NGOs, there is a necessity of a qualitative case study in order to comprehend the lifeworlds of local farmers. Lund (2014:224) outlines the case as a “mental or analytical construct aimed at organising knowledge about reality in a manageable way”, meaning that the general idea of farmland acquisitions by foreign investors will be investigated at a particular time and space. Baxter and Jack (2008) acknowledge the importance of being aware of what type of case study that is going to be conducted. This can direct the research in distinct directions. The case of this research could be defined as descriptive, as the aim is to describe the phenomenon of foreign farmland acquisitions in the context of the studied persons’ real-life context (Yin, 2003 cited in Baxter and Jackson, 2008) or instrumental as the case itself is not the target (Stakes, 1995 cited in Baxter and Jackson, 2008).

This study is partly a phenomenological study as I aimed to depict lifeworld of farmers, but at the same time I also reviewed and analysed issues from the perspective of governmentality and the role of the state. Therefore the study does not contain all the characteristics of a phenomenological study, but also has a slight influence from a post-structuralism paradigm.

### 3.2 The case study

The case study was conducted in Alūksne municipality, located in the north-eastern part of Latvia, bordering with Estonia and Russia. It consists of 15 parishes and the town of Alūksne with a current population of 17 332 (PMLP, 2016). At the moment 60% of the municipality is woodlands and 28% agricultural lands (Valsts zemes dienests, 2016a). This municipality was chosen based on data from the State Land Service<sup>1</sup> from 2013 (the latest detailed report), in which Alūksne municipality was shown to be largely owned by foreign natural persons – in total 1144, 24 ha placing it in the second place in the country (Valsts zemes dienests, 2014b).

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<sup>1</sup>. State Land Service (Valsts zemes dienests) is a governmental institution, which was established in order to implement land reform. SLS maintains cadastre and State Address Register, values the real property, implements national land reform policy etc. (Valsts zemes dienests, 2016b).



This data, however, only shows the natural persons who were Latvian citizens at the moment of land purchase, but have changed the citizenship after expatriating to other countries. Therefore, it does not include foreign investors, who have established Ltd. companies as mentioned in the introduction. Full and detailed information on both legal and natural persons in every municipality owning farmland and forest land has not been summed up by any organisation. Furthermore, State Land Service reported that in 2012, 30% of all land deals in agricultural land, and 40% of deals in forest land in Alūksne municipality were speculative (Valsts zemes dienests, 2013). Speculative land deals here and further in the thesis means that land is not used for agricultural production, but after a while sold for a higher price in order to receive profit.

Fieldwork was carried out with two separate visits in Latvia, each 2 weeks long. Approximately half of the total time was spent in Alūksne municipality and the other half in Riga - the capital city - where all of the other organisations are located.

### 3.3 Data collection

This research is mainly qualitative and only uses quantitative data in order to justify the choice of the topic and other selection decisions. Qualitative data therefore was collected in two ways: by reading and analysing laws and regulations and already existing opinions on media, and by conducting interviews with various actors. It was important to comprehend all the laws and regulations and recent amendments of them regarding land issues, as well as the complex history of land and land reforms in Latvia in order to be able to conduct interviews. Newspaper articles are only considered as a secondary source of information. Therefore, extensive search of articles was not done; the articles analysed are mainly related to the municipality, various amendments and interviewees.

The most important part of the research was acquiring information from various actors through conducting interviews. The interviewees can be divided into three groups: 1. representatives of the state, municipality and parish; 2. representatives of NGOs and 3. local farmers. In total 10 semi-structured interviews were conducted. One was a telephone interview but the rest were face-to-face interviews at the interviewee's workplace or at the place of their choice. All the interviewees are listed in Table 1. Detailed information can be found in the Appendix I.

The length of the interviews varied from 20 to 80 minutes; the average length was 40 minutes. All interviews were conducted in Latvian language. Interviews were recorded with the permission of the informants and fully or partly transcribed depending on the length and the content of the interview. Interviewees were selected on the basis of direct or indirect connection to the land acquisitions, finding the particular representatives through reports and articles. Farmers, however, were suggested by a spatial planner and local people. One farmer was from the neighbouring municipality of Ape, which was separated from the Alūksne municipality in 2009 as a result of a national administrative reform. Names of the farmers have been changed to randomly selected names.

Initially I intended to conduct more interviews with local farmers, but two interviews were cancelled and due to limited time I was not able to find other interviewees. However, as farmers who participated were of different age, experience and cultivated different amounts of land, I am convinced I was able to account for the economic and social variation among the farmers.

Table 1. *List of interviewees.*

Organisation/parish	Position/name	Type of the interview	Group
Ministry of Environmental Protection and Regional Development (MoERD), Spatial Planning Department, Land Policy Division	Two representatives – head of division and senior expert	Face-to-face interview	1
State Land Service (SLS), Real Estate Valuation Department, Valuation Development and Analysis division	Senior expert	Face-to-face interview	1
Administration of Alūksne municipality	Spatial planner	Face-to-face interview	1
Administration of Liepna parish	Specialist of spatial development	Telephone interview	1
NGO Zemnieku Saeima (Farmers' Parliament, FP)	Representative	Face-to-face interview	2
NGO Zemnieku Federācija (Latvian Farmers' Federation, LFF)	Representative	Face-to-face interview	2
Mālupe parish/ Administration of Alūksne municipality	Local farmer and local politician Lauris	Face-to-face interview	3
Liepna parish/ Administration of Alūksne municipality	Local farmer and local politician Raivis	Face-to-face interview	3
Alsviķi parish	Local farmer Kaspars	Face-to-face interview	3
Vireši parish, Ape municipality	Local farmer Gustavs	Face-to-face interview	3

Initially I did not have any specific approach to conducting the interviews. During the interviews with local farmers and representatives of NGOs I however noticed that the interviews consisted of narratives. Subsequently I started to structure the interviews in the following manner. **First**, I asked introductory questions that varied depending on whether interviewee was a representative of governmental and non-governmental organisation or a farmer. To farmers, for example, I asked to describe what type of agricultural production farmers carry out and how much land they own. To representatives of organisations I asked to briefly describe their tasks and the connection to farmland issues. **Second**, I asked them to reflect on historical processes, such as privatisation, that have influenced the current land market and agricultural situation. **Third**, I encouraged them to share their opinions on foreign investors and whether this issue is of a personal concern to them. **Fourth**, I asked them to express their opinion regarding current trends in Latvian agriculture, bureaucracy and life in the rural areas. **Finally**, they had a possibility to reflect on any other question that was not discussed. In addition, the tone of the voice, gestures and particular use of language of the interviewees was in the focus of attention.

### 3.4 Data analysis

Taking into consideration the variety of interviews - from formal semi-structured interviews to semi-formal narrative type interviews, I have chosen to apply an eclectic approach to the analysis - a *bricolage* of several techniques (Kvale and Brinkmann, 2009). I follow ad hoc methods outlined by Miles and Huberman (1994 cited in Kvale and Brinkmann, 2009), which include noting the patterns and clustering of main topics. In order to fully comprehend all details, three separate readings were carried out. The first reading was done

without analysis and clustering, but noting reoccurring themes and flow of the narratives. During the second reading these reoccurring themes were marked with different colours, each colour representing particular topic such as foreign investors, privatisation, bureaucracy etc. and clustering them together. The third reading of the interviews then focused only on the parts extracted in the previous reading. I aimed to discover what the interviewees believed were the main problems or complications, how they influence their lifeworlds.

### 3.5 Data verification and validity

Kvale and Brinkmann (2009:242) points out that “objectivity in qualitative inquiry here means striving for objectivity about subjectivity” meaning that researchers have to be self-reflexive about their pre-judgments and prejudices. The research was designed in order to answer the questions that I have previously heard local people find important and worrying. Being from a rural area in Latvia I had pre-understandings about all the topics. However, this will not affect my research because I critically reflected on my previous knowledge and perceptions.

As I am striving to describe the perception of foreign investments among local farmers and representatives of various organisations through acquiring insight into their lifeworlds, there cannot be one ‘truth’. Findings should therefore rather be regarded as certain and/or credible - backed by empirical evidence (Guion, 2002). In order to achieve this I used the method of triangulation, widely used in qualitative research to ensure validity. Five types of triangulation can be distinguished (Guion, 2002), yet in this study I applied methodological triangulation and data triangulation. Methodological triangulation means that several types of methods to acquire the data were applied, including analysis of written documents, interviews and phenomenological observation. Data triangulation however involves various sources of information, i.e., diversity of interviewees. This was achieved by: 1. interviewing representatives of governmental organisations who were believed to state the official opinion; 2. interviewing representatives of local government of Alūksne municipality and Liepna parish in order to comprehend the socio-economic outcomes of the case; 3. interviewing local farmers to get an insight how foreign investments and other issues are perceived by those who are influenced the most and 4. interviewing representatives of farmers’ NGOs in order to acquire information what are of the greatest concern to them.

