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**AGRO-INDUSTRY PRIVATIZATION
IN LATVIA**

**FINAL REPORT
(VOLUME 1 OF 5)**

JULY 30, 1993

**REFERENCE CONTRACT NO.
EUR-0014-I-00-1058-00**

DELIVERY ORDER #9

FINAL REPORT

VOLUME 1 OF 5

Contents

1. EXECUTIVE SUMMARY

- 1.1 Introduction
- 1.2 Overview
- 1.3 Current Status of Privatization
- 1.4 Opportunities for Future Assistance

2. THE DAIRY SECTOR

- 2.1 Overview of Activities
- 2.2 "A Report on Selection of Dairy Processing Plants for Pilot Privatization" (October 5, 1992)
- 2.3 "Topics Requiring Attention in Developing Cooperative Charters, By-laws and Contracts" (February 4, 1993)
- 2.4 "Implementation of the Law on Privatizing State Dairy Processing Enterprises" (February 9, 1993)
- 2.5 Bauska Piens
 - "Business Valuation Report for Bauska Piens" (June 9, 1993)
 - "Environmental Assessment of Bauska Dairy" (June 12, 1993)
 - "Privatization of the Bauska Milk Processing Plant: A Legal Analysis"
- 2.6 Priekule Piens
 - "Business Plan for Priekule Dairy Processing Plant" (June 1993)
 - "Financial Details"
 - "Environmental Assessment of Priekule Dairy" (June 12, 1993)
 - "Privatization of the Priekule Milkery: A Legal Analysis" (June 1993)
- 2.7 Tukums Piens
 - "Business Plan for Tukums Dairy Processing Plant" (June 1993)
 - "Financial Details"
 - "Environmental Assessment of Tukums Dairy" (June 12, 1993)
 - "Privatization of the Tukums Milk Processing Plant: A Legal Analysis" (June 1993)

VOLUME 2 OF 5

Contents

3. THE GRAIN SECTOR

3.1 Overview of Activities

3.2 General Industry

3.2.1 "Industry Characteristics and Strategy to Privatize Enterprises in the Grain and Grain Processing Industry: Draft Report" (February 1, 1993)

3.2.2 "Industry Characteristics and Strategy to Privatize Enterprises in the Grain and Grain Processing Industry: Report No. 2" (May 15, 1993)

3.2.3 "Comments on the Draft Law of 2/22/93: "On the Latvian Grain Market and State Grain Reserves" (April 15, 1993)

3.2.4 "Comments on National Grain Production Program" (March 22, 1993)

3.2.5 "Discussion Paper on Farm Programs" (April 29, 1993)

3.2.6 "Status Report on Latvian State Feed Mills: April 1993" (May 28, 1993)

3.3 On Latvijas Labiba

3.3.1 "On Restructuring *Latvijas Labiba*" (December 18, 1992)

3.3.2 "Discussion Paper: Restructuring and Privatizing Latvijas Labiba: Guidelines for Implementation" (January 25, 1993)

3.3.3 "Comments on the Draft Law of 1/28/93: "On the Latvian Grain Market and State Grain Reserves" (February 8, 1993)

3.3.4 "Comments on The Charter of Latvijas Valsts Labiba Birojs" (February 1993)

3.4 Bakeries

3.4.1 "Bakeries - Privatization Plan" (June 1993)

3.4.2 Sample Investment Packet for Druva

- General Information
- Bakery Notes
- Financial Statements
- Notes to Financial Statements

3.4.3 "Bakeries - Reports on Individual Enterprises" (June 1993)

- Notes to Financial Statements
- Abra
- Balmaiznieks
- Jelgava
- Liepaja
- Rezekne
- Ventspils
- Vidzeme

4. GENERAL

"Farm and Agribusiness Privatization in Latvia" (March 12, 1993)

5. AID MONTHLY REPORTS

5.1 June 1992

- Latvia Country Briefing

5.2 July 1992

5.3 August 1992

- "Current Status of Collective and State Farm Privatization and Models for Dairy Producers Associations in Latvia" (September 3, 1992)

5.4 September 1992

5.5 October 1992

5.6 November 1992

5.7 December 1992/January 1993

5.8 February/March 1993

APPENDIX: TRANSLATED DOCUMENTS

VOLUME 3 OF 5

Contents

- A. DOCUMENTS IN ENGLISH
 - A.1 Laws
 - A.2 Resolutions, Orders, Decrees
 - A.3 Tables, Charts, Schemes

APPENDIX: TRANSLATED DOCUMENTS

VOLUME 4 OF 5

Contents

- A. DOCUMENTS IN ENGLISH (continued)**
 - A.4 General Privatization Documents: Forms, Regulations, Recommendations**
 - A.5 Privatization Documents for Specific Enterprises: Privatization Projects, Business Plans, Charters, etc.**
 - A.6 News Summaries**
 - A.7 Miscellaneous**

APPENDIX: TRANSLATED DOCUMENTS

VOLUME 5 OF 5

Contents

B. DOCUMENTS IN LATVIAN

B.1 Comments on Laws and Other Documents

- On Reognization of *Latvijas Labiba*
- On *Labibas Birojs* Charter
- On Feb. 22 Draft Law *On Grain Market and State Grain Reserve* (April 15, 1992)
- On Feb. 22 Draft Law *On Grain Market and State Grain Reserve* (May 7, 1992)
- On Jan. 28 Draft Law *On Grain Market and State Grain Reserve* (February 8, 1993)
- On Meat Processing Law
- On Agriculture Processing Enterprise Privatization Law
- On Basic State Bakery Privatization Principles
- On the Eastblishment of *Agrokonversija*

B.2 Letters

- To Deputy Minister Mr. Šķēle (January 25, 1993)
- To Deputy Minister Mr. Šķēle (February 10, 1993)
- To Deputy Minister Mr. Šķēle (February 16, 1993)
- To Minister Mr. Ģeģers (April 6, 1993)
- To Minister Mr. Ģeģers (April 16, 1993)
- To USAID from Mr. Ģeģers

B.3 Reports

- Environmental Report by John Faulk, General
- Environmental Report by John Faulk, Bauska Dairy
- Environmental Report by John Faulk, Priekule Dairy
- Environmental Report by John Faulk, Tukums Dairy
- Dairy Report by Joseph Kagain
- Grain Report by Si Matthies
- Grain Report No. 2 by Si Matthies

B.4 Tables, Charts, Schemes

- Grain and Grain Product Export and Imports, Tables
- A/P and A/R in Grain Mills and Feed Mills, Tables
- Grain and Feed Mill Capacities and Outputs, Tables
- A/P and A/R in Cold Storages, Tables
- Meat Industry, Tables
- Animal Feed, Tables
- A/P and A/R, Forms

B.5 Miscellaneous

- The EC Accounting, Training Course Teaching Material
- Soviet and Western Accounting, Training Course Teaching Material
- The Balance Sheet, Training Course Teaching Material
- Depreciation Methods, Training Course Teaching Material
- Questionnaire by Ken Eisen
- Grain Production Cost and Price in Latvia, Survey
- Environment Protection Committee and its Branches, Information Sheet
- Restructuring of *Latvijas Labiba*, Proposal
- The State Dairy Policy, Outline of Shortcomings
- Plan for Technical Assistance to Dairy Processing Enterprises Under Privatization
- Tukums Dairy Plant Privatization, Legal Analysis

VOLUME 1 OF 5

Contents

1. EXECUTIVE SUMMARY

- 1.1 Introduction
- 1.2 Overview
- 1.3 Current Status of Privatization
- 1.4 Opportunities for Future Assistance

2. THE DAIRY SECTOR

- 2.1 Overview of Activities
- 2.2 "A Report on Selection of Dairy Processing Plants for Pilot Privatization" (October 5, 1992)
- 2.3 "Topics Requiring Attention in Developing Cooperative Charters, By-laws and Contracts" (February 4, 1993)
- 2.4 "Implementation of the Law on Privatizing State Dairy Processing Enterprises" (February 9, 1993)
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 - "Business Valuation Report for Bauska Piens" (June 9, 1993)
 - "Environmental Assessment of Bauska Dairy" (June 12, 1993)
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 - "Financial Details"
 - "Environmental Assessment of Priekule Dairy" (June 12, 1993)
 - "Privatization of the Priekule Milkery: A Legal Analysis" (June 1993)
- 2.7 Tukums Piens
 - "Business Plan for Tukums Dairy Processing Plant" (June 1993)
 - "Financial Details"
 - "Environmental Assessment of Tukums Dairy" (June 12, 1993)
 - "Privatization of the Tukums Milk Processing Plant: A Legal Analysis" (June 1993)

-1. EXECUTIVE SUMMARY

Introduction

Overview

Current Status of Privatization

Opportunities for Future Assistance

EXECUTIVE SUMMARY

1.1 Introduction

This is the final report for Delivery Order 9 under Coopers & Lybrand Indefinite Quantity Contract EUR-0014-C-00-1058-00.

Section 1, the executive summary, provides an overview of the work undertaken, including a brief description of the objectives of the delivery order. A note on the current status of privatization in Latvia and recommendations on possible further assistance conclude this section. Section 2 provides a more detailed description of the work undertaken in the dairy sector and a compilation of the major papers and reports prepared during the reporting period. Section 3 provides a similar description of work and a compilation of papers for the grain sector. Section 4 contains a miscellaneous paper on privatization in Latvia, and section 5 consists of the AID monthly reports.

1.2 Overview

The agro-industry privatization project under Delivery Order 9 build on the work completed under Delivery Order 4. Assistance to the Ministry of Agriculture under the earlier delivery order involved advising on developing economic policies and privatization legislation. The objectives of the new delivery order were to select enterprises and provide intensive technical assistance to prepare the plants for privatization. Originally, assistance was to be provided in conducting sectoral analyses and selecting two to four pilot enterprises in four sectors: meat, dairy, grain and agricultural services. In light of the passage of legislation for the privatization of dairy processing plants and the high priority placed on the restructuring and privatization of the grain industry, the government of Latvia requested that the team double its efforts in the dairy and grain sectors and postpone work on the meat and services industries. By the end of the project the team had advised the government on developing its privatization strategies and enabling legislation and provided intensive technical assistance to three dairy processing plants and eight bakeries.

Changes to the original workplan reflecting increased levels of effort in the dairy and grain industries were authorized by USAID. Because privatization legislation in the grain industry was limited to the privatization of bakeries, this subsector of the grain industry was defined as the target for assistance under this project.

A general analysis of the dairy industry was conducted by the team under delivery order no. 4. Under Delivery Order 9, a dairy industry specialist surveyed a short list of ten dairy plants, including five central plants and five smaller satellite plants, and ranked them in order of suitability for privatization. Accounting assistance was provided to both the large and small plants and the team worked with the economists responsible for drafting the legislation enabling the privatization of these plants during the first stages of the project in the Fall of 1992. During

this period, informal accounting training was given to some forty dairy processing plant accountants using the pilot privatization plants as models. A system was developed to assist the accountants in transforming their reporting practices from the Soviet system to the new Latvian accounting system.

The dairy processing industry privatization law eventually passed in January, 1993 provided a detailed timetable for the privatization of dairy plants throughout 1993. The first stage involved the privatization of the smaller satellite plants. The privatization of the larger plants would only begin in earnest during the late summer and fall of 1993. For this reason, the team focused on the privatization of two of the best satellite plants, Tukums and Priekule, suggested by the dairy industry specialist. At the Ministry's request, the team also provided legal and financial assistance to the Bauska dairy plant which had been granted a special quasi-private status in 1991 by the government but had difficulty in conforming with the new privatization legislation. The assistance to the plants included transforming the accounts at the plants from the Soviet system to one based on EC standards, writing business plans, ensuring that procedures followed by the dairy producer's cooperative assuming ownership of the plant followed the procedures set out by the law and conducting environmental assessments. In the case of the Bauska plant, where foreign investors had expressed interest, assistance was provided in doing a valuation of the enterprise.

The priority the government accorded to restructuring and privatizing the grain industry was a result of a political decision to liquidate the state-owned grain concern Latvijas Labiba. The management of the monopolistic enterprise was accused of profiteering by raising bread prices. The decision to liquidate Latvijas Labiba on January 1, 1993 left the grain elevators, mills, feed mixing plants and bakeries without supervision. In response to these developments, the team provided assistance in developing a privatization strategy for the grain industry. A grain specialist joined the team to assess the state of the grain industry and to prepare recommendations on the privatization of the industry.

Further work in the grain sector focused on bakeries, because the Government's priorities provided for only the bakery subsector of the industry to begin to be privatized within the timeframe of the project. The government had decided to pass a separate law covering the privatization of bakeries based on the meat processing plant privatization legislation passed in May, 1993. The law was based on the meat processing plant privatization legislation passed a few weeks earlier. The team transformed the accounts of eight bakeries, identified potential legal issues facing each plant with respect to the privatization process, and analyzed privatization proposals the government was evaluating. A bakery industry specialist joined the team to assist in preparing a brief offering memorandum on each of the bakeries. A privatization plan was also prepared.

By the end of the project, 76 of 156 state-owned dairy processing plants had been privatized. Fifteen of the larger dairy plants are in the process of being privatized; two of these, Liepaja and Valmiera, have issued shares and are in the process of being transformed into privately-owned joint stock companies. Four of the bakeries worked on by the team, Baltmaiznieks, Abra, Jelgava and Druva, are in the process of being privatized, with remaining four bakeries to be privatized soon thereafter.

1.3 Current Status of Privatization

The government of Latvia started privatizing larger enterprises in 1992. Some 500 enterprises were included on a list published by the government. These enterprises are to be sold by various methods, including local or hard currency, open tender, lease to own arrangements, or in most cases, allocating shares to Latvian citizens who have been granted privatization vouchers.

Although the privatization of these enterprises has begun, it has proved to be a slow and cumbersome process. This has been caused by both claims on state assets resulting from the restitution process and a lack of legislation defining the responsibilities of ministries and privatization commissions when enterprises are sold. Also the government does not have the technical or financial resources to restructure enterprises to make them more attractive to buyers prior to sale, or to properly market the enterprises to the investment community. The sales that have occurred have therefore generally not been via an open and fair tender process.

Separate specific legislation has been passed covering the privatization of enterprises in the dairy, meat, and grain processing industries. These laws usually provide for a significant portion of the shares to go to farmers or farmer cooperatives. These groups are generally poorly organized and do not have the technical, marketing, and financial skills necessary to make the privatized companies viable in the longer term. Moreover, the legislation normally provides for the enterprises to be sold at a specified price, thereby limiting the ability of the government to obtain the best terms and conditions for the assets they are selling.

In response to these problems, the newly elected government has passed legislation providing for the establishment of a central Privatization Agency and a State Property Fund. The State Property Fund has been commissioned to manage state-owned assets and will give the Privatization Agency state-owned enterprises to sell by means of a tender process. Although these institutions have been formally established, the fund has only recently begun identifying the assets of enterprises and the Privatization Agency is to become functional only in Spring or Summer of 1994. In the meantime, individual ministries are endeavoring to continue the privatization process, usually in a passive way, reviewing proposals received rather than actively seeking out investors.

1.4 Opportunities for Further Assistance

The Central Privatization Agency

Although the Central Privatization Agency has been established by law, it has yet to acquire staff and develop operating procedures. There is almost certainly going to be a shortage of suitably qualified and experienced staff to manage the agency. Assistance could be provided with staffing the agency and developing operating procedures.

Grain Sector

The EC will be providing assistance with the privatization of the grain sector. However, there is still an opportunity to provide assistance to Labiba Birojs, the agency that has the mandate to regulate the grain industry. This assistance could cover the development of an appropriate grain grading system, statistic collection services, and crop forecasting services.

Accounting Training

Latvia has recently adopted Western style accounting standards; however, few Latvian accountants are familiar with them. Assistance could be provided with training accountants. In the short-term, this could be done through special training courses. Longer term assistance could focus on helping universities develop suitable courses.

Capital Market Development

Latvia has only very rudimentary capital markets. The banking sector is developing quickly, but some necessary regulatory legislation has still not been developed. As of now, there is no stock or bond market. Assistance could be provided to complete the development of legislation covering the banking sector, and to develop legislation to allow for the development and regulation of stock and bond markets. The development of commodity markets could also be considered.

2. DAIRY SECTOR

Overview of Activities

A Report on Selection of Dairy Processing Plants for Pilot Privatization

Topics Requiring Attention in Developing Cooperative Charters,
By-laws and Contracts

Implementation of the Law on Privatizing State Dairy Processing Enterprises

THE DAIRY SECTOR

OVERVIEW OF ACTIVITIES

Under Delivery Order 9, work in the dairy sector began in August 1992. The project team included Conrad Fritsch, financial planner, and Nils Melngailis, economist. As a result of the Delivery Order 4 sector screening project, it was decided that privatization work on the dairy sector should be the first task under the new delivery order. The decision was based on a request from the Government of Latvia (GOL) and the likelihood that legislation enabling privatization in the dairy sector would be developed first.

Under this Delivery Order, approximately 35 dairy processing plants were surveyed. The survey included assessments of past and current performances, financial position, management quality, and future viability. The results showed

- many plants had lost their former markets in Russia;
- purchasing power and demand in the local market had declined;
- management had difficulty in negotiating prices with farmers for milk;
- plants needed investment in new machinery.

As a result of the loss of markets, all processing plants were heavily indebted to farmers. Many managers also had difficulty coping with their new role as "marketers" as opposed to simply fulfilling centrally planned production quotas. The results of the work are detailed in section 2.2.

Of the 35 plants visited, Joe Kagan, the dairy specialist, chose ten for further analysis and then ranked the plants in order of suitability for pilot privatization. Because the industry is divided into two broad categories - large central plants and smaller satellite plants, the dairy specialist visited five of each category to evaluate the technical capacities and operations of each. Tukums was chosen as the best satellite plant and Valmiera as the large plant most suitable for privatization. The results of this study can be found in section 2.2.

While the sector screening proceeded throughout the fall of 1992, the team also provided assistance to the government of Latvia in developing the necessary legislation for privatization of dairy processing plants (section 2.3 and 2.4). The Latvian Parliament adopted a law providing for a two-stage process in which smaller dairy plants would be privatized in the first stage during the spring of 1993. The team developed an implementation plan to ease the privatization process for plant managers and dairy producers cooperatives (section 2.4). In addition, Benita Pulins, CPA joined the team to help the plants restate their financial statements in accordance with the new Latvian accounting law based on the fourth directive of the EC. Assistance was provided to the central plant in Valmiera and its eleven satellites.

Given the timeframe, the dairy specialist's recommendations, and requests from the GOL, the team decided to concentrate its efforts on assisting with the privatization of three large and relatively viable satellite plants. Consequently, intensive technical assistance was provided to

the dairy processing plants in Bauska, Tukums, and Priekule. Bruce Carrie, financial planner and privatization specialist, joined the team in January 1993, along with attorney Raymond Slaidins. Legal analyses were completed on the three plants in an effort to ease any legal constraints on privatization.

The legal work included assistance in developing cooperative charters and in complying with the provisions in the privatization legislation. In the case of the Bauska plant, where foreign investors had expressed an interest, a valuation of the plant was performed. For Tukums and Priekule, business plans were written to facilitate their viability after privatization. Laura Krastins, accountant and Ken Eisen, financial planner and valuation specialist, joined the team to assist in completing these tasks. To assist the managers in making investment decisions, environmental assessments of the plants were performed by Jack Faulk. The reports are included in sections 2.5-2.7.

**A DRAFT REPORT ON
SELECTION OF DAIRY PROCESSING PLANTS
FOR
PILOT PRIVATIZATION
BY
THE LATVIAN AGRIBUSINESS PRIVATIZATION PROJECT**

**by
Joseph Kagan**

Consultant to:

Coopers and Lybrand/Chemonics International

in association with:

United States Agency for International Development

and

**The Ministry of Agriculture
Government of the Republic of Latvia**

**Riga, Latvia
October 5, 1992**

TABLE OF CONTENTS

SECTION I

Executive Summary and Recommendations	1
---	---

SECTION II

Methodology	5
-----------------------	---

SECTION III

Individual Plant Evaluations	6
--	---

A. Central Processing Plants	6
--	---

B. Regional/Local Plants	12
------------------------------------	----

APPENDIX A

Comparison of Dairy Processing Plant Characteristics, 1991	16
--	----

APPENDIX B

B1. Selected Characteristics for Aizpute Processing Plant	17
---	----

B2. Selected Characteristics for Cesvaine Processing Plant	18
--	----

B3. Selected Characteristics for Preili Processing Plant	19
--	----

B4. Selected Characteristics for Rezekne Processing Plant	20
---	----

B5. Selected Characteristics for Valmiera Processing plant	21
--	----

B6. Selected Characteristics for Kalsnava Processing Plant	22
--	----

B7. Selected Characteristics for Priekule Processing Plant	23
--	----

B8. Selected Characteristics for Talsi Processing Plant	24
---	----

B9. Selected Characteristics for Tukums Processing Plant	25
--	----

APPENDIX C.

Individuals Contacted	26
---------------------------------	----

APPENDIX D

Survey Questionnaire	27
--------------------------------	----

ACKNOWLEDGMENTS

In the preparation of this report the writer wishes to thank and acknowledge the assistance and support of Dr. Conrad Fritsch, team leader Chemonics International and Mr. Nils Melngailis, team leader Coopers and Lybrand. Mr. Baudouin de Marcken and Mr. Mike Brooks of USAID provided valuable discussion and comments to some of the ideas contained in the report. Mr. Aivars Jakobsons, dairy specialist, Ministry of Agriculture and Mr. Martins Sesks of the Latvian Dairy Committee provided valuable information and insights about the dairy processing industry in Latvia. My thanks are also expressed to the managers and the staff of the dairy processing plants visited. Their willingness to speak openly and provide information needed to complete this report are greatly appreciated. Finally, without the excellent translation services provided by Linda Andrusa, Rasma Miltina, Iveta Vanaga, and Maris Graudins this report would not have been possible.

SECTION I

EXECUTIVE SUMMARY AND RECOMMENDATIONS

Joseph Kagan¹

A. Study Purpose and Objective

Pilot privatization of one or two Latvian dairy processing plants is a major objective of the Coopers and Lybrand/Chemonics Agribusiness Privatization Project. Privatization involves transferring the assets and management of a business enterprise from the public to the private sector.

The objective of the current analysis is to select one central and one regional/local plant for consideration by the Ministry of Agriculture and by USAID and Project management officials as candidates for the targeted pilot privatization. The consultant was engaged by Project officials to rank order nine plants that were shortlisted by Project technical staff for selection as models for privatization. He was on-site in Latvia from September 17, 1992 through October 4, 1992 and made field visits to all nine plants. The purpose of the visits was to subjectively analyze the plants and recommend which ones should be selected to be privatized first. Plants were ranked on their perceived capability to perform effectively as private sector enterprises.

During the actual privatization process the Coopers and Lybrand/Chemonics team will provide technical assistance to: 1) conduct a formal business review of the plant(s) selected for model privatization, 2) convert existing accounting systems to a western model, 3) introduce and conduct market based asset valuation techniques, 4) prepare a business plan, and 5) prepare documents necessary to implement asset transfer. Latvian technicians will be trained by Project staff in all of these activities.

¹ Former President, Dannon Milk Products Inc. and currently President, Dinast Associates, Management Consultants

B. Findings and Conclusions

The dairy industry is very important to the economy of Latvia. Before independence from the Soviet Union in 1991 it was the country's major agricultural export industry. At that time, up to forty percent of the Latvian production of dairy products was exported to the various republics making up the Soviet Union.

In September 1992, the dairy industry still remains important to the Latvian economy. Latvia has a population of about 2.8 million people and has about 500,000 dairy cows. This works out to be about one dairy cow for every 5.6 individuals.

The cow population and associated milk production has declined since the peak production years of the late 1980s. The rate of decline in cow numbers has increased since 1991 because of three factors. First, the breakup of collective and state farms into smaller private farms resulted in forced sales of dairy cattle for slaughter. Second, an incurable viral disease (found mostly on former collective farms) is causing the forced slaughter of many dairy cattle. Third, a severe summer drought in 1992 reduced feed grain yields and will force additional reductions in dairy cow numbers in the coming winter. Even though the cow population is declining, the current number of cows still produces more milk and milk products than can be consumed by the domestic population.

Nearly all dairy processing plants are state owned. Government has targeted more than 150 local, regional and central plants for eventual privatization. Under existing legislation farmers, organized into producers associations, are to receive the majority of assets of these dairy processing plants through the privatization process. Local and smaller regional plants may be owned directly by these producer cooperatives. Larger regional and central plants are likely to be reorganized into joint stock companies with producers associations, employees and other domestic investors receiving the majority of asset shares. Producer associations and employees may be able to purchase shares at a discount from par value.

The cost structure facing Latvian dairy processing plants differs considerably from the typical cost structure in the United States. For enterprises contacted, the cost of raw milk purchased from farmers accounts for 85 to 92 percent of total processing costs. Labor costs

range from 1.5 to 3 percent. In the U.S., raw milk usually accounts for less than half of total processing costs with labor costs making up from 15 to 20 percent.

To summarize, the Latvian dairy industry is faced with the following problems:

1. declining production of milk;
2. declining markets in which to sell dairy products;
3. high cost of feed needed to produce milk;
4. lack of purchasing power in Latvia leading to a drop in consumption;
5. lack of cash flow -- no working capital;
6. lack of capital to develop new products and new packaging and to acquire new technology.

C. Recommendations

The smaller regional/local processing plants are recommended for privatization in the following order:

1. Tukums
2. Priekule
3. Talsi
4. Kalsnava

Tukums is recommended as the first choice because management staff and employees are judged to be highly capable of carrying out a privatization plan. Its product line, namely fluid milk, kefir, sour cream and cottage cheese are consumer oriented. These products have future profitable growth potential. The plant is located near Riga which is a large potential market for its products. Its location also makes it accessible for supervising during the pilot privatization plan stage.

In the group of large (central) plants the following privatization ranking is recommended:

1. Valmiera
2. Rezekne
3. Aizpute

4. Preili
5. Cesvaine

Valmiera was selected because it has a good management team, the plant is technically well equipped, and it produces a variety of products for which there is good domestic and potential foreign demand.

An additional consideration for selecting Valmiera as a pilot privatization site is that it also has a geographically central location. This is important as the pilot plant(s) will also be used to provide training to Latvian technicians.

Based on the economic criteria used to rank order the plants, either of the first two plants in each group would probably provide a suitable pilot privatization project.

Regardless of the plants finally selected for pilot privatization it is, in the opinion of the consultant, important to carefully supervise the implementation of the pilot plant business plan in addition to the training to be provided during the technical restructuring activities. Privatization involves new ways of managing and assessing business performance. The majority of assets transferred during the planned privatizations will be to rural Latvians. At best, most have only limited experience operating in a market driven economy. As a result, follow-up business management technical assistance may still be required for some time after assets are actually transferred to the new owners.

SECTION II

METHODOLOGY

The Coopers and Lybrand/Chemonics country team shortlisted nine dairy processing sites for further analysis by the consultant. For the regional/local plant the primary selection criteria was the potential to survive and grow as a private sector plant under economic conditions now existing in Latvia. For the central plant, the potential for utilizing foreign investment was a second selection criteria.

A subjective, rapid appraisal survey technique was adopted using the questionnaire included as Appendix D of this report. Judgements made by the consultant using the questionnaire were supplemented by additional discussion of other issues of importance to plant managers, other employees, government officials and farmers with whom interviews were held. Recommendations made by the consultant are based on over 40 years of experience as a manager and President of a major U.S. specialized dairy processing company.

Each shortlisted plant was evaluated on: 1) availability of a guaranteed source of milk supply from farmers, 2) existence of producer cooperatives with interest and ability to assume asset ownership and work constructively with plant managers, 3) effectiveness of plant management and non management staff, 4) amount and efficiency of plant equipment, 5) type, quality and quantity of products produced, 6) overall efficiency of plant operations, and 7) current and future domestic and foreign demand for products produced.

SECTION III

INDIVIDUAL PLANT EVALUATIONS

A. Central Processing Plants

1. Aizpute

This is a large dairy manufacturing plant devoted mainly to the manufacture of milk powder and butter. The milk powder is made from both whole milk and skim milk.

The plant director, Laimonis Zarins, has an engineering background. He has been director since the plant opened in 1974. He is very energetic and knowledgeable.

Plant equipment looks good. The two driers were made in Czechoslovakia and the continuous butter churn was made in the former GDR.

Production figures are available in Appendices A and B1. A brochure showing some photos of the plant is in Appendix E1.

The plant makes powdered ice cream mix which is used to make ice cream for Penguin stores in Riga. The plant has equipment on hand that will be installed soon to make casein.

Mr. Zarins said that the quantity of milk received at the plant depends on the price paid to producers. The recent price increases to farmers brought a "flood" of milk to the plant from the former collective farms.

Aizpute sells milk powder for about US\$.54 per pound. This is very low compared to prevailing world price levels.

The Ministry of Agriculture considers this to be a strategic plant as it can sell its milk powder for hard currency. It also has production capacity to handle surplus milk and cream from other plants. Milk received from farmers is highest in August and drops to less than half that amount in January.

Mr. Zarins believes that privatization can be successful if carried out the way it is now being done in Germany. With successful privatization he believes that the work attitudes of employees will improve along with product quality.

2. Cesvaine Butter and Cheese Making Factory

This plant collects most of its milk from private and former collective farms in the Madona region. It produces several varieties of butter, a variety of cheese called Holland, and a large quantity of dried whey.

Butter is packaged in 200gr packages and in boxes containing 20kgs. Holland cheese is ripened and packaged in film bags containing 5 to 15 kgs.

The plant has a condensing unit to concentrate the whey and two drum driers for drying. Dried whey is packed in 30 kg bags and is sold in Latvia.

Production figures for the plant are available in Appendices A and B2. A brochure published by the plant in 1988 describing the activities of the plant is available as Appendix E2.

The plant seems to be well managed and well equipped to process the milk that it receives. This is a plant well skilled in receiving and processing all the milk it receives into excellent dairy products. Moreover, the plant is located in a good area for the production of milk and its volume of milk has declined less than in other areas.

The production manager was impressive with her knowledge of the business. The director was not present during the visit to the plant.

The feeling in this plant is that privatization should be based on economic principles. They expect privatization to help but do not know how it will work.

Privatization, which involves removal of an organization from public ownership, will help here only if a strong marketing group can be established to help sell, at a profit, the products produced. The task is to change 50 years of a planned economy to that of a market driven economy.

3. Preili Cheese Making Plant

This plant collects most of its milk from private and former collective farms within a 50 kilometer radius of Preili and produces cheddar cheese, butter, kefir, and lactose as it's principal products.

Production figures for this plant are provided in Appendix A and B3. The equipment is relatively modern. For cheddar cheese "state of the art" equipment bought from the United States in 1986 is used.

The plant has a small hog farm. Hogs are fed with waste dairy products supplemented with dry mixed grain products. Flowers and vegetables are also grown in a greenhouse. There is a well stocked leisure reading library for the employees. An American and Latvian energy review team recently completed a survey of energy use of the plant and made several recommendations of ways to use energy more efficiently.