In this way it was possible to determine which outcomes are reoccurring and common in all the interviews and correspond with data acquired from the analysis of written documents and exclude those, which are mentioned only by one interviewee. Topics presented in the Chapter 5 were recurrent in all interviews as well in documents and articles and can therefore be considered as valid. However, as this was partly a phenomenological study, there cannot be one valid truth as I sought to illustrate farmers’ lifeworld, and the perception of the daily life and land issues differs from farmer to farmer.

## 4 Thematic background

### 4.1 Land reforms and land rights in Latvia

In order to fully understand the context in which the perception of current land acquisition among local farmers and organisations is formed, it is of the greatest importance to give a short background of the historical processes and land reforms in the country. I would like to point out however that every land reform has been a complex set of various events, circumstances and regulations and in this thesis they are presented in a simplified form.

Latvia declared its independence in 1918 after being under the rule of various countries and regimes. Between the 13<sup>th</sup> and the 16<sup>th</sup> century, Latvia was part of the Livonian Order, subsequently the country was partly or fully conquered by German, Swedish or Russian forces as well as a Polish-Lithuanian alliance. More recent conquests were carried out by Nazi-Germany and Soviet Russia in the 20<sup>th</sup> century. Latvia was finally able to regain its sovereignty on May 4<sup>th</sup> 1991 (Nollendorfs, 2010). It goes without saying that each of these conquests affected land rights and overall land policy in the country. Therefore, I will describe the three most significant land reforms: the agrarian reform from 1920 to 1937, the Soviet land reform and collectivisation between 1940 and 1950 and finally the more recent land privatisation (known as land reform) starting in 1990.

Before addressing the first reform, I will shortly glance back at land rights until the 20<sup>th</sup> century which also explains why the agrarian reform took place. From the 10<sup>th</sup> until the 16<sup>th</sup> century, land surveying was done in units of *equus* (horses) and *urcus* (ploughs) and they varied in different parts of Latvia (historia.lv, 2014; Boruks, 2011). Until the 15<sup>th</sup> century, peasants owned their own land and had different titles depending on the amount of the land they possessed. Because of the introduction of new taxes, as an imposition of power from the nobility in the Livonian Order, many peasants became indebted (historia.lv, 201).

The situation worsened after the Livonian war and the collapse of the Livonian Order in the middle of the 16<sup>th</sup> century (Dunsdorfs, 1962). Soon after that, some regions of Latvia were controlled by the Polish-Lithuanian commonwealth. It is worth mentioning that different parts of Latvia were under Polish-Lithuanian rule for different time and with varying degree of autonomy (Dunsdorfs, 1962). Due to the consequences of war, desolated farmsteads and overgrown fields, peasants started to flee in search for a better life (Boruks, 2001). In order to reduce the draining of labor, corvée labor was introduced providing the base for serfdom (Boruks, 2001). Serfdom was abolished between 1818 and 1863 in the whole country (Nollendorfs, 2010;

historia.lv, 2014). However, while the liberation of serfs gave them back their personal freedom, at the same time it took away the land they had life-long lease rights to (Boruks, 2001). As the liberation of serfs was based on the principles of *laissez-faire*, with no overall regulation from the state, each landlord could himself decide the price for leased land (Boruks, 2001). Peasants were bound to either leave the estate or to comply with the demands of landlords. This increased the amount and hours of corvée labor and the economic situation of serfs kept worsening. However, it was soon recognized that impoverishment of the peasants might ruin the nobility as well. As a result, a law stating that the nobility was not allowed to evict peasants without a court's verdict and regulated the average level of land-lease prices, was introduced in 1842 (Boruks, 2001). Furthermore, in 1849 peasants obtained additional amendments, among them the transition from corvée labor as a means of payment for a land lease to the monetary means and the rights to inherit the land. This stimulated land deals and by 1905 most of the land was private property as peasants were able to acquire the land they have been cultivating in their own possession (Boruks, 2001).

## 4.2 Agrarian reform 1920-1937

The first significant land reform was passed in 1920, two years after the declaration of independence, and is known as the Agrarian Reform. It was intended to be carried out between 1920 and 1937. The goal was to distribute land to landless peasants and small holders, which at that time was largely owned by nobility, mainly German gentry. It was based on four principles - political, national, social and cultural. I would like to draw attention to the national principle that aimed to eliminate economic and cultural domination of foreigners (Boruks, 2001). In order to successfully accomplish this aim, the State Land Fund was established which comprised 3396.8 thousand ha of land (51.5% of total land) (Boruks, 2001). The amount of land distributed varied between 6.8-20.4 ha in the countryside to 3.4-5.1 ha nearby towns. In 1928 only 9% of land was possessed by the State Land Fund (Boruks, 2001). The statistics show that before the reform, 55% of farmland and forest land belonged to nobility and 45% to peasants, while afterwards, in 1935, peasants owned in total 70% of the land and the state 28%, indicating that the land owned by the nobility was dispossessed from them during this reform (Skujenieks, 1938 cited in CSB, 2011) The Agrarian Reform significantly increased the number of small- and medium-sized farms while leaving no farmstead bigger than 500 ha. This reform helped to secure private property rights, increased personal initiative of people and made people to hold a responsibility of their actions (Boruks, 2001, p.179).

## 4.3 Collectivisation during the Soviet occupation

The political situation sharply changed in 1940, when Latvia was occupied by the Soviet Union and became a Soviet state through ultimatum and anonymous declaration, which was not recognized by the United Kingdom and the United States of America (Nollendorfs, 2010). This also completely changed the land policy and agriculture. The first collectivisation was initiated by a declaration issued on 22 July 1940 and 4777.8 thousand ha of land were nationalised (Boruks, 2001). However, there was still a State Land Fund which was comprised of land not directly needed by the state. Landless peasants and smallholders could acquire up to 10 ha per deal (Boruks, 2001). Yet, World War II changed the political situation in Latvia once again when the country was conquered by Germany in 1941 and the Soviet land reform was cancelled and properties were supposed to be returned to the owners. However, this return of property was never performed as the Soviet Union occupied Latvia once again in 1944 (Nollendorfs, 2010). In 1947 it was decided that all

three Baltic States should undergo collectivisation and adopt the Soviet rural land system, where all the production is performed by the state according to time plans and every individual action is strictly supervised (Boruks, 2001, Tildes Datorenciklopēdija Latvijas vēsture, 2012). To achieve this objective, collective farms, known as *kolkhozes* and state farms called *sovkhoses*<sup>2</sup>, were established. Farmers were forced to hand over most of their land, animals and agricultural equipment, being able to keep only up to 1,2 ha of farmland (Stradiņš et al., 2002) and one cow (Virtuālais muzejs Latvijas okupācija, 2012; Melu laboratorija, 2013). To put pressure on farmers to join the collective farms, high taxes were introduced, especially to the large landowners who owned more than 30 ha of farmland – *kulaks* - who in the Soviet Republic were perceived as the enemies of the nation (Melu laboratorija, 2013).

Besides rapid collectivisation, traditional farmsteads were no longer acknowledged as an acceptable way of living and farming. Instead, houses were relocated to create villages (Melu laboratorija, 2013). At the end of collectivisation in 1950 there were 1794 *kolkhozes* and 57 *sovkhoses* in the country (Boruks, 2001), which constituted 85% of whole farmland. During the Soviet occupation the traditional way of individual farming was almost completely destroyed. It is interesting to point out that although working at the *kolkhoz* was a voluntary action according to the statutes, historians tend to see it as a returning to the serfdom, because most of the time farmers were obliged to work and did not get paid (Melu laboratorija, 2013).

#### 4.4 Land privatisation after restoring independence

During the *perestroika*<sup>3</sup> 1985-1990, finally there seemed to be a chance for Latvia to regain national independence, stop the russification and choose its own political and economic direction (Kenez, 2006). As an outcome of the unstable political situation all over the Soviet Union, especially in the Baltic States (Kenez, 2006), political movements Helsinki-86 and Latvian Popular Front were established in 1986 and 1988 respectively (Latvijas valsts arhīvs, 2009). The Latvian Popular Front gained victory in the 1990 parliamentary elections and restored independence in May 4<sup>th</sup> 1990 with full recognition in August 21<sup>st</sup> 1991 (Latvijas valsts arhīvs, 2009). However, changes in land politics started already in 1988 when the Minister of Agriculture (known also as the president of the agro-industrial committee) V.E. Bressis pushed through changes in the legislation regarding family farms (Boruks, 2001). The law “On Family Farms in Latvian Soviet Socialist Republic” (author’s translation) issued in 1989 cancelled restrictions on private properties and allowed farmers to obtain farmland on unlimited lease (Boruks, 2001). In one single year the number of then non existing farms grew to almost eight thousand. To this day, these farmers are known as Bressis farmers (*Breša zemnieki*).

Furthermore, in a decision on “Agrarian Reform in the Republic of Latvia”, the Supreme Council of the Republic of Latvia (now known as the Parliament) recognised that the forced collectivisation was a mistake from political, legal and economic viewpoints. In addition, they deemed the methods of implementation of the collectivisation illegal and decided to carry out a land reform and reforms in the management of the

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<sup>2</sup>. *Kolkhozes* were collective farms owned by their members. They were organised as production cooperatives on a “voluntary” basis. Peasants were paid depending on the quality and the quantity of the labour contributed. *Sovkhoses*, however, were state-owned farms, where workers were paid regulated wages. These farms were usually bigger and were devoted for the large-scale agricultural production.

<sup>3</sup>. *Perestroika*, meaning rebuilding or restructuring, refers to all changes that took place in the Soviet Union, when Mikhail Gorbachev was a statesman. This process envisaged finding a middle way between capitalism and communism in order to overcome economic stagnation as well as to democratise the society and political system (Kenez, 2006).

agricultural sector and economic relations (Ziņotājs, 1990:1). As a result, a shift from the planned economy and state ownership to a free market economy (capitalism in this case) acknowledging private property rights, was seen as an essential move in order to achieve the freedom of social and economic relations in Latvia (Palabinska, 1999 cited in Jansone, 2010).

On November 21<sup>st</sup> of 1990, the law “On Land Reform in Rural Areas in the Republic of Latvia” was issued with the objective “to reorganise the legal, social and economic relationships of land property and the use of land in the countryside during a gradual privatisation, in order to promote the renewal of the traditional rural lifestyle of Latvia, to ensure the economic use and protection of natural and other resources, preservation and raising of soil fertility, increase of qualitative agricultural product production” (On Land Reform in Rural Areas in the Republic of Latvia, 1990:1). To put it briefly, former owners or heirs thereof, through the passing of this law, were able to request the ownership to land they have legally owned before the collectivisation on July 22<sup>nd</sup> 1940 (On Land Reform in Rural Areas in the Republic of Latvia, 1990).

The land reform and privatisation process was divided in two rounds. In the first round, natural or legal persons could submit requests until June 20<sup>th</sup> 1991, while the second round aimed to restore land ownership rights, perform cadastral survey and survey of boundaries, as well as carry out the inventory of undistributed lands (Boruks, 2001; Stradiņš et al., 2002; On Land Reform in Rural Areas in the Republic of Latvia, 1990, section 4). The second round was mainly regulated by the law “On Land Privatisation in Rural Areas” (Boruks, 2001), which still largely defines the requirements and restrictions toward deals with farmland. In case the authorities were not able to return the exact property to its original owners, land commissioners had to assign equivalent land in the parish or district or people could receive compensation according to a unified price (On Land Privatisation in Rural Areas, 1992). By the end of the submission period it was seen that the requested farmland area exceeded the existent area by 27% (Boruks, 2001). However, in 2002 data showed that a significant number of lands were still not registered in the Land Register (Stradiņš et al., 2002).

There were many imperfections in the procedure resulting in plenty of court cases. One of the reasons why the privatisation process was not successful was the high number of laws and regulations regarding land reform, more precisely, 230 laws and a growing number of amendments (Stradiņš et al., 2002). Other difficulties included short period of submission of requirements, rights of current *Bresis farmers* versus rights of previous landowners etc. (Boruks, 2001; Stradiņš et al., 2002). Land privatisation has proven to be a long and complicated process, which is not yet completely finished. Besides, privatisation in towns was regulated by a different law: “On Land Reform in the towns of the Republic of Latvia” (1991) (author’s translation) and procedures and they were greatly changed within 60 years.

## 5 Empirical findings

Interviews were conducted and collection and analysis of written text was done in order to find answers to the research questions stated in the beginning of this study. However, fieldwork showed that there are many other underlying aspects which are of the greatest concern of everyday life of local Latvian farmers and farmers' NGOs. It is also worth to draw attention to the fact that regarding speculative land deals, it is not important whether the investor is foreigner or Latvian as they affect farmers and land market in the same way. The following chapter is divided into six sub-sections.

### 5.1 Regulation of farmland acquisitions

Active debates around land deals and the current situation in the agricultural sector started in 2013, as restrictions which forbade citizens of other EU member states to purchase farmland in Latvia was about to expire on the 1<sup>st</sup> of May in 2014. According to the Treaty on the Functioning of the European Union (2012), member states are not allowed to restrict citizens of other EU member states or citizens of third countries to purchase farmland or forest land because of the claim of free movement of persons, services and capital within the EU. As can be seen in the initial impact assessment (annotation) of the bill for amendments (2014) in the law On Land Privatisation in Rural Areas, the amendments recommended by the Ministry of Agriculture, are based on public opinion reflected in the media. Public media mirrored the opinions of farmers' organisations, which have expressed concern of limited financial capacity of Latvian farmers due to continuously rising speculative land purchases. Four main points were recognized in the bill: 1. downward trend in available agricultural land; 2. increase in unmanaged, overgrown land covered with bushes; 3. fragmented structure of rural land holdings as a result of land reform; 4. Land as an object of speculation, due to the low prices comparing to other countries.

The recognition of these main problems induced an abundance of various amendments in existing laws and regulations as well as establishment of new decrees regarding agricultural land management and cultivation. However, I mainly pay attention to the law On Land Privatisation in Rural Areas (Saeima, 1990). According to the representatives of the Ministry of Environmental Protection and Regional Development (MoERD), due to the termination of restrictions, Ministry of Agriculture (MoA) suggested to find other legal mechanisms regarding land deals. MoA worked together with advisory board of farmers' NGOs, which consists of the Minister of Agriculture, State Secretary and representatives of nine NGOs, including Farmers'



Parliament and Farmers' Federation of Latvia (Zemkopības ministrija, 2015). After the submission of proposed amendments to the Cabinet of Ministers and later to the Parliament, amendments entered the force on the 1<sup>st</sup> of November 2014.

Amendments therefore are as follows (stated briefly, for details see the law On Land Privatisation in Rural Areas available in English): **1.** For a natural person to purchase more than 5 ha of farmland, she has to be registered as a performer of economic activity in the Republic of Latvia, has to be entitled to acquire direct payments or single area payments or has made the revenue from agricultural production for at least three years, representing at least 1/3 of total revenue of the economic activity or has acquired agricultural education and has to certify in written form that use of such land in agricultural activity will be commenced within a year after its purchase (or three years if the direct payments have been received) **2.** For a legal person to purchase more than 5 ha of farmland, she has to have been entitled to receive direct payments or single area payments for at least a year in the last three years or has made the revenue from agriculture production for at least three years representing 1/3 of the total revenue of economic activity or has acquired agricultural education, has to certify in written form that use of such land in agricultural activity will be commenced within a year after its purchase (or three years if the direct payments have been received) and at least one of the owners or permanent employee has acquired education in agriculture or at least one of the owners has made revenue from agriculture production for at least three years, representing 1/3 of total operating revenue; **3.** One natural or legal person or legal entity cannot own more than 2000 ha of farmland in total (does not apply to the already existing estates); **4.** All land deals are reviewed by the land committee of the local municipalities; **5.** To avoid land fragmentation pre-emptive rights will be assigned to the land leaser. **6.** Pre-emptive rights to agricultural land are hold by the newly established Land Fund of Latvia. Furthermore it is worth mentioning that at the time of the land deal, natural person can already own 10 ha of farmland but a legal person - 5 ha.

As can be seen, transactions with farmland in Latvia are now strictly regulated. Buyers have to correspond to certain requirements and local government committees strictly review every land transaction. All these requirements and restrictions were introduced in order to diminish the number of speculative land deals and decrease the amount of non-cultivated agricultural land. Yet, opinions on this law differ greatly. Representative of the Farmers' Parliament (FP), the biggest NGO representing mainly large-scale farmers, which was extensively involved in creating suggestions for the law, acknowledges that there are few 'teething problems'. However, if they will be eliminated and some action towards it is already taking place, "better mechanism to protect our land from investors will be established. He also states that "right here we shouldn't even divide - local or foreign investors". At the same time a representative of Latvian Farmers' Federation (LFF), the oldest farmers' NGO for mainly small- and medium- sized farms, mentions that the law was entangled by the FP and seemed that "it is going to the fact that only the big will be able to buy land and small will be thrown out of the circulation". A representative of the State Land Service (SLS) also sees that these restrictions are advantageous for big estate owners, both local and foreign. Two of the farmers I met during my time in Alūksne municipality, Kaspars (manages 48 ha) and Lauris (manages around 1500 ha), share the opinion that these amendments significantly prevent new farmers to enter the sector.