The director, Victor Solovyov, seems to be very capable. He understands that the plant must become more market oriented and less production oriented. He is looking forward to developing new markets in Eastern Europe and new products like processed cheese. He has good relations with his producers. Producer prices paid for raw milk products are set at meeting held twice a month. Participants at these meeting include farmer representatives, a representative from district government and the plant director or his representative.

Mr. Solovyov also reported that the community needs better roads and better cooling equipment is needed on farms. His plant also needs more detergents for cleaning equipment. He believes that privatization is the way to go, but that it must be done gradually.

The problems facing the plant are as follows:

1. declining milk supply -- off 27 percent from 1988
2. declining demand for products produced.

Efforts must be made to increase demand which will lead to an increase in supply.

When Preili becomes a free enterprise it will be able to conduct business without direct government interference operating primarily according to the laws of supply and demand and the use of risk capital for the purpose of making a profit. The plant manager reported that he already enjoys considerable autonomy in managing his plant.

4. Rezekne Condensed Milk Plant

The Rezekne Condensed Milk Plant produces, in a fairly modern plant, sweetened and plain condensed milk. These products are packaged in 340gr cans and are distributed to Latvia, Estonia, Cuba, Russia, Holland, and other countries of the former Soviet Union. Condensed milk exported to Holland is also reexported to Asia including Bangladesh and possibly India.

Milk received in this plant has declined greatly over the past few years as can be seen in Appendix Table B.4. Appendix table A compares 1991 production with that of other plants included on the survey. A map of the production area served by the Rezekne plant is included in Appendix E3.

Labor costs are very low, accounting for only 3 percent of the total cost. Sugar for the sweetened condensed milk has been available, in the past, from Cuba. A recent shipment of sugar was received for milk exported to Cuba last February.

In addition to processing milk, the plant operates a metal can producing facility to make the 340gr cans used to package the product.

The director, Peter Upnieks, is a very energetic man. He believes that privatization is the only way to go and that it will provide healthy competition.

Competition produces rivalry in the market place. Goods and services will be bought from those who, in the view of the buyers, provide "the most for the money". Competition will tend to reward the more efficient producers and so lead the economy toward the efficient use of resources.

The director sees that the future is in developing new products, new markets and new technology.

Condensed milk is less of a commodity than is butter and cheese and it does not require refrigerated storage. It lends itself better to marketing opportunities in more parts of the world than does butter and cheese.

In 1930, Latvian Butter was exported in great quantities to other parts of Europe. It enjoyed a very high reputation for quality. The marketing of Latvian condensed milk in the 1990s offers a similar opportunity.

Advertising, which is persuasive and informational and is designed to influence the purchasing behavior and thought patterns can be useful in promoting Latvian Condensed Milk.

5. Valmiera

Of the nine plants visited this one is by far the best and most modern. The director is Karlis Skobe, the chief economist is Janis Snikers. Both men seem to know the business well. Production data for this plant is available in Appendices A and B5. Appendix E4 includes a

brochure describing products made in the plant and in other plants associated with the Valmiera plant.

The following products are made at the plant:

1. fluid milk in 1/2 liter bottles:
2.5 percent butterfat and skim milk are made. Skim milk is purchased by consumers because it is cheaper than milk containing butterfat. Because of low purchasing power consumers buy the cheapest products available to them.
2. Butter containing 25 percent moisture
Butter is now packaged in 200gr paper wrap. 100gr paper wrap packages will be available soon.
3. Holland cheese:
This cheese contains 45 percent butterfat on a dry basis and 1.5 to 2 percent salt. The cheese is packed in 4 to 5 kg film bags and ripened for 50 to 60 days.
4. Kefir:
This product contains 1 percent fat and is packaged in 1/2 liter glass bottles and 1 liter paper cartons.
5. Cottage Cheese:
This product is made with 2 percent fat and with no fat. It is packaged in 200gr and 1/2 liter portions.

All the above products are made using relatively modern equipment. The paper carton packaging equipment is "state of the art".

From 50 to 60 percent of the production from this plant is sold in Latvia. The balance is sold in Russia and other republics of the former USSR. Presently surplus butter is accumulating in cold storage warehouses because Latvian prices are above those prevailing in the Russian market and consumers in this market have also lost purchasing power.

At the time the plant was visited (September 30) farmers had not been paid for three weeks.

The plant director feels that privatization will improve plant productivity but believes that the major problem is to develop additional markets in Latvia and in other countries.

B. Regional Plants

1. Kalsnava Cheese Making Plant

This is a small country type cheese making plant. It is located on a former large country estate. About 30 people are employed and it is managed by a hard working woman with a good knowledge of dairy product processing activities. The plant is relatively simple and the equipment is old but serviceable. The plant also has a master cheese maker who has been employed for many years. All marketing and financial accounts are maintained at the Cesvaine regional plant with which Kalsnava is associated. Appendices A and B6 provide additional production information for the plant.

The Kalsnava plant makes Kostomas cheese which contains 45 percent fat (based on dry matter) and is ripened for 45 days. After ripening, the cheese is coated with paraffin and is then ready for shipping to the market. The process for making Kostomas cheese was developed in Russia. Surplus whey from the production of cheese is fed to pigs.

Currently, the plant seems to have an inventory of finished cheese that cannot be shipped for lack of a market. Cheese production seems to have been stable for the past two years but has increased slightly from 1988 levels. However, plant management expressed concerns that milk deliveries during the coming winter may be much lower than in the past because of the sharply reduced production from former collective farms.

Mr. Janis Silins was present for the plant tour and participated in the discussions with the consultant. He is president of a new producers cooperative association which is claiming property rights to the plant. The claim is being made in the name of the renewed producer association which had existed in 1940 when the plant was illegally nationalized. He wants the association to operate the plant as it did in 1940. The renewed association has 12 founding members and expects to have some 200 additional members by October 1992. Members of the new association are expected to own some 1000-1200 producing dairy cows.

In the opinion of the consultant, the plant can be economically successful only if it is associated with a larger plant that can provide marketing and accounting services. Marketing includes the processes and activities associated with promoting goods and services for sale. Accounting is the system that provides quantitative information about the finances of the business entity.

2. Priekule

This is a small but very compact butter and cheese plant. The director, Eriks Piesins and the chief engineer, Janis Jakobsons both seem to be very capable. The chief economist, Anna Kikane also seems to be very knowledgeable especially in the area of privatization. Production figures for this plant are available in Appendices A and B7.

Plant equipment is old but serviceable. They produce Russian cheese called Krievijas. This cheese is ripened for 60 days and contains 50 percent fat (on a dry basis). The taste is very good. Mostly cheese is sold in the local market but about 20 percent is shipped to Russia and Poland.

Butter produced contains 72 percent fat and has a good flavor and color. Butter is made without adding salt or color. It is sold locally but also sent to Russia as barter for wooden boxes.

The director estimated that 1992 milk production from farmers will decline by 20 percent from 1991 totals. He feels that quantities available in 1993 will depend on government policies and milk prices.

The cost of milk is the main cost component in the production of butter and cheese. The cost of energy is also rising very rapidly. As in other plants visited, the cost of labor is a very small (less than 2 percent of total direct costs).

The plant management believes that more technical input is required in the discussions about dairy plant privatizations. They indicated that the April 15th decree which is the guiding document for privatizing dairy plants is confusing and should be further reviewed. They also believe that additional open discussions should be held on the question of privatization, and that future documents guiding the process should be written by experienced technical professionals. They believe that privatization has both political and economic considerations. Whenever possible the economic ones should prevail.

3. Talsi

This is a small very old plant. Production data are included in Appendices A and B8. Milk is received and separated into cream and skim milk. The skim milk is made into cottage cheese and the cream is sent to the Okte plant (which is associated with the Talsi plant) for

churning into butter. The cottage cheese is made without the addition of cream and is sold for both human and animal consumption. Cottage cheese for human consumption is shipped out in small milk cans and that for animal consumption is packaged in plastic bags.

The old plant is very crowded with equipment and a new section has been built and partly equipped. Work is not progressing on the new building because certain parts to complete installation are not available. Coal and wood are burned at this plant to make hot water and steam. A modern ice skating rink adjacent to the plant is part of the assets owned by the plant.

The plant has 400 tons of butter stored in a private cold storage warehouse. They are looking for a market for this butter. As a result, they are short of money to pay farmers for their milk.

The drop in consumer purchasing power has led to a drop in the sale of dairy products. Whey from the manufacture of cottage cheese is given to farmers as feed for livestock.

The plant director, Stanislavs Marzeckis, seems to be very capable and is interested in finding new markets for his products. He feels that government policies are not doing enough to support agriculture and there is no confidence in the ability of the government to provide much direction.

A cash flow problem exists here because it takes a long time to clear account transfers between banks. Consequently, payment for products sold is delayed for up to a month or more. Since the banking system does not allow individuals or businesses to write checks to pay their accounts there is no easy solution to this problem. It is also present in other plants as well.

Milk received at the plant dropped 18 percent between 1988 and 1991. In addition, the total amount received in 1992 has dropped by 23 percent from the previous year. This is due in part to the fact that the number of cows is declining as the collective farms are breaking up.

Four creameries are included in the Talsi group. They are:

Okte - butter manufacturing

Nurmuiza - skim milk cheese

Dundaga - casein manufacturing

Talsi - cottage cheese

4. Tukums

The plant is located in the town of Tukums, which has a population of about 16,000 people. The interview was conducted with the production manager Raitis Purmalis, the economist Astrida Grinberga and the director of commercial development Ingrida Belinska. The plant is well laid out and has equipment that is adequate for its requirements.

Production data for the plant is available in Appendices A and B9. a small brochure describing the plant is in Appendix E5.

The plant produces the following products:

1. Fluid milk:

This product is packaged in 1/2 liter glass bottles and in 35 liter cans. It contains 2.5 percent butterfat and is not homogenized because of high energy costs. All is sold on the Latvian market. Milk sales have dropped by 50 percent recently because of the high cost of milk relative to consumers purchasing power.

2. Kefir:

This product is sold in 1/2 liter bottles and is made from 2.5 percent milk. Kefir sells at a ratio of 1 to 3 with whole milk.

3. Cottage Cheese:

Cottage cheese is made with no butterfat and with 2 and 5 percent butterfat. It is packaged in 200gr portions and in bulk cans.

4. Butter:

This product is made with 25 percent moisture and is packed in 200gr and 20 kg packages. The plant has impressive product quality testing facilities. Some work is needed on the waste water and sewage disposal system. Milk received at the plant in 1992 has declined about 20 percent from the previous year. About 40 percent is received from private farmers. This percentage is growing while the percentage received from joint stock companies is declining. Labor cost in this plant, as in others visited makes up a small fraction of total costs -- about 3 percent. The cost of raw milk supplies makes up about 86 percent of total costs. The managers reported that cow health in this area is not good. However, most cow health problems are on joint stock company farms rather than on private farms. It is felt that health problems will become less serious when more milk

is produced by private farmers. The plant management felt that the business can improve if new markets and new products can be created by people skilled in the area of marketing and sales.

APPENDIX A. COMPARISON OF DAIRY PROCESSING PLANT CHARACTERISTICS, 1991

Characteristic	Central Plants					Regional Plants			
	Aizpute	Cesvaine*	Preiļi	Rezekne	Valmiera	Kalsnava	Priekule	Talsi*	Tukums*
MILK PROCESSED (long tons)	36380	85153	83148	77000	67150	5117	66757	49281	65980
CREAM PROCESSED (long tons)					2766		1163		
PRODUCTS PRODUCED (long tons)									
Butter	2362	2695	2585	290	2527		2538	2288	1724
Ice Cream	623			730					
Cheese		2689	3556		2583	250	1198	1503	418
Dry Milk Products	3165	1225							
Whole milk Products		7658			30709				26683
Lactose			665						
Casein					426				
Skimmed Milk		2768			5214			1664	4140
Condensed Milk				72090					
PRODUCTION CAPACITY (long tons)									
Butter	9.6	12	12	1.3	12		14.8	8.2	15
Ice Cream				3					
Casein								0.7	
Cheese		3.9	7.3		4.4	0.4	3	0.3	0.7
Condensed milk				151					
Whole Milk Production		26.5		120	50.6			12.9	75.7
Dry Milk Products	7.5	2.6	1.6						
EMPLOYEES (number)	184	452	420	703	466	30	133	125	240
OPERATIONAL AREAS									
Milkeries	0	0	0	0	0	0	0	0	2
Creameries	2	10	0	3	5	0	1	3	
Collecting Stations	15	7	2	8	10	0	13	0	24

Footnotes:

* Represents production and capacities for the entire region associated with the central plant

2/6

APPENDIX B.1 SELECTED CHARACTERISTICS FOR AIZPUTE PROCESSING PLANT*

Characteristic	1988	1989	1990	1991	% Change 1988 - 1991
MILK PROCESSED** (long tons)	42082	40137	40080	36380	-13.5
PRODUCTS PRODUCED (long tons)					
Butter	3862	3411	2965	2362	-38.8
Ice cream***			536	623	16.2
Cheese					
Dry Milk Products	6092	6134	4947	3155	-48.2
Whole Milk Products					
Lactose					
Casein					
Skimmed Milk	222	224	0	0	-100.0
Condensed Milk					
PRODUCTION CAPACITY (long tons)					
Butter	9.6	9.6	9.6	9.6	0.0
Cheese					
Casein					
Condensed Milk					
Whole Milk Products	4.2	4.2	0	0	-100.0
Dry Milk Products	7.5	7.5	7.5	7.5	0.0
EMPLOYEES (number)	189	207	197	184	-2.6
OPERATIONAL AREAS					
Milkeries					
Creameries	2	2	2	2	
Collecting Stations	15	15	15	15	

* Data includes production and capacities for Aizpute plant only.

** Excludes raw cream receipts

*** Change calculated from 1991

APPENDIX B.2. SELECTED CHARACTERISTICS FOR CESVAINE PROCESSING PLANT*

Characteristic	1988	1989	1990	1991	% Change 1988 - 1991
MILK PROCESSED (long tons)	94180	95475	90238	85153	-9.6
PRODUCTS PRODUCED (long tons)					
Butter	2995	2986	2784	2695	-10.0
Ice cream					
Cheese	2809	2849	2859	2689	-4.3
Dry Milk Products	1486	1480	1375	1225	-17.6
Whole Milk Products	10373	12841	11895	7658	-26.2
Lactose					
Casein					
Skimmed Milk	5000	2490	2980	2468	-50.6
Condensed Milk					
PRODUCTION CAPACITY (long tons)					
Butter	12	12	12	12	0.0
Cheese	3.9	3.9	3.9	3.9	0.0
Casein					
Condensed Milk					
Whole Milk Products	27	27.1	26.9	26.5	-1.9
Dry Milk Products	2.6	2.6	2.6	2.6	0.0
EMPLOYEES (number)	495	486	488	452	-8.7
OPERATIONAL AREAS					
Milkeries					
Creameries	10	10	10	10	
Collecting Stations	7	7	7	7	

* Data represents production and capacities for the entire region

APPENDIX B.3. SELECTED CHARACTERISTICS FOR PREILI PROCESSING PLANT*

Characteristic	1988	1989	1990	1991	% Change 1988 - 1991
MILK PROCESSED (long tons)	113518	117989	97661	83148	-26.8
PRODUCTS PRODUCED (long tons)					
Butter	2945	3029	2635	2585	-12.2
Ice cream					
Cheese	5256	4691	4559	3556	-32.3
Dry Milk Products					
Whole Milk Products					
Lactose	892	876	784	665	-25.4
Casein					
Skimmed Milk					
Condensed Milk					
PRODUCTION CAPACITY (long tons)					
Butter	12	12	12	12	0.0
Cheese	7.3	7.3	7.3	7.3	0.0
Casein					
Condensed Milk					
Whole Milk Products					
Dry Milk Products	1.6	1.6	1.6	1.6	0.0
EMPLOYEES (number)	445	445	440	420	-5.6
OPERATIONAL AREAS					
Milkeries					
Creameries					
Collecting Stations	7	2	2	2	

* Data includes production and capacities for central plant only

APPENDIX B.4. SELECTED CHARACTERISTICS FOR REZEKNE PROCESSING PLANT

Characteristic	1988	1989	1990	1991	% Change 1988 - 1991
MILK PROCESSED (long tons)	95800	97300	95400	77000	-19.6
PRODUCTS PRODUCED (long tons)					
Butter	273	302	266	290	6.2
Ice cream	627	736	745	730	16.4
Cheese					
Dry Milk Products					
Whole Milk Products					
Lactose					
Casein					
Skimmed Milk					
Condensed Milk	90811	92378	90416	72090	-20.6
PRODUCTION CAPACITY (long tons)					
Butter					
Ice Cream	2.5	2.5	2.5	2.5	0.0
Cheese					
Casein					
Condensed Milk	151	151	151	151	0.0
Whole Milk Products	120	120	120	120	0.0
Dry Milk Products					
EMPLOYEES (number)	985	980	900	703	-28.6
OPERATIONAL AREAS					
Milkeries					
Creameries	3	3	3	3	
Collecting Stations	8	8	8	8	

* Data includes production and capacities for Rezekne central plant only

APPENDIX B.5. SELECTED CHARACTERISTICS FOR VALMIERA PROCESSING PLANT*

Characteristic	1988	1989	1990	1991	% Change 1988 - 1991
MILK PROCESSED (long tons)	81490	80185	77350	67150	-17.6
CREAM PROCESSED (long tons)	4005	3149	3064	2766	-30.9
PRODUCTS PRODUCED (long tons)					
Butter	3530	3580	2925	2527	-28.4
Ice cream					
Cheese	2990	3222	2999	2583	-13.6
Dry Milk Products					
Whole Milk Products	30296	30880	34515	30709	1.4
Lactose					
Casein	883	848	664	426	-51.8
Skimmed Milk	9300	8950	6765	5214	-43.9
Condensed Milk					
PRODUCTION CAPACITY (long tons)					
Butter	12	12	12	12	0.0
Cheese	4.4	4.4	4.4	4.4	0.0
Casein	3.6	3.6	3.6	3.6	0.0
Condensed Milk					
Whole Milk Products	51.6	51.6	51.6	50.6	-1.9
Dry Milk Products					
EMPLOYEES (number)	496	481	476	466	-6.0
OPERATIONAL AREAS					
Milkeries					
Creameries	5	5	5	5	
Collecting Stations	12	12	11	10	

* Data includes production and capacities for the central Valmiera plant only

APPENDIX B.6. SELECTED CHARACTERISTICS FOR KALNAVA PROCESSING PLANT*

Characteristic	1988	1989	1990	1991	% Change 1988 - 1991
MILK PROCESSED (long tons)	5600	5540	5300	5117	-8.6
PRODUCTS PRODUCED (long tons)					
Butter					
Ice cream					
Cheese	220	218	252	250	13.6
Dry Milk Products					
Whole Milk Products					
Lactose					
Casein					
Skimmed Milk					
Condensed Milk					
PRODUCTION CAPACITY (long tons)					
Butter					
Cheese	0.4	0.4	0.4	0.4	0.0
Casein					
Condensed Milk					
Whole Milk Products					
Dry Milk Products					
EMPLOYEES (number)	32	31	30	30	-6.3
OPERATIONAL AREAS					
Milkeries					
Creameries					
Collecting Stations					

* Data includes production and capacities for Kalsnava plant only

APPENDIX B.7. SELECTED CHARACTERISTICS FOR PRIEKULE PROCESSING PLANT*

Characteristic	1988	1989	1990	1991	% Change 1988 - 1991
MILK PROCESSED (long tons)	78203	76641	74760	64927	-17.0
CREAM PROCESSED (long tons)	1306	1382	1315	1163	-10.9
PRODUCTS PRODUCED (long tons)					
Butter	3094	3103	3022	2538	-18.0
Ice cream					
Cheese	1384	1168	1184	1198	-13.4
Dry Milk Products					
Whole Milk Products					
Lactose					
Casein					
Skimmed Milk					
Condensed Milk					
PRODUCTION CAPACITY (long tons)					
Butter	9.8	15.8	14.8	14.8	51.0
Cheese	3	3	3	3	0.0
Casein					
Condensed Milk					
Whole Milk Products					
Dry Milk Products					
EMPLOYEES (number)	134	137	137	133	-0.7
OPERATIONAL AREAS					
Milkeries					
Creameries	1	1	1	1	
Collecting Stations	15	14	13	13	

* Data includes cream receipts from two plants (Saldus and Kuldiga) and production and capacities from one creamery (Dunikas) in addition to production and capacities at Priekule.

APPENDIX B.8. SELECTED CHARACTERISTICS FOR TALSİ PROCESSING PLANT*

Characteristic	1988	1989	1990	1991	% Change 1988 - 1991
MILK PROCESSED** (long tons)	60167	57250	56594	49281	-18.1
PRODUCTS PRODUCED (long tons)					
Butter	2664	2524	2318	2288	-14.1
Ice cream					
Cheese	170	195	191	211	24.1
Cottage cheese	1336	1260	1459	1292	-3.3
Dry Milk Products					
Whole Milk Products	3740	3690	3870	3750	0.3
Lactose					
Casein	91	153	98		
Skimmed Milk	4000	4219	5235	1664	-58.4
Condensed Milk					
PRODUCTION CAPACITY (long tons)					
Butter	8.2	8.2	8.2	8.2	0.0
Cheese	0.3	0.3	0.3	0.3	0.0
Casein	0.7	0.7	0.7	0.7	
Condensed Milk					
Whole Milk Products	12.4	12.4	12.4	12.4	0.0
Dry Milk Products					
EMPLOYEES (number)	129	128	125	125	-3.1
OPERATIONAL AREAS					
Milkeries					
Creameries	3	3	3	3	
Collecting Stations					

* Data includes production and capacities for three creameries (Okte, Nurmuiza and Dundaga in addition to production and capacities at the Talsi plant

** Excludes raw cream receipts

APPENDIX B.9. SELECTED CHARACTERISTICS FOR TUKUMS PROCESSING PLANT*

Characteristic	1988	1989	1990	1991	% Change 1988 - 1991
MILK PROCESSED (long tons)	80483	78274	72980	65980	-18.0
PRODUCTS PRODUCED (long tons)					
Butter	2345	1751	1786	1724	-26.5
Ice cream					
Cheese	415	398	422	418	0.7
Dry Milk Products					
Whole Milk Products	25492	25920	27565	26683	4.7
Lactose					
Casein					
Skimmed Milk	10866	9891	4355	4140	-61.9
Condensed Milk					
PRODUCTION CAPACITY (long tons)					
Butter	15	15	15	15	0.0
Cheese	0.7	0.7	0.7	0.7	0.0
Casein					
Condensed Milk					
Whole Milk Products	75.3	75.3	75.5	75.5	0.3
Dry Milk Products					
EMPLOYEES (number)	240	240	240	240	0.0
OPERATIONAL AREAS					
Milkeries	2	2	2	2	
Creameries					
Collecting Stations	25	24	24	24	

* * Data includes production and capacities for two milkeries (Jaunpils and Kandava) in addition to production and capacities at Tukums

APPENDIX C

INDIVIDUALS CONTACTED

NAME	AFFILIATION
1. Adelman, Carol	USAID, Washington
2. Belinska, Ingrida	Com. Dir., Tukums Processing Plant
3. Brainich, Eric	VOCA, Riga
4. Brooks, Mike	USAID, Washington
5. Davis, Robert	VOCA, Cabot Dairies
6. De Marcken, Baudouin	USAID, Riga
7. Fritsch, Conrad	Agribusiness Privatization Project
8. Grinberga, Astrida	Economist, Tukums Processing Plant
9. Hamilton, Gerry	US State Dept., Washington
10. Jakobsons, Janis	Chief Eng., Priekule Processing Plant
11. Jakobsons, Aivars	Dairy Specialist, Min. of Agriculture
12. Jansone, Ageta	Privatization Coordinator, MOA.
13. Jansone, Edite	Director, LATA
14. Kikane, Anna	Economist, Priekule Processing Plant
15. Kveps, Alvars	Dir. Dept. of Agr., Madona Region
16. Marchie, Gordon	USAID, Washington
17. Marzeckis, Stanislavs	Director, Talsi Processing Plant
18. Matchfried, Bob	USAID, Washington
19. Melngailis, Nils	Agribusiness Privatization Project
20. Piesins, Eriks	Director, Priekule Processing Plant
21. Purmailis, Raitis	Prod. Mgr., Tukums Processing Plant
22. Sesks, Martins	Latvian Dairy Committee
23. Silins, Janis	President, Madona Producers Assoc.
24. Simsons, Valdis	Director, Vandzene Agrofirma
25. Skobe, Karlis	Director, Valmiera Processing Plant
26. Snikers, Janis	Economist, Valmiera Processing Plant
27. Solovyov, Victor	Director, Preili Processing Plant
28. Sysmanski, Damon	VOCA, cooperative development
29. Upnieks, Peter	Director, Rezekne Processing Plant
30. Zarins, Laimonis	Director, Aizpute Processing Plant

APPENDIX D

LATVIAN DAIRY PROCESSING PLANT QUESTIONNAIRE

1. What products do make here? and how much of each?

fluid milk _____

butter _____

cheese _____

ice cream _____

dry milk _____

condensed milk _____

casein _____

yogurt _____

kefir _____

other _____

2. How are they packaged?

3. How are they distributed?

4. To whom are they distributed?

5. Do you compete with others?

6. Do you have a brand name?

7. Do your products have any special reputation for quality? for price? for service?

8. What is your milk supply?

9. How much **milk** do you receive each day?
What **percentage** is from private farmers?
What **percentage** is from joint stock companies?
10. How much **milk** did you receive in 1991? _____
What do you expect in 1992? _____
In 1993? _____
11. Is the quality of milk good?
12. Do you have an adequate supply of milk?
13. Is there **seasonal** variation in milk supply?
14. Do you have **surplus** milk at times?
15. Is your **equipment** adequate for your needs?
16. What can you do to lower costs?
17. What do you do with the milk products that are not sold? Do you take back returns?
18. Is your sewage disposal system adequate? Is sewage treated?
19. Do you have **enough** people to do all the jobs in the dairy? Do you have too many?
20. What is the **work day** and what is the pay?
21. Is the management staff efficient?
22. Do you have a system of quality control testing?
23. Are the cows **healthy**?
24. Do you reject **bad** milk?
25. Do you work **seven** Days a week?
26. Do you have **adequate** refrigeration?

27. Why is consumption of milk declining?
28. What do you pay for milk in rubles per liter?
29. What do you sell milk for per liter?
to stores?
to consumers?
30. Are there any problems with farmers?
31. How often does the price of milk change?
32. Are milk by-products like yogurt, sour cream, cheese, more or less profitable for you?
33. Privatization is the process of making state businesses private.
What is your opinion of privatization?
34. Will it benefit you?
35. Would you like to be private?
36. Could you manage it?
37. What are your annual sales in rubles?
What was it in 1991?
What do you expect it to be in 1992?
38. What is your annual profit?
In 1991?
Estimate for 1992?
39. What improvements would you make under privatization?
40. How would you pay for them?

41. Under privatization would you have:
- Lower costs?
 - Better relations with farmers?
 - More or fewer employees?
 - Better paid workers?
 - Happier workers?
42. Who should own the company under privatization?
43. A cooperative is an organization for the production or marketing of goods which is jointly owned by members who share in the benefits. Farmers cooperatives may become the new owners of Latvian dairy processing enterprises. Is this a good idea?
44. If you were given a free hand to do what you wish to make this business better, what would you do?
45. What are the strong points of your business?
46. What are the weak points?

Draft: CF:4/2/93

Topics Requiring Attention in Developing Cooperative
Charters , By-laws and Contracts

1. Commodity patronage commitment

The extent of expected patronage commitment from farmers delivering agricultural commodities to a cooperative needs to be specified in the charter. There are three main options:

- a. full production
- b. defined volume
- c. set acreage

The competitive and/or profit position of the cooperative or plant may be directly affected by the decision made. Formal agreements with producers are needed.

2. Decision making roles

- a. cooperative members
- b. board of directors
- c. plant management

Ideally this should be included in the charter. The most important issue in Latvian dairy processing plants will be to ensure that managers have day to day control over operational and staffing decisions

3. Voting rights of members organized as corporations or other cooperatives.

The major issue is whether the one member one vote rule should be modified for corporations and cooperative associations. If so what rules will apply?

4. Equity redemption

Rules need to be developed regarding the amount, timing and procedures for equity redemption in the case where a member withdraws from cooperative membership.

5. Stock holding

Dairy cooperative members will all hold stock. Procedures for allocating initial and additional stock are needed. Procedures for allocating patronage earnings in addition to or in lieu of stock are needed. If stocks are held, official stock ownership documents are needed.

6. Patronage retains

Dairy cooperatives will need to retain a percentage of the value of milk delivered by members to provide all or a part of either working or long term capital needs. Procedures will have to be developed.

7. Non-patronage income or commodity deliveries

Procedures for handling non member shipment of milk to a cooperative plant or for purchase of farmer supplies will be needed. Should conditions be neutral or should they be set to encourage cooperative membership?

8. Handling of patronage losses

When a cooperative loses money procedures for charging losses against patronage assets are necessary. Accounting procedures for declaring the losses on balance sheets and/or for profit tax purposes are needed.

9. Dissolution of the cooperative

Procedures for distributing asset claims to members, based on patronage should be specified.

10. Marketing agreements with producers

This relates to patronage commitments by producers. Agreements need to be written with producers depending on the marketing strategy of the cooperative. For most dairy cooperatives in Latvia the cooperative will probably agree to take all the milk from the producer and the producer must agree to send all his milk to the cooperative. Pricing procedures need to be determined eg. pooling or grade based approaches. Enforcement mechanisms may be necessary to keep farmers from switching dairies indiscriminately.

11. Membership renewal

Language is needed to provide automatic rollover of annual membership unless action to terminate is taken.

12. Forfeiture of membership

Procedures under which members lose their rights to membership are needed.

13. Right to amend by-laws

Procedures to amend by-laws (Charter?) are needed.

14. Entire agreement provision

Language requiring that only written documents qualify as operational agreements between producer and the dairy may be used to forestall problems with managers or board members making verbal agreements with producers or with each other.

15. Membership applications

Standard membership application forms are required.

16. Purchase and sale of additional assets

Under the dairy processing plant privatization law charters must include provisions under which shares not sold at the initial two offerings (which are retained by the state) can be acquired by private sector owners.