Similar thoughts have been expressed in the online news portals such as Delfi and Farming.lv. For instance, the barrister Jānis Jurkāns (Delfi, 2014) and lawyer Jānis Maulis (Farming.lv, 2015) indicates that these restrictions allow only particular categories of people to acquire land without seemingly clear legitimate

base. At the same time there are many details in the Law which an artful land purchaser can take advantage of. Attention also has been drawn to the fact of increased work load for local governments as they have to review every land deal, whether it corresponds with requirements or not. This has significantly decreased the number of land deals (Farming.lv, 2015). The Latvian Association of Local and Regional Governments is critical regarding the amendments and says that they only create problems for local governments (Valdmanis, 2015). It seems to indicate that many farmers do not match the requirements and are not eligible to acquire additional land even if they have been engaged in agricultural production for years. Local governments also fear possible litigations as any declined land transactions can be appealed (Valdmanis, 2015). Meanwhile the farmer Gustavs, who is one of the fifty co-owners of the Ltd. Company that was established on the base of soviet collective farm, says that these requirements restrict him as a business owner because the company has to prepare a project, perform a land survey, submit all the necessary documents to the municipality and then if necessary, apply for the credit. The whole process may take up to half a year or even more. Amendments in the Law on Land Privatisation in Rural Areas have certainly caused discussions and obvious burdens to farmers but whether they have actually limited speculative land deals, is not entirely clear as an analysis of land deals has not been carried out since the amendments. According to the representative of the SLS such analysis will be done at the end of this year (2016). A representative of LFF expressed the probability that work on new amendments might start quite soon due to overloaded local governments.

Another widely discussed mechanism is the Land Fund of Latvia, which is a part of the joint-stock company "Attīstības finanšu institūcija ALTUM" (hereinafter "ALTUM"). The Land Fund was established in 2015 on the basis of the Law on Land Privatisation in Rural Areas. It has pre-emptive rights to acquire agriculture land for market price. The intention behind the Fund is to promote the protection and availability of agricultural lands and their effective and sustainable use for agricultural production (ALTUM, 2016b). It purchases, leases and sells agricultural land. However, the Land Fund does not purchase agricultural lands in poor condition, which is the main problem in Latvia; therefore, it only partly serves its function (LNT TOP 10, 2016). Yet, it claims to have averted speculative land transactions. There has not been any land deal in Alūksne municipality, where the Land Fund would have used its pre-emptive rights. Spatial planner of Alūksne municipality expresses the opinion that the Fund might be more interested in agricultural regions with higher quality of soil and bigger estates.

In conclusion I would like to point out that there have been changes in requirements in order to obtain support payments from the Rural Support Service of the Republic of Latvia. For instance, since 2015 grass cuttings have to be removed from the field, they cannot be shredded (Lauku atbalsta dienests, 2015). All farmers pointed out that those requirements such as the aforementioned, which demands an extensive work on the field and do not allow the owners to keep the fields uncultivated, are a good mechanism for decreasing the number of speculative land deals.

## 5.2 Land reform

The interest among foreigners to invest in Latvia did not appear from nowhere it had a clear source - unsuccessful and unconsidered land privatisation. The failure of the privatisation has been acknowledged by people who participated in the creation of it (Boruks, 2001) and all of the interviewees referred to the privatisation process as a root of the problem. That is also how the representative of Farmers' Parliament (FP) started our conversation about foreign investments: "By and large we have to start with the problem. It's probably that in the early 1990s land privatisation was conducted in a wrong manner".

During the 1990s former land owners, their heirs and other people were able to apply for the properties as described in the Chapter 4. That meant however that existing collective farms with ongoing agricultural production were dispersed to a number of new owners. In many of the cases people who acquired the land were from cities and were not ready to move to the countryside and start farming. As the representative of FP says: "Land as means of production was dispersed and partly given to persons who did not know what to do with it". Furthermore, persons who had legal rights to the land, but did not want to acquire the land could receive privatisation certificates which could be used for acquiring other properties. The farmer Gustavs refers to these certificates as mysterious. Their nominal value was 28 Latvian Lats which is around 40 Euros but in reality they were sold for not more than 5 Lats (7 Euros). Gustavs tells me that sometimes these certificates were even sold for 70 Euro cents. He estimates that, for example, one hectare of land entitled landowner to 4 certificates and skilful persons could acquire a hectare of land for only 3 Euros. Such persons purchased the certificates from people who did not think ahead, went to the municipality and applied for free land. He states: "The market was profoundly damaged". With some sadness and some laughter he also says that: "Therefore we have so many *nouveau riche* - due to the cracks in the legislation. We just like fools worked at that moment and we did not have time to think. Lot of land slipped from our fingers". He also shares a story about his friend who is an attorney and has told him that: "I studied for 5 years and I cannot get a good wage but my classmate who is buying and selling forests is already rich!". Gustavs concludes that it should not be like that in business. He also mentions the presence of villains who persuaded old ladies to sign the contracts of sale, while telling the ladies that they will only help with fixing the property rights. Land deals in the mid-1990s were running high. Newly acquired land was seen as an easy way to obtain profit. According to the spatial planner of Alūksne municipality, many companies that did not have any interest in agricultural production purchased land. They saw the potential of investment, which most of the people unfortunately did not see. Yet, companies have been always mainly interested in forests. She being a forest owner herself has received many offers. The representative of FP argues:

The most tragic is that these people were not aware that selling the properties left them- selves without any means of subsistence. At least those who still lived in the countryside could have had some animals, some subsistence farming. After selling the land they were forced to move away from the rural areas. Therefore, schools, kindergartens and libraries in parishes had to be closed down.

The land privatisation seemingly carried out in a wrong manner, created many challenges for those farmers who actually did engage in agricultural production and were willing to expand their property. According to the representative of the LFF, there are still quite a few properties that belong to owners that cannot be

found. That significantly hinders the development of agricultural sector in the country. At the same time land which was used for the agricultural production was taken away with a court's decision and returned to the historical owner who then often sold it to seemingly mistrustful Ltd. companies. Besides that, nobody was responsible over those lands that were not assigned to anybody during the privatisation. As representatives from MoERD told me, only after the introduction of the Law on Land Management (2015) those lands were assigned to the municipalities they belong to. However, during the years before the passing of this law, these land areas became overgrown with bushes and trees and are in poor condition.

### 5.3 Perception of foreign investors

“In brief we consider investors our biggest bogeyman at the moment” says the representative of the Farmers' Parliament (FP). Later he clarifies that he also refers to Latvian investors or so called “sofa farmers.” Yet, companies with foreign financial capital constitute the majority of those investors. The wave of foreign investors entering the market of agricultural land started in 2004 when Latvia joined the EU. Before that, according to the representative of FP, some investors from the United States of America and Canada came to purchase already existing big companies, usually those that remained on the basis of collective farms. Yet, these investments might be seen as successful as they at least remained under production. However, the EU demanded free movement of persons and capital and in the best scenario (for them) there would not have been any restrictions. Despite the fact that a foreign legal person could not acquire farmland in Latvia, representatives of MoERD, SLS and FP all state that there were no restrictions to register new daughter companies in Latvia or find a middleman in order to acquire desired land. “The reason behind the law was simply bypassed” the representative of FP concludes. The same applies to the investors outside the EU. Investors from for instance from Russia and the United States of America would not be eligible to acquire land, yet data shows a different picture (Valsts zemes dienests, 2014a). Some early land purchases made by for example Germans and Swedes can also be called successful investments as some of them moved to Latvia with their families, learnt Latvian and still live there. They could perhaps acquire 10 times more land than in their country of origin. A representative of FP tells me that there have been attempts to establish organisations of foreign investors in order to strengthen their positions. However, these attempts have not been successful.

A representative of Latvian Farmers' Federation (LFF) stated that foreigners cause serious problems to the members of the organisation who are organic farmers. One particular foreign owner has been brought to the notice of the municipality as he drives over organic farming fields with mineral fertilizers and violate the rights of the neighbouring farmers. “Yet, of course there are decent foreign farmers as well!” she adds. One such farmer is also a member of the Latvian Farmers Federation, according to their representative.

The reason behind the acquisitions is clear - low land prices compared to the rest of the EU. According to the Eurostat (2012), the average price of a hectare of agricultural land in Latvia in 2009 was 1014.60 Euros which was almost four times less than in Sweden and twenty-five times less than in Denmark. Since then prices have only risen. The Representative of FP gives an example that a potential farmer might has purchased the land for about 200-300 Euros per hectare, but after 5 years she would be able to sell the land for over 1000-3000 Euros per hectare, depending on the location. All farmers stressed that investors are

making a lot of profit on the expense of locals. At the same time interviewees raised a question: “why did local people actually sell the land?” This corresponds to the wave of land deals in the 90s already discussed in previous section. The representative of FP rhetorically asks why people were so credulous and sold the land to the foreigners. He continues:

Someone asked whether you are ready to sell and people didn't think that the prices of land might rise or perhaps the land could be used for their own needs or later transferred to the grandchildren. People lack the understanding of these processes and also that they acquired land for free. It's a human psychology - you don't evaluate what you acquire for free. Perhaps if they would have bought it for money, worked in the field... I hardly believe that people then would have separated from land that easily.