Action	Elapsed Time	Actual Date	Responsible Agent	Operational Clause	Comments
1. Law comes into effect	Start of process	Feb 1, 1993	--	RLSC Resolution	
2. Identify enterprises serving as state reserve enterprises	Two weeks	Feb 14, 1993	Council of Ministers	Article 1	Enterprises designated as state reserves are not subject to this law
3. Prepare a list of enterprises to be privatized	Two weeks	Feb 14, 1993	MOA	RLSC Resolution	The list should be updated regularly
4. Ensure nomination of pagast representatives to enterprise Privatization Commissions	Fifteen days	Feb. 15, 1993	Pagast govt. MOA	Article 8 Article 5	Not less than 6 representatives are to be elected by producers or producer associations
5. Determine asset share retained by legal persons having received assets prior to April 15 RLSC Resolution	One month	March 1, 1993	MOA	Article 7 Article 17	Refers to individuals or groups receiving assets prior to April 15 in the enterprises affected by this law and the April 15 resolution.
6. Justify need to retain state assets in enterprises to be privatized	One month	March 1, 1993	MOA	Article 7	
7. Formation and approval of Privatization Commission	One month	March 1, 1993	MOA	Article 3 Article 5	MOA appoints chairman. Other members include manager and chief accountant of unit being privatized, a non-management representative, a local government representative, and not less than 6 producer representatives. Subcommissions may be formed. Experts, having advisory rights, may be involved.
8. Valuate unit to be privatized	Two and a half months	April 14	PC	Article 3 Article 6	Adjusted depreciated book value of fixed assets plus cash flow funds. Fixed assets purchased prior to 1991 are expanded by a factor of 10; those purchased in 1991 by a factor of 3; others are taken at actual value.

Action	Elapsed Time	Actual Date	Responsible Agent	Operational Clause	Comments
9. Final date to establish pagast level milk producer associations	Two months	April 1, 1993	Pagast & Farmers	Article 3 Article 8	After deadline passes, cooperatives with rights to receive free assets under the April 15 resolution lose these rights
10. Prepare or conduct competition to prepare privatization scheme	Three months	May 1, 1993	PC	Article 6 Article 3	Article 3 requires scheme to be prepared within the stated time frame. Article 6 also permits use of the time to "organize a competition" if approval is secured from the MOA
10a. Milk producers & milk product suppliers can purchase at least 70% of assets being privatized in an eligible unit; employees -- no more than 10%; others -- no more than 20 %.	--	--	--	Article 17	
10b. Discounts from stated selling prices are available to producers, milk suppliers and employees	--	--	--	Article 20	Producers not having access to "free" assets under the April 15 resolution can purchase assets at 75% discount from selling price; other producers at 50% discount; employees at 25% discount; others at no discount. Buyers have up to five years to pay for assets.
11. Approve privatization scheme	Four months	June 1, 1993	MOA	Article 3 Article 7	MOA determines conformity of privatization schemes with the law and informs PC about violations
12. Prepare founding prospectus for company and announce date for "signing of assets", eg transferring ownership	Four and a half months	June 14, 1993	PC	Article 3 Article 6 Article 21	Article 3 and 6 are silent regarding asset signing date. Article 21 indicates announcement occurs at the same as preparation of the prospectus
13. Inform stakeholders of asset shares to be assigned to each	Four and a half months	June 14, 1993	PC	Article 6	Potential stakeholders include staff of enterprise being privatized, pagast milk producer associations and others

25

Action	Elapsed Time	Actual Date	Responsible Agent	Operational Clause	Comments
14. Organize asset signing and transfer assets to new owners	Five and a half months (1st phase) Six and a half months (2nd phase)	July 14, 1993 August 14, 1993	PC	Article 3 Article 6 Article 21	Assets allocated to a particular group (farmers, employees etc.) which are not taken in the first offering are allocated to the same group in the second offering. Assets remaining to be sold after the second offering are handled according to the new company charter.
15. Prepare company charter and other documents	Six months	August 1, 1993	PC	Article 3 Article 6	
16. Completion date for asset transfer from units subject to provisions of April 15 resolution	Six months	August 1, 1993	Not stated	Article 1	This deadline is activated if deadline under 9 above is met.
17. Open bank account for capital deposits and organize procedure for payment of assets purchased			PC	Article 6	
18. Call foundation meeting of new cooperative (or company)	Seven months	Sept 1, 1993	PC	Article 3	
19. Register the company			Not specified	Article 3	
20. Transfer all documents Sign transfer act	Two weeks after registration		Not specified	Article 3 Article 4	

2. DAIRY SECTOR

BAUSKA PIENS

Business Valuation Report for Bauska Piens

Environmental Assessment of Bauska Dairy

**Privatization of the Bauska Milk Processing Plant:
A Legal Analysis**

BUSINESS VALUATION REPORT
FOR
BAUSKA PIENS
BY
THE LATVIAN AGRIBUSINESS PRIVATIZATION PROJECT

by
Kenneth Eisen

Consultant to:

Coopers and Lybrand

in association with:

Agency for International Development

and

The Ministry of Agriculture

Government of Republic of Latvia

Riga, Latvia

June 9, 1993

TABLE OF CONTENTS

Statement of Limiting Conditions

1.0 Valuation of Bauska Dairy

- 1.0 Objectives
- 1.1 Purpose of Valuation
- 1.2 Scope
- 1.3 Conclusion of Value

2.0 Country Overview

- 2.1 Country Background
- 2.2 Recent Economic Developments

3.0 The Industry

- 3.1 The Agriculture Sector
- 3.2 The Dairy Processing Sector

4.0 Company Description

- 4.1 The Bauska Plant
- 4.2 The Iecava Plant
- 4.3 The Stelpe Plant
- 4.4 The Organization Structure

5.0 Financial Analysis

- 5.1 Basis of Financial Statements
- 5.2 Balance Sheet
- 5.3 Income Statement

6.0 Future Prospects

- 6.1 Overview
- 6.2 The Domestic Markets
- 6.3 Eastern Bloc
- 6.4 Western Markets

7.0 Risk Factor

- 7.1 General Economic Factors
- 7.2 Problems of Transition
- 7.3 Currency Risk
- 7.4 Illiquidity of Investment
- 7.5 Business Failures
- 7.6 Latvian Accounting Standards
- 7.7 Enforcement of Rights

8.0 Valuation Theory and Methodology

- 8.1 Premise of Value
- 8.2 Definitions
- 8.3 Valuation Methodology
 - 8.3.1 The Cost Approach
 - 8.3.1.1 Valuation of Current Assets
 - 8.3.1.2 Valuation of Fixed Assets
 - 8.3.1.3 Status of Bauska Residences
 - 8.3.2. The Market Approach
 - 8.3.3 The Income or Cash Flow Approach
 - 8.3.3.1 Selection of Discount Rate
 - 8.3.3.2 Application of Discounted Cash Flow Methodology
 - 8.3.4 Reliance on Management Projection

8.3.5 Allocation Between State and Limited
Liability Company

8.4 Comparison of Adjusted Cost and DCF Valuation
Methods

- Exhibit 1 Country Data - Latvia
- Exhibit 2 Productivity Comparison
- Exhibit 3 Privatization of Bauska
Percentages of Milk Purchases by Kombinat
Dairy Cooperatives
- Exhibit 4 Unaudited Financial Statements and
Notes to the Financial Statements
- Exhibit 5 Valuation Based on Market Value of Balance
Sheet
- Exhibit 6 Valuation of Fixed Assets, Summary of Values
- Exhibit 7 Valuation of Fixed Assets, Depreciated Replacement
Cost Methodology
- Exhibit 8 Valuation of Projected Debt Free Cash Flow,
Assumes No Tax Holiday
- Exhibit 9 Valuation of Projected Debt Free Cash Flow,
Assumes Two Years Tax Holiday
- Exhibit 10 Summary of Values - Controlling Interest

STATEMENT OF LIMITING CONDITIONS

1. Nothing has come to our attention to cause us to believe that the facts and data set forth in this report are not correct.
2. Neither Coopers & Lybrand nor any of its employees or contractors has a financial interest in the property appraised.
3. The fee for this report is not contingent upon values reported.
4. No investigation of the title of the property has been made, and owner's claim to the property has been assumed to be valid. No consideration has been given to liens or encumbrances which may be against the property except as specifically stated in the report.
5. Information furnished by others was assumed to be reliable.
6. No responsibility is assumed for matters of a legal nature.
7. This report is for the purposes stated and should not be used for any other purpose.
8. Neither all nor part of the contents of this report shall be disseminated to the public through advertising, public relations, news, sales or any other public media without prior approval of Coopers & Lybrand.
9. In the course of our analysis, we were provided with both written and verbal information, including financial and operating data, which we accepted as accurate without verification.
10. We have used certain forecasted data supplied by management in our valuation. We have not examined the forecasted data or the assumptions underlying the forecasted data and do not express an opinion or any other form of assurance on the forecasted data and related assumptions.
11. The estimates of future operations herein are solely for use in the valuation and are not intended for use as forecasts or projections of future operations. In addition, there will usually be differences between estimated and actual results because events and circumstances frequently do not occur as expected and those differences may be material.
12. We have no responsibility to update this report for events and circumstances occurring after the date of valuation.

1.0 OBJECTIVES

1.1 Purpose of Valuation

The purpose of this valuation is to determine the fair market value of Bauska Piens ("Bauska", the "Enterprise" or "Company"). We define fair market value as the price at which the property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or sell and both having reasonable knowledge of relevant facts

1.2 Scope

The scope of our valuation included, but was not limited to, consideration of:

- A. The nature of the business, including its history since organization;
- B. The political and economic outlook for Latvia in general and for the dairy industry at the date of valuation;
- C. Non-operating asset values;
- D. Earning capacity;
- E. Dividends and dividend-paying capacity;
- F. The existence or lack of intangible value;
- G. Sales of the stock and the size of the block to be valued;

1.3 Conclusion of Value

Based on our analysis, the assumptions and the methodology described in this report, we have determined the fair market value of Bauska to be in the range of 90 to 110 million Latvian Rubles (LVR) with no tax holiday for the acquirer, and 100 to 120 million LVR with a two year tax holiday for the acquirer.

2.0 COUNTRY OVERVIEW

2.1 Country Background

The Republic of Latvia is situated on the eastern shore of the Baltic Sea, bounded by Estonia to the north, Lithuania to the south, and Russia and Belarus to the east. Riga is the capital.

Latvia has a population of 2.7 million people, with approximately 1 million in Riga. After the Soviet Union occupied Latvia after World War II, migration from the Soviet Union was encouraged. As a result, approximately 50 percent of the population is non-Latvian, with Russians comprising 70 percent of the non-Latvian total. The remainder are primarily from the Ukraine or Belarus.

For a summary of statistics on population, gross domestic product ("GDP") and industry output, see Exhibit 1.

Due to a comparatively well-developed infrastructure and skilled work force, the Soviets established a number of relatively well developed industries including machine building, chemicals, electronics, wood, and food products. Latvia became a major exporter of meat, dairy, and fish products to the republics of the Soviet Union.

The collapse of the Soviet Union prompted Latvia to declare independence in September, 1991. However, due to the inefficient economic policies implemented by the Soviets, Latvia also suffered as evidenced by declining GDP estimated at negative 3.5 and 8.3 percent in 1990 and 1991 respectively.

2.2 Recent Economic Developments

Beginning in the late 1980s, Latvia began withdrawing subsidies and freeing prices. As a result, subsidies to GDP dropped from a 13.7 percent in 1990 to 1.3 percent in 1991. This was accompanied by large price increases with retail prices increasing approximately 172 percent in 1991, and as much as 1,000 in 1992 before levelling off to a current rate estimated at 3 percent per month.

The reduction in inflation is partially due to tight monetary policies. However, it has been accompanied by a real drop in GDP of as much as 30 percent in 1992. This contraction of output was primarily caused by the collapse of trade relations with the former Soviet republics (imported inputs were down from 46.8 percent of GDP in 1990 to 21.4 percent in 1991). Agriculture was the sector most affected.

Latvia is currently attempting to conclude trade agreements with Russia and the former republics. Such resumption of trade appears crucial for the food processing sector since without such trade, there will be a severe overcapacity of food production and processing capacity.

3.0 THE INDUSTRY

3.1 The Agriculture Sector

The Latvian agriculture sector comprises 20 percent of GDP and 16 percent of the labor force. In 1990, Latvia exported 22 percent of its dairy production to the Soviet Union. In return, it received all of its fuel and agricultural machinery from the former USSR.

With the dissolution of the Soviet Union, the entire production and distribution system was disrupted. The Latvian government's current policy is to restructure and privatize state and collective farms. Concurrently, the country is facing the challenge of providing support services for agriculture including financing, repair and construction, food processing and marketing.

As shown in Exhibit 2, Latvian agriculture is not as productive as that of Western countries, although more productive than other countries of the former Soviet Union.

Recent developments have included instituting land reforms to enable full private ownership of land. Restitution provisions provide for pre-1940 owners to receive previously owned parcels of land, equivalent ones, or compensation. However, there remains uncertainty about legal title. Successful privatization of state owned enterprises depends on these ownership issues being promptly resolved.

Prices have also been liberalized but not entirely freed. For example, food processors are free to sell products to whomever they choose and can also freely negotiate prices with suppliers. However, for some products, they are currently subject to a profit markup of no more than 15 percent of total production costs.

3.2 The Dairy Processing Sector

Information is generally not available on the market share of the various entities making up the dairy industry. However, a breakdown by share of milk purchased is provided in Exhibit 3. As indicated, Bauska was responsible for approximately 5.35 percent of total milk purchases in 1992. The largest purchases were made by Valmieras, with a 19 percent share, Rezeknes, with 15.95 percent, and Liepajas with 11.14 percent of total purchases.

Consistent with the collapse of former Soviet markets beginning in 1991, total purchases in tons decreased approximately 30 percent between 1991 and 1992. Bauska had a similar drop of 28 percent in milk purchases. In addition to the decreasing market, the breakup of collective state farms also disrupted availability of milk supplies.

4.0 COMPANY DESCRIPTION

Bauska consists of three milk products processing plants. They are known as the Bauska dairy processing plant ("Bauska plant"), the Iecava dairy processing plant ("Iecava"), and the Stelpe dairy processing plant ("Stelpe"). There are approximately 330 employees divided between the three plants and general administration.

4.1 The Bauska Plant

The Bauska plant specializes in whole milk products. Originally constructed in 1923, it was subsequently renovated in 1967. A new plant adjacent to the existing plant is partially constructed. Originally planned for additional production of cottage cheese, the decline in demand for cottage cheese caused construction to be suspended. Approximately 54.4 percent of milk produced in the Bauska district is received by the Bauska plant.

4.2 The Iecava Plant

The Iecava plant specializes in soft cheese. Built in 1939, it is in poor condition and undertakes limited production at this time. Approximately 15.7 percent of milk from Bauska district goes to the Iecava plant for processing.

4.3 The Stelpe Plant

The Stelpe plant specializes in butter production. It was built in 1939 and renovated in 1969. The enterprise considers this plant to be the most efficient of the three production facilities. The remaining 29.9 percent of milk produced in Bauska region is acquired by this plant.

In addition, management reports that the Iecava and Bauska plants have supplied sweet cream to Stelpe. As a result, approximately 85 percent of the milk produced in Bauska region is used to manufacture butter.

4.4 Organization Structure

The three plants were combined into the present structure in 1962. Until 1987, Bauska was a state-owned enterprise. In 1987, its assets was transferred to a collective farm or "Uzvara". However this arrangement proved to be unsatisfactory due to dominance by one farm.

In 1990, the dairy farmers and collection farms founded the current Bauska as an association of dairy producers. Based on a government decree dated May 23, 1990, the Bauska Dairy Kombinat was given by the state to the association free of charge. In 1991, Bauska was then registered as a limited liability company with 70 percent of capital going to milk producers, 20 percent to employees, and the remaining 10 percent to other service organizations.

Subsequent to the May 23, 1990 decree, the government reversed its prior policy and decided it should receive compensation from the dairy producers for assets of the enterprise in place prior to 1991. The enterprise is currently in negotiations regarding the amount of this payment. For further discussion of this subject, see the Valuation Theory and Methodology section 8.0 of this report.

5.0 FINANCIAL ANALYSIS

5.1 Basis of Financial Statements

Bauska maintains its books and records according to Latvian accounting principles. There are significant differences between Latvian standards and either U.S. Generally Accepted Accounting Principles ("US GAAP") or Western European Standards ("International Accounting Standards"). The primary record prepared is a balance sheet with accompanying notes that include limited information on gross profits, net profits, and the allocation of those profits.

The balance sheet and income statement for Bauska, transformed into a Western format, is provided in Exhibit 4. The notes to these statements are appended to the statements.

The financial statements between 1990 and 1992 are not comparable from year to year. Between 1990 and 1991, there were changes adopted in accounting format. Between 1991 and 1992, there was a period of hyperinflation which resulted in state enterprises revaluing fixed assets according to revaluation coefficients ranging from 2.0 to 5.0. A similar revaluation occurred on January 1, 1993 and was reported to require revaluation coefficients as high as 10.0

As a result, our analysis is limited to review of 1992 financial statements.

5.2 Balance Sheet

After restatement into a Western format, Bauska has total assets of 131 million Latvian rubles ("LVR") compared to 31 million LVR in liabilities and 100 million LVR in owners' equity. There is no bank credit outstanding.

Balance sheet assets include 86 million in current assets and 35 million in fixed assets. While 1993 financial information is not available, it appears that fixed asset balances will increase substantially after application of 1993 revaluation coefficients.

5.3 Income Statement

Bauska recorded 1992 Gross Profit of 76 million LVR and a Pre-tax Profit of 94 million LVR after inclusion of Other Income items.

Income taxes of 361 thousand LVR are reported. However, there are additional taxes levied against sales, payroll and other items included in cost of goods sold.

The net profit figure represents 15.7 percent of net sales. This compares with a 8.4 percent figure recorded in 1991. However, the 1992 figure appears to be overstated for several reasons. For example, employee bonuses are paid from profits but are better classified as expenses. In addition, the hyperinflation occurring during the period caused a lag in cost increases thereby producing nonrecurring inventory holding gains. In addition, because depreciation is based on historical rather than current costs (except for revaluations), this item does not correctly correspond to the depreciation reserves required to provide for future replacement of fixed assets.

The current statutory income tax rate is reported to be 35 percent. The government is reported to be offering a 2 year tax holiday to foreign investors acquiring a minimum 30 percent of the enterprise. This could enhance the value of the enterprise to foreign investors.

6.0 FUTURE PROSPECTS

6.1 Overview

Our general conclusions for Bauska's prospects in the next several years are as follows:

- Bauska faces considerable uncertainties in the domestic economy during the next one to two years. The economy has experienced a substantial decline in 1992 and the timing and extent of any recovery is unclear. As a result, Bauska's sales levels when adjusted for inflation could remain below 1990 and 1991 levels for the next several years.
- The disintegration of traditional state owned milk suppliers and distributors add uncertainty to Bauska's prospects in domestic markets.
- Management is hoping to expand exports to former Soviet republics. However, these republics lack hard currency with which to pay for imported products.
- The Company's ideas of exporting to Western Europe are hampered by tariffs and quotas. In addition, most of Bauska's products currently do not comply with international product and sanitation standards.

- The Company faces the entry of Western food processing companies into Latvia and the Eastern European market. This includes Kellogg's recent arrival in Latvia. Bauska could benefit by forming an alliance with a Western investor or manufacturer.
- Bauska must be flexible and entrepreneurial enough to exploit new market opportunities and adapt to changing market conditions.

In the following paragraphs, we discuss the prospects for Bauska in its domestic market, exports to the former Soviet republics, and also exports to Western markets.

6.2 Domestic Markets

The Company's unit sales volume for 1993 is projected to decline over 20 percent from 1992 levels. In particular, Bauska is expected to experience a large decrease in tonnage of butter and cheese shipped during 1993.

Collapse in domestic demand resulted partially from consumers finding substitutes for the Company's products while also dramatically reducing consumption as they experience massive declines in purchasing power. Due to large stockpiles of butter, consumers have even begun buying imported products due to the fear that the domestic product is not fresh.

Future sales and profitability from Bauska's current business activities in Latvia may recover and ultimately exceed prior levels. As standards of living rise, consumers are likely to increase both the amount and quality of food items bought.

Foreign companies are now entering Eastern European markets including Latvia. Armed with greater financial resources and marketing advantages than Bauska, they could undermine Bauska's position.

As Western firms acquire existing companies in Eastern Europe, it will become increasingly important for enterprises like Bauska to form strategic alliances with foreign companies. Such alliances may include joint ventures and marketing agreements. Bauska may also gain a long term advantage through ultimately merging or being acquired by a Western food company.

6.3 Eastern Bloc

Bauska's markets in Eastern Europe are experiencing radical social and political change which could significantly affect the level and profitability of Bauska's future activities in these markets.

In the event Latvia successfully negotiates trade agreements with former Soviet republics, Bauska could benefit by exporting food

products to the former Soviet Union. However, there are major uncertainties and we do not anticipate the former Soviet republics being a major source of revenues for Bauska during the next two to three years.

6.4 Western Markets

Bauska may find additional markets for certain products from Western nations such as Sweden and Finland. Reduced production by these countries and the availability of product from Latvia could offer opportunities to sell to such markets.

However, sales may be hampered by trade barriers and, importantly, by quality control and sanitation standards.

Market expansion is dependant on Bauska's improving sanitation to international standards and mounting a substantial promotion campaign. This requires both technical expertise and substantial amounts of capital. For example, product packaging would need to be greatly improved or products sold to Western companies that package the product for their own countries.

7.0 RISK FACTORS

7.1 General Economic Factors

The performance of the Company may be affected by the performance of the Latvian economy. The economy has not been strong in recent years and it suffers from negative growth in GDP, a declining standard of living and at least the threat of renewed inflation.

7.2 Problems of Transition

The transition to a more market-orientated economy may be difficult. Managers and workers face a new and, for them, untried environment. There will inevitably be problems of adjustment, compounded by years of under-investment. Many businesses may not be able to adapt to the demands of a market economy.

7.3 Currency Risk

The Lati is only partially convertible into other currencies and is not internationally traded. While the currency has been relatively stable in recent months, the currency could depreciate due to inflationary policies by the government such as supporting financially ailing enterprises or reinstating price supports.

7.4 Illiquidity of Investments

There is to date no Latvian stock exchange in operation. Although it is the intention that the majority of large enterprises should eventually be listed on such an exchange, there can be no guarantee

of any significant liquidity. The high degree of liquidity seen on some Western stock exchanges may never develop.

7.5 Business Failures

Latvian enterprises are only beginning to be allowed to go into liquidation due to insolvency or bankruptcy. The full effects of this change remain to be seen.

7.6 Latvian Accounting Standards

Accounting standards and the role of accounts in Latvia are different from those of the West. Although Latvia has now adopted principles more closely resembling International Accounting Standards ("IAS") or US GAAP, there is no history of auditing enterprises to such standards.

7.7 Enforcement of Rights

It may be difficult for the Company to obtain effective enforcement of its rights by legal or arbitration proceedings in Latvia.

8.0 VALUATION THEORY AND METHODOLOGY

8.1 Premise of Value

Our valuation is based on the premise of fair market value. Fair market value is defined as the amount for which property would exchange between a willing buyer and willing seller, each having knowledge of the company, and each acting in their own self-interest without undue compulsion or pressure.

For purposes of this valuation, we assume that the business will continue operation as a going concern. This is in contrast to liquidation value where it is assumed that the sum of the proceeds from sale of assets exceeds the value of the company based on its profitability as a going concern.

Due to current economic conditions in Latvia and a severe overcapacity of dairy production, the demand for available property and equipment appears limited. Moreover, the cash proceeds likely to be realized by such sales would be limited by selling commissions, transportation costs, and the time required to find a suitable buyer.

Furthermore, in conducting our valuation, we determined values based both on the assumption of minority and controlling interests. A minority interest represents an investor acquiring shares in the enterprise (e.g. a minority interest) similar to buying shares on the stock market, but without guarantee of liquidity to sell the shares.

In comparison, a controlling interest is generally defined as ownership of over 51 percent of the outstanding voting shares. A

controlling interest is considered more valuable than a minority interest. This is due to the acquirer's ability to determine the enterprise's strategy, products, marketing, financing, compensation and dividend policies.

In this regard, in the U.S., acquirers of food and beverage manufacturing companies have been paying an average of 59 percent over prior market prices of publicly traded shares of the acquired company.¹

The following definitions are relevant for valuation purposes:

8.2 Definitions

1. Fair Market Value

Fair market value is defined as the amount for which property would exchange between a willing buyer and a willing seller, each having a knowledge of the company, and each acting in their own self-interest without undue compulsion or pressure.

2. Replacement Cost New

Replacement Cost New ("RCN") is the cost of construction or acquisition at current prices of an asset having similar utility as the property being appraised. RCN is the upper limit of value, that is, what the property would be worth to a prudent investor in a new and unused condition.

3. Depreciated Replacement Cost

Depreciated Replacement Cost New ("DRC") is the cost of replacement, less an allowance for deterioration due to physical deterioration. This value does not explicitly consider reductions in value due to either technological obsolescence or economic obsolescence due to permanent reductions in market demand.

4. Orderly Liquidation Value

Orderly Liquidation Value is defined as the amount of cash proceeds which could be expected from a sale of the subject property given a reasonable time in which to find a purchaser and complete the transaction.

5. Forced Liquidation Value

Forced Liquidation Value represents the estimated cash

¹Source: "Control Premiums by Industry - Trailing 12 Months", Houlihan, Lokey, Howark, and Zukin, 3rd Quarter 1992.

proceeds which could be typically realized at a properly advertised and conducted public auction held under forced sale condition, under present day economic conditions. The period allowed for the sale is generally shorter than for orderly liquidation value, say, 60 days.

8.3 Valuation Methodology

There are three basic approaches to valuing any enterprise. They are the cost, market and income or discounted cash flow approaches. The best one to use depends on a number of factors as described below.

8.3.1 The Cost Approach

The Cost Approach is utilized through application of the Adjusted Net Assets Method. In the Adjusted Net Assets Method, an analysis of the fixed assets, investments, and financial assets is conducted to arrive at a fair market value for the total assets of the firm as a going concern. This value is then netted against the fair market value of all the liabilities of the firm, resulting in an indicated net value attributable to the Enterprise's stock. For application of this method to Bauska, see Exhibit 5.

8.3.1.1 Valuation of Current Assets

A verification and appraisal of current assets is beyond the scope of this business valuation. We consider the cash balances on the financial statements to be representative of their market values.

For accounts receivable, we do not have reliable information on the aging and condition of the balances due from customers. However, due to current economic conditions in Latvia and the problems of the dairy industry, we deduct 10 percent of the balance of the receivables as a reserve against possible credit losses (see Exhibit 5).

The enterprise's inventory is largely comprised of butter stored in warehouses in Riga. The advantage of butter is that it can be stored almost indefinitely if kept sufficiently cold. However, the local market for butter is limited and consumers are reported to be somewhat wary of the freshness of local products.

In addition, the enterprise has indicated that it is currently selling butter for between 170 and 200 LVR per kilogram. This is down from a peak of 280 to 300 LVR in March, 1992. The enterprise is now considering lowering prices to approximately 150 LVR per kilo compared to a cost of production of about 190 LVR. Concurrently, they plan to lower the price they will pay suppliers for raw milk. As a result, certain of the enterprise's inventory may be unsalable or saleable at prices below carrying costs. Therefore, we assume an additional reserve against inventory loss equal to 20 percent of the value of inventory shown on the balance sheet.

8.3.1.2 Valuation of Fixed Assets

Under a going concern assumption, the cost approach applicable to valuing fixed assets is known as Depreciated Replacement Cost ("DRC"). As shown in Exhibit 6, DRC arrives at fair market value by determining the cost of replacing the property new, then depreciating it for physical deterioration.

Under this methodology, the original cost of each major asset is translated into its Replacement Cost-New ("RCN"). For this purpose, we translated the original cost of enterprise assets into current prices utilizing consumer price indexes for Latvia as published by the World Bank.² For more recent data, we utilized inflation indices provided by the Statistical Commission of Latvia.

Once RCN was determined, economic lives for the assets were assigned. For this purpose, we utilized ranges for asset categories published by Marshall Valuation Services.

Based on these lives, and assuming limited residual values at the end of the life (e.g. 8 percent and 20 percent for equipment and buildings respectively), we assigned depreciation factors to these major assets. Finally, the DRC for each major asset is calculated by subtracting the depreciation from the RCN.

Note that this approach applies penalties for physical deterioration of the property, but does not explicitly consider such factors as technological, functional, or economic obsolescence. For example, advances in technology may enable replacement of an asset with one of similar utility at lower price, or similar price but with enhanced performance.

For the subject enterprises, additional reductions in value were necessary based on under-utilization of the assets (functional obsolescence), and because loss of key markets (e.g. former Soviet Union) limit market values of the productive assets (economic obsolescence).

As a result, we have deducted a total of 30 percent from the value of fixed assets determined by the DRC approach. Fifteen percent represents a penalty due to the poor technological condition of much of the subject property and equipment. We have deducted an additional 15 percent due to the under-utilization of the equipment due to the loss of key markets. We recommend these deductions be reviewed in light of subsequent changes in both technology and market conditions.

As shown in Exhibit 7, the valuation of fixed assets comprised assets totalling approximately 69 percent of original cost. For the remaining items not reviewed, we utilized the remaining net

² Latvia: The Transition to a Market Economy, The World Bank, Washington D.C. 1993.

book value and applied an appropriate revaluation multiple based on the relationship between the enterprise's average value costs shown both before and after the 1993 revaluation. As a result, the final value assigned to fixed assets equals approximately 60 million LVR.

Due to uncertainties with title and the limited market to date, we have assigned no value to the land underlying the enterprise's facilities. Depending on the final legal status of Bauska, this assumption should be reviewed.

8.3.1.3 Status of Bauska Residences

The privatization of Bauska will probably exclude worker residences, currently carried on the enterprise's financial statements. As shown on Exhibit 6, we have separated those residential properties. However, due to their current inclusion in the financial statements, we have included them in the valuation of Bauska.

8.3.2 The Market Approach

The market approach estimates value by determining selling prices of comparable properties or enterprises. A group of comparable firms are selected and data on market price versus various financial measures are developed.

The earnings (profits) multiple method of valuation is most commonly used and involves applying a suitable multiple (price earnings or "P/E" ratio) to maintainable earnings (profits). Maintainable earnings are the post-tax profits which would occur in the normal course of business.

Bauska is currently not projected to have a profit in 1993. Due to this lack of current profitability as well as lack of comparable enterprises that have been sold with market data available, this method is not applicable.

8.3.3 The Income or Cash Flow Approach

In valuing an enterprise as a going concern, the approach most widely accepted is generally an income or discounted cash flow ("DCF") approach. The DCF approach values the company based on estimating future operating cash flows. These cash flows are then discounted to a present value by applying a required rate of return which reflects the risks applicable to the business as well as the availability of alternative investments.

In this instance, the required return for an investor includes business risk, financial risk, political risk and economic risk. The greater the degree of risk, the higher the return required by the investor.

The forecasts of future cash flows exclude the impact of future expected inflation. That is, projections of sales were made using current 1993 prices. We utilized this approach due to the high degree of uncertainty regarding future price levels.

For valuation purposes:

Debt-Free Cash Flow is defined as:

Earnings before interest and taxes ("EBIT")

- Income taxes at expected rate

= Debt-free earnings

+ Depreciation and other non-cash charges

- Additions to working capital

- Additions to plant and equipment

= Debt-free available cash flow

We add back depreciation to earnings in arriving at cash flow since this is an accounting entry and does not involve the use of cash. Similarly, because they represent actual cash outlays, we deduct additional working capital and plant and equipment required to support projected sales.

8.3.3.1 Selection of Discount Rate

In selecting a discount rate, we utilized a weighted average cost of capital ("WACC"). The WACC is divided between required returns on debt and equity. The "real" cost of debt (without the effects of inflation) was utilized based on "real" rates earned by U.S. banks (approximately 5 percent) as a base rate. The "real" rate of return was then increased due to the additional risk of the Latvian economy. The cost of debt rate was then reduced by an amount resulting from the deductibility of interest payments for Latvian tax purposes.

The cost of equity was based on application of the Capital Asset Pricing Model ("CAPM"). CAPM is a widely accepted method for valuing equity capital as developed at the University of Chicago. CAPM begins with identifying the return on a risk free investment, such as a U.S. Treasury bond. The model then incorporates the additional return received by investors from investing in stocks in the U.S.

Finally, an additional premium is added reflecting the higher returns traditionally earned by investments in smaller stocks (i.e. companies with sales less than \$100 million).

To make this return consistent with our assumption of no inflation, we deducted the expected U.S. inflation rate of approximately 4 percent.

We utilized this U.S. investment rate as a base rate for required returns in Latvia. This is known as a Build-Up Method. This method lists each component of risk and assigns an amount of return to compensate for each risk component.

For Latvia, an additional return is required by an investor due to the greater political and economic risks in Latvia. This risk makes investment more comparable in risk of a U.S. venture capital financing for a company with a limited track record. Comparable companies may have experienced some commercial success, but can not go to a conventional bank for all of their financing needs.

The higher required return in Latvia than in the U.S. also reflects the uncertainties associated with management's projections for enterprises in Latvia than for projections made in the more stable U.S. environment.

As similar firms in the U.S. would have a financial structure including both debt and equity, the discount rate was adjusted to reflect the fact that Bauska is currently financed 100% through equity.

Based on the application of the above methodology, we determined a discount rate of approximately 24 percent.

8.3.3.2 Application of Discounted Cash Flow Methodology

As shown in Exhibit 8, the future available cash flow and required rate of return are integrated via a formula that calculates the present value of future cash flows. Specifically, we utilize a five year forecast with a stabilized sixth year representing years six through infinity. We estimate this latter terminal value using an algebraic equation known as the Gordon growth model.

As presented in Exhibit 8, the resultant value represents the value of all invested capital of the business. However, invested capital is comprised of both owners' equity and interest bearing debt. Therefore, to determine the market value of the enterprise equity, we deduct the value of the interest bearing debt.

Finally, a premium for control is added to reflect the market value applicable to an investor acquiring over 50 percent of the shares of the enterprise. In the U.S. acquirers of food manufacturing companies have paid an average premium of 59 percent over the market value. This is the figure that has been used in the

calculations in Exhibits 8 and 9. However, depending on the actual investment, technical and marketing skills or other benefits that a new owner may bring, a range of 30-60 percent would be reasonable for Bauska. This would give a range of values of 85.5 to 105.0 million LVR with no tax holiday, and 97.0 to 119.0 million LVR with a two year tax holiday. Note that the Cost Approach assumes an investor has the authority to acquire or dispose of individual assets, making it represent a controlling interest valuation.

8.3.4 Reliance on Management Projections

In making our assessment of future cash flow, we have relied on projections provided by management and analysis of historical financial statements. The projections were based on the assumptions listed in the attached exhibits.

There will generally be differences between forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. Therefore, we recommend that these assumptions be reviewed on a periodic basis as new information becomes available.

8.3.5 Allocation Between State and Limited Liability Company

As previously discussed, a portion of the value of the Bauska enterprise involves paying the state compensation for value of the enterprise related to the period prior to formation of the limited liability company in 1990.

Enterprise management has indicated that it has negotiated with state authorities to pay 5.6 million LVR for assets purchased from the enterprise. This is not considered to be a true market value but rather the book value of the subject assets prior to the fixed asset revaluations occurring in 1992 and 1993.

8.4 Comparison of Adjusted Cost and DCF Valuation Methods

Our valuation under the adjusted cost approach indicates a value of 123.8 million LVR for the entire enterprise. The DCF approach estimates a value for Bauska in the range of 85.5 to 105.0 million without a tax holiday, and 97.0 to 119.0 million LVR with a two year tax holiday.

The DCF method is theoretically most sound. However, during this transition period in the economy, there is great uncertainty about future results of all enterprises including Bauska.

The Adjusted Cost Approach has the limitation that it does not consider the profitability of the subject assets in use. In the event the enterprise cannot be made profitable under a market economy, the value of the assets would be limited to the cash generated from asset sales. However, due to the marginal condition of the plant and equipment, and the difficulty in transporting it

to a new location, it is unlikely there would be much value received from sale of individual assets.

As shown in Exhibit 10, we have selected a final value range of 90 to 110 million LVR without a tax holiday and 100 to 120 million LVR with a two year tax holiday. This is based on giving some weight to the adjusted market value of the balance sheet method, but predominant emphasis to the discounted cash flow approach.

EXHIBIT 1

COUNTRY DATA - LATVIA

GNP per capita in USD in 1991 3,410

General

Area (square km)	64,600
Population, 1990 mid-year (thousands)	2,670
Growth rate, 1980-90 (percent)	0.6
Density, 1990 (per square km)	40

Social Indicators

Population characteristics

Crude birth rate, 1990 (per 1,000)	14.2
Crude death rate, 1990 (per 1,000)	13.0

Health

Infant mortality rate, 1990 (per 1,000 live)	10.8
Life expectancy at birth, 1990	70.5

Gross Domestic Product

	Current Prices (million rubles)		Real Growth Rates (annual % change)	
	1990	1991	1990	1991
GDP at market prices	12,201.0	28,665.0	-3.5	-8.3
Total consumption	8,226.0	16,198.0	N.A.	N.A.
Private consumption	6,888.5	13,249.6	N.A.	N.A.
Government consumption	1,337.5	2,948.4	N.A.	N.A.
Gross domestic investment	4,057.0	9,669.5	N.A.	N.A.
Fixed investment	3,337.9	N.A.	N.A.	N.A.
Change in stocks	719.1	N.A.	--	--
Net Exports	-82.0	2,797.5	--	--

Output, Employment and Productivity

	GDP in 1991		Employment in 1991		GDP per worker	
	min RUR	% of total	thousands	% of total	rubles	% of average
Agriculture	5,739.0	20.0	226.6	16.2	23,326	123.4
Industry	13,907.0	48.5	433.6	31.0	32,073	156.3
Services	9,019.0	31.5	736.3	52.8	12,244	59.7
Total/Average	28,665.0	100.0	1,396.8	100.0	20,522	100.0

Source: *Latvia: Transition to a Market Economy*. The World Bank, 1993

EXHIBIT 2

Productivity Comparison, 1989

Commodity	Finland	Latvia	Democratic Republic	
			USSR	of Germany
Grain (quintals/ha)	29.3	23.5	19.0	44.0
Potatoes (quintals/ha)	219.0	155.0	20.0	233.6
Sugar Beet (quintals/ha)	320.3	294.0	249.0	302.3
Milk (kg/cow)	5,246.0	3,636.0	2,600.0	3,821.0
Eggs (units/hen)	N.A.	219.0	N.A.	220.0
Feed conversion (pigs)	3.2	9.8	N.A.	N.A.
Inputs				
Labor/100 hectares	7.9	11.4	N.A.	8.2
N/ha	100.0	91.5	N.A.	141.3
P/ha	30.0	71.4	N.A.	56.4
K/ha	56.0	123.8	N.A.	94.4

N.A. = not available

Note: N = nitrogen; P = phosphorus; K = potassium

Source: *Latvia: Transition to a Market Economy*, The World Bank, 1993

EXHIBIT 3

PRIVATIZATION OF BAUSKA PERCENTAGES OF MILK PURCHASES BY "KOMBINAT" DAIRY COOPERATIVES (in metric tons)

Name of Enterprise	% Change 1992-1991	Tons 1991	% Total	Tons 1992	% Total
Rīga	-31.84%	122599	8.07%	83563	7.86%
Valmiera	-30.21%	289334	19.05%	201927	19.00%
Liepāja	-15.68%	140399	9.25%	118388	11.14%
Rēzekne	-36.04%	264892	17.44%	169427	15.95%
Daugavpils	-40.53%	67948	4.47%	40407	3.80%
Jelgava	-23.42%	146615	9.66%	112266	10.57%
Tukums	-21.72%	65983	4.35%	51654	4.86%
Jēkabpils	-37.42%	60437	3.98%	37821	3.56%
<u>Bauskas</u>	-28.09%	79058	5.21%	56852	5.35%
Ventspils	-32.46%	28703	1.89%	19387	1.82%
Agrofirma "Koknese"	-36.36%	50152	3.30%	31918	3.00%
Krāslava	-34.63%	60051	3.95%	39255	3.69%
Aizpute	-35.76%	36380	2.40%	23369	2.20%
Preiļi	-30.26%	50580	3.33%	35277	3.32%
Saldus	-25.94%	55363	3.65%	41001	3.86%
TOTAL	-30.03%	1518494	100.00%	1062512	100.00%

Source: The Ministry of Agriculture of the Republic of Latvia

EXHIBIT 4

**UNAUDITED FINANCIAL STATEMENTS
AND
NOTES TO THE FINANCIAL STATEMENTS**

General Notes & Enterprise Specific

UNAUDITED

BAUSKA DAIRY ENTERPRISE
Balance Sheet
Balances at December 31st
(LVR in thousands)

	<u>1992</u>	<u>1991</u>
ASSETS		
<u>Current Assets</u>		
Cash	22,825	989
Short term investments	0	0
Accounts receivable	43,001	7,804
Inventory	19,852	3,192
Other	26	8
Total Current Assets	85,704	11,993
Fixed Assets	25,149	2,367
Assets under construction	20,169	1,698
Other Long term Assets	0	0
TOTAL ASSETS	<u>131,022</u>	<u>16,058</u>
 LIABILITIES AND EQUITY		
<u>Current Liabilities</u>		
Accounts payable	25,042	4,928
Other short term payables	0	0
Other	5,518	1,880
Total Current Liabilities	30,560	6,808
Long Term Debt	0	0
Total Liabilities	<u>30,560</u>	<u>6,808</u>
<u>Equity</u>		
Capital & retained earnings	95,904	9,250
1992 Revaluation reserve	4,558	0
Total Equity	<u>100,462</u>	<u>9,250</u>
TOTAL LIABILITIES & EQUITY	<u>131,022</u>	<u>16,058</u>

The accompanying notes to the financial statements are an integral part of this document.

UNAUDITED

BAUSKAS DAIRY ENTERPRISE
Income Statement
For year ended December 31st
(LVR in thousands)

	<u>1992</u>	<u>1991</u>
Sales	601,741	74,171
Less: Turnover Tax	<u>2,096</u>	<u>0</u>
Net sales	<u>599,645</u>	<u>74,171</u>
Less: Cost of Goods Sold	<u>523,854</u>	<u>67,972</u>
Gross profit	75,791	6,199
Other Income	18,688	97
Less: Other Expenses	<u>104</u>	<u>17</u>
Net Other Income	<u>18,584</u>	<u>80</u>
PROFIT (LOSS)	94,375	6,279
Taxes	<u>361</u>	<u>33</u>
NET PROFIT	<u><u>94,014</u></u>	<u><u>6,246</u></u>

The accompanying notes to the financial statements are an integral part of this document.

BAUSKA DAIRY ENTERPRISE

Balance Sheet (Bilance)

31 Dec 1991 31 Dec 1992 1 Jan 1992

Line

Nos.

Asseis (Aktivs)

010	Fixed Assets	5,586	32,776	14,272
020	Intangible Assets			
030	Assets under construction	1,337	17,737	
035	Assets not ready for use	361	2,432	
040	Long term investments			
050	Current year profit/offset 500 or 510	6,279	94,375	
065	Amounts due from members	86		
070	Other receivables			
080	Current year loss/offset 500 or 510			
090	Total - check	13,649	147,320	
100	Raw Materials and consumables	2,722	15,554	
110	Work in progress			
120	Work in progress			
130	Prepaid expenses	4	26	
140	Finished goods	711	4,630	
150	Finished goods			
160	Other inventory			
170	Total	3,437	20,210	
171	Goods in transit			
200	Cash on hand		101	
210	Cash in bank	973	4,899	
220	Hard currency accounts		17,825	
230	Other bank accounts	16		
240	Other bank accounts			
250	Short term investments			
270	Bank loan monies rec'd			
300	Trade accts receivable	6,585	42,572	
310	Bills of exchange			
320	Payments in advance			
325	Tax overpayments rec'ble			
330	Other debtors	463	429	
340	Employee loans	4		
350	Social welfare expenses **Cr 450			
360	Other receivables	670		
370	Total - check	8,711	65,826	
390	Total - check	25,797	233,356	

The accompanying notes to the financial statements are an integral part of this document.

BAUSKA DAIRY ENTERPRISE

Line Nos.	<i>Liabilities (Pasivs)</i>	<u>31 Dec 1991</u>	<u>31 Dec 1992</u>	<u>1 Jan 1992</u>
400	Statutory fund	280	280	280
410	Accum depreciation	3,219	7,627	7,347
420	Depreciation consumables	241	332	
430	investment financing	1,698	0	
440	Other payables			
445	Obligations to members	795	4,951	
450	Financing reserve	7,272	100,182	11,830
460	Vaccation accrual	33		
470	Amortization & Repairs **	894		
480	Payments received in advance			
490	Unrealised profit on sales			
500	or 510 Profit	6,279	94,375	
520	Total - check	<u>20,711</u>	<u>207,747</u>	
600	Short term payables			
610	Medium term payables			
620	Long term payables			
630	Overdue loans!			
640	Short term loans			
650	Long term loans			
660	Total - check	<u>0</u>	<u>0</u>	
700	Accts payable - goods	4,591	19,940	
710	Bills of exchange			
720	Payments received in advance			
730	Taxes payable	62	2,072	
735	Privatization expenses			
740	Social pension tax	42	389	
750	Accured salaries	233	2,641	
760	Other payables	158	567	
765	Employee loans			
770	Other			
780	Total - check	<u>5,086</u>	<u>25,609</u>	
800	Total - check	<u>25,797</u>	<u>233,356</u>	

Revaluation check

Fixed asset movement	8,686
Accumulated Dep	4,128
Difference Net Assets	4,558
Statutory Fund movement	4,558

The accompanying notes to the financial statements are an integral part of this document.

BAUSKA DAIRY ENTERPRISE
Income Statement (Finansu Rezultanti)

Line Nos.	1992 <u>Revenues</u>	1992 <u>Costs</u>	1991 <u>Revenues</u>	1991 <u>Costs</u>
010 Revenue from goods sold	601,741		74,171	
020 Turnover tax	2,096			
030 Sales less tax – check	599,645		74,171	
040 Product and period costs	523,854			67,972
050 Profit – check	75,791		6,199	
060 Other sales results	1,655		86	
070 Non-sales operations	17,033	104	11	17
071 Investment Income				
080 Profit and loss totals	94,479	104	6,296	17
090 Net profit – check	94,375		6,279	
100 Non taxable income	16,929		6,279	
101 Value of stock sold				

Use of Profits Statement 1992
(Peļņas Izlietosana)
1992

200 Income tax expense	361	
210 To reserves		
220 To capital funds	88,415	
221 To the investment fund	77,915	221 is subset of 220
230 To dividends	4,951	
240 To previous year's losses		
250 Donations	100	
260 Other	548	
Uses of profits – check	<u>94,375</u>	

Use of Profits Statement 1991
(Peļņas Izlietosana)
1991

200 Income tax expense	33
210 To reserves	413
220 Production Development	3,938
230 Social development	428
240 Employee bonus/incentives	672
250 Donations	
260 Other	795
270 Other	
Uses of profits – check	<u>6,279</u>

The accompanying notes to the financial statements are an integral part of this document.

FINANCIAL STATEMENTS

SUMMARY

The financial statements of the enterprise have been reformatted into a standard western format. The scope of this project did not include the restatement of the accounts in accordance with International Accounting Standards (IAS). As such, no adjustments to management's representation of financial information have been made. Nor has this compilation of financial information included any audit or due diligence efforts that in any way expresses an opinion on the financial information presented.

This effort has:

- 1) reformatted the enterprise's existing accounts into asset, liability, equity, revenue and expense categories;
- 2) eliminated entries which represent double counting of accounts;
- 3) compiled balance sheets and income statements, based on the existing Latvian accounts and management representations, as of and for the year ending December 31, 1992, and, when possible, for the year ending December 31, 1991, (the 1990 financial statements have not been included in this report);
- 4) included interviews of the enterprise's management and accounting staff, which, along with the Latvian financial statements, are the basis of the notes to the financial statements for individual enterprises;
- 5) included interviews of Ministry of Agriculture personnel and management personnel from other Latvian dairy and bakery enterprises, which are the basis of the general notes to and background on Latvian accounting practices and financial statements included in this document; and
- 6) not added accounts omitted from the Latvian financial records which represent balance sheet and income statement entries necessary to meet IAS principles and more fairly present the financial position of the enterprise;

The financial information presented contains many limitations and issues which impact the content of the information, its comparability to other enterprises and other time periods, and the interpretative and analytical value. The major constraints and issues impacting the enterprise's financial statements are highlighted in the notes (general and enterprise-specific) to the financial statements, which are considered an integral part of this document.

NOTES TO THE FINANCIAL STATEMENTS GENERAL

(Also See Enterprise Specific Notes)

LATVIAN ACCOUNTING PRACTICE

The following analysis sets out the basis on which the enterprises' financial statements are prepared and highlights the differences between Latvian and international standard accounting practice.

The analysis has been based on interviews with the accounting staff at the enterprises and The Ministry of Agriculture.

The laws on "Accounting" and "On Annual Reports" govern accounting practices in Latvia as of January 1, 1993. They are based largely on principles set out by the Fourth Directive of the EC and the Danish accounting law in particular.

FINANCIAL STATEMENTS

The preparation of financial statements in Latvia is not in accordance with International Accounting Standards (IAS). The fundamental accounting concepts are only partially observed:

- Going concern - all enterprises are correctly assumed to be going concerns and are accounted for on the basis that they will continue to trade with the current scale of operations.
- Consistency - books and records are kept using accounts which record the enterprise's activities and transactions which form categories of assets and liabilities. Although accounting policies are applied consistently during a given year, the past three years have been characterized by changes in government policy and directives as to form and content of financial reporting and accounting treatment of transactions.

In particular, the accounting formats changed between 1990 when they were prepared under the Soviet system, and 1991 when statements which were prepared under the Latvian system. The format was changed once more in 1992, although not as significantly. No analysis is provided in the accounts to show the effects of these changes. The 1993 accounts and financial statements have also changed significantly from 1992, in an effort to more closely adapt to IAS.

- Accruals - accrual accounting was only introduced for the year ended December, 1992. Prior to this the basis used

was similar to a double entry form of cash accounting with some adjustments for prepayments. The changes initiated in 1992 do not reflect a full accrual basis, some aspects may still be considered a modified cash basis of accounting.

- Prudence - the financial statements do not reflect a conservative view of the affairs of the enterprise. No provisions are made to reflect irrecoverability of debt or other reductions in the value of assets.

The profit and loss information provided does not fully reflect the profit or loss generated or the amount transferred to reserves. The net profit figure does not take account of items such as interest paid, employee bonuses, and depreciation of certain asset categories and thus overstates the profit. Detailed expense information, ie analyzing expense categories included in cost of goods sold, is not included in the Latvian financial statements and therefore excluded from the reformatted financial statements.

Many different funds and reserves are maintained for a variety of purposes with the result that almost all transactions require transfers to be made to or from reserves in a manner which is not consistent with IAS.

As noted above, the financial statements are not comparable as a result of changes in format, asset revaluations which have been made, and the rapid inflation during the period.

As a result, it is difficult to assess a Latvian enterprise based on its financial statements. The only review of books carried out is one by tax authorities to ensure the compliance and accuracy of tax computations.

The financial statements provide evidence that books have been maintained. They do not necessarily reflect a true and fair view of the financial position of all of the enterprise's assets and liabilities, or that the revenue and expenses represent maintainable earnings.

The significant divergences from international accounting practice would make it difficult for an unqualified audit opinion to be rendered for the periods represented, if such an audit of the financial statements was attempted.

ACCOUNTING POLICIES

We set out below details of accounting policies for significant classes of asset and liability.

Fixed Assets

All state enterprises revalued their fixed assets at 1 January 1992, in accordance with Government regulations. The different categories of asset were revalued according to published revaluation coefficients to reflect the deterioration in value caused by high rates of inflation.

The following coefficients were generally used for classes of assets purchased prior to 1989 for the 1 January 1992 revaluation:

Motor vehicles	3.5
Instruments	2.5
Machinery	2.5
Imported Machinery	5.0

Additional revaluations took place at 1 January 1993. The following coefficients were determined by government regulation:

Assets purchased prior to 1990	10.0
Assets purchased during 1991	3.0
Assets purchased during 1992	-

Accumulated depreciation was adjusted in proportion to the change in fixed asset values. The revaluation surplus was credited to the statutory fund rather than being maintained in a separate reserve.

The method adopted for revaluations does not reflect the IAS practice on revaluation of assets, although in some way it reflects the change in value caused by inflation. No account is taken of the replacement cost of the assets, of their physical condition nor of any changes in the remaining useful life of the asset.

Depreciation

Depreciation rates are on average lower than those used in Western Europe and the US. Many items which would be considered small replacements or consumables are included as assets and depreciated over 1 or 2 years. Examples of the depreciation rates used are as follows:

<u>Asset</u>	<u>Asset Life</u> <u># of years</u>	<u>Annual Rate of</u> <u>Depreciation</u>
Buildings	84 to 100	1%
Trucks	7-14	7-14%
Computers	14	7%
Machinery		
- city use	10	10%
- country use	12	8%

92

Office furniture with a value of less than 5,000 Latvian Rubles (LVR) are included as fixed assets, but not depreciated.

Depreciation is calculated monthly on a straight line basis commencing in the month of acquisition.

The definition of a capital asset is any item exceeding a specified cost. This threshold can be very low, for example 5,000 LVR for dairies. As a result, there a large number of very low value items being included as assets rather than being expensed. These items are usually included as part of inventory. 50% of their value is written of when used, while the remaining 50% is written off on disposal. Assets under construction are recorded separately and are not depreciated until completed and put into operation.

Accounts Receivable

Accounts receivable are generally overstated. Amounts owed to the enterprise are included at full value with no adjustment made for bad or doubtful accounts. Until recently, the incidence of bad debts was so low that such provisions were not required. Detailed debtor ledgers are maintained and usually updated monthly, however no credit control is exercised.

With the privatization of some entities, former state debts are dismissed, leaving the enterprises to deal with government rather than the original debtor entity.

Inventory

Stocks are valued at cost with no provision for diminution in value or obsolescence. Many stock levels will be significantly overstated in the accounts. Stock levels are further misstated when consumables or small replacements are included in the asset line.

Reserves

The statutory fund and other reserve funds are used to reflect a variety of transactions. There are frequent transfers between funds which would not be possible under IAS. Thus for example, the purchase of a fixed asset requires the transfer of appropriated funds from a fixed asset fund to the statutory fund. There is no equity or share capital on the Latvian financial statements. For purposes of this analysis, the reserves which appear equivalent to equity have been classified as such on the reformatted financial statements.

Subsidies

Subsidies received from the state are not reflected in the income or profit/loss of the enterprise. The accounting treatment used results in an increase in reserves reflecting the amount of subsidies received even though the subsidies are for operating costs. Under IAS such amounts would be treated as income.

Liabilities

The principal categories of liabilities included in balance sheets are taxation and accounts payable. Liabilities for bank loans or other long term loans essentially did not exist.

Accounts payable balances are principally for suppliers. As with accounts receivables, any evaluation of the likelihood of payment or the period in arrears was not made.

Financial Planning

There are currently no financial forecasts or budgets prepared by the enterprises. This is partly because of the difficulty of forecasting in such a rapidly changing economy and partly because plans are considered to be a feature of the old regime and therefore no longer required. There is little understanding of the importance of budgeting for the overall financial control of an enterprise. Previously, all planning was centrally performed and given to the enterprises.

Enterprises currently are in the process of preparing privatization plans, and are preparing plans and future strategies for the first time. Some enterprises are in the preliminary stages of such planning, while others are more advanced and are being valued, and are near submission of these plans to the Ministry of Agriculture.

Internal and Accounting Controls

A review of internal and accounting controls was not within the scope of this review. All amounts presented are management representations.

Other Information

As previously stated, the enterprises have been operating in rapidly changing market and economic conditions. Extreme inflationary conditions began in 1991 and continued through 1992. Monthly inflation rates, based on the retail price index, were as high as 56.4% in January of 1992, the 1991 annual rate was 262%. In May of 1992, the inflation rate compared to May of 1991 was 639%. Inflation had diminished by December of 1992.

Similarly, currency values have also been fluctuating. Comparisons to the US dollar from the Bank of Latvia are presented below.

US\$ expressed as LVR

Annual Rate 1991	0.05821		
December 1991	103.5	Buy	120.55 Sell
October 1992	180	Buy	191 Sell

Notes to Financial Statements - Enterprise Specific Bauska Piens

Note 1 - Significant Accounting Principles

As stated in more detail in the general notes and summary, Bauska Piens (Bauska), like other Latvian enterprises, during 1992 managed its accounts and financial reporting according to Republic regulations and guidelines. As such, Bauska did not employ a full accrual basis in recording assets and liabilities or in the recognition of income or realization of expenses during 1992 or 1991. The handling of accounts may be considered a modified cash basis with some accrual accounting in accordance with Latvian accounting practices and regulations in effect during the periods presented.

Fixed Assets are carried at historical cost and depreciated over the useful life (as prescribed by Latvian regulations) using the straight line method. However, fixed assets were revalued according to Latvian regulations on both January 1st of 1992 and 1993. The basis and coefficients employed in revaluation are discussed in more detail in the general notes to the financial statements.

Land (property) values were not recorded on enterprise financial statements in Latvia during any of the years presented.

A cash flow statement is not included in the financial statements presented, as the 1992 and 1991 Latvian accounts were not conducive to its preparation. Cash is held in Latvian currency (LVR), hard currencies (e.g. DM, US\$), and other currencies (e.g. Russian, Georgian), exchange gains and losses are included in Bauska's net income.

Note 2 - Accounts Receivable

Accounts Receivable for Bauska includes the following in thousands of LVR at December 31st:

Type of Accounts Receivable	1992	1991
Trade Accounts Receivable	42,572	6,585
Amounts Due from Members	0	86
Other Receivables	429	1,133
TOTAL	43,001	7,804

Bauska did not record any allowance for bad debts to reduce

the amount of the reported accounts receivable. According to management at Bauska they have only one overdue receivable of 1.0 million LVR which they have sued for and feel is recoverable. They have represented that all other receivables are current, and are paid within 30 days, and do not represent amounts owed by Russian enterprises or governments. Under new regulations, Latvian enterprises are allowed to collect fines from debtors for late payments.

Note 3 - Inventories

Inventories appear to be accounted for on a first in first out (FIFO) basis. An allowance for loss or spoilage is not recorded by the enterprise, nor does the carrying amount of inventory necessarily reflect the net realizable value of the inventory, primarily butter. Management is considering in second quarter of 1993 the sale of butter inventory at approximately 25% less than the cost of production, an allowance for this or any reduction in net realizable value has not been included in the inventory value as presented on the financial statements.

Note 4 - Fixed Assets

Fixed assets are generally carried at historical cost, as previously noted, except for the revaluations which have occurred in 1992 and 1993. Bauska management represented that they did not broadly apply the 1993 revaluation regulation, as they felt that to do so would materially overstate the value of assets which are in use but well beyond their useful lives. Depreciation is expensed and accumulated on a straight line basis using the following asset category useful lives:

<u>Asset Type</u>	<u>Useful Life</u>
Buildings	84 years
Machinery/Equipment	10-12 years
Apartment Houses	100 years
Cooling Facilities	15 years
Automobiles	7-14 years
Computers	14 years
Office Furniture	(>5,000 LVR, Capitalized, not depreciated)

Typically, the useful life of an asset, under Latvian regulations, is significantly longer than that considered appropriate by Western standards.

The following table displays the gross book value of fixed assets, accumulated depreciation, and net book value at December 31, 1991, after revaluation at January 1, 1992, at December 31, 1992, and after revaluation at January 1, 1993.

97

Amounts are expressed as thousands of LVRs.

	12/31/91	1/1/92	12/31/92	1/1/93
Fixed Asset - Gross	5,586	14,272	32,776	n/a
Less: Accumulated Depreciation	3,219	7,347	7,627	n/a
Net Fixed Assets	2,367	6,925	25,149	60,160

In the fixed asset category as presented on the financial statements, apartment buildings are included. Under the privatization law, such buildings will be removed from the assets of the enterprise and privatized separately. Consequently, the net book value of assets presented in these financial statements may overstate the net book value of the assets the actually to be privatized as the dairy enterprise. Bauska does own dwellings and apartment buildings which would apply to this category.

Also see Note 8 regarding restitution claims.

Note 5 - Taxes

Bauska is subject to various taxes as an enterprise under Latvian regulations. The major taxes and the basis of the taxes assessed are outlined below.

<u>Type of Tax</u>	<u>Tax Base</u>	<u>Percent of Base</u>
Turnover Tax	Sales	6
Income Tax	Profit *	None
Property Tax	Property **	Not Available
Social Tax	Payroll	37

* (According to Bauska, they are exempt as an agricultural entity for income taxes, this may be due to their current limited liability status)

** (For 1992, Bauska paid 361,000 LVR in property taxes)

Note 6 - Credit Disclosures

Bauska's financial statements include only current types of payables, including taxes payable, trade payables to suppliers, accrued salaries, and other rents, etc. They do not represent to have any bank loans or long term debt, which is consistent with other Latvian enterprises, due to the banking system which currently does not extend such types of credit.

Note 7 - Equity Disclosures

Bauska is currently not a state enterprise, and operates as a limited liability company. Equity on the balance sheet has been segregated to show separately the amount of equity which is the result of increases realized due to fixed asset revaluation at January 1, 1992, and the total amount of equity associated with paid in capital, retained earnings, and perhaps previous revaluations.

Note 8 - Contingent Liabilities

As is the case with all Latvian enterprises involved in privatization, potential claims may exist in regard to restitution to the pre-1941 land or building owners. According to Bauska they have not yet received any claims, but neither have they had the Archives searched to determine if the land was previously privately owned or government owned. No liability reserves for potential future claims have been included in the financial statements.