The farmer Kaspars surprised me in the middle of our conversation saying “Sometimes I think that Latvians are crazy”. To my question whether he means that in the context of high number of land deals, his reply does not leave my mind:

Latvians somehow live only for one day. I sometimes look at people and things around me. What do they think if they can sell a property for 30 thousand Euros and spend all that in a half year? It is only understandable that you will sell the land to those who bids the most. On the one hand why should I sell for a third cheaper only due to the patriotism? Everybody wants to live better, everyone wants to earn. I don't condemn anyone who does that. I think that the state is to be blamed, not the people. That should be controlled.

I discovered an interesting contradiction in the perception of foreign investments among the two representatives of MoERD. One of the representatives said that “on average those farmlands that have been bought by foreigners are used for agricultural production”. Her colleague at the same time stated that it creates problems for local farmers who want to expand. “It is quite hard to compete with prices that foreign citizens offer for a hectare of farmland”. He points out that “there cannot be an unequivocal belief that foreign investments in rural areas would be a significant contribution to the regional economy”. The farmer Kaspars also is very sceptical towards seeing investments as contribution: “I don't say anything about investors in production and construction sectors. They create jobs, pay taxes. Yet in agriculture they buy land and do nothing. The land I am leasing was unmanaged for 5-7 years! They couldn't even find where the property I am interested in is.”

However all of the informants accentuate that most of the foreign companies do not use farmland for agriculture production themselves, but lease it back to the local farmers. Investors do not want to sell land as the prices are increasing every year and they want to gain the biggest profit possible. However, farmers rather would like to have land in their own possession as it is safer in the long-term.

While foreign investors were not willing to sell acquired farmland a few years ago, now the situation has changed. According to the representative of FP, foreign companies are slowly releasing some of their property from their possession. He speculates that it might be related to what is happening in Ukraine, making potential investors perceive Latvia as an insecure place to invest. Another reason might be the limited amount of hectares which can be owned by one company or a natural person – 2000 ha.

I would like to point out that there have been initiatives to draw wider attention to the problem of investors in Latvia. On the 21<sup>th</sup> of January 2014, the day when amendments of the Law on Land Privatisation in Rural Areas were reviewed in the Cabinet of Ministers, there was a manifestation against selling land to the foreign investors. Farmers and farmers' organisations handed out soil in plastic bags which symbolized how easy it has been to distribute farmland to everyone that wanted to acquire it (TVNET, 2014). The same year the chairman of the board of the Cooperation Council of Farmers' Organisations, Armands Krauze, started a public initiative to forbid foreigners from acquiring land in Latvia (BNS, 2014). He stresses that as the Parliament cannot establish a law that would forbid foreign investments due to the aforementioned Treaty on the Functioning of the European Union; the only option is a referendum (BNS, 2014).

Two years later over 10 000 votes were collected and the initiative will be submitted to the Parliament (Mana Balss, 2016). A referendum might however take a place only next year (2017). Meanwhile, according to the representative of the FP, early this year, MoA had received a letter from the European Commission (EC) asking to report whether new restrictions do not clash with the free movement of persons and capital of the EU. MoA explained that the same restrictions apply for Latvian citizens. There has not been any further response or action from the EC.

Foreign investors have always been more interested in forests than farmland as it doesn't require that much work. A member of the Parliament in the online Latvian newspaper "Ir" therefore asked before these amendments: "Latvian forestland in 1935 was 27%, now -58%. One has to ask, what is the strategic goal of our government and the Ministry of Agriculture? Do we want to afforest Latvia up to 70%, 80%, 90%?" (Naudiņš, 2014).

To conclude this section, investing in farmland and forest land is very common among pension funds of Scandinavian countries through foreign companies (mainly forest companies). Despite that some of the interviewees mentioned this fact, they did not elaborate and I did not insist. These investments are carried out seemingly quiet and unnoticed and I have not been able to find reliable and recurrent information.

#### 5.4 Socio-economic outcomes for Alūksne municipality

There are two distinct ways of thinking about foreign investments in farmland:

1. they negatively influence economic situation in rural areas and changes rural identity in the countryside;
2. they positively influence national economy and helps to modernize agriculture in rural areas.

The subsection 5.3. already showed a significant tendency toward the first way of thinking in the overall perception of foreign investors; yet through a case study I aimed to identify particular socio-economic impacts for Alūksne municipality. Due to the lack of statistics and also my interest in qualitative assessment, these outcomes will not be stated as quantitative data but as opinions of local people.

I chose Alūksne municipality on the basis of data presented in the methodology section and expected high prevalence of foreign investors throughout the municipality. However, the situation on the ground appeared to be different than expected. While there is presence of foreign investors in almost every parish, new land transactions happen rarely in the past years. As I got informed by the spatial planner of the Alūksne municipality, last year only one foreign company was applying for a land deal for local government committee to review the deal. This land deal was accepted but another one from another foreign company this year was not, as none of the owners or permanent employees had agricultural education. Since the

establishment of land committees, 90% or even 95% of all land deals have been carried out by Latvians, she says. It is hard to precisely tell how much farmland in the Alūksne municipality that has been acquired by foreign investors before the local government committees. The work of committees certainly can contribute to more precise statistics. Kaspars tells me that when he was a child there were 30-40 children in the local school, everyone had a household garden and was engaged in subsistence farming. Now, after approximately 15 years, only 4 or 5 out of 8-10 landowners have remained at the parish. Half of estates with farmland have been sold to foreign investors. He speculates that if there would be a big landowner in the parish, the land might have been acquired by him since big landowners usually are able to compete with foreign investors. Yet, there is no big farm nearby and he says: “if the land is not at any point of interest, of course foreigners will buy it”. According to him, no agricultural production directly by the foreign investors are carried out, the land is being leased out.

I however decided to take a look at another parish - Liepna parish, located at the border of the Russian Federation. According to the farmer Raivis, who owns an organic farm in that particular parish and leases land from Swedish company, there is a Danish farmer in the parish who owns around 1000 ha of land, which is being used for the agricultural production. Raivis is however sceptical towards his contribution, indicating that the money from the Danish farm stays neither in the parish nor in the municipality but is rather “taken out”. The specialist of spatial development of the Liepna parish added that the Danish farmer does not hire local people, but brings two workers with him from Denmark. Neither does he use local service providers such as hairdressers and carpenters, who greatly rely on local people. Furthermore, as the Ltd. company he owns is registered in another municipality, the particular parish does not receive any income-tax. In this particular case, it can be seen that even though the land is used for agricultural production, there are many other aspects to be taken into the consideration, in order to fully evaluate the contribution, such as where the company is registered.

Yet, Raivis emphasises that in the last years “our farmers are getting stronger”. He continues:

They don't let foreigners acquire land. They have realised that the land has a value. They pay big money just not to permit foreigners to do it. At least here it is like that. Only if foreigners manage to arrange the purchase directly but if the locals get to know first, then it will not happen.

Lauris, who is one of the big farmers able to compete with foreign investors, tells me that people are coming to him and offer to acquire the land if they have decided to sell it. They trust that he will offer a good price and carry out all the necessary bureaucracy.

## 5.5 Farmer's daily life – tangled land market and bureaucracy

While waiting for one interview, I was sitting outside the client information centre of the Land Support Service in Riga and I saw continuous information on the screen of various changes and various forms that had to be filled in and submitted electronically. That raised a question, what it is like to be a farmer in a system where every action has to be documented by extensive paperwork and what are the main issues that farmers have to face?

It is important to point out the main problem of every farmer who would be interested to expand their estate is that there is no available land. There are around 1.8 million ha of land used for agricultural purposes, which is almost one fourth of the arable area in 1967, when agricultural land contributed to 3 million ha (Delfi, 2012). With weeds and bushes overgrown fields are evident almost everywhere and as the representative of FP says it is almost impossible to return the field which has started to overgrow with trees back to the agricultural production. Besides, this lack of land has certainly influenced prices. However, it is worth to point out here that prices significantly vary from region to region as the quality of soil differs. There is one particular region, Zemgale, located in the Southwestern Latvia, which has always been an agricultural production centre. There the average price for buying a hectare in 2014 was 3497 Euros, while in Vidzeme, which Alūksne municipality belongs to, it was 1356 Euros, but in the region of Latgale the price was only 896 Euros per hectare (CSB datubāzes, 2014). Prices can also differ within one municipality from parish to parish, due to topography and previous use of land.

In these tough market conditions, it is important to keep ears and eyes open for every possible land transaction. Gustavs and Lauris state that only if you know that somebody is selling the land, there is a chance to acquire it. Being a local therefore is an advantage. However, it does not help in situations where people want to quickly carry out a land deal. Local farmers usually need to obtain credit in order to be able to accomplish the land deal, even if they offer the same price as foreign investors. Most of the time foreign investors, however, have access to free financial capital and do not have to apply for credits. Raivis, who cultivates around 90 ha of land in an organic manner, sadly says: “no matter how patriotic we are about Latvia, when it comes to money the biggest profit is the most important”.