Note 9 - Other Notes

As stated in the general notes to the financial statements, Latvia has been in a transitional environment. Bauska's operations and financial statements have been impacted by such pressures as periods of high inflation, significant demand shifts due to price liberalization and lifting of subsidies, dramatic policy and regulation changes involved in the shift from socialism to capitalism, and the appreciation of the Latvian Ruble against currencies of other former Soviet republics. As such, the financial statements presented have significant limitations as to analytical value in comparing between time periods and between enterprises. The notes have merely presented and outlined the major factors and conditions underlying the financial statements which would influence their utility for users in making assessments of the enterprise's financial condition.

EXHIBIT 5

PRIVATIZATION OF BAUSKA

Valuation Based on Market Value of Balance Sheet

(in 000's Latvian Rubies)

	Adjusted Balance Sheet
ASSETS	
Current Assets	
Cash	22,825
Short term investments	0
Accounts receivable	38,701
Inventory	15,882
Other	26
Total Current Assets	77,434
Fixed Assets	56,703
Assets under construction	20,169
Other Long term Assets	0
TOTAL ASSETS	154,306
LIABILITIES AND EQUITY	
Current Liabilities	
Accounts payable	25,042
Other short term payables	0
Other	5,518
Total Current Liabilities	30,560
Long Term Debt	0
Total Liabilities	30,560
Equity	
Capital & retained earnings	119,188
1992 Revaluation reserve	4,558
Total Equity	123,746
TOTAL LIABILITIES & EQUITY	154,306
Collectibility of A/R	90.00%
Realizable value of inventory	80.00%
Value in US\$ @ 130	\$951,888

See footnotes on following page.

100

BAUSKA
NOTES TO ADJUSTED MARKET
VALUE OF BALANCE SHEET

1. For purposes of this analysis, the values of cash and financial assets reported on the financial statements dated 12/31/92 are considered to be a reasonable approximation of market value.
2. Receivables considered to be collectible except for a ten percent reserve established for possible future credit losses.
3. Value of inventory from financial statements reduced by ten percent considered to be an accurate representation of market value.
4. Due to uncertainties about title, no value has been assigned to land. However, management reports that the Bauska plant is located on ten hectares of land, Stelpe on seven hectares, and Iecava on one hectare.
5. Assets under construction primarily represent a new structure partially completed at Bauska location. Due to its incomplete state, the balance sheet is assumed to be a fair representation of its market value. However, this value has not been subject to revaluation. As a result, the status should be reviewed once construction is complete.

EXHIBIT 6

PRIVATIZATION OF BAUSKA

Valuation of Fixed Assets

Summary of Values

(in 000's Latvian Rubles)

Category		
Equipment (1)		19,211
Buildings except residences (1)		11,221
Residences (1)		24,663
Value of large fixed asset items using Depreciated Replacement Cost Methodology		<u>55,095</u>
Value of remaining fixed assets based on estimated Net Book Value (2)		25,909
GROSS ADJUSTED MARKET VALUE		<u>81,004</u>
Discount due to technological obsolescence	15.00%	
Discount due to economic obsolescence	15.00%	
	<u>30.00%</u>	24,301
NET ADJUSTED MARKET VALUE		<u><u>56,703</u></u>
	in \$US @ 130	<u><u>\$623,108</u></u>

See footnotes on following page.

102

BAUSKA
NOTES TO SUMMARY OF FIXED ASSETS

1. For breakdown of equipment, production buildings, and residential housing see Exhibit 7.
2. The value of smaller fixed assets was determined by estimating net book value of those assets after completion of 1993 revaluation.
3. Fixed asset values were reduced by a discount for technological obsolescence and economic utilization.
4. Assets under construction are not shown here but rather on Exhibits 5 (financial statements) and 6 (adjusted balance sheet).

EXHIBIT 7.1

**PRIVATIZATION OF BAUSKA
VALUATION OF FIXED ASSETS
DEPRECIATED REPLACEMENT COST METHODOLOGY
(in Latvian Rubles)**

Equipment

BAUSKA

Description	Year Acquired	Category - Equipment		Cost	Index	Multiplier	RC-New	Percentage Depreciation	Depreciation	Depreciated Replacement Cost	Depreciated Replacement Cost in \$
		Life Index	12 1993								
				2855.5							
Compressor for cooling	1987	6		10,727	64.6	44.203	474,161	67.23%	318,782	155,379	\$1,195
Compressor for cooling	1984	9		12,518	67.6	42.241	528,772	84.92%	449,049	79,722	613
Sewage system	1982	11		12,133	59.7	47.831	580,328	90.82%	527,057	53,271	410
Yogurt packaging equipment	1992	1		7,357,863	2593.5	1.101	8,101,007	14.15%	1,146,604	6,954,403	53,495
Pasteurizing equipment	1992	1		245,000	2593.5	1.101	269,745	14.15%	38,179	231,566	1,781
Fluid milk filling system	1989	4		11,713	78.4	36.422	426,611	49.54%	211,337	215,274	1,656
Cottage cheese packing machine	1987	6		7,178	64.6	44.203	317,286	67.23%	213,314	103,972	800
Pasteurizing equipment	1983	10		10,677	65.2	43.796	467,608	88.46%	413,653	53,955	415
Aluminum milk storage tank	1983	10		5,752	65.2	43.796	251,913	88.46%	222,846	29,067	224
Ice cream equipment	1992	1		2,119,831	2593.5	1.101	2,333,934	14.15%	330,341	2,003,593	15,412
Cottage cheese equipment	1992	1		291,947	2593.5	1.101	321,434	14.15%	45,495	275,938	2,123
Furnace	1992	1		2,000,000	2593.5	1.101	2,202,000	14.15%	311,668	1,890,332	14,541
				<u>12,085,339</u>			<u>16,274,799</u>		<u>4,228,326</u>	<u>12,046,473</u>	<u>\$92,665</u>

STELPE

Description	1993		2855.5					Percentage Depreciation	Depreciation	Depreciated Replacement Cost	Depreciated Replacement Cost in \$
	Yr Acquired	Age	Cost	Index	Multiplier	RC-New					
Butter equipment	1978	15	113,511	43.9	65.045	7,383,348	92.00%	6,792,681	590,668	\$4,544	
Butter equipment	1990	3	347,630	100.0	28.555	9,926,524	38.92%	3,863,708	6,062,815	46,637	
			<u>461,141</u>			<u>17,309,872</u>		<u>10,656,389</u>	<u>6,653,483</u>	<u>\$51,181</u>	

IECAVA

Description	1993		2855.5					Percentage Depreciation	Depreciation	Depreciated Replacement Cost	Depreciated Replacement Cost in \$
	Yr Acquired	Age	Cost	Index	Multiplier	RC-New					
Cheese mixer	1987	6	2,229	64.6	44.203	98,528	67.23%	66,241	32,287	\$248	
Separator	1976	17	8,078	43.9	65.045	525,435	92.00%	483,400	42,035	323	
Casein press	1992	1	261,781	2593.5	1.101	288,221	14.15%	40,794	247,427	1,903	
Milk counter	1985	8	5,751	74.0	38.588	221,918	80.21%	177,989	43,928	338	
Pasterurizing equipment	1978	15	6,836	43.9	65.045	444,649	92.00%	409,077	35,572	274	
Tank	1992	1	22,050	2593.5	1.101	24,277	14.15%	3,436	20,841	160	
Boiler	1986	7	6,333	67.6	42.241	267,512	74.31%	198,782	68,730	529	
Compressor	1981	12	4,411	50.3	56.769	250,408	92.00%	230,376	20,033	154	
			<u>317,469</u>			<u>2,120,948</u>		<u>1,610,096</u>	<u>510,852</u>	<u>3,930</u>	
Total Equipment			<u><u>12,863,949</u></u>			<u><u>35,705,618</u></u>		<u><u>16,494,810</u></u>	<u><u>19,210,808</u></u>	<u><u>\$147,775</u></u>	

EXHIBIT 7.2

**PRIVATIZATION OF BAUSKA
VALUATION OF FIXED ASSETS
DEPRECIATED REPLACEMENT COST METHODOLOGY
(in Latvian Rubles)**

Buildings Excluding Residences

BAUSKA										
	Category - Buildings									
	Life	30								
	Index	1993	2855.5							
Description	Yr Acquired	Age	Cost	Index	Multiplier	RC-New	Depreciation	Depreciation	Depreciated Replacement Cost	Depreciated Replacement Cost in \$
Building	1936	57	10,547	43.9	65.045	686,032	84.00%	576,267	109,765	\$844
Main building	1966	27	420,564	43.9	65.045	27,355,680	79.18%	21,660,992	5,694,688	43,805
			<u>431,111</u>			<u>28,041,712</u>		<u>22,237,259</u>	<u>5,804,453</u>	<u>\$44,650</u>
STELPE										
		1993	2855.5							
							Percentage		Depreciated	Depreciated
Description	Yr Acquired	Age	Cost	Index	Multiplier	RC-New	Depreciation	Depreciation	Replacement Cost	Replacement Cost in \$
Production building	1940	53	400,909	43.9	65.045	26,077,188	84.00%	21,904,838	4,172,350	\$32,095
			<u>400,909</u>			<u>26,077,188</u>		<u>21,904,838</u>	<u>4,172,350</u>	<u>32,095</u>

IECAVA

Description	Yr Acquired	Age	Cost	Index	Multiplier	RC-New	Percentage Depreciation	Depreciation	Depreciated Replacement Cost	Depreciated Replacement Cost in \$
	1993		2855.5							
Building	1928	65	119,582	43.9	65.045	7,778,238	84.00%	6,533,720	1,244,518	\$9,573
			<u>119,582</u>			<u>7,778,238</u>		<u>6,533,720</u>	<u>1,244,518</u>	<u>\$9,573</u>
			<u>951,602</u>			<u>61,897,137</u>		<u>50,675,816</u>	<u>11,221,321</u>	<u>86,318</u>

EXHIBIT 7.3

PRIVATIZATION OF BAUSKA
 VALUATION OF FIXED ASSETS
 DEPRECIATED REPLACEMENT COST METHODOLOGY
 (in Latvian Rubles)

Residential buildings not being privatized

BAUSKA		Category - Buildings								
		Life	30							
		Index	1993	2855.5					Depreciated	Depreciated
Description	Yr Acquired	Age	Cost	Index	Multiplier	RC-New	Percentage Depreciation	Depreciation	Replacement Cost	Replacement Cost in \$
Dwellings	1959	34	39,992	43.9	65.045	2,601,289	80.90%	2,104,526	496,762	\$3,821
Dwellings	1957	36	14,930	43.9	65.045	971,125	81.25%	789,013	182,112	1,401
Dwellings	1963	30	37,368	43.9	65.045	2,430,610	80.22%	1,949,715	480,895	3,699
Dwellings	1966	27	64,487	43.9	65.045	4,194,571	79.18%	3,321,379	873,192	6,717
Dwellings	1971	22	131,365	43.9	65.045	8,544,666	74.02%	6,324,890	2,219,776	17,075
Dwellings	1977	16	164,888	43.9	65.045	10,725,177	61.94%	6,642,690	4,082,487	31,404
Dwellings	1987	6	173,378	64.6	44.203	7,663,751	28.39%	2,175,517	5,488,235	42,217
			<u>626,408</u>			<u>37,131,189</u>		<u>23,307,730</u>	<u>13,823,459</u>	<u>\$106,334</u>

105

STELPE

Description	Yr Acquired	1993 Age	Index 2855.5 Cost	Index	Multiplier	RC-New	Percentage Depreciation	Depreciation	Depreciated Replacement Cost	Depreciated Replacement Cost in \$
Dwellings	1969	24	91,743	43.9	65.045	5,967,444	76.60%	4,571,190	1,396,254	\$10,740
Dwellings	1979	14	165,969	43.9	65.045	10,795,491	56.60%	6,110,480	4,685,011	36,039
Dwelling house	1970	23	266,071	43.9	65.045	17,306,657	75.40%	13,048,847	4,257,810	32,752
			<u>523,783</u>			<u>34,069,592</u>		<u>23,730,518</u>	<u>10,339,074</u>	<u>\$79,531</u>

IECAVA

Description	Yr Acquired	1993 Age	Index 2855.5 Cost	Index	Multiplier	RC-New	Percentage Depreciation	Depreciation	Depreciated Replacement Cost	Depreciated Replacement Cost in \$
Dwellings	1962	31	39,200	43.9	65.045	2,549,773	80.39%	2,049,688	500,084	\$3,847
			<u>39,200</u>			<u>2,549,773</u>		<u>2,049,688</u>	<u>500,084</u>	<u>\$3,847</u>
TOTAL			<u><u>1,189,391</u></u>			<u><u>73,750,554</u></u>		<u><u>49,087,936</u></u>	<u><u>24,662,617</u></u>	<u><u>\$189,712</u></u>

GRAND TOTAL ALL ASSETS			<u><u>15,004,942</u></u>			<u><u>171,353,310</u></u>		<u><u>116,258,563</u></u>	<u><u>55,094,746</u></u>	<u><u>\$423,806</u></u>
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108

BAUSKA
NOTES TO FIXED ASSETS
UTILIZING DEPRECIATED REPLACEMENT
COST METHODOLOGY

1. Buildings, plant and equipment were valued based on the Depreciated Replacement Cost (DRC) approach. DRC arrives at fair market value by determining the cost of replacing the property new, then depreciating it by applying penalties for deterioration. We then deduct discounts of 15 percent due to technological obsolescence, and 15 percent for economic underutilization. For underlying calculations, see Exhibits 6 and 7.
2. Original cost of each category of assets is translated into current replacement cost using price indices published by the World Bank for Latvia and the Latvian Government.
3. Depreciation factors were assigned based on the sum of the years digits method.
4. Economic lives of 12 and 30 years were assigned to equipment and buildings respectively. Salvage values of 8% and 16% were assigned for these property classes at the end of their economic lives, based on published sources including Market Valuation Services recommended asset life ranges and salvage values.
5. Assets are broken down between equipment, buildings for production, and residential apartments and related facilities.

EXHIBIT 8.1**PRIVATIZATION OF BAUSKA DAIRY
VALUATION OF PROJECTED DEBT FREE CASH FLOW****Assumes No Tax Holiday****in (000's Latvian Rubles)**

Category	1993	1994	1995	1996	1997 and beyond	1998
Total Revenues	493,000	493,000	503,000	513,000	524,000	534,000
Operating Expenses	493,000	478,200	477,900	472,000	482,100	491,300
Operating Income	0	14,800	25,100	41,000	41,900	42,700
Income Taxes	0	5,200	8,800	14,400	14,700	14,900
Debt Free Net Income	0	9,600	16,300	26,600	27,200	27,800
Add: Depreciation	2,600	2,600	2,700	2,700	2,800	2,800
Gross Cash Flow	2,600	12,200	19,000	29,300	30,000	30,600
Deduct:						
Additions to Working Capital	(1,700)	0	900	900	1,000	900
Additions to Fixed Assets	6,900	6,900	7,000	7,200	7,300	7,500
Net Debt-Free Cash Flow	(2,600)	5,300	11,100	21,200	21,700	22,200
Terminal value multiple						4.60
Terminal value						102,198
Present value factor	0.8990	0.7267	0.5873	0.4747	0.3837	0.3837
Present Value Cash Flows	(2,300)	3,900	6,500	10,100	8,300	39,212
Total Present Value Cash Flows	65,712					
Less:						
Interest bearing debt	0					
Value of owners' equity, minority interest	65,712					
Plus:						
Premium for Controlling Interest	59.00%	38,770				
Value of equity after controlling interest	104,483					
In equivalent US dollars @ 130	\$803,714					

See footnotes following exhibit

EXHIBIT 8.2

PRIVATIZATION OF BAUSKA DAIRY
VALUATION OF PROJECTED DEBT FREE CASH FLOW
Assumes No Tax Holiday
in (000's Latvian Rubles)

	1992	1993	1994	1995	1996	1997	1998
Breakdown of Total Revenues							
Butter							
Number of tons sold	2244	1616	1616	1648	1681	1715	1749
Growth yr to yr	-	-28.00%	0.00%	2.00%	2.00%	2.00%	2.00%
Average 1993 selling price per ton	190.0	190.0	190.0	190.0	190.0	190.0	190.0
Total revenues - butter	426360	306979	306979	313119	319381	325769	332284
Cheese							
Number of tons sold	496	352	352	359	366	374	381
Growth yr to yr	-	-29.00%	0.00%	2.00%	2.00%	2.00%	2.00%
Average 1993 selling price per ton	147.0	147.0	147.0	147.0	147.0	147.0	147.0
Total revenues - cheese	72912	51768	51768	52803	53859	54936	56035
Whole milk							
Number of tons sold	668	521	521	531	542	553	564
Growth yr to yr	-	-22.00%	0.00%	2.00%	2.00%	2.00%	2.00%
Average 1993 selling price per ton	18	18	18	18	18	18	18
Total revenues - whole milk	12024	9379	9378.72	9566.2944	9757.620288	9952.772694	10151.82815
Skim milk							
Number of tons sold	17037	14481	14481	14771	15067	15368	15675
Growth yr to yr	-	-15.00%	0.00%	2.00%	2.00%	2.00%	2.00%
Average 1993 selling price per ton	3	3	3	3	3	3	3
Total revenues - skim milk	51111	43444	43444	44313	45200	46103	47026
Sour cream							
Number of tons sold	539	647	647	660	673	686	700
Growth yr to yr	-	20.00%	0.00%	2.00%	2.00%	2.00%	2.00%
Average 1993 selling price per ton	85	85	85	85	85	85	85
Total revenues - sour cream	45815	54978	54978	56078	57199	58343	59510
Cottage cheese							
Number of tons sold	501	426	426	434	443	452	461
Growth yr to yr	-	-15.00%	0.00%	2.00%	2.00%	2.00%	2.00%
Average 1993 selling price per ton	50	50	50	50	50	50	50
Total revenues - cottage cheese	25050	21293	21293	21718	22153	22596	23048
Buttermilk							
Number of tons sold	1227	920	920	939	957	977	996
Growth yr to yr	-	-25.00%	0.00%	2.00%	2.00%	2.00%	2.00%
Average 1993 selling price per ton	6	6	6	6	6	6	6
Total revenues - butler milk	7362	5522	5522	5632	5745	5859	5977
TOTAL SALES	641000	493000	493000	503000	513000	524000	534000
Change in sales period to period terminal growth rate		-23.09%	0.00%	2.03%	1.99%	2.14%	1.91%
Operating expense ratio		100.00%	97.00%	95.00%	92.00%	92.00%	92.00%
Corporate tax rate		35.00%	35.00%	35.00%	35.00%	35.00%	35.00%
Depreciation rate	NA	0.53%	0.53%	0.53%	0.53%	0.53%	0.53%
Depreciation		2800	2800	2700	2700	2800	2800
Increase of sales between period		-148000	0	10000	10000	11000	10000
WC requirements as % of sales		9.16%	9.16%	9.16%	9.16%	9.16%	9.16%
Beginning working capital		55144	45179	45179	46095	47012	48020
Required working capital		45179	45179	46095	47012	48020	48936
Add reserve for inventory + receivables		8270					
Additional required working capital		-1700	0	900	900	1000	900
Capital expenditures as % sales		1.40%	1.40%	1.40%	1.40%	1.40%	1.40%
Capital expenditures		6900	6900	7000	7200	7300	7500
Louner		0.5	1.5	2.5	3.5	4.5	4.5
Cost of equity		30.00%	30.00%	30.00%	30.00%	30.00%	30.00%
Proportion of equity		69.00%	69.00%	69.00%	69.00%	69.00%	69.00%
Cost of debt		15.00%	15.00%	15.00%	15.00%	15.00%	15.00%
Proportion debt		31.00%	31.00%	31.00%	31.00%	31.00%	31.00%
Tax rate		35.00%	35.00%	35.00%	35.00%	35.00%	35.00%
Weighted Average Cost of Capital		23.72%	23.72%	23.72%	23.72%	23.72%	23.72%

EXHIBIT 9.1**PRIVATIZATION OF BAUSKA DAIRY
VALUATION OF PROJECTED DEBT FREE CASH FLOW****Assumes Two Year Tax Holiday
in (000's Latvian Rubles)**

Category	1993	1994	1995	1996	1997 and beyond	1998
Total Revenues	493,000	493,000	503,000	513,000	524,000	534,000
Operating Expenses	493,000	478,200	477,900	472,000	482,100	491,300
Operating Income	0	14,800	25,100	41,000	41,900	42,700
Income Taxes	0	0	0	14,400	14,700	14,900
Debt Free Net Income	0	14,800	25,100	26,600	27,200	27,800
Add: Depreciation	2,600	2,600	2,700	2,700	2,800	2,800
Gross Cash Flow	2,600	17,400	27,800	29,300	30,000	30,600
Deduct:						
Additions to Working Capital	(1,700)	0	900	900	1,000	900
Additions to Fixed Assets	6,900	6,900	7,000	7,200	7,300	7,500
Net Debt-Free Cash Flow	(2,600)	10,500	19,900	21,200	21,700	22,200
Terminal value multiple						4.60
Terminal value						102,198
Present value factor	0.8990	0.7267	0.5873	0.4747	0.3837	0.3837
Present Value Cash Flows	(2,300)	7,600	11,700	10,100	8,300	39,212
Total Present Value Cash Flows	74,612					
Less:						
Interest bearing debt	0					
Value of owners' equity, minority interest	74,612					
Plus:						
Premium for Controlling Interest @ 59.00%	44,021					
Value of equity after controlling interest	118,634					
In equivalent US dollars @ 130	\$912,567					

BAUSKA
NOTES TO VALUATION BASED ON DISCOUNTED
FUTURE CASH FLOW

1. Sales are based on management's projections of future sales in metric tons or applicable units, multiplied by the current selling prices. Current selling prices were used in order to exclude the effects of inflation.
2. Operating expenses are based on management information indicating the breakdown of expenses in the current year. Subsequent years trend up to eight percent, the pre-tax profit margin projected by the Value Line Investment Survey for the average of American food processing companies.
3. Income tax rate based on reported statutory rate of 35%. Granting of a tax holiday to a foreign investor (minimum two years of profits) significantly boosts the value of the enterprise under the discounted cash flow model.
4. Depreciation rate based on average depreciation life assigned for fixed assets of 21 years (5%).
5. Gross cash flow equals debt-free net income plus depreciation.
6. Working capital is defined as total current assets less current liabilities. Working capital, primarily inventory and accounts receivable, represents the financial resources required to support selling activities.
7. Beginning working capital was obtained from the enterprise's financial statements dated 12/31/92. The required percentage is based on current levels of working capital as a percentage of sales.
8. Capital expenditures are based on Robert Morris Associates' average depreciation rate for U.S. dairy processors. The assumption is that this represents a reasonable surrogate for current cost fixed asset expenditures required.
9. Net debt-free cash flow is equal to gross cash flow less additions to working capital and capital expenditures.
10. Cost of equity, adjusted to exclude inflation, is assume to equal 30%,

based on U.S. venture capital rates for return provided in "Investment Rates of Return", Appendix to Valuation of Intellectual Property and Intangible Assets.

The cost of debt in real terms is assumed to be 15%, based the U. S. base rate of 5 percent (net of inflation) increased for additional business risk in Latvia.

11. The discount rate is 23.72% and a mid-year convention for discounting cash flows is used. The discount rate reflects the fact that Bauska has no long-term debt, whereas the capital structure for U.S. food processing companies, as reported by Value Line, consists of 69 percent equity and 31 percent debt.
12. The terminal value multiple is based on the Gordon growth model $1/(K-G)$ with K the discount rate equal to 23.72 percent, and the terminal growth rate G after the five year forecast assumed to equal 2 percent real growth.
13. Since this valuation assumes a controlling interest, for illustrative purposes, we assign a 59 percent premium being the average amount over market value paid by acquirers in the U.S. to buy food manufacturing companies. A range of 30-60 percent is probably appropriate for Bauska.
14. Conversion to US dollars for illustrative purposes only and is assumed to equal 130 Latvian rubles to one dollar.

EXHIBIT 10

**PRIVATIZATION OF BAUSKA
SUMMARY OF VALUES - CONTROLLING INTEREST**

(millions LVR)

Value based on Discounted Cash Flow

with no tax holiday 85.5 - 105.0

with two year tax holiday 97.0 - 119.0

Value based on Adjusted Market Value of Balance Sheet 123.8

Final Values

with no tax holiday 90 - 110

with two year tax holiday 100 - 120

Equivalent in U.S. dollars (000's) at 130

with no tax holiday 690 - 850

with two year tax holiday 770 - 920

See notes on following page

117

BAUSKA
NOTES TO SUMMARY OF VALUES

1. The market value assigned to the enterprise is based on a review of values obtained from the discounted cash flow (DCF) and on the adjusted market value of the balance sheet using depreciated replacement costs (DRC).
2. Depreciated replacement cost (DRC) is primarily used for insurance purposes. A discount to DRC value is applied due to consideration of both technological obsolescence and economic obsolescence (impaired demand-supply relationships).
3. Because the value of an enterprise is a function of earnings and cash flow, the final value is primarily based on the discounted cash flow model. The value derived from the adjusted market value of the balance sheet is also considered under the assumption that, after making changes to the enterprise, it will be capable of generating a fair return on those assets.
4. The value result is based on an investor acquiring a majority interest in the enterprise.
5. Conversion of total equity into US dollars is for illustrative purposes only and is assumed to be 130 Latvian Rubles to one U.S. dollar.

Environmental Assessment of Bauska Dairy

Latvian Agribusiness Privatization Project
June 12, 1993

1.0 SUMMARY OF ENVIRONMENTAL PROTECTION IN THE REPUBLIC OF LATVIA

This chapter summarizes the current environmental protection laws and practices in the Republic of Latvia based on reading of *Latvia: A Transition to a Market Economy*, A World Bank country Study, The International Bank for Reconstruction and Development, 1993 and discussions with personnel from seven dairies in the country, three Environmental Protection Committee (EPC) personnel in Headquarters, three Regional EPC personnel, and two local municipal treatment plant personnel.

The majority of the comments made in this entire report are based on translations (from both Latvian and Russian) of either written or oral comments. Because of the potential disparity in interpretation of questions and answers through the translation process, the discussion that follows should be read with that in mind.

1.1 Environmental Institutions

The Environmental Protection Committee (EPC) was created by the Latvian Supreme Council on June 2, 1990 (after the self-declaration of independence). The Supreme Council both appoints the Chairman of and elects members of the EPC. At present, the Chairman is Indulis Emsis. The EPC was placed outside of the Council of Ministers structure (but at the same level); the rationale being that the importance of the environment should not be lost amid economic priorities. The EPC will be incorporated into the parliament shortly after the June 1993 elections, including the selection of a minister to head the ministry. As such, the future of the EPC is difficult to predict. It is expected that few if any of the top officials in the EPC will remain in their existing positions. It is likely, however, that staff level employees, especially in regional offices, will maintain similar responsibilities. Nonetheless, the discussion which follows describes the environmental laws, EPC policy, and general environmental protection attitudes. The reader is warned that significant changes may occur upon entrance of the EPC into parliament.

The EPC is divided into technical and enforcement subdivisions. The technical section is headed by the first vice chairman and sets policy and standards while the enforcement section is headed by the chief inspector and implements the legal mandates in the field, including levying penalties and taxes. Nine regional committees and other state institutions assist with the implementation of these requirements.

Environmental organizations who assist the EPC to develop, implement, and enforce the regulations include; the Research Center, the Analytic and Information Center, the Forest and Hunting Inspection Committee, the Water Resource Use and Inspectorate, the

Water Reservoirs and Mineral Resources Inspectorate, and several nature reserves. The Hydrogeological and Meteorological Institute, a Soviet designed group with the best monitoring capabilities in Latvia, performs independent monitoring and maintains a database. The EPC coordinates many activities with this group, but has no administrative control over it.

The nine regional EPCs are responsible for issuing permits for projects, enforcing regulations, and providing public information services. Latvia has 26 local government administrative units, so each regional committee has about 3 local government units. Each regional committee has 5 subdivisions: (1) an inspectorate (the largest group); (2) a sampling and testing laboratory; (3) an expert group for performing environmental impact assessments preparatory to the issuance of permits for new or expanded facilities; (4) a cadastre that catalogs statistics on emissions, natural resource use, volumes, etc., and (5) support services.

The regional EPCs are primarily geared towards determining the pollution charge level, to inspect for compliance, to impose penalties for exceeding limitations, and to negotiate a compliance schedule to achieve the necessary reductions in emissions. The ultimate sanction, closing down an enterprise, has not yet been exercised.

1.2 Environmental Laws

Since 1990, the Supreme Council of the Republic of Latvia has enacted several laws governing environmental protection:

- The Law on the Environmental Protection Committee (June 1990) establishes the Environmental Protection Committee (EPC) as the executive and oversight authority for all environmental protection and natural resource use in Latvia and is accountable of and subordinate to the Supreme Council. The EPC thereby formulates, implements, and oversees unified policy for environmental protection and natural resource use. This law also grants the EPC authority to monitor without hinderance to assess compliance with environmental laws. Finally, this law sets out the requirement that the EPC must prepare an account of its activities at least annually and submit this report to the Supreme Council.
- The Law on State Environmental Impact Assessments (October 1990) establishes and regulates the environmental impact process in Latvia. Environmental Impact Assessments are a prerequisite for the financing of any state industrial project. If the assessment determines that the project directly or indirectly impacts, or in the future, may impact the surrounding environment, public health, or living conditions, state

institutions of authority and administration will determine the fate of the facility.

- The Environmental Protection Committee Inspectorate Regulation (October 1990) vests authority in EPC inspectors to verify, without impediment, the observation of the environmental protection law, for both environmental protection and natural resource use, and provides enforcement powers in these inspectors to halt activities that violate the law and to punish violators.
- The Law on Natural Resource and Pollution Charges (December 1990) establishes charges for the use of natural resources and the release of effluent within standards and enforces sanctions against those who exceed permitted limitations or whose releases exceed the standards. Funds collected from these taxes and fines, of which 25 percent goes to the Republic of Latvia national budget and 75 percent goes to the local municipal government budget, must be used for activities related to environmental protection.
- The Law of Environmental Protection (August 1991) delegates primary responsibility to the EPC regarding environmental protection, natural resource use, environmental impact assessment procedures, standards, permits, and public information and sets out goals for the protection of the environment and the rational use of natural resources.

At this time, these regulations identify overall goals rather than specific operative limitations and requirements. The EPC and the Supreme Council are considering new laws to improve implementability of the requirements and to make the laws more technically defensible. For example, a new hazardous waste law was recently enacted, setting out specific requirements for wastes exhibiting corrosive, reactive, ignitable, or toxic properties.

Latvia has also instituted specific regulations for water use, water use permits, wastewater discharge permits, and wastewater discharge standards which were confirmed with the Latvia EPC Council on November 29, 1991 (Resolution Number 3). These regulations, which were implemented starting in 1992, limit the use of water and set maximum allowable discharge standards to Latvian waters (i.e., water quality standards).

Regardless of the quality of the existing regulations, changes to all environmental laws will occur, if nothing else than to revise the administrative procedures of the law (i.e., now being within the parliament).