“The bureaucracy is enormous! There are far too many inspectors” the representative of Latvian Farmers’ Federation (LFF) cries out regarding the number of various inspections farmers are subjected to. She adds that there have been situations when farmers are crying after an inspection carried out in a humiliating manner and she has gone to the Ministry of Interior Affairs to bring it to notice. The situation however has improved and she hopes that after a while there will not be any cases of offensive inspections. Gustavs argues that in many cases several inspections are looking at exactly the same issues and they do not have a unitary database. Gustavs also mentions another interesting aspect - the lack of statistics. According to him it is not clear how much of what Latvian farmers should produce and sometimes various sources give contradictory statistics.

Constant amendments in regulations, long bureaucratic operations, frequent inspections and furthermore, work on the field, which is how the everyday life of a farmer looks like. Despite that being a farmer is not easy three of four farmers I interviewed did not make any large complaints. No doubt there are many things to be improved, but the farmers seem to be used to constant pressure from the State institutions in appearance of various requirements in order to receive direct payments, uncertain weather conditions and continually changing market prices.

Kaspars however said that he will leave agriculture for good when the project he is a part of will end. He is the youngest of all the farmers, 25 years old and he continued his father’s work, but he resides in Riga. Two years ago Kaspars applied for the financial support through a project from the EU to start agricultural production as a young farmer with agricultural education and received it. However, agricultural production



proved to be a quite unprofitable and effort-demanding business, which is hard to maintain when not being at the farm. Therefore, he will not continue after the end of the project.

To the farmers I interviewed, agricultural production seems to be a family business and a part of their identity. All of them are locals, their parents have owned a farm and now their children, except of Kaspars, who does not have any children, help them. The daughter of Lauris has returned to the parish and helps her father with legal and financial issues and the son of Gustavs not only helps his father, but also has his own farm. Raivis joyfully told me that all his family is involved in seasonal work and therefore he does not have to hire external labour.

## 5.6 Trends in Latvian agriculture and rural life

After exploring the legislation regarding agricultural production, land transactions and farmland management and questioning farmers, representatives of governmental and non-governmental organisations, the impression I obtained was that Latvian agriculture is moving towards large-scale agricultural production and the State is supporting mainly large-estates. Farmers seem to concur with it. Meanwhile a representative of the Ministry of Agriculture, through email correspondence, informed me that the state's stance is to support small and medium size farms as stated in the Latvia's Rural Development Programme (2015). Furthermore, excerpts from the reports for the press by the former Minister of Agriculture Laimdota Straujuma was added where she states that: "It is essential to us to keep small and medium farms and ensure that they are able to provide their families and the remaining the rural population. In addition we should foster the involvement of those farms in the production" (Zemkopības ministrija, 2013).

Sadly, the support in the appearance of annual payment of 500 Euros for small-holders created in 2015 (Lauku atbalsta dienests, 2016) might have come too late. Gustavs says that the small-holders are dissolved. To explain why he thinks so, he tells me that 20 years ago there were many small-holders in Vireši parish that had a few cows for milk production. Yet, the price for a litre of milk offered by the national dairy companies was two or three times less than for the milk obtained from the small-holders than from the big farms. "Is there any logic in this? That's how they were destroyed!" he cries out with a slightly noticeable anger. This is an interesting fact, which I did not however study more profoundly. Dairy industry is yet another field of study as there is still a protracted crisis in this sector and the competition between dairy companies from all three Baltic States.

Kaspars is very critical about the development of agriculture in Latvia as such. "I believe that Latvian agriculture is close to the border of extinction". Then he quickly adds: "I might think wrong because I am a small-holder. Small-holders will not be able to exist". The reason why he thinks so is that present situation is not favourable for new farmers to enter the sector, meaning that there will not be a change of farmers. Lauris also believes that young farmers will start agricultural production only in cases when the land is inherited. "Large-farm owners can survive prices, but young ones do not have any safety cushion" he adds, meaning the high prices of farmland and low purchase prices of agricultural produce. Raivis agrees that young farmers do not have many opportunities to enter the sector, but he is more optimistic regarding the existence of small farms. "I think that small-holders will continue to exist, but they will have to create some kind of co-operatives".

The conversation with the representative of Latvian Farmers Federation was mainly spent on discussing small-holder problems and extension of rural areas and not the foreign investments. “Our organisation worries that the big farms will withstand the pressure as they are being supported in many ways, while the small and medium size farm holders will break under the pressure. It’s a pity since they are nature-friendly”. She admits however that the situation nowadays is better than five or six years ago, when rural areas were seen as economically inefficient. Besides previously mentioned support payments, people are able to apply for LEADER projects financed by the EU. She admits with serious voice: “Europe is saving rural areas of Latvia unequivocally”.

Later during the conversation she mentions a statement made by the investment banker Ģirts Rungainis that caused passionate discussions among the society: “Why people should live in rural areas? Rich countries can afford to maintain rural areas. The country-side does not feed us, but town dwellers pay the taxes and maintain the country-side” (db.lv, 2015). The representative of LFF disapproves by saying:

Cities are attached to rural areas and not vice versa. Riga by itself cannot pull the whole country through. Where should we put all those people? Do all of us have to be clerks in Riga? Why?

Latvian countryside is not just a ploughed field. In Latvian countryside people live and work in a synchronized manner.

The latter statement by her is a try to draw the attention to land as an essential part of rural identity. Foreign investors seem me to undermine social and cultural significance of land while local farmers are more attached to land and agricultural production is a part of their lifestyle, not only a business. However, this attachment is not expressed directly, but rather by the tone of the voice and depictions of how Alūksne municipality looked 20-25 years ago. Life in rural areas significantly changed after the dismantlement of collective farms, which were one of the biggest employers next to the agricultural machinery services and factories, which also were closing one by one. Gustavs with regret says that almost none of the employment opportunities they had, have left in Alūksne municipality anymore and people have to go abroad in order to find job. Therefore he says that collective farms could have been retained as they provided jobs and local agricultural produce.

## 6 Discussion

### 6.1 The role of the state

The state is not a neutral and passive actor, but exactly the opposite. The current global land rush has proved states to be actively and directly involved in land transactions (Borras et al., 2012). It is hard to believe that foreign investors would enter the country by invest if the target country would not have created encouraging conditions. Yet these conditions are not always a result of deliberative action towards opening the state for foreign investments in various sectors. Sometimes they are effects of unsuccessful governmental programs. My empirical findings proved that the wrongly implemented land privatisation after the restoration of independence in Latvia is the cause of the first wave of speculative land deals that partly involves foreign companies. Although we can only speculate what would have been the best scenario of economic and political development and how the process of land privatisation could have been carried out in more successful way, it is clear that some actions did not go so smoothly as planned but had negative impact on the agricultural sector. The question is why these problems emerged?

Foucault's concept of governmentality can be divided into sub-concepts. Firstly, there is a *governmental rationality* - "right manner of disposing things" (Foucault, 1991:103). Just after regaining independence from the Soviet Union, free-market economy and neoliberalism<sup>4</sup> was seen as a big step closer to the West. In addition, after decades under Soviet occupation and imposed collective farming, private property rights in Latvia were seen as fundamental human rights (Neimane, 2004) and as in other post-socialism countries symbolized the break of ties with socialism (Sikor and Lund, 2009). Therefore, the newly established Latvian government saw the neoliberal policy model as the best means for acquiring better ways of organizing society (Dean, 2010) and thus neoliberalism became the base for governmental rationality. The particular land privatisation that started in early 1990s consequently was a way how to make this rationality "practical and technical" (Dean, 2010:27), usually referred as governmental *programs*, and private property rights were "the goal to be accomplished" (Li, 2007:279).

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<sup>4</sup>. In this study I refer to the definition of neoliberalism by Harvey (2005:2): "Neoliberalism is in the first instance a theory of political economic practices that proposes that human well-being can best be advanced by liberating individual entrepreneurial freedoms and skills within an institutional framework characterised by strong private property rights, free markets and free trade. The role of the state is to create and preserve an institutional framework appropriate to such practices."

The above mentioned urge to break any ties with the Soviet regime, communist ideology and planned economy might be one of the reasons why the process was carried in rapid and not fully considered manner, and was regulated by high number of regulations. Yet, this urge pulled the wool over the eyes of the members of a newly established system that were unable to see the concealed aspects of the new neoliberal rationality and the caveats and deficiencies of the privatisation program. To clarify: in a neoliberal state “the free mobility of capital between sectors, regions, and countries is regarded as crucial” (Harvey, 2005:66). However, it is questionable whether a country that was striving to free itself from the Soviet influence and develop its own economic and political framework was ready to adopt a completely different policy model that rapidly. Another aspect is that in a neoliberal system, power usually is in the hands of economic elites as a result of extensive privatisation of various sectors (Harvey, 2005). I can identify similar processes, what Harvey (2004) would call “accumulation by dispossession”, in relation to the land privatisation in Latvia, where the privatisation has been used as a tool to transfer property rights in land from one group of people to another.