Unfortunately, at this time, privatization efforts have paid little or no attention to environmental issues that may be of concern at these enterprises. Similarly, the EPC, aware of the

economic hardship, has been willing to forego strict enforcement of environmental standards. The EPC waives fines at enterprises on a regular basis as long as the enterprise is aware of the environmental problems at its plant and is willing to do "whatever it takes" to improve its situation with the exception of making a capital investment. Enterprises that do not appear to care about the future of the environment typically are required to pay fines, hopefully to instill a sense of urgency in the protection of the environment.

1.3 Environmental Standards

Latvia uses the water standards of the former Soviet Union and has added a limited number of its own national standards. The Soviet standards are more stringent than European Community or United States standards; however, enforcement of these standards was minimal in the Soviet Union. The setting of unrealistic limitations led to general disregard for environmental laws and regulations. Over 2,000 water quality indicators were applied in the old Soviet system. Individual industrial effluent limitations are to be based on manual calculations taking into account the characteristics of the receiving stream. Discussions with dairy personnel indicate that in most cases, rather than setting site-specific limitations, the EPC uses a National set of effluent limitations, per the EPC Council Resolution Number 3 (November 29, 1991). These effluent limitations for pollutants associated with dairies, along with National water quality criteria applicable in the receiving waters, are provided in Table 1.1. These limits were developed by the EPC using both the old Soviet standards and more recent European Community (EC) standards as a basis.

Table 1.1. Pollutant Limitations and Water Quality Criteria Applicable to Dairies

NO.	PARAMETER	WATER QUALITY CRITERIA (mg/l)	EFFLUENT LIMITATION (mg/l)
1	Suspended Solids	-	15
2	Chlorides	300	300
3	Sulfates	100	500
4	Biochemical Oxygen Demand	3	12
5	Chemical Oxygen Demand	15	90
6	Nitrate Nitrogen	9.1	25
7	Nitrite Nitrogen	0.02	0.15
8	Ammonia Nitrogen	0.39	8

9	Phosphates	0.25	2.5
10	Anionic Surfactants	0.1	0.5
11	Nonionic Surfactants	0.1	2
12	Fats	-	5
13	Oil Products	0.05	0.5

Similarly, air standards were adopted from old Soviet regulations and apply to over 500 pollutants. For dairies, emission monitoring is not routinely performed, but dairies are required to pay taxes for air pollution from boilers, furnaces, and ammonia refrigeration systems based on the quantity of chemicals used or oils burned. Limitations on the quantity of pollutants that can be emitted are contained in air permits. These quantities are based on the chemicals used or burned rather than on actual emission monitoring results.

1.4 Enforcement

As identified in Section 1.1, permits are issued by regional EPCs. The permits stipulate effluent limits for major pollutants and are subject to revision every year. When a facility does not have control equipment to meet emission standards, temporary limits are established through negotiations on the basis of the best possible utilization of the technology currently in place at the plant.

Natural resource and pollution taxes and fines were introduced in the Law on Natural Resource and Pollution Charges. The taxes are based on the use of natural resources (e.g., surface water and groundwater) and the pollution of air and water according to the quantity used or discharged. As of June 1993, the specific tax rates for natural resource use are provided in Table 1.1. Tax rates for pollution are provided in Table 1.2. Note that rates for natural resource use and pollution emission are subject to change. For example, the rates provided in Tables 1.1 and 1.2 denote a ten-fold increase effective January 1, 1993.

Fines have to be paid by enterprises if permit limits are exceeded and amount to three times the fees and are paid to the State Environmental Protection Fund from after tax profit. Seventy percent of the fines go to the regional EPC and thirty percent go to the National EPC. In 1991, about 6 million Russian Rubles accrued to the fund.

At present, there is no National requirement for industries in Latvia to perform independent sampling and analysis of emissions. This work is performed by the EPC, and its subordinate organizations, and the Hydrogeological and Meteorological Agency.

There are, however, some Regional EPCs that have required industrial facilities to monitor wastewater discharges and report results to the Regional EPC. Latvia does not have National sampling and analysis protocols that must be followed. Rather, the EPC will occasionally compare its laboratory results with enterprise analytical results and if large discrepancies are noted, the EPC will try to determine the cause of these problems. Quite often, the problem is traced to the analytical procedures, however, again it should be noted, that with the poor state of the economy, laboratory reagents are difficult to purchase, making laboratory work less reliable.

Dairies that discharge wastewater to a municipal (e.g., City) treatment plant are subject to the requirements of the treatment plant personnel rather than the EPC personnel. In these cases, the City staff issues a permit to the dairy that identifies the volume of wastewater permitted to be discharged and the allowable nature and concentration of the wastewater. Sampling may be conducted by the EPC and/or the City and may also require self-monitoring on the part of the dairy. Specific requirements for industries discharging to municipal treatment plants are not set out in the environmental regulations, rather, City personnel develop limitations based on the amount of water and pollutants that its treatment plant can accept and still meet its wastewater permit limitations.

Table 1.1. Tax Rates for Natural Resource Use

TAX RATES FOR WATER USE		
NO.	TYPE OF WATER USE	TAX RATE (LVR/M ³)
1	Ground water	1.0
2	Surface water	0.2
3	Medicinal mineral water	5.0
4	Table mineral water	20.0
TAX RATES FOR NATURAL RESOURCE ACQUISITION		
NO.	RESOURCE TYPE	TAX RATE (LVR/M ³)
1	Ground soil	1.0
2	Sand	2.5
3	Sand and gravel mixture	8.0
4	Gravel	6.0
5	Clay	3.0

6	Dolomite	8.0
7	Limestone	15.0
8	Gypsum	20.0
9	Peat	3.0
10	Sapropel	2.5
11	Medicinal mud	36.0

Table 1.2. Tax Rates for Pollution

TAX RATE FOR POLLUTION WITHIN NORMATIVES, WASTE DISPOSAL		
NO.	WASTE CLASSIFICATION	TAX RATE (LVR/M ³)
1	Non-toxic wastes	30
2	Toxic wastes	100
3	Extremely toxic wastes	3,000
TAX RATES FOR AIR POLLUTION		
NO.	POLLUTION CLASSIFICATION*	TAX RATE (LVR/TON)
1	Non-toxic emissions	200
2	Medium hazard emissions	300
3	Hazardous emissions	650
4	Very hazardous emissions	650,000
TAX RATES FOR WATER POLLUTION		
NO.	POLLUTION CLASSIFICATION*	TAX RATE (LVR/TON)
1	Non-toxic substances	200
2	Medium hazard substances	2,000
3	Hazardous substances	500,000
4	Very hazardous substances	3,000,000

* The separation of polluting substances according to hazard level is done according to classifications set by the Republic of Latvia Environmental Protection Committee.

POLLUTION CLASSIFICATION ACCORDING TO HAZARD LEVEL
(Air and Water Pollution)

- | | |
|-------------------|---|
| 1. Non-toxic | Dust, suspended materials, sulfate, alkaline metal chloride. |
| 2. Medium hazard | Carbon dioxide, phosphorus, nitrate, nitrite, iron compounds, biodegradable organic compounds, fats, surface active substances. |
| 3. Hazardous | Sulfur and nitrogen oxides, oil products, phenol, alcohol. |
| 4. Very Hazardous | Aromatic hydrocarbons, cyanide and its derivatives, heavy metals, and pesticides. |

1.5 Environmental Audits

Industrial environmental audits can be valuable in guiding programs for remedial development and prioritization of activities. One of the most important benefits of plant-wide environmental audits is to identify processes and operational practices that are large pollution generation sources. This can assist plants in making changes that reduce pollution rather than focusing on control, which can be costly and, often, ineffective. Process changes can provide other benefits as well, such as reducing operating costs, and maximizing plant efficiency. It is also important to instill environmental auditing as an in-house plant management activity that keeps up with the dynamic workings of all types of manufacturing operations, due to process and product changes, technology changes, utility pricing, and market changes. The highest priority for dairies should be given to the protection of surface waters. Problems are emerging, both at the industrial and municipal level, with the operation of wastewater treatment units because of the shortage of replacement units and spare parts from the old Soviet Union and the higher costs of this equipment from westernized countries.

1.6 Conclusions

Technical solutions are available for most of the environmental problems caused by industry. Key measures for control should include the expanded use of modern equipment for industrial pollution control, waste utilization, and environmental monitoring. Substantial investments may be necessary to meet environmental goals, but care must be taken to invest in pollution controls for industries that will remain economically viable for a period of time and are not likely to close down soon. Investments should be cost effective and should provide the only alternative to achieve the pollution reduction goals.

2.0 BAUSKA DAIRY

"Bauska Piens" (Bauska Dairy) is organized as a limited liability company and was formed to replace the former dairy producers association. The dairy consists of three plants, one in the City of Bauska, one in Stelpe, and one in Iecava. The primary focus of the report is on the Bauska plant, but an overview of environmental issues at Stelpe and Iecava are also discussed.

2.1 Introduction

Bauska receives approximately 80 t (all references are to metric tonnes) of raw milk operating one shift daily. The facility's major products include butter, sour cream, cheese, cottage cheese, and other whole milk products (e.g., kefir). The plant recently began manufacturing yogurt and will start making ice cream in the two weeks, but as of yet, plans for the production of these two products are on a small scale.

The plant manufactures about 10 t of various milk products a day. The plant processed 40,283 t of milk in 1991, 30,985 t of milk in 1992 and probably about 25,000 t or less this year. Production of whole milk products has dropped considerably in the past 4-5 years from 10 t a day to less than 2 t a day now. Kefir has also dropped from about 4 t a day to less than one-half t a day now. Cream has dropped from 5 t a day to about 1 t a day. Bauska sends 4-6 t a day of cream to Stelpe for butter making. The plant has 60 employees working in the milk production area.

Whey is currently sold to farmers with a small amount going to wastewater treatment when the market is not available for whey. Additionally, the plant occasionally applies the whey to farm land when too much is available.

The plant does have an environmental coordinator who oversees wastewater treatment and all other environmental issues at the plant. This person is also responsible for environmental issues at the Stelpe and Iecava plants, although, responsibility is more limited at those two plants.

2.2 Water Use

Bauska pays the City for drinking water once a quarter and pays the district once a quarter for wastewater discharge. In the first quarter of 1993, the plant paid 57,317 Rubles for water and 6,884 Rubles for wastewater. This figure for wastewater is very low: on occasion, wastewater costs may be four times this value. On average, the plant uses about 350 m³ of water a day.

2.3 Wastewater Treatment

Bauska operates an oxidation ditch wastewater treatment plant, using a single impoundment with baffles to act as an oxidation ditch. The treatment system was constructed in 1985. The hydraulic capacity of the system is about 600-700 m³ of wastewater a day (the environmental coordinator did not know the organic loading capacity of the treatment system). It appears as though the impoundment has a holding capacity of about 4,000 m³ of wastewater (6-7 days). The oxidation ditch uses eight surface aerators to oxygenate and circulate the wastewater. The plant operates the system in batch mode, turning off the aerators and mixers for one hour at 3 in the morning to allow the solids to settle. Wastewater is discharged around 4 in the morning to the Lielupe River via an open channel and an enclosed pipe for about 3-4 kilometers.

Sludge is pumped from the bottom of the impoundment and collected in trucks and sprayed on fields every three months in the winter and every month in the summer.

The treatment plant receives both dairy wastes and domestic wastewater from a local housing project. A total of 5-700 cubic meters a day of total wastewater is received, with about 60 percent of the wastewater from the dairy and 40 percent from a local housing project.

At the present volume of wastewater, the treatment plant can accept up to 1,000 milligrams per liter of BOD and still meet the effluent limitations.

Bauska recently began expansion of the treatment plant with the construction of a second, slightly larger impoundment (treatment capacity of about 800 m³ a day). The construction is a result of planned expansion of the processing plant. Also, the dairy has been asked to accept wastewater from a bakery (150 m³ a day) and a new housing project. The construction of the collection system for the housing complex is complete; all that is left is for the contract to be signed by both parties. The new treatment system would improve treatment by allowing additional non-dairy wastewater to be accepted, thereby diluting the dairy wastewater and also providing a longer holding time for the wastewater in the treatment system.

The new impoundment was supposed to be finished this summer, but it will not be finished at least until next year (or until resources are available to complete construction). The construction of the new impoundment is about 75 percent complete and the two new surface aerators have been purchased and are in storage. The environmental coordinator estimates that it would cost 2,000,000 Rubles to complete the treatment plant. While the breakdown of costs was not provided, it appears as though this cost includes completion of the construction of the impoundment,

purchase of several additional aerators, and purchase of additional treatment equipment (e.g., mixers, piping, etc).

Once the new treatment impoundment is complete, the plant does not plan to use both impoundments at once, rather the plant will use one for one day, and then one for the next day, or use each for two days (to increase retention time). Flexibility will be built into the system to allow for various operating conditions.

In talking with the environmental coordinator of the dairy, she commented that cottage cheese and cheese whey cause the most concern to the treatment plant since the whey is very high in BOD and is not easily treated. On discussing the possibility that casein would be manufactured at the plant, she stated that she does not feel like these wastes could be accepted at the plant and still meet the effluent discharge limitations.

2.4 Storm Water Management

Most of the storm water from the plant grounds flows to the treatment plant; however, very little processing equipment is located outdoors that would contribute to the pollutant loading. There are no storage tanks located outdoors that could possible contaminate local waters or the treatment plant. The only significant volume of storm water that does not flow to the treatment system is from the miscellaneous equipment storage area and truck parking area located across the street from the dairy. A visual observation of this area did not indicate cause for concern.

2.5 Vehicle Maintenance and Washing

The plant maintains a few trucks on-site, but repairs are conducted indoors with used oil sent off-site for recovery. The only significant source of pollutants from outdoor operations is from the milk truck washing operations that take place after unloading the milk.

2.6 Groundwater

The water used at the Bauska dairy is extracted from groundwater wells. The plant is permitted to extract 663 m³ a day (242,000 m³ a year). The dairy did not indicate that there were any problems with the quality or quantity of groundwater. The Regional EPC has designated this groundwater to be of drinking water quality.

2.7 Compliance with Existing Regulations

The plant has a wastewater discharge permit issued by the Regional EPC that limits Biochemical Oxygen Demand (BOD)-12 mg/l, Total Suspended Solids (TSS)-15 mg/l, Chemical Oxygen Demand (COD)-90 mg/l, Nitrates-25 mg/l, Nitrites-0.15 mg/l, Ammonia-8 mg/l, Chlorides-300 mg/l, Sulfates-500 mg/l, Synthetic Surfactants (SSAV)-0.5 mg/l, Oil Products-0.5 mg/l, Fats-5 mg/l, and Phosphates-2.5 mg/l.

The plant can achieve 8 mg/l of BOD during winter months when the water is cooler and the production is down. During summer months, the plant may discharge up to 40 mg/l of BOD.

The Regional EPC inspector visits the Bauska plant about twice a month and collects samples for analysis by the EPC lab in Jelgava. The inspector commented that nearby inhabitants sometimes complain about the odor during extended hot weather, although this is to be expected at the dairy.

Bauska was fined once last summer when BOD was too high. This fine was for 60,000 Rubles. Because of Bauska's attempt to meet the limitations, the EPC has not been strict about enforcing the regulations.

Bauska paid 9,126 Rubles for clean water in the first quarter of 1993, 1,230 Rubles for wastewater in the first quarter, and 3,985 Rubles for air pollution. Taxes may be four times higher than this during other quarters, but production was down the first three months of this year.

The Bauska EPC inspector said that this dairy is a good example for other plants on how to approach environmental problems and how to pay their debts on time. The attitude of the dairy (e.g., dedicating a full time staff member to the environment) is a clear example of Bauska's dedication to these issues. Discussions with the environmental coordinator at the dairy left a favorable impression and the belief that given adequate resources, the treatment system could treat the wastes being generated.

2.8 Summary

The plant manager believes that the solution to the plant economic problems may be the manufacture of casein, yogurt, or dry milk, although the plant does not have the capacity at this time to manufacture large quantities of these products.

The environmental coordinator felt that the ultimate solution for the whey would be to have drying equipment to dry the whey so that it could be used as animal feed. About the possibility of processing 100 t of skim milk into casein, the environmental coordinator made the point that this would cause extreme hardship on the wastewater treatment system. She also believes that

environmental standards will be more stringent in the future, making it even harder to comply with the regulations.

3.0 IECAVA DAIRY

Iecava is manufacturing about 2 t a day of soft caraway seed cheese; however, cheese production is typically only about 20 t a month. The plant operates one shift a day. The cheese plant at Iecava has become less and less efficient and, according to the director of Bauska Dairy, may be forced to close soon.

Iecava receives and processes about 20 t of raw milk a day (down from about 80 t a day last summer). Plant capacity is over 100 t of raw milk per shift. The plant processed 15,919 t of raw milk in 1991, 8,964 t of raw milk in 1992, and expects to process 6,000 t or less in 1993. The plant sends about 1.5 t a day of cream to Stelpe for butter production.

Iecava's production varies four fold from summer to winter months, with summer being the more productive months. Similarly, water use fluctuates, although only about two to one (summer to winter).

Skim milk, generated during the separation process, was being sent to a plant in Lithuania until May of this year when the Lithuanian plant stopped accepting the skim milk. Now, some of this milk is going to another dairy in Latvia (in "Preili"), but this does not appear to be a long term solution. Most likely, Iecava will make cottage cheese (2-10 t a day) to consume this skim milk.

The plant also has problems getting rid of the whey. The plant tried to sell the whey back to the farmers for a minimal amount of money, but the farmers were unwilling to take this whey. The plant was going to dump the whey into the river, but fines would have been much higher than if the plant simply gave the whey back to the farmers free of charge. Now, the farmers are very willing to take the whey for free, in fact, demand is greater than supply.

During a tour of the plant, it was apparent that the facility is very antiquated, both the building and the equipment, and water use was very excessive. The plant does not have CIP (cleaning in place) equipment, making equipment cleaning difficult and inefficient. Chemicals used for cleaning and disinfecting include NaOH, HCl, and Na₂CO₃.

The plant paid 5,655 Rubles for water in the first quarter of 1993. This is depictive of a reduced production. Costs during the busier quarters may be four times this value.

The plant used 2,030 m³ of water in January of this year, 1,720 m³ in February, and 1,905 m³ in March for a total water use of 5,655 m³ in the first quarter of 1993. Last year at this time, the facility had used 13,967 m³ of water and 50,000 m³ of water for the entire year. The plant is allowed to use up to 59,000 m³ of water. Last year, the plant paid 142,788 Rubles for water. This year the cost may be three to five times higher.

The plant does not treat its own wastewater. Apparently, several enterprises in the Village of Iecava discharge to a treatment plant in the general proximity of the dairy. The production manager indicated that the treatment plant was located across the street; although, a walk across the street did not identify anything resembling a treatment plant. According to the Bauska environmental coordinator, the Village has a biological treatment plant that is in poor condition and is under reconstruction.

Little control is provided in the dairy of either milk waste or water usage, both of which were present in large quantities at the time of the visit.

All storm water from the site discharges to the local treatment plant. There are no storage tanks located outside that could spill to the treatment system. According to the production manager, milk spillage in the raw milk receiving area is drained to the sewer.

Trucks are washed, both inside and out, after depositing milk, using water, caustic soda, and steam. This water drains directly to the local treatment plant. The plant maintains four milk trucks, but according to the production manager, does not change the oil in these trucks (only oil is added).

The plant uses ground water as its source of water. Water is pumped from the well and stored in a water tank on the roof of the building. Once a year, the plant chlorinates the storage tank to kill any residual growth. The plant has had problems in the past drawing enough water when operating at full capacity.

Iecava has a contract with the City to accept and treat wastewater, with water use limitations and pollutant limits. The production manager was unaware that a permit existed and that there were pollutant limitations. This information was provided by the Bauska Environmental Coordinator.

The production manager was not very knowledgeable about workings of the plant. As such, collection of both environmental and process information was very difficult.

According to the Bauska Dairy environmental coordinator, someone from EPC comes once a month to test the plant's wastewater. The production manager did not know of the results of these tests,

122

but was adamant that the City was the one who had to meet effluent limitations and not the dairy.

According to the EPC inspector, Iecava occasionally has arguments with the local housing sector over environmental issues: reasons were not described. Since the plant does not have wastewater treatment, this could be related to odors from within the plant or to dumping of plant wastes into the nearby river.

The facility paid 266 Rubles the first quarter of 1993 for air pollution. Costs during the busier quarters may be four times this value.

While on-site, the plant seemed to be using a lot of water for the amount of production that was occurring at the plant. Water hoses were running while not in use, several tanks that were being filled with water were overflowing, and there did not seem to be any urgency to correct these problems. In fact, during the walk-through, one of the raw milk separators was spewing skim milk down the drain. The production manager indicated that the separator was leaking and needed to be fixed. Three other separators were not in operation leading one to believe that the skim milk was intentionally being discharged to the sewer.

4.0 STELPE DAIRY

Stelpe manufactures one product at its facility, namely, butter. The plant is widely considered to make the best butter in the entire country. Stelpe produces about 6-7 t of butter a day (20 t a day several years ago during better economic times). Butter is manufactured using the "old" method of using sour cream rather than sweet cream. Butter demand is down so much, that, currently, the butter being produced is packaged for long-term storage.

At present, Stelpe receives 6 t a day of cream from Bauska and 2 t a day of cream from Iecava for butter making. The plant also receives about 40 t of raw milk a day. The plant processed 22,901 t of milk in 1991, 17,025 t of milk in 1992, and should receive about 15,000 t of milk in 1993. The plant operates one shift a day.

Skim milk from the separation process is given back to farmers for feed. This skim milk used to be sent to a dry skim milk plant, but the dry milk plant no longer wants Stelpe's skim milk.

Stelpe paid 9,126 Rubles for clean water in the first quarter of 1993, and 1,230 Rubles for dirty water in the first quarter of 1993. These figures are considered very good for the plant. Costs may be up to four times this in the summer months. On average, the plant uses about 100 m³ of water a day.

The plant operates two oxidation ditches in batch mode (built in 1965) as treatment for its wastewater. The ditches are in disrepair and need substantial refurbishing. Specifically, there are large cracks and holes throughout the ditches, possibly allowing for infiltration to groundwater. The plant also has two stabilization ponds in series, followed by an open channel (providing further aeration) to the receiving stream. The stabilization ponds are full of marshy growth and appear to be operating as a wetlands type of treatment system.

The plant treats a total of 100-150 m³ of wastewater a day from the dairy and a housing project in the area. The majority of this wastewater is from the dairy. The plant has a capacity to treat 300 m³ of wastewater in either of the two ditches.

Once a year, the sludge from the treatment plant is removed from the oxidation ditches. This sludge is used as fertilizer in home gardens. The solids content of the sludge is too low to be used on farmland (i.e., too much water).

Prior to a couple of years ago, all storm water from the plant grounds flowed into the oxidation ditches. The plant has since rerouted this storm water into the stabilization pond following the oxidation ditch to improve treatment efficiency during wet weather. Apparently, storm water collected in the raw milk receiving area still discharges to the oxidation ditches.

All milk transport trucks are washed at the receiving area with the wash water discharged to the oxidation ditches. Little, if any, truck maintenance is performed at the dairy.

The plant uses ground water as its source of process water. The current well is about 100 meters deep but is drying up. This well water has a high iron content, forcing the facility to filter the water to remove the iron solely for use in the heating system. A new well, 180 meters deep, will supply the plant with ground water in the future.

According to the Regional EPC inspector, Stelpe has a very good compliance record with its permit limitations. The facility is limited for TSS, BOD, COD, Nitrate, Nitrite, Ammonia, Chlorides, Sulfates, Synthetic Surfactants, Oil Products, Fats, and Phosphates. Numeric limits are identical to those for Bauska. While the raw data for the plant was not reviewed, the environmental coordinator for Bauska, the production manager at Stelpe, and the Regional EPC inspector all commented about the commendable record of Stelpe in meeting the wastewater discharge limitations.

Stelpe paid 3,985 Rubles for air pollution in the first quarter of 1993. This was for the use of ammonia refrigeration, boilers, and furnaces.

125

5.0 SUMMARY OF BAUSKA DAIRY

Two of the three Bauska dairies use more water than is reasonably needed to process milk. The Bauska plant currently uses about 4-5 liters of water per liter of milk processed, Iecava uses about 7-8 liters of water per liter of milk processed, and Stelpe uses about 1.5-2 liters of water per liter of milk processed (about 2-3 liters of water per liter of milk is reasonable and about 1 liter of water per liter of milk would be considered very good).

The tour of Stelpe indicated that the facility had reasonable equipment for making butter. Also, it was visually apparent that the facility did not use excessive amounts of water to clean (i.e., the floors were dry and cleaning was performed with direct oversight of the equipment during cleaning). In both Bauska and Iecava, the problem was two fold. First, the plants used excessive amounts of water, and second, both plants appeared to have poor housekeeping, contributing large amounts of milk waste down the drain. This problem was much more apparent at Iecava. Reducing the amount of water used in production would allow for additional retention in treatment, effectively improving the treatment capacity of the system (be it the plant treatment or the City treatment).

Additionally, all three dairies should look for ways to reduce the amount of milk and milk by-products that are being discharged into the treatment system or to the City. The best approach to this problem is to plan and conduct an environmental audit of the processing facility, paying special attention to water usage and milk losses. Areas that are typically of concern include;

- Housekeeping practices (e.g., spill cleanup practices and response to leaks)
- Water control (e.g., only running water from the hose when cleaning, adding spray nozzles to the hoses to provide on-demand supply of high pressure low volume water, or paying close attention to tank filling to prevent overflows)
- Building dikes or berms around storage tanks and other vessels where leaks to the sewer are unwanted
- Controlling breakage in milk packaging equipment (e.g., paying close attention to the filling of the packaging and stopping the system if a high percentage of breakages are occurring)
- Whey handling practices (e.g., preventing the initial whey drainage and first rinse from entering the sewer system and only discharging second and third rinses)

- Spilled material handling (e.g., cleaning up spilled solids with a broom for use as animal feed, rather than hosing this material)
- Worker understanding of the problem (preventing willful wasting of material as a time or effort saving step).

Similarly, processing practices and small capital investments may also effectively reduce the volume of water and pollutants being discharged. These include activities such as:

- Draining milk cans or milk trucks for a longer period of time to reduce the residual milk that must be washed out
- Covering all drains with wire mesh to collect milk and milk by-product solids that may end up on the floor
- Clearly marking on and off positions on water valves to minimize worker negligence
- Use post cleaning rinses as make-up water for sanitizing or cleaning of other equipment
- Provide drip shields on filling equipment for product recovery.

While the above practices may not all be appropriate, or may already be instituted, it is likely that the incorporation of these types of ideas into the worker mentality can improve the quality of and reduce the quantity of wastewater discharged. It is also important that the environmental audit be supported by the plant management.

As discussed during the visit, the disposal of whey and skim milk will continue to be problems for Bauska and Iecava. If the plant has to discharge whey to the treatment plant or to the City, the whey drainage and the first wash should be stored for disposal or sales to farmers, rather than discharging to the treatment plant or City. The second and third washes should be the waste that is discharged. If whey has to be discharged, the plant should have storage so that the whey can be bled into treatment a little bit at a time.

In summary, wastewater at Stelpe appears to be under control. The use of oxidation ditches followed by stabilization is a reasonable technology to meet effluent limitations. Concentrations for BOD and TSS into the treatment system are typically under 100 mg/l while effluent concentrations are under 20 mg/l. Of concern at Stelpe, is the poor condition of the oxidation ditches. Renovation of these ditches, at a cost of several million Rubles would be needed to bring the system into proper condition. While the surface aerators are old, they appear to be in fine working condition.

Compliance with wastewater effluent limitations at Bauska is sporadic, but the dairy is making a conscientious effort to keep up with the situation, and, typically, violations are not severe. Completion of the second impoundment would further help Bauska to achieve compliance. Bauska should be aware that if it starts producing large quantities of casein, as was discussed, a long term solution to the whey problem is needed. The plant cannot discharge these large volumes of whey to the treatment system and be in compliance with permit limitations. Farmers do appear willing to accept whey for animal feed, if it is provided free of charge. This may be the only solution in the short-term. Long-term solutions should focus on techniques to dry the whey, making it a much more valuable and manageable feed or fertilizer additive.

The environmental situation at Iecava appears less favorable than in Stelpe or Bauska. Information available for Iecava was limited, indicating the lack of knowledge of plant management on the environmental issues. An assessment of compliance with wastewater standards was not possible because of the lack of knowledge on the part of plant personnel. The tour of the plant, however, led one to believe that water use and milk and milk by-product losses at the plant are significant. As such, it is likely that the plant is contributing excessive amounts of BOD to the local treatment plant (which is supposedly in poor condition also). The most important step to be taken in Iecava is for plant management to perform a water use and product loss audit on its process, identify the areas of greatest concern, and look for methods to reduce the water used and milk lost in these areas. Because of the age of most of the equipment in Iecava, this process may require lots of work and ingenuity. Assistance from other dairy personnel in the country or some type of employee incentive may be valuable tools to solving Iecava's problems.

**PRIVATIZATION OF THE
BAUSKA MILK PROCESSING PLANT**
A legal analysis

I. Summary of Facts

The Bauska Milk Processing Plant ("Bauska") consists of the Bauska plant and its two milkeries, Iecava and Stelpe. This enterprise services 23 pagasti.

Bauska is a special case as far as the law on the Privatization of Milk Processing Enterprises is concerned. This is because it was accorded special status by the Latvian government in 1990 to develop as a private company. Now this special plant must be fit into the broad sweep of the privatization law by allowing all willing local milk producers to obtain an ownership share while taking into account the efforts of the owners of the limited liability company who have effectively operated the plant for three years.

The relevant history of Bauska begins at the end of the Soviet era. In accordance with LSSR State Agroindustry Committee Resolution No. 599, dated October 11, 1986, Bauska was given by the state to the experimental collective farm/agrofirma "Uzvara". In early 1990, the state had decided to separate Bauska from "Uzvara", and had directed that it be formed into a state enterprise. However, based on a request from the Bauska dairy producers' association, the Council of Ministers of the Republic of Latvia decreed that the property of the Bauska plant was to be given to the local association.

Approximately two years ago the Bauska association transformed this enterprise into a limited liability company called "Bauskas Piens". The founders of this company anticipated the upcoming privatization and attempted to apportion ownership equitably among the various interested parties. Thus, ownership of the limited liability company "Bauskas Piens" is apportioned in the following manner: 70% of company equity is owned by milk producers, 20% by employees and 10% by service organizations.

Upon enactment of the privatization law at the beginning of 1993, Bauska requested that the Ministry of Agriculture allow it to follow its own privatization program. In order to establish control over Bauska and force it to comply with the privatization law, on March 29, 1993 the Council of Ministers decreed that the Latvian government was taking back the state property (the land and buildings) that it had allowed "Bauskas Piens" to use.

II. Legal Analysis

As authorized by the law on the Privatization of Milk Processing Enterprises, this milk processing plant has been claimed by the Bauska Milk Producers Association on behalf of all cooperative associations contributing to Bauska. At the time this analysis was written, it remained to be seen whether Iecava and Stelpe would be claimed by cooperative associations contributing milk to these milkeries and thus taken out of the control of Bauska. Management at Bauska felt that these would stay within the Bauska system.