An aspect worth discussing is the dismantlement of collective farms. Buildings, machinery and land - all were privatized mainly by the economic elite. Collective farms symbolized the imposed Soviet regime that had to be disposed of. Unfortunately, this act of riddance significantly damaged the whole agricultural sector in Latvia that experienced a rapid downward trend. However, there were forward-looking collective farms that continued their work on the basis of the collective farm in another company form with the same facilities as the Ltd. company co-owned by the farmer Gustavs. Yet, I believe that not all of the collective farms had to be privatized, but some of them could have stayed in the possession of the state. Most of the collective farms by the end of the 1980s were working quite successful comparing to the beginning of the collectivisation where they were obliged to fulfil utopic plans.

The state has never directly encouraged foreign investors to enter the country or developed mechanisms that would attract them. Yet, what could be seen just after the regaining the independence was the lack of the invisible hand of the government or the ‘conduct of conduct’ (Dean, 2010). Freedom seemed not to have any apparent borders and individuals did not consider the consequences of their actions or in other words, there was also a lack of ‘self-governing’ (Foucault, 1991). That might explain why people sold the farmland or forests they have acquired, in some cases even the land they live on. After 60 years of suppression the act of freedom meant more than to pause for a moment and think of long-term benefits. It would be easy to blame the people as they were the ones who sold land to foreign investments and not the state itself, but it was the governmental rationality and ineffective ‘conduct of conduct’ that authorized it. Let me remind you what farmer Kaspars said: “I think that the state is to be blamed, not the people. Land transactions should be controlled”.

These days, after 25 years of accumulated experience, ‘self-governance’ of individuals seems to be developed to the level that before making the decision, consequences regarding self and others are taken into consideration. Yet, at the same time new challenges for the state and its neoliberal discourse have emerged - free movement of persons, goods and capital of the EU among them.

## 6.2 Limits to the governmental power

Governmental power has limits, it is not “homogenous and totalising” (Li, 2007:276). Therefore, in this subsection I aim to discuss how these limits viewed from four axes by Li (2007) as presented in the Chapter 2, might explain the situation with foreign investments in Latvia. These limits should not be viewed separately, but rather as a whole that contributes to each other.

Firstly, power is not the same as force. What differentiates power and force is that under power the target has the capacity to act while ultimate force and control requires violence (Li, 2007). Governmental power in this case has been translated through the legislation that did not allow foreigners to directly purchase land. Here I would like to draw attention once again to the fact that it is only since 2014 other European Union citizens are eligible to purchase land directly and citizens from other countries are still not eligible to do so. However, there were and still are ways to bypass these restrictions, by for example establishing a Ltd. company in Latvia with 100% foreign financial capital. Governmental power was also limited regarding Latvian citizens and its land deals as the state cannot control to whom land is being sold. Yet, this aspect has changed since 2014 when all the land transactions were reviewed by the local governments.

Secondly, governmental power does not act in the vacuum, but in relation to people - a population and its sets of processes and relations, histories, attachments and solidarities. This aspect however cannot explain the wave of land transactions just after the land privatisation process, but rather why now people tend not to sell the land to the foreign investors. Local people have regained the attachment to the land as a part of a rural identity that has cultural and social significance and rapid land purchases are now part of the history that reminds of ‘lost land’. Therefore the capacity of the EU interventions faces the limits as there is an intrinsic resistance.

Thirdly, Li (2007:277) draws attention to the fact that “any governmental intervention risks producing effects that are contradictory, even perverse”. This limit therefore might explain reason behind the land transactions in early 1990s in Latvia. Neoliberal rationality and the forms of knowledge of the government did not coincide with the forms of knowledge of the people. The freedom gained through the new neoliberal discourse and its meaning to the governor (newly established government of Latvia) was translated into essentially different meaning compared to the meaning of the rest of the people their form of knowledge. That is, private property rights were supposed to be as basic human rights, to give citizens power of possession. However, this sudden possession was not always sufficiently assessed and was seen as a way to gain profit. Therefore, before any intervention it is important to look whether forms of knowledge coincide and if not; what risks and effects the intervention might bring.

Lastly, governmental programs are not always successfully translated into technical questions that achieve improvements and efficiency. There is almost always a gap between what is expected and what is achieved. Privatisation process in 1990s in Latvia serves as a good illustration. Private property rights were seen as a way to secure individual freedom, but unfortunately resulted in helping the officials to purchase land and not the peasants. Officials had information about available land and they also had resources to acquire it comparing to the local farmers that in many cases lacked of both. This created economic elites that still have power and advantages over farmers, which is one of the trademarks of neoliberalism (Harvey, 2005).

### 6.3 Farmers' lifeworld and the colonisation of it

The everyday life of farmers is strongly influenced by the decisions that are being made by the state. Every political action, changes in market prices, change in political discourse etc, all reflects in the farmers' lifeworld. Therefore, it was self-evident that also foreign investments have influenced farmers' everyday life. In order to fully grasp the situation with foreign investments in Latvia, it is necessary to see what role these investments play in the lifeworld of local farmers and from what other aspects it consists.

What caught my attention during the interviews with the farmers was that at first they did not acknowledge foreign investors as an issue that affects their own everyday life, even though two of farmers I interviewed, leased land from foreign companies. The farmers rather talked about foreign investors in general, but not that much about specific companies or their own experience with them. As I presented in the previous chapter, competition in the land market is very high and that might explain why there is not very distinct division between foreign and local land purchasers as everyone is a competitor. This struggle for land is strongly incorporated in their lifeworld and seems to be taken for granted.

However, general opinion on foreign investors reflected in media and society is negative and is already institutionalized through the typifications rooted in the history of number of conquests and occupations (Berger & Luckmann, 1966:72). Such institutionalized perceptions and pre-judgments "control human conduct by setting up predefined patterns of conduct" and therefore there is a tendency of generalization even if not all foreign investors are representing investment funds that are mainly perceived as bad.

Furthermore, I discovered that farmers' lifeworlds are being colonized by extensive bureaucratisation and "monetary redefinition of goals, relations and services" (Habermas, 1990:322). Farmers in their everyday life are constantly concerned about amendments in legislation that might influence the agricultural production or requirements for acquiring support payments, they always have to follow market prices of milk and grain, weather forecasts and more. Everything has a monetary value and this bureaucratisation and monetarisation according to Habermas (1990) is the reason of devaluation of cultural and social aspect in public and private spheres. Due to the colonisation of the lifeworld that is happening not only among farmers, but among everyone in the modern society, questions of how important rural areas are in the country and whether agriculture is a business or a lifestyle are relevant. Empirical findings show that interviewees incline towards seeing agriculture as a part of national identity and recognise the importance of sustaining family farms, yet the commodification of land that happened after introducing capitalist mode of production cannot be reversed.

Despite that farmers did not elaborate extensively on social relations, but rather superficially mentioned them, I still noticed the importance of social relations within the family and between neighbours and local inhabitants. These social relations can be analysed through applying four categories founded by Schütz (Inglis, 2012). All of the farmers despite the size of the farm rely on their 'consociates' - family and friends who help on the farm. 'Contemporaries' are other local people who live in the same village and farmers employ them. The farmers emphasized that it is important to have a good relationship with 'contemporaries' as those who own land and want to sell it might turn to the farmers they trust and not the unknown foreign companies that might have speculative intents. Local residents are also the ones who can help with seasonal works. One farmer also talked about forming a cooperative of local organic small-holders as a way to compete better with large agricultural producers. Interviewees also referred to how Latvian rural areas have looked before when almost everyone in the countryside had some animals and had at least a vegetable

garden. By sharing these stories they refer to 'predecessors' and their influence. The last category that I believe is the most important are the 'successors' - the next generations - that will live in the future. Every land transaction and decision over land therefore has to be viewed from the future's perspective - what kind of country we would like to see and what the next generations will receive. However, farmers are aware that the next generation might not necessarily farm and they might even not be able to acquire land.

#### 6.4 Lack of place attachment and commodification of land

Putting together all pieces of the information I was able to acquire, it is possible to conclude that reasons of farmland acquisitions are the lack of place attachment (Giuliani, 2003) and consequent process of the commodification of land recognized by Margulis et al. (2013) and Peluso and Lund (2011). People who sold land were usually the heirs of historical owners and most of the times they did not have any bonds of affection to land they inherited. The property might have been located far from the actual place of residence, somewhere in the countryside they have not even been before and therefore selling the land was considered as a fast and easy way to become wealthier. Therefore many people according to the interviewees decided to sell land. However, sense of monetary value was not yet developed as free market was recently introduced and that worked in favour to foreign investors that were aware of monetary value of land and the potential of it in the capitalistic conditions. It is also possible to speculate that due to being born and raised in the time period of collective property heirs of historical owners were not able to see and assess the social value of private property in comparison to those people, who actually owned land and farms before the collectivisation took place. According to the informants the real historical owners usually were strongly attached to regained properties and were not interested in selling.