Strictly following the language of the law on Privatization of Milk Processing Enterprises, Bauska would be required to take the following steps:

1) Definitions:

As described above, Bauska has been claimed by the local association free of charge under the authority of the Supreme Council resolution of April 15, 1992. Bauska is thus a "personified object" under this law.

2) Section I "General Regulations";
Article I "The Law's Function and Objectives";
Paragraph 3:

The privatization process as applied to personified objects is called personification and is described in Article V of this law.

3) Section V "Personification of capital in milk producer cooperative associations and stability guarantees for the privatization process";
Article 23 "Distribution of assets regained by milk producer cooperative associations without compensation":

If the object to be personified incorporates several pagasti in its operational area, then an association of these pagasti cooperative associations is to be formed and distribution of capital among the various pagasti cooperative associations follows the guidelines of Article 18 of this law.

4) Section IV "Valuation and purchase of the unit to be privatized";
Article 18 "Distribution of basic capital among milk producers and milk and milk products suppliers":

Milk producers are to be allocated capital shares in

the object through their pagastu cooperative associations. These associations are given capital shares according to the amount of milk supplied by that association's milk producers during both 1991 and 1992.

- 5) Section V;
Article 24 "Personification of capital in milk producer cooperative associations without compensation":

Personification to the individual farmer/members of each association is to be accomplished in two stages - half of the enterprise value is personified on January 1, 1994 and the other half on January 1, 1995. This is accomplished by increasing the basic capital of the company by the appropriate percentage of enterprise assets on the date specified. Each stage of this process is completed by correspondingly increasing the number of shares or their nominal value (initially 1 share per 2400 kgs. of milk supplied). Property of the state transferred to the association without compensation cannot be alienated until all assets are personified.

III. Issues

Because of its unique status among milk processing plants as a limited liability company, Bauska will not follow the privatization procedure and general standards mandated by the law on Privatization of Milk Processing Enterprises. Both the owners of "Bauskas Piens" and the officials at the Ministry of Agriculture understand that the privatization of Bauska will require finding a formula that recognizes the investment and efforts of the owners of the limited liability company "Bauskas Piens" over the past three years while allowing all other farmers who wish to join this enterprise the opportunity to do so. Such a plan can be developed that follows the intent, if not the letter, of the privatization law.

The most promising solution is to break down the value of the Bauska enterprise between the land and buildings still owned by the state and the value of the enterprise resulting from the efforts of "Bauskas Piens" and its management of the enterprise. The owners of "Bauskas Piens" would be granted an ownership interest in the newly privatized company equal to the value of the enterprise resulting from their efforts and the farmers wishing to join the Bauska enterprise now could divide the remaining state interest

according to the principles set out in the privatization law.

During our discussions with Ministry officials and the Bauska management, it seemed that "Bauskas Piens" would be allocated about 75% of the new company while the farmers entering the company now would divide the remaining 25%. At that time, the value of the entire enterprise was estimated at somewhere near US \$850,000.00. If the Ministry approves such a solution, which seems likely, then Bauska would follow its own, unique path to privatization.

2. DAIRY SECTOR

PRIEKULE PIENS

Business Plan for Priekule Dairy Processing Plant

Financial Details

Environmental Assessment of Priekule Dairy

**Privatization of the Priekule Milkery:
A Legal Analysis**

BUSINESS PLAN

FOR

PRIEKULE DAIRY PROCESSING PLANT

Liepaja Region

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Priekule Latvija

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June, 1993

CONTENTS

Statement of purpose

1. Executive summary
2. History and description of the business
 - History and development
 - Organization and legal status
 - Current products and processes
 - The way forward
3. Management and employees
 - Management structure and senior management
 - Human resources
4. Marketing
 - Background to Latvian dairy industry
 - Milk purchases
 - Sales
 - Customers and markets
 - Pricing
 - Competitors
 - The way forward
5. Supplies and operations
 - Dairy production
6. Financial details
 - Balance sheet
 - Income statement
 - Forecasts for 1993
 - Detailed analysis of revenue and costs

7. Supporting documents

Latvian financial statements
Fixed asset schedule
Site and factory plans
Latvian country statistics
Milk purchases and dairy statistics

3

STATEMENT OF PURPOSE

This business plan was prepared in order to help Priekule's management focus on certain issues and assist them in their privatization. The plan was not prepared for and should not be used for any other purposes. Coopers & Lybrand has not undertaken an audit nor verified the information which was presented to us. We do not express an opinion nor provide any assurance as to the accuracy of the historic or forecast information (please refer to detailed notes). The business plan is based upon both historic and forecast information provided to us by the staff and management of Priekule and the Liepaja Central Dairy Plant.

The forecast of future operations was made based upon the assumptions and representations made to us. The business plan is not intended to be relied upon as an indication, assessment or projection of Priekule's future operations. The present environment in Latvia is uncertain. The figures have been derived from the enterprise's Latvian accounts which have been prepared in accordance with Latvian accounting regulations. To understand the potential limitations of the financial information provided it is essential to read the accompanying reformatted Latvian accounts and the notes attached.

There are significant differences between Latvian accounting principles and generally accepted accounting principles. The main differences are outlined in the report attachment "Priekule Dairy Enterprise - Financial Statement Years ending 31 December 1991 and 1992" and the attached notes. It is essential that the above mentioned statement and notes be read in conjunction with this business plan.

Major changes have taken place in Eastern Europe and the Baltic States over the last two years and the historic performance of the business is likely to bear little relationship to its future potential.

PRIEKULE DAIRY ENTERPRISE

EXECUTIVE SUMMARY OF BUSINESS PLAN

Preamble

101 Priekule Dairy is one of the biggest dairies in Latvia producing cheese and butter. Currently it is operating under Liepaja Central Dairy plant

102 The purpose of this business plan is to provide a planning tool, and to highlight and consolidate into one document Priekule's aims and objectives through a period of substantial change leading up to privatization.

103 Key elements of the plan are summarized below:

Priekule's Strategy

104 Priekule's strategic aims are:

- to focus on cheese production, in particular to develop new ranges of skim milk cheese;
- to continue to be the producers of the highest quality domestic cheese;
- to introduce a variety of packaging sizes for both butter and cheese in order to increase markets;

105 To bring Priekule into line with these strategic aims a number of steps are being taken:

- Research and development - Priekule is continuing to develop new skim milk cheese varieties. Currently a new caraway seed cheese is being developed;
- Marketing plan - Priekule is continuing to develop advertising strategies for the domestic market. In addition, it is actively seeking out and making contacts in new potential markets.
- Human resources - it is vital, particularly at this time of change within the industry, that all management and staff, whatever their level, are suitably informed and motivated to ensure that the enterprise's strategic aims are met.

- Re-organization - Priekule will continue to maintain current levels of staff in order to take advantage of the relatively cheap cost of labor.

Conclusions

106 As an enterprise facing the new challenges of changing markets and growing competition, the preparation of the business plan has made Priekule focus on where it is and where would like to be. To a large degree, many issues cannot be fully addressed until a further date when the form of privatization will become clear.

HISTORY AND DESCRIPTION OF THE BUSINESS

History and development

- 201 The Priekule Dairy Processing Plant (Priekule or the enterprise) is located in the Liepaja region. It is approximately 197 km south west of the capital Riga. The plant is primarily involved in the production of butter and premium quality Krievijas (Russian) brand cheese. Priekule is the fourth largest cheese producer in Latvia.
- 202 The Priekule plant can trace its history of activities in the Liepaja region to 1911 when it began producing cheese and cream. In 1950 butter making equipment was purchased and the enterprise begun producing 360 tons of butter per year. During the 1960s, ice-cream and fluid milk were produced. After a break of several years, cheese production recommenced in 1969.
- 203 In 1972, new capital investment enabled Priekule to increase its capacity for cheese production from 360 tonnes per year to 1160 tonnes per year, and butter production to 3000 tonnes per year.
- 204 Following Latvia's integration into the Soviet Union, the agricultural sector was collectivized. Since 1948, Priekule has been state-operated and part of the Soviet dairy industry.
- 205 During this period, from 1948 to the present, the incentive for managers to develop and expand business was removed. Priekule was centrally managed and controlled by the Liepaja Central Dairy Plant (Liepaja) and its results were aggregated with those of other plants within the region. The Liepaja Central Dairy Plant oversaw the operations of all the regional plants. Individual rights to land and assets were removed and managers received little or no benefit from being successful or profitable.
- 206 Prices for all raw materials and finished products were centrally established. Consequently, no consideration or incentive was given for cost-minimizing or profit maximizing decisions.
- 207 Capital investment decisions were also approved by the Liepaja. During the period until 1992, increasing productivity drove investment decisions. The viability of increasing capacity was not commercially assessed.
- 208 Priekule, is arguably facing its greatest challenge. In a climate of political and economic upheaval, the privatization of Priekule will require sound economic and financial decisions. For the first time, managers will be accountable for their decisions.

Organization and legal status

- 209 Priekule is currently being privatized. The form of the new entity is as yet uncertain.
- 210 Until privatization the overall control of Priekule will still lie with Liepaja. The Director of Liepaja, Mr. Andris Saldovers, oversees most significant areas of operations, including bank accounts, and major fixed asset replacement or purchase decisions. Liepaja also allocates and distributes directly to the farmers aid funds that the government has received. However the day-to-day running of the plant is controlled and administered by the Director of Priekule.
- 211 Reporting directly to Liepaja is Priekule's Director - Mr. Erik Piesins. Mr. Piesins, together with the Chief Engineer - Mr. Jakobsons, and the Chief Economist - Mrs. Kikane, actively participate in the day-to-day running of the enterprise.
- 212 Legislation which came into effect on April 1, 1993 - "The Privatization of Milk Receiving and Processing Plants", provides that ownership of milk processing plants can be transferred to co-operative dairy producers associations. These co-operative associations are comprised of the individual dairy producers supplying the Priekule processing plant. The dairy producers have until 30 June 1993 to form co-operative associations and submit claims for shares in Priekule.
- 213 Under separate provisions, the proportions to be distributed are specified as follows:
- milk producers/suppliers (including producers associations) not less than 70%
 - employees of the dairy processing plant not more than 10%
 - other person not more than 20%

A preliminary list of shareholders has been determined as follows:

	Percentage (%)
Priekule (milk producers)	}27.80
Priekule managers	}
Liepaja central dairy	28.57
Saldus Cooperative	19.86
Kuldiga Cooperative	21.85
Talsu Cooperative	<u>1.92</u>
	100.00

- 214 Shares will be determined according to a balance sheet valuation as of February 1993. Seventy-five percent of the share value will be issued free of charge; the remaining 25% must be paid for in cash or credits within five years of privatization.

Current products and processes

- 215 Priekule is the leading cheese producer in the Kurzeme district and is the fourth largest cheese producer in Latvia. The Liepaja Central Plant is the third largest milk processor in Latvia. In monetary terms Priekule generates over 40% of Liepaja's annual revenue.
- 216 Priekule currently produces butter and Krievijas (Russian) brand cheese. The butter (72% fat content) has no added salt or color. The Krievijas cheese is ripened for 60 days and has a 50% fat content.
- 217 The two by-products from the production of butter and cheese are skim milk, whey and buttermilk. Revenue is also received from the compulsory resale of the residual skim milk to milk suppliers.

The way forward

- 218 1992 and 1993 are proving to be particularly difficult years for the dairy industry. As an industry, agriculture and particularly the dairy sector is susceptible to a range of factors over which the industry itself often has no direct control.
- 219 Not all factors are unpredictable; many can be anticipated. What Priekule is committed to doing is to attempt to recognize and anticipate problems and opportunities, and to plan to deal with them accordingly.
- 220 To help in this process, below is a summary of the strengths, weaknesses, threats, and opportunities facing the industry and specifically Priekule.

Dairy Industry

Strengths

- relatively good road and rail infrastructure

Weaknesses

- demise of Comecon market
- limited and reduced domestic market
- seasonality in milk production
- low purchase power of customers
- international trade restrictions
- low hygiene standards
- strong currency

Threats

- relative political and economic uncertainty
- competition from other emerging markets (e.g. Lithuania)
- competition from established markets (Sweden/Finland)

Opportunities

- new markets from tourism due to current interest/ fashion of Eastern Europe and the Baltic
- demise of small unproductive dairies as a result of restructuring

Priekule Dairy

Strengths

- recognized quality of products
- experience of management and staff
- nationally sold product
- contacts in Western Europe
- strong network of traders

Weaknesses

- milk purchasing price
- historical major underinvestment
- lack of focus and drive
- no market niche
- transport vehicles not owned

Threats

- disruptions due to privatization
- demotivation of staff due to uncertainty of change

Opportunities

- preparation for privatization can be a springboard for independent planning and financing
- revitalized post-privatization company with clear goals

MANAGEMENT AND EMPLOYEES

Management structure and senior management

- 301 The Director of Liepaja has ultimate authority over Priekule. Most key decisions are authorized by the director.
- 302 The day-to-day management of the business is under the control of Mr. Erik Piesins, who works closely with the Chief Engineer, Economist and Chief Accountant.

A brief description of the four senior staff is below.

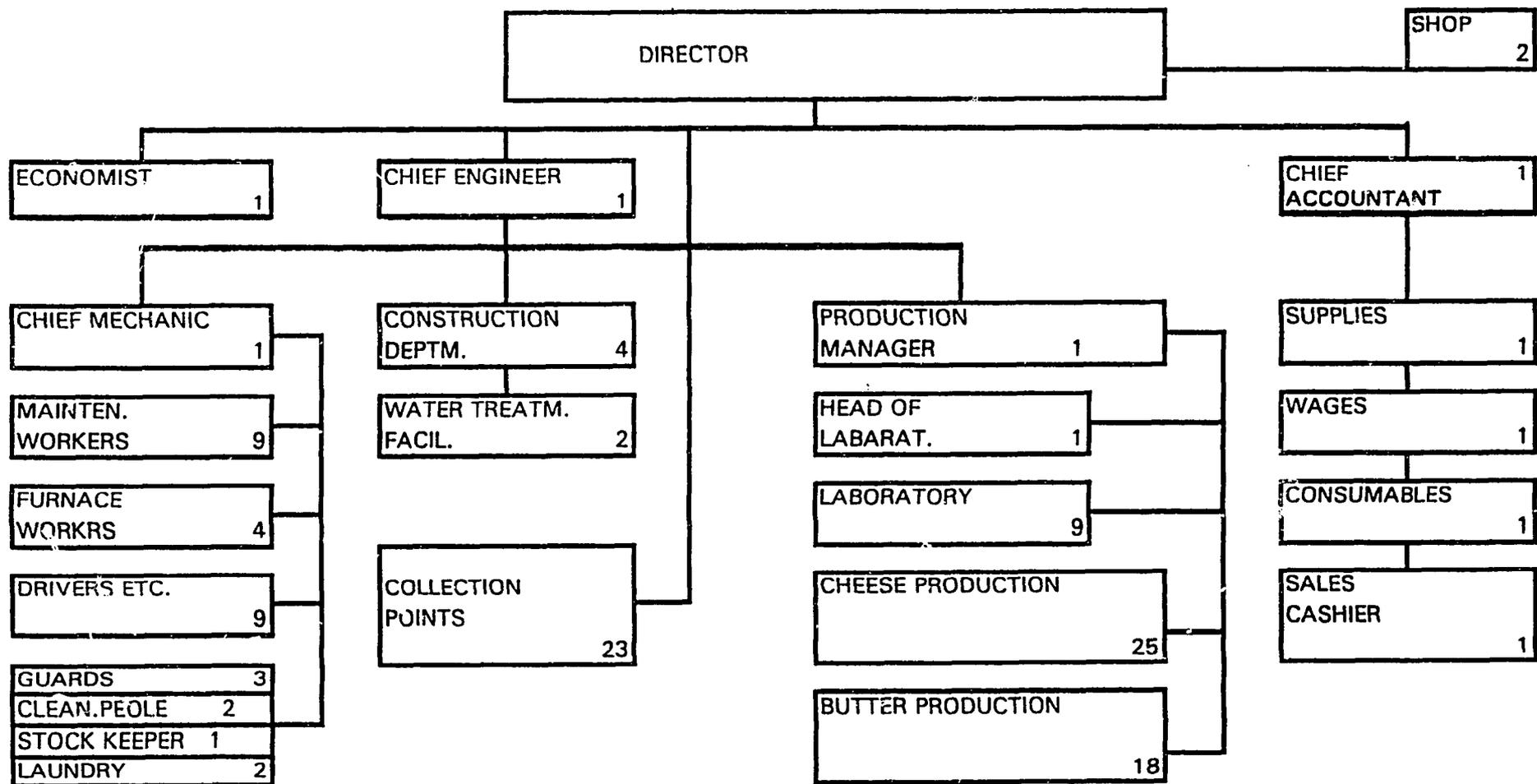
Eriks Piesins - Director - is responsible for most activities of Priekule. Mr. Piesins is 50 years old and has a degree in food production technology. He joined the enterprise in 1970 as a engineer. He was appointed the Director of Priekule in 1973.

Janis Jakobsons - Chief Engineer. Mr. Jakobsons is responsible for production and the operations of the plant. He is 41 years old and is qualified at the Building Construction College. He joined the enterprise in 1978 as engineer. He was promoted to the position of Chief Engineer in 1988.

Iveta Inne - Chief Accountant. Mrs. Inne reports directly to Liepaja. She is responsible for all bookkeeping and report preparation, including balance sheets for Liepaja. She is 39 years old and has a qualification as accountant. She joined the enterprise in 1980. She was promoted to her current position in 1986.

Anna Kikane - Chief Economist. Mrs. Kikane reports directly to the Director and is responsible for marketing, forecasting and pricing. She joined the company in 1992 after having worked for 10 years as an economist in local collective farm. Mrs. Kikane is 40 years old and is qualified as an economist.

- 303 The management structure of Priekule is given below:



151

304 Priekule has a strong and experienced team which is committed to ensuring that Priekule becomes a viable and self-reliant entity. Managers and employees have a good relationship and work closely together. Regular weekly meetings are held by senior managers.

Human Resources

305 The average number of employees in 1991, 1992 and to May 1993 is shown in Table 1.

TABLE 1

	1991	1992	May 1993
Full time	124	122	120
Part time	11	11	9
Employed pensioners	15	8	8
Other-specify	43	39	38
Total	137	133	129

306 Priekule has a relatively young workforce. The age profile of the enterprises as of 31 December 1992 indicates that 53% of the employees are under 40 years old and 77% are under 50.

307 The staff turnover is low. This is partly due to the previous sound economic structures. Nearly 90% of all staff has been with the enterprise for 10 or more years. Although no formal training takes place, it is believed that the on-the-job training provided is adequate. All senior management positions have experienced deputies who have come up through the business. They will be competent as the future managers of Priekule.

Remuneration

308 Wage and salary costs, approximately 1.5 to 3.0%, are not a significant proportion of total production costs for Priekule. This has remained the case despite significant increases in average monthly salaries as a result of inflation. The total remuneration of the employees of Priekule is composed of salaries, bonuses and lunch allowances. Workers are paid according to their category of employment. Government regulations establish a range within each scale. During 1992, bonuses composed approximately 11% of remuneration. Only bonus payments can be varied according to the individual performance.

- 309 The average monthly remuneration is 8000 Latvian rubles. This compares to the average monthly remuneration in Latvia of 8200 Latvian rubles.

Other Employment Costs

- 310 In addition to the employee remuneration outlined above, the enterprise also has to meet certain other employment costs. The largest is a Social Security contribution which is 37% of gross salary.

Employment policy

- 311 Priekule mostly employs people from the area around Priekule. People can be fired for not fulfilling their duties, but it is difficult to fire them if they simply do not perform according to needs of the company. This policy is in effect only because they are a state-owned company. Retirement age in Latvia is 60 years for men and 55 for women. If the person still works after the retirement, they may choose between getting their salary from the company and not receiving pension from social security, or limiting their salary. This generally means that people do not work after retirement age. There are no regulations requiring companies to pay any allowances for retired people.

Working Conditions

- 312 The working week is six days per week. There is one shift of eight hours per day. The office hours are 7 a.m. to 4 p.m. Production staff hours are determined by the delivery of milk and cream. Although milk supplies tend to be delivered early in the day, around 7 a.m., cream supplies are typically delivered in the afternoon at 2 p.m.

MARKETING

Background to Latvian Dairy Industry

- 401 In 1991, the agricultural sector accounted for about 20% of GDP. In 1990, dairy production accounted for 43% of livestock agricultural production.
- 402 Until 1993 all dairy processing plants were centrally controlled state owned enterprises. No competition or free markets existed. The industry, including all processing plants and milk cooperatives, were allocated markets to supply, distribution networks, and transport routes. Both raw material prices and final goods prices were centrally determined.
- 403 This provided no incentive for managers. Productivity goals were set

without regard for ~~any~~ efficiency or profit maximizing considerations.

404 The dairy industry ~~has~~ faced significant upheaval since 1991, including:

- the collapse ~~of the~~ Soviet Union and the loss of one of the country's main markets.
- declining ~~domestic~~ market
- periods of ~~hyper~~inflation
- removal of ~~central~~ planning and pricing mechanisms
- the fragmentation ~~of the~~ of the dairy industry into small individual producers
- falling animal ~~stock~~ levels and milk production
- cheaper Lithuanian and Western European dairy products flooding the domestic ~~market~~
- introduction ~~of the~~ of the Latvian rouble

Milk Purchases

405 Table 2 indicates the ~~fall~~ in milk purchases from 1990 to 1992:

TABLE 2: ~~Priekule~~ Milk Purchases

Year	Ton
1990	74,760
1991	64,927
1992	62,516
1st quarter 1993	6,336

406 The level of milk ~~production~~ in Latvia has fallen sharply over the past three years, as reflected ~~in~~ milk purchases made by processing plants (Refer to supporting charts). ~~This~~ decline is due to several factors, including the rising costs of feed ~~paid~~ by farmers, as a result of the reduction of grain subsidies, a drought ~~in~~ mid 1992 which reduced grain supplies and a livestock disease ~~which~~ again forced many collective farms to kill stock. Milk purchases have ~~fallen~~ by 40% between 1990 and 1992.

Sales

- 407 Table 3 analyzes dairy sales for Priekule in 1991 and 1992 and first quarter 1993. Due to the inflationary and currency influences over the past years, it is more meaningful to look at sales trends on volume rather than rouble totals. Inflation in Latvia in 1991 was 326.4%.

TABLE 3: Product Sales

	1991 (Tons)	1992 (Tons)	1993 1st quarter (Tons)
Butter	2,450	2,254	303
Cheese	1,101	1,078	183

Customers and Markets

- 408 Priekule's domestic and export sales fall into three categories:
- domestic
 - ex-Comecon markets
 - other export
- 409 Prior to 1992, all production was sold to state warehouses. A large proportion of Priekule's products was then exported to Russia and other markets. With the collapse of this market, Priekule has had to rely heavily on a depressed domestic market, which is being flooded with cheaper Lithuanian and Scandinavian products.
- 410 The introduction of the Latvian rouble and its appreciation against other local currencies and the U.S. dollar has further exacerbated potential sales to the former Soviet Union. In the short- to medium-term, there is no reason to forecast a significant improvement in access to these markets.
- 411 In the past, Priekule played no part in marketing goods for export. Now, together with Liepajas' marketing section, Priekule is trying to actively seek out contacts and potential market. In particular it is concentrating on Russia, Poland and Bulgaria.

412 The following table shows the breakdown of total sales of butter and cheese (in tons) into domestic and export markets for 1992:

TABLE 4

	Tons of Butter	% of Total	Tons of Cheese	% of Total
Latvia Gov Sales	1,560 [911]	69.2	982 [244]	91.2
Russia	186	8.3	2	0.2
Azerbaijan	327	14.5		
Western	180	8.0	93	8.6

413 Currently Priekule's major customers are as follows:

TABLE 5

Name	Location	Quantity 1st Quarter sold (in kilograms)		Roubles (thousands)
		Cheese	Butter	
Sauī - Wholesalers	Jelgava	1,273		2,774
Jute - Chain-store	Ventspils	221	50	595
Voenturģs - ex army shop	Liepaja	263	310	1,329
Dalidz	Liepaja	540		860
Autolat	Liepaja	635		930
Harolina	Riga	431		729

Since January 1993, all cash payments are made directly to Priekule. Cash payments now make up 60% of all sales. Customers are very sensitive to price changes. The usual practice is for clients to call various dairy producers and obtain the best quote before committing to a specific delivery.

Pricing

414 As discussed above, pricing policies were all centrally determined. A 15% margin above production costs was set by the government. Up until 1993, enterprises had no authority to set prices. Domestic pricing decisions are now based on market conditions. In addition, as privatization approaches Priekule, it must recognize the impact of various taxes and commissions which up until recently were levied on the Liepaja Central Dairy. It will now be necessary to incorporate all such costs.

Competitors

- 415 In the Kurzeme district, Priekule is the only cheese producer and does not face any competition. The Valmiera Dairy is the largest cheese producer in the country, and is in direct competition with Priekule for the Russian cheese market. The Valmiera Dairy competes in terms of volume only, for the quality of Priekule's product is generally recognized as superior.

The way forward

Marketing Strategy

- 416 The approach to sales and marketing to date has been reactive rather than pro-active. Domestic trading has, if anything, been simply order taking and distribution rather than marketing. Against this background of changing markets, growing competition and economic restructuring, Priekule is examining its sales and marketing strategy.

The key elements of the strategy must be to:

- Increase advertising
 - print media
 - shop promotion
 - attendance at trade shows and exhibitions
- Introduce new products
 - introduce new skim milk cheeses
- Introduce packaging
 - a variety of new package sizes

In the short term, the basis for growth will be in developing new products for existing markets. The strategy will be two fold. Firstly, Priekule should develop new products such as skim milk cheese with caraway seeds and skim milk cottage cheese. Secondly, they should introduce different package sizes. Currently, butter and cheese is produced in 250 g and 2 kg blocks. By introducing smaller portions, Priekule hopes to increase sales particularly in areas such as the hospitality industry.

- 417 In the short- to medium-term Priekule will strive to develop contracts in the ex-Comecon market.
- 418 The production of skim milk and caraway cheese will not involve any additional technology. The limiting factor will be the continuous supply of milk and the ability to sell the primary butter product.

SUPPLIES AND OPERATIONS

Dairy Production

501 Priekule currently processes approximately 145 tons of milk daily. This produces 7-8 tons of butter, 3 tons of cheese, and 80 tons of skim milk and whey. One of the largest problems Priekule faces is associated with disposing of the excess skim milk. Farmers are now obligated to purchase skim milk back in proportion to their milk deliveries. Under current arrangements, milk deliveries by the farmers determine how much they produce. Priekule is under pressure to purchase all milk delivered in its zone as a state-owned company. This includes excess purchases made by the Liepaja Plant. This requirement imposes serious limitations to any production strategy; however, following privatization, this requirement will be lifted.

502 Priekule's supplies of milk have been from the following sources:

TABLE 6

Source	1991 (tons)	1992 (tons)	1st Quarter 1993 (tons)
Farmers in Liepaja	10,259	2,654	4,985
Statutory Company Liepaja	11,454	26,953	861
Liepaja Central Dairy	9,521	5,271	185
Saldus Dairy	18,104	19,009	171
Kuldiga Dairy	12,248	19,405	134
Aizpute Dry Milk	430	240	

6. FINANCIAL DETAILS

UNAUDITED FINANCIAL STATEMENTS
AND
NOTES TO THE FINANCIAL STATEMENTS

General Notes & Enterprise Specific

UNAUDITED

PRIEKULE DAIRY ENTERPRISE

Balance Sheet

Balances at December 31st

(LVR in thousands)

	<u>1991</u>	<u>1992</u>	<u>1st Quarter 1993</u>
ASSETS			
<u>Current Assets</u>			
Cash	0	89	648
Short term investments	0	0	21,810
Accounts receivable	851	10,998	0
Inventory	4,067	65,560	46,401
Other	0	0	0
Total Current Assets	<u>4,918</u>	<u>76,647</u>	<u>68,859</u>
<u>Fixed Assets</u>			
Fixed Assets	947	4,139	947
Assets under construction	0	0	0
Other Long term Assets	0	0	0
TOTAL ASSETS	<u><u>5,865</u></u>	<u><u>80,786</u></u>	<u><u>69,806</u></u>
LIABILITIES AND EQUITY			
<u>Current Liabilities</u>			
Accounts payable	3,617	49,290	60,076
Other short term payables	0	0	0
Other	17	70	97
Total Current Liabilities	<u>3,634</u>	<u>49,360</u>	<u>60,173</u>
Long Term Debt	0	0	0
Total Liabilities	<u><u>3,634</u></u>	<u><u>49,360</u></u>	<u>60,173</u>
<u>Equity</u>			
Capital & retained earnings	2,231	28,729	16,361
1992 Revaluation reserve	0	2,697	17,720
Total Equity	<u><u>2,231</u></u>	<u><u>31,426</u></u>	<u><u>34,081</u></u>
TOTAL LIABILITIES & EQUITY	<u><u>5,865</u></u>	<u><u>80,786</u></u>	<u><u>94,254</u></u>

The accompanying notes to the financial statements are an integral part of this document.

UNAUDITED

PRIEKULE DAIRY ENTERPRISE
Income Statement
For year ended December 31st
(LVR in thousands)

	<u>1991</u>	<u>1992</u>	<u>1st Quarter</u> <u>1993</u>
Sales	43,320	383,424	100,149
Less: Turnover Tax	0	0	0
Net sales	<u>43,320</u>	<u>383,424</u>	<u>100,149</u>
Less: Cost of Goods Sold	<u>45,953</u>	<u>350,233</u>	<u>96,507</u>
Gross profit	(2,633)	33,191	3,642
Other Income	4,761	0	0
Less: Other Expenses	1,150	1,161	2,940
Net Other Income	<u>3,611</u>	<u>(1,161)</u>	<u>(2,940)</u>
PROFIT (LOSS)	978	32,030	702
Taxes	<u>0</u>	<u>0</u>	<u>0</u>
NET PROFIT (LOSS)	<u><u>978</u></u>	<u><u>32,030</u></u>	<u><u>702</u></u>

The accompanying notes to the financial statements are an integral part of this document.

1/26/6

FINANCIAL STATEMENTS

SUMMARY

The financial statements of the enterprise have been reformatted into a standard western format. The scope of this project did not include the restatement of the accounts in accordance with International Accounting Standards (IAS). As such, no adjustments to management's representation of financial information have been made. Nor has this compilation of financial information included any audit or due diligence efforts that in any way expresses an opinion on the financial information presented.