Karl Polanyi wrote decades ago that "What we call land is an element of nature inextricably interwoven with man's institutions. To isolate it and form a market for it was perhaps the weirdest of all undertakings of our ancestors" (2001 [1944]:187). He also warned: "To allow the market mechanism to be sole director of the fate of human beings and their natural environment indeed, even of the amount and use of purchasing power, would result in the demolition of society" (2001 [1944]:76). Yet, cultural and social significance of land has changed over the years due to modernisation (De Schutter, 2011). Land did not imply a value of identity and sense of belonging anymore, but just a plain monetary value. In other words, land was financialised - just another form of capital for the market where money creates money (Sarkar, 2015).

Almost three decades have passed since the start of rapid land commodification in Latvia. In the last few years, however, the number of land transactions seems to be decreasing. Yet, in every municipality there is a certain percentage of farmland and forestland owned by foreign investors, in some municipalities more than in others. In many cases as pointed out before, land is not directly used for agricultural production therefore the contribution of investors is questionable. For many years this issue seemed unimportant and irrelevant to the politicians and the society. However, now both spheres have started questioning whether land truly is only a business or it also provides social security and identity.

## 7 Conclusion

This thesis aimed to study farmland acquisition by foreign investors in Latvia from different perspectives including describing how land transactions are regulated by the national legislation; by exploring the farmers' lifeworld to see how these investments influence them and how they are perceived and by qualitative evaluation of socio-economic outcomes for the Alūksne municipality.

Analysis of laws and regulations regarding land transactions and complementary interviews showed that direct purchases of land by foreign citizens from other European Union member states could only be carried out since 2014 when the restrictions could not be extended due to the Treaty on the Functioning of the European Union. This Treaty envisages free movement of capital and goods, therefore EU citizens are able to purchase land in other EU member countries. Yet, previous restrictions were not an obstacle for foreign investors as it was possible to register new daughter companies in Latvia or find a middleman. However, when the restrictions regarding direct land purchases were about to expire, amendments in the law on Land Privatisation in Rural Areas were realised in order to legally restrict foreigners. Yet, most of the interviewees believe that these restrictions, in a form of various requirements in order to carry out land transactions, will not limit foreign investors, but rather will be a burden for local small-holders and young farmers.

Exploration of farmers' lifeworld not only through the interviews with the farmers but also the representatives of farmers' NGOs revealed more aspects than I expected. Firstly, I discovered that farmers seemed to be avoiding expressing their opinion about foreign investors in comparison to the representatives of NGOs who clearly stated foreign investments as a problem. It could be explained by that farmers have accepted the presence of foreign companies in the land market and do not perceive them as different compared to big Latvian companies. Furthermore, prices have levelled out and at the moment there is no significant gap between land prices offered by local and foreign market participants as it was a decade ago. Rather it is possible to talk about struggle between big land owners and small-holders as the land market and above mentioned amendments seem to be in favour to large-scale farms. Yet, all interviewees mentioned land privatisation in 1990s as a main reason why foreign investors entered the land market. I would also identify privatisation as a cause of land commodification because interviewees mentioned that until the mid-1990s rural areas were significantly populated and most of the people used to be engaged in subsistence farming. The process of commodification took place mainly due to the lack of place attachment to returned properties. Those were mainly heirs of historical owners who did not have any bonds of affection as they had



never owned a property, but in accordance with legislation they were able to apply for the property or receive compensation.

Agricultural production seen as a business is an overarching perception, however to the farmers I interviewed, it goes beyond the business and is also a part of their identity. Yet, all these farmers have inherited part of land they cultivated and they lived on the farm. Undeniably the change of cultural and social significance of land is also influenced by the shift from socialist to neoliberal ideology and the process of colonisation of the lifeworld caused by bureaucratisation and monetarisation of everyday practices.

Interviews with local farmers of Alūksne municipality and representatives of local administration revealed that, despite the data from the State Land Service, prevalence of foreign investors have decreased in last years and foreign companies own more forest land than farmland. In many cases the land is not used for agricultural production directly by the investor, but is leased to the local Latvian farmers. The investors do not want to sell the land as the value is increasing every year, therefore farmers are forced to lease land without knowing how long the land will be available. Farmers do not want to invest in their work and money for the fields that do not have long-term perspective. However, there is a Danish land owner in Liepna parish who cultivates land himself. Yet, according to the information acquired through the interviews with the specialist of spatial development of Liepna parish and local farmer, as the company is registered in another municipality, Alūksne municipality and Liepna parish do not receive income tax. He also does not hire local labour, nor use local service providers such as carpenters and technicians. However, local farmers usually tend to create jobs for local residents. Keeping residents in the parish means that there is also an opportunity for various service providers to develop. Furthermore, if the parish is populated, the state has to provide local healthcare and schools. Therefore, it is important that there is a constant flow of supply and demand, which in Liepna parish unfortunately has been hampered.

These conclusions could not have been obtained if qualitative data had not been acquired. Only numbers themselves are not able to illustrate the situation in order to fully evaluate the influence of farmland acquisitions or land grabbing in general. To fully assess the situation more comprehensive study should be carried out that was beyond the scope of this thesis. Yet, an overall conclusion is that: as many foreign investors do not use the land for agricultural production itself but lease the land to local farmers, no significant contribution to economic situation on the local or national level can be observed. In addition, foreign investors are a burden to local farmers as they are significant competitors and this competition considerably increase land prices in the market. However, the situation might change in few years as stricter requirements for land transactions and maintenance of land have been introduced, hopefully diminishing number of speculative land transactions.

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## LEGISLATION

- Bill of amendments for the Law on Land Privatisation in Rural Areas, 2014, Ministry of Agriculture of the Republic of Latvia.
- Decision on Agrarian Reform in the Republic of Latvia, 1990. *Ziņotājs*, No. 29.
- Law on Land Management, 2015. *Latvijas Vēstnesis*, No. 228.
- Law on Land Privatisation in Rural Areas, 1992. *Ziņotājs*, No.32.
- Law on Land Reform in Rural Areas in the Republic of Latvia, 1990. *Ziņotājs*, No.49.
- Law on Family Farms in Latvian Soviet Socialist Republic, 1988. *Latvijas Padomju Sociālistiskās Republikas Augstākās Padomes un Valdības Ziņotājs*, No.46

## Appendix I – List of interviewees with detailed description

Occupation/Position	Description	Location	Age
Two representatives of the Ministry of Environmental Protection and Regional Development, Spatial Planning Department, Land Policy Division	Have shared responsibility with the Ministry of Agriculture of land policy in Latvia. Part of the authors of the Law on Land Management	Riga	-
Senior expert of the State Land Service of the Republic of Latvia, Real Estate Valuation Department, Valuation Development and Analysis division	Co-author of the Overview of the Real Estate Market (Valsts zemes dienests, 2014).	Riga	-
Representative of the NGO Zemnieku Saeima (Farmers' Parliament)	The largest and one of the most influential farmers' organisations in Latvia. Among goals are representing the interests of Latvian farmers on national and the EU level <sup>5</sup>	Riga	-
Representative of the NGO Zemnieku Federācija (Farmers' Federation)	The oldest farmers' organisation that is in favour for rural areas as space for preservation and development of national identity <sup>6</sup>	Riga	-
Spatial planner of Alūksne municipality	Member of local government committee of land transactions	Alūksne	-
Specialist of spatial development of Liepna parish	-	Liepna parish	-
Local farmer and local politician Lauris	One of the biggest farm-owners in the municipality. Cultivates 1500 ha of land, half of that is in the possession, other half is taken on lease from various owners including foreign companies. Employs around 20 local workers. Crop and milk production	Mālupe parish	~50
Local farmer and local politician Raivis	Cultivates organic grain in 80-90 ha of land from that owns around 40 ha. The rest is leased from various owners, including the local government. Family farm	Liepna parish	~55

<sup>5</sup>. Zemnieku Saeima. (2016). About us. [Online] Available at: <http://zemniekusaeima.lv/en/about-us/> [accessed 10 May 2016].

<sup>6</sup>. Latvijas Zemnieku federācija. (2016). Par mums. [Online] Available at: <http://www.lzf.lv/par> [accessed 10 May 2016].

Local farmer Kaspars	Cultivates grain in 48 ha of land, among them 30 ha are in the possession, 14 ha are leased from Swedish company and the rest from various local owners. Started two years ago on the base of father's land and with financial help of the EU	Alsviķi parish	25
Local farmer Gustavs	One of the 50 co-owner of the limited liability company established on the base on <i>kolkhoz</i> . Cultivates 700 ha, half of them is owned by the ltd. Crop production and livestock farming for own consumption	Vireši parish (Ape municipality)	56