This effort has:

- 1) reformatted the enterprise's existing accounts into asset, liability, equity, revenue and expense categories;
- 2) eliminated entries which represent double counting of accounts;
- 3) compiled balance sheets and income statements, based on the existing Latvian accounts and management representations, as of and for the year ending December 31, 1992, and, when possible, for the year ending December 31, 1991, (the 1990 financial statements have not been included in this report);
- 4) included interviews of the enterprise's management and accounting staff, which, along with the Latvian financial statements, are the basis of the notes to the financial statements for individual enterprises;
- 5) included interviews of Ministry of Agriculture personnel and management personnel from other Latvian dairy and bakery enterprises, which are the basis of the general notes to and background on Latvian accounting practices and financial statements included in this document; and
- 6) not added accounts omitted from the Latvian financial records which represent balance sheet and income statement entries necessary to meet IAS principles and more fairly present the financial position of the enterprise;

The financial information presented contains many limitations and issues which impact the content of the information, its comparability to other enterprises and other time periods, and the interpretative and analytical value. The major constraints and issues impacting the enterprise's financial statements are highlighted in the notes (general and enterprise-specific) to the financial statements, which are considered an integral part of this document.

NOTES TO THE FINANCIAL STATEMENTS GENERAL

(Also See Enterprise Specific Notes)

LATVIAN ACCOUNTING PRACTICE

The following analysis sets out the basis on which the enterprises' financial statements are prepared and highlights the differences between Latvian and international standard accounting practice.

The analysis has been based on interviews with the accounting staff at the enterprises and The Ministry of Agriculture.

The laws on "Accounting" and "On Annual Reports" govern accounting practices in Latvia as of January 1, 1993. They are based largely on principles set out by the Fourth Directive of the EC and the Danish accounting law in particular.

FINANCIAL STATEMENTS

The preparation of financial statements in Latvia is not in accordance with International Accounting Standards (IAS). The fundamental accounting concepts are only partially observed:

- Going concern - all enterprises are correctly assumed to be going concerns and are accounted for on the basis that they will continue to trade with the current scale of operations.
- Consistency - books and records are kept using accounts which record the enterprise's activities and transactions which form categories of assets and liabilities. Although accounting policies are applied consistently during a given year, the past three years have been characterized by changes in government policy and directives as to form and content of financial reporting and accounting treatment of transactions.

In particular, the accounting formats changed between 1990 when they were prepared under the Soviet system, and 1991 when statements which were prepared under the Latvian system. The format was changed once more in 1992, although not as significantly. No analysis is provided in the accounts to show the effects of these changes. The 1993 accounts and financial statements have also changed significantly from 1992, in an effort to more closely adapt to IAS.

- Accruals - accrual accounting was only introduced for the year ended December, 1992. Prior to this the basis used

was similar to a double entry form of cash accounting with some adjustments for prepayments. The changes initiated in 1992 do not reflect a full accrual basis, some aspects may still be considered a modified cash basis of accounting.

- Prudence - the financial statements do not reflect a conservative view of the affairs of the enterprise. No provisions are made to reflect irrecoverability of debt or other reductions in the value of assets.

The profit and loss information provided does not fully reflect the profit or loss generated or the amount transferred to reserves. The net profit figure does not take account of items such as interest paid, employee bonuses, and depreciation of certain asset categories and thus overstates the profit. Detailed expense information, ie analyzing expense categories included in cost of goods sold, is not included in the Latvian financial statements and therefore excluded from the reformatted financial statements.

Many different funds and reserves are maintained for a variety of purposes with the result that almost all transactions require transfers to be made to or from reserves in a manner which is not consistent with IAS.

As noted above, the financial statements are not comparable as a result of changes in format, asset revaluations which have been made, and the rapid inflation during the period.

As a result, it is difficult to assess a Latvian enterprise based on its financial statements. The only review of books carried out is one by tax authorities to ensure the compliance and accuracy of tax computations.

The financial statements provide evidence that books have been maintained. They do not necessarily reflect a true and fair view of the financial position of all of the enterprise's assets and liabilities, or that the revenue and expenses represent maintainable earnings.

The significant divergences from international accounting practice would make it difficult for an unqualified audit opinion to be rendered for the periods represented, if such an audit of the financial statements was attempted.

ACCOUNTING POLICIES

We set out below details of accounting policies for significant classes of asset and liability.

Fixed Assets

All state enterprises revalued their fixed assets at 1 January 1992, in accordance with Government regulations. The different categories of asset were revalued according to published revaluation coefficients to reflect the deterioration in value caused by high rates of inflation.

The following coefficients were generally used for classes of assets purchased prior to 1989 for the 1 January 1992 revaluation:

Motor vehicles	3.5
Instruments	2.5
Machinery	2.5
Imported Machinery	5.0

Additional revaluations took place at 1 January 1993. The following coefficients were determined by government regulation:

Assets purchased prior to 1990	10.0
Assets purchased during 1991	3.0
Assets purchased during 1992	-

Accumulated depreciation was adjusted in proportion to the change in fixed asset values. The revaluation surplus was credited to the statutory fund rather than being maintained in a separate reserve.

The method adopted for revaluations does not reflect the IAS practice on revaluation of assets, although in some way it reflects the change in value caused by inflation. No account is taken of the replacement cost of the assets, of their physical condition nor of any changes in the remaining useful life of the asset.

Depreciation

Depreciation rates are on average lower than those used in Western Europe and the US. Many items which would be considered small replacements or consumables are included as assets and depreciated over 1 or 2 years. Examples of the depreciation rates used are as follows:

<u>Asset</u>	<u>Asset Life</u> <u># of years</u>	<u>Annual Rate of</u> <u>Depreciation</u>
Buildings	84 to 100	1%
Trucks	7-14	7-14%
Computers	14	7%
Machinery		
- city use	10	10%
- country use	12	8%

Office furniture with a value of less than 5,000 Latvian Rubles (LVR) are included as fixed assets, but not depreciated.

Depreciation is calculated monthly on a straight line basis commencing in the month of acquisition.

The definition of a capital asset is any item exceeding a specified cost. This threshold can be very low, for example 5,000 LVR for dairies. As a result, there is a large number of very low value items being included as assets rather than being expensed. These items are usually included as part of inventory. 50% of their value is written off when used, while the remaining 50% is written off on disposal. Assets under construction are recorded separately and are not depreciated until completed and put into operation.

Accounts Receivable

Accounts receivable are generally overstated. Amounts owed to the enterprise are included at full value with no adjustment made for bad or doubtful accounts. Until recently, the incidence of bad debts was so low that such provisions were not required. Detailed debtor ledgers are maintained and usually updated monthly, however no credit control is exercised.

With the privatization of some entities, former state debts are dismissed, leaving the enterprises to deal with government rather than the original debtor entity.

Inventory

Stocks are valued at cost with no provision for diminution in value or obsolescence. Many stock levels will be significantly overstated in the accounts. Stock levels are further misstated when consumables or small replacements are included in the asset line.

Reserves

The statutory fund and other reserve funds are used to reflect a variety of transactions. There are frequent transfers between funds which would not be possible under IAS. Thus for example, the purchase of a fixed asset requires the transfer of appropriated funds from a fixed asset fund to the statutory fund. There is no equity or share capital on the Latvian financial statements. For purposes of this analysis, the reserves which appear equivalent to equity have been classified as such on the reformatted financial statements.

Subsidies

Subsidies received from the state are not reflected in the income or profit/loss of the enterprise. The accounting treatment used results in an increase in reserves reflecting the amount of subsidies received even though the subsidies are for operating costs. Under IAS such amounts would be treated as income.

Liabilities

The principal categories of liabilities included in balance sheets are taxation and accounts payable. Liabilities for bank loans or other long term loans essentially did not exist.

Accounts payable balances are principally for suppliers. As with accounts receivables, any evaluation of the likelihood of payment or the period in arrears was not made.

Financial Planning

There are currently no financial forecasts or budgets prepared by the enterprises. This is partly because of the difficulty of forecasting in such a rapidly changing economy and partly because plans are considered to be a feature of the old regime and therefore no longer required. There is little understanding of the importance of budgeting for the overall financial control of an enterprise. Previously, all planning was centrally performed and given to the enterprises.

Enterprises currently are in the process of preparing privatization plans, and are preparing plans and future strategies for the first time. Some enterprises are in the preliminary stages of such planning, while others are more advanced and are being valued, and are near submission of these plans to the Ministry of Agriculture.

Internal and Accounting Controls

A review of internal and accounting controls was not within the scope of this review. All amounts presented are management representations.

Other Information

As previously stated, the enterprises have been operating in rapidly changing market and economic conditions. Extreme inflationary conditions began in 1991 and continued through 1992. Monthly inflation rates, based on the retail price index, were as high as 56.4% in January of 1992, the 1991 annual rate was 262%. In May of 1992, the inflation rate compared to May of 1991 was 639%. Inflation had diminished by December of 1992.

Similarly, currency values have also been fluctuating. Comparisons to the US dollar from the Bank of Latvia are presented below.

US\$ expressed as LVR

Annual Rate 1991	0.05821		
December 1991	103.5	Buy	120.55 Sell
October 1992	180	Buy	191 Sell

Notes to Financial Statements - Enterprise Specific Priekule Dairy Enterprise

Note 1 - Significant Accounting Principles

As stated in more detail in the general notes and summary, Priekule Dairy Enterprise (Priekule), like other Latvian enterprises, during 1992 managed its accounts and financial reporting according to Republic regulations and guidelines. As such, Priekule did not employ a full accrual basis in recording assets and liabilities or in the recognition of income or realization of expenses during 1992 or 1991. The handling of accounts may be considered a modified cash basis with some accrual accounting in accordance with Latvian accounting practices and regulations in effect during the periods presented.

Until 1993, Priekule was managed by the Liepaja Central Dairy Plant. This entity effectively controlled the day to day management of Priekule. All payments, receipts and cash balances were authorized and controlled by Liepaja.

The management at Priekule did not have relevant information to prepare a Profit and Loss statement or a complete Balance Sheet. The financial statements presented below have been prepared by combining information held by both Priekule and the Liepaja Central Dairy Plant.

Fixed Assets are carried at historical cost and depreciated over the useful life (as prescribed by Latvian regulations) using the straight line method. However, fixed assets were revalued according to Latvian regulations on both January 1st of 1992 and 1993. The basis and coefficients employed in revaluation are discussed in more detail in the general notes to the financial statements.

Land (property) values were not recorded on enterprise financial statements in Latvia during any of the years presented.

A cash flow statement is not included in the financial statements presented, as the 1992 and 1991 Latvian accounts were not conducive to its preparation. As discussed above, all cash balances held in Latvian currency (LVR), hard currencies (e.g. DM, US\$), or other currencies (e.g. Russian, Georgian), were held and controlled by Liepaja Central Dairy Plant, and do not appear in the accounts of Priekule. Exchange gains and losses are included in the accounts of the Central Dairy Plant.

Note 2 - Accounts Receivable

Accounts Receivable for Priekule includes the following in thousands of LVR at December 31st:

Type of Accounts Receivable	1992	1991
Trade Accounts Receivable	10,998	851
TOTAL	10,998	851

Priekule did not record any allowance for bad debts to reduce the amount of the reported accounts receivable. According to management, they have approximately 2.5 million LVR in overdue and uncollectible receivables from both enterprises and the Russian army. They have represented that all other receivables will be collectible. During 1992, nearly all sales were credit sales paid directly to the bank account of the Liepaja Central Dairy Plant. From 1992, approximately 40% of sales are credit, the other 60% is paid in cash directly to Priekule. Under new regulations, Latvian enterprises are allowed to collect fines from debtors for late payments.

Note 3 - Inventories

Inventories appear to be accounted for on an average price basis. An allowance for loss or spoilage is not recorded by the enterprise, nor does the carrying amount of inventory necessarily reflect its net realizable value of the inventory.

Note 4 - Fixed Assets

Fixed assets are generally carried at historical cost, as previously noted, except for the revaluations which have occurred in 1992 and 1993. Depreciation is expensed and accumulated on a straight line basis using the asset category useful lives as prescribed by regulations (see general notes for examples). Typically, the useful life of an asset, under Latvian regulations, is significantly longer than the life considered appropriate by Western standards.

The following table displays the gross book value of fixed assets, accumulated depreciation, and net book value at December 31, 1991, after revaluation at January 1, 1992, and at December 31, 1992 for Priekule. Amounts are expressed as thousands of LVRs.

	12/31/91	1/1/92	12/31/92
Fixed Asset - Gross	2,538	9,880	10,523
Less: Accumulated Depreciation	1,591	6,236	6,384
Net Fixed Assets	947	3,644	4,139

In the fixed asset category as presented on the financial statements, apartment buildings are included. Under the privatization law, such buildings will be removed from the assets of the enterprise and privatized separately. Consequently, the net book value of assets presented in these financial statements may overstate the net book value of the assets to be privatized as the dairy enterprise. Included in the fixed assets of Priekule at December 1992 is a building with a gross value of LVR 5.01 million and a depreciated value of LVR 3.94 million.

Also see Note 8 regarding restitution claims.

Note 5 - Taxes

Priekule is subject to various taxes as an enterprise under Latvian regulations. The major taxes and the basis of the taxes assessed are outlined below. We have been advised that turnover tax was applicable only from October 1992. Income tax was not levied. Again, all tax payments were administered by the Liepaja Central Dairy Plant.

<u>Type of Tax</u>	<u>Tax Base</u>	<u>Percent of Base</u>
Turnover Tax	Sales (Oct'92)	6
Income Tax	Profit (n/a).....	35
Charity Tax	Profit	10
Other & Property Taxes	Profit	5
Social Tax	Payroll	37

Note 6 - Credit Disclosures

Priekule's financial statements include only current liabilities, which include taxes payable, trade payables to suppliers, accrued salaries, and other rents, etc. They do not represent to have any bank loans or long term debt, which is consistent with other Latvian enterprises, due to the banking system which currently does not extend such types of credit.

However, it should be noted, that Priekule and Liepaja had inter-enterprise balances which were transferred to reserves at year end. As a result, the extent of any potential liability was not disclosed. Additionally, neither Priekule's share of government credits (granted directly to Liepaja) nor any interest component are disclosed in the accounts of Priekule.

Note 7 - Equity Disclosures

Priekule is currently a state enterprise. Equity on the balance sheet has been segregated to show separately the amount of equity which is the result of increases realized due to fixed asset revaluation at January 1, 1992, and the total amount of equity associated with capital, retained earnings, and perhaps previous revaluations.

As noted previously, an inter-entity account between Priekule and Liepaja was used to clear transactions between the two entities. At year end this account was cleared to reserves. We have not been able to determine the exact nature of this account nor quantify the balance included in reserves for the years ended December 1991 and 1992.

Note 8 - Contingent Liabilities

As is the case with all Latvian enterprises involved in privatization, potential claims may exist in regard to restitution to the pre-1941 land or building owners. According to Priekule's management, the site is on private land. There has been one claim by a former owner who apparently had significant interests in the entire town. Management advise us that the municipal council has already made arrangements to compensate the claimant in this case. No liability reserves for potential future claims have been included in the financial statements.

Note 9 - Other Notes

As stated in the general notes to the financial statements, Latvia has been in a transitional environment. Priekule's operations and therefore financial statements have been impacted by such pressures as periods of high inflation, significant demand shifts due to price liberalization and lifting of subsidies, dramatic policy and regulation changes involved in the shift from socialism to capitalism, and fluctuating currency valuations. As such, the financial statements presented have significant limitations as to analytical value in comparing between time periods and between enterprises. The notes have merely presented and outlined the major factors and conditions underlying the financial

PRIEKULE DAIRY ENTERPRISE
Forecast Profit & Loss Details for 1993
LVR (in thousands)

	Year ended Dec. 1992	1st qt 1993	2nd qtr 1993	3rd qtr 1993	4th qt 1993	Year ended Dec. 1993
Gross Profit	28,395	-9,469	9,228	4,346	-8,054	-3,949
Butter	-22,022	-15,574	5,650	2,567	-3,507	-10,864
Cheese	48,805	8,660	3,341	1,671	-4,429	9,243
Skim Milk & Whey	1,612	-2,555	237	108	-118	-2,328
Other Income						
Less Other Expenses	23,941	3,990	4,205	4,113	3,124	15,432
Net Other Income						
Profit (Loss)	4,454	-13,459	5,023	233	-11,178	-19,381
Taxes	1,559	0	1,758	82	0	0
Net Profit (Loss)	2,895	-13,459	3,265	151	-11,178	-19,381

Note:

	year ended Dec. 1992	1st qt 1993	2nd qtr 1993	3rd qt 1993	4th q 1993	year ended Dec. 1993
Other Expenses:						
Interest	13,941	1,890	882	882	882	4,536
Selling Costs	10,000	2,100	3,323	3,231	2,242	10,896
TOTAL	23,941	3,990	4,205	4,113	3,124	15,432

PRIEKULE DAIRY ENTERPRISE
Forecast Profit & Loss Details for 1993

LVR (in thousands)

BUTTER	Year ended Dec. 1992	1st qtr 1993	2nd qtr 1993	3rd qtr 1993	4th qtr 1993	Year ended Dec. 1993
Revenue	235,543	63,630	94,163	85,568	38,964	282,325
Less Turnover Tax	0	3,817	5,649	5,134	2,337	16,939
Less Production Expenses						
Milk Purchases	240,758	50,229	81,255	76,195	38,988	246,667
Transportation	7,364	3,246	2,691	2,523	1,291	9,751
Heating	3,490	1,100	1,496	1,403	739	4,738
Consumables	3,919	782	1,496	1,403	718	4,399
Wages	102	208	522	490	251	1,471
Social Security	245	81	133	125	64	402
Repairs & Maintenance	279	245	133	125	64	566
Administration	1,408	988	788	739	378	2,892
Total Production Expenses	<u>257,565</u>	<u>56,878</u>	<u>88,513</u>	<u>83,001</u>	<u>42,493</u>	<u>270,866</u>
Gross Profit Butter	<u>-22,022</u>	<u>2,935</u>	<u>1</u>	<u>-2,567</u>	<u>-5,866</u>	<u>-5,500</u>

Note: Actual 1st quarter 1993 production expense figures used

112

PRIEKULE DAIRY ENTERPRISE
Forecast Profit & Loss Details for 1993

LVR (in thousands)

CHEESE	Year ended Dec. 1992	1st qtr 1993	2nd qtr 1993	3rd qtr 1993	4th qtr 1993	Year ended Dec. 1993
Revenue	115,346	33,968	55,685	55,685	49,210	194,548
Less Turnover Tax	0	2,038	3,341	3,341	2,952	11,672
Less Production Expenses						
Milk Purchases	56,281	23,578	48,052	49,585	49,241	170,456
Transportation	3,309	1,224	1,591	1,642	1,631	6,088
Heating	2,327	1,228	885	913	933	3,958
Consumables	2,204	244	885	913	907	2,948
Wages	94	634	309	319	317	1,579
Social Security	401	247	79	81	80	487
Repairs & Maintenance	394	525	79	81	80	765
Administration	1,531	668	466	481	477	2,092
Total Production Expenses	<u>66,541</u>	<u>28,348</u>	<u>52,344</u>	<u>54,014</u>	<u>53,666</u>	<u>188,372</u>
Gross Profit Cheese	<u>48,805</u>	<u>3,582</u>	<u>0</u>	<u>-1,670</u>	<u>-7,408</u>	<u>-5,496</u>

Note: Actual 1st quarter 1993 production expense figures used

PRIEKULE DAIRY ENTERPRISE
Forecast Profit & Loss Details for 1993

LVR (in thousands)

	Year ended Dec. 1992	1st qtr 1993	2nd qtr 1993	3rd qtr 1993	4th qtr 1993	Year ended Dec. 1993
SKIM MILK & WHEY						
Revenue	17,723	2,551	3,954	3,609	1,311	11,425
Less Turnover Tax		153	237	216	78	684
Less Production Expenses:						
Milk Purchases	15,634	3,232	3,412	3,214	1,312	11,170
Transportation	0	0	113	106	43	262
Heating	306	0	63	59	25	147
Consumables	0	0	63	59	24	146
Wages	8	14	22	21	8	65
Social Security	34	5	6	5	2	18
Repairs & Maintenance	7	0	6	5	2	13
Administration	122	29	33	31	13	106
Total Production Expenses	<u>16,111</u>	<u>3,280</u>	<u>3,717</u>	<u>3,501</u>	<u>1,429</u>	<u>11,927</u>
Gross Profit Milk & Whey	<u>1,612</u>	<u>-882</u>	<u>0</u>	<u>-108</u>	<u>-196</u>	<u>-1,186</u>

Note: Actual 1st quarter 1993 production expense figures used

NOTES TO THE FORECAST PROFIT AND LOSS

1. The profit and loss and balance sheet forecasts have been calculated by combining the information available at Priekule and Liepaja Central Dairy Plant (Liepaja).
2. Prior to 1993, cash and bank accounts were centrally administered by Liepaja. Effectively, an inter-entity account was used with the balance, usually a payable, being transferred to the Statute Fund at year end.
3. Items not disclosed in the Latvian Statutory profit and loss or balance sheet:

- amounts due to Liepaja principally for payments to milk supplier. These amounts are not disclosed as liabilities as the amounts are transferred to reserves (statute fund at year end).

The undisclosed liability at 31 December 1991 and 1992 was LVR 86,000, LVR 25 million respectively. Unusually, for the 1st quarter of 1993, a receivable was due from Liepaja of LVR 21.8 million for dairy products purchased by Liepaja. This receivable has been disclosed.

- Priekule's proportional share of repayable loan credits received by Liepaja are not disclosed in the balance sheet. Interest payments have not been accounted for in the profit and loss. The amounts not disclosed in the statutory Latvian accounts were as follows:

	1991 LVR'000	1992 LVR'000	1993 1st quarter LVR'000
Credit amount	1,154	10,016	8,401
Interest	11	13,941	1,890
Interest rate	1%	120%	90%

The interest rate at June 1993 of 42% has been used to estimate the interest expense applicable for the remainder of the year of LVR 882 per quarter.

152

● A selling and administration fee is charged by Liepaja at a rate of 2.3 % on total production costs. The amounts not disclosed in the statutory account were as follows:

1991 LVR 2.4 million, 1992 LVR 10 million , 1st quarter 1993 LVR 2.1 million.

A fee rate of 2.3 % has been used to estimate the fee payable in each quarter of 1993.

● Government subsidies received in 1991 of LVR 4.7 million were not disclosed in the Latvian statutory accounts. The subsidy ceased to be payable after 1991.

● From October 1992, Liepaja was subject to turnover tax. Priekule's share of that tax has not been included in the accounts.

ASSUMPTIONS

1. Milk processing and production

The following table provides an analysis of milk processing and production levels for 1992 and 1993:

	1992	1993	% change
Minimum level of milk processing normally during January (tons)	153	88	(42)
Maximum level of milk processing during period May/June (tons)	274	145	(47)
Milk purchases 1st quarter (tons)	13,380	6,336	(53)
Butter production 1st quarter (tons)	500	222	(56)
Cheese production 1st quarter (tons)	249	157	(37)
Skim milk and whey production (tons)	1157	747	(35)
Butter sales 1st quarter (tons)	473	201	(57)
Cheese sales 1st quarter (tons)	255	183	(28)
Skim milk and whey sales (tons)	1,157	543	(53)

2. The downward trend in milk purchases, and production of all dairy products reflected in the first quarter of 1993 is expected to continue for the remainder of 1993.

We anticipate that total milk purchases will fall by 47% from last year's purchase of 62,516 tons to approximately 33,000 tons.

Prior years trends of higher milk purchases and production during the summer months is expected to continue, despite the significant drop in prices paid to milk suppliers.

Quarterly milk purchases and production figures for 1993 are anticipated to be as follows:

QUARTER	MILK PURCHASES (TONS)	BUTTER PRODUCED (TONS)	CHEESE PRODUCED (TONS)	SKIM MILK/WHEY PRODUCED (TONS)
1st quarter	6336	224	157	474
2nd quarter	10890	363	260	1318
3rd quarter	9900	330	260	1203
4th quarter	5410	150	230	437
Full year	32536	1067	729	2607
1992	62516	2454	1039	7705

3. Production costs

It is assumed production costs will remain in the same proportion to total costs as for the year ended 31 December 1992, with the exception of milk purchase cost and heating costs.

Production costs as a percentage of sales are estimated to be 94%, 94%, 97% and 109% for the 1st, 2nd, 3rd and 4th quarters respectively.

Production costs for cheese, butter and skim milk/whey production for the year ended 31 December 1992 can be analyzed as follows:

**ASSUMPTIONS
NOTE 3**

**PRIEKULE DAIRY ENTERPRISE
PRODUCTION COSTS**

LVR (in thousands)

Costs	*Total Production Costs		Costs as % of Total	
	1992	1st qtr 1993	1992	1st qtr 1993
Milk	439,329	77,039	92.11	87.04
Transportation	15,129	4,470	3.15	5.05
Heating	5,240	2,328	1.8	2.63
Consumables	5,409	1,026	1.8	1.16
Wages	3,121	856	0.6	0.97
Social Security	1,145	333	0.2	0.38
Repairs	1,781	770	0.2	0.87
Administration	5,813	1,685	0.9	1.9
Total	<u>476,972</u>	<u>88,507</u>	100.00	100.00

*Total production costs for all products including those not sold

186

**ASSUMPTIONS
NOTE 3**

**PRIEKULE DAIRY ENTERPRISE
Production Costs
LVR (in thousands)**

Costs	CHEESE				BUTTER				SKIM MILK & WHEY				Total Production Costs 1992	Total Production Costs 1st qtr 1993
	1992	%	qtr1 93	%	1992	%	qtr1 93	%	1992	%	qtr1 93	%		
Milk	75,931	18.08	23,578	30.61	323,721	77.09	50,229	65.20	20,279	4.83	3,232	4.20	419,931	77,039
Transportation	4,607	31.61	1,224	27.38	9,967	68.39	3,246	72.62	0		0		14,574	4,470
Heating	1,729	38.15	1,228	52.75	2,602	57.41	1,100	47.25	202	4.46	0		4,532	2,328
Consumables	1,790	36.29	244	23.78	3,143	63.71	782	76.22	0		0		4,933	1,026
Wages	1,653	46.39	634	74.07	1,814	50.91	208	24.30	97	2.72	14	1.63	3,563	856
Social Security	607	59.68	247	74.17	374	36.77	81	24.32	37	3.34	5	1.51	1,017	333
Repairs	931	58.33	525	68.18	664	41.60	245	31.82	1	0.63	0		1,596	770
Administration	2,302	49.33	668	39.64	2,279	48.83	988	58.64	88	1.89	29	1.72	4,667	1,685
Total	89,554		28,347		344,564		56,878		20,704		3,280		454,822	88,507

181

4. Specific Costs

● Milk Purchase Costs

The purchase price of all three grades of milk rose significantly in 1992 due to inflation. During the last three months of 1992 milk purchase prices rose from an average (of all three grades) of eight rubles per ton in August to 17.3 rubles per ton in November.

The movement in the actual and estimate purchase price of the three grades of milk during 1993 is detailed below (in Latvian rubles per ton):

QUALITY	1-15 APRIL	16-30 APRIL	MAY	JUNE	JULY- SEPT.	OCT.- DEC.
Highest	20	16	14	11	11	16
Grade I	17	14	12	10	10	14
Grade II	15	13	11	9	9	13

During the winter months we anticipate the contraction in the supply of milk by producers to raise milk purchase prices to April 1993 levels (an average of 14 rubles per ton).

● Transport

Transport costs include principally vehicle hire costs, driver wages and collection station repairs. Although we anticipate fuel costs to fall, we believe as a percentage of total costs, supply costs will remain at approximately 3.1%.

● Heating

Heating costs have been assumed to increase to 3.0% of total costs in the last quarter of 1993.

● Sales

As noted above, we anticipate both butter and cheese production to fall by approximately 47%. We have assumed, however, that butter sales will be 36% above production levels, as a result of increased marketing and promotion. Our aim is to reduce our stock of butter held in warehouses by year end to acceptable levels. Cheese sales to year end should approximate production levels.

Current sales prices are assumed for the remainder of the year. These are

Butter	$180 \text{ rubles/kg} + 6\% \text{ turnover tax} = 191 \text{ rubles/kg}$
Cheese	$175 \text{ rubles/kg} + 6\% \text{ turnover tax} = 185 \text{ rubles/kg}$
Skim Milk/Whey	$3 \text{ rubles/kg} (+ 5\% \text{ turnover tax}) = 3 \text{ rubles/kg}$

6. No adjustments have been made for inflation effects.

7. SUPPORTING DOCUMENTS

LATVIAN FINANCIAL STATEMENTS

PRIEKULE DAIRY ENTERPRISE
Balance Sheet (Bilance)

Line Nos.	<u>Assets (Aktivs)</u>	<u>31 Dec 1991</u>	<u>31 Dec 1992</u>	<u>1 Jan 1992</u>
010	Fixed Assets	2,538	10,523	9,880
020	Intangible Assets			
030	Assets under construction			
035	Assets not ready for use			
040	Long term investments			
050	Current year profit/offset 500 or 510			
065	Amounts due from members			
070	Other receivables			
080	Current year loss/offset 500 or 510			
090	Total - check	2,538	10,523	
100	Raw Materials and consumables	503	5,771	
110	Work in progress	3,629	59,896	
120	Work in progress			
130	Prepaid expenses			
140	Finished goods			
150	Finished goods			
160	Other inventory			
170	Total	4,132	65,667	
171	Goods in transit			
200	Cash on hand			89
210	Cash in bank			
220	Hard currency accounts			
230	Other bank accounts			
240	Other bank accounts			
250	Short term investments			
270	Bank loan monies rec'd			
300	Trade accts receivable	851	10,998	
310	Bills of exchange			
320	Payments in advance			
325	Tax overpayments rec'ble			
330	Other debtors			
340	Employee loans			
350	Social welfare expenses			
360	Other receivables			
370	Total - check	<u>851</u>	<u>11,087</u>	
390	Total - check	<u>7,521</u>	<u>87,277</u>	

The accompanying notes to the financial statements are an integral part of this document.

PREKULE DAIRY ENTERPRISE

Line Nos.	<i>Liabilities (Pasivs)</i>	<u>31 Dec 1991</u>	<u>31 Dec 1992</u>	<u>1 Jan 1992</u>
400	Statutory fund	2,231	31,426	4,928
410	Accum depreciation	1,591	6,384	6,236
420	Depreciation consumables	65	107	
430	Investment financing			
440	Other payables			
445	Obligations to members			
450	Financing reserve			
460	Vaccation accrual	17	70	
470	Amortization & Repairs			
480	Payments received in advance			
490	Unrealised profit on sales			
500	or 510 Profit			
520	Total - check	<u>3,904</u>	<u>37,987</u>	
600	Short term payables			
610	Medium term payables			
620	Long term payables			
630	Overdue loans!			
640	Short term loans			
650	Long term loans			
660	Total - check	<u>0</u>	<u>0</u>	
700	Accts payable - goods	3,542	48,566	
710	Bills of exchange			
720	Payments received in advance			
730	Taxes payable	21	78	
735	Privatization expenses			
740	Social pension tax	1	2	
750	Accured salaries	53	644	
760	Other payables			
765	Employee loans			
770	Other			
780	Total - check	<u>3,617</u>	<u>49,290</u>	
800	Total - check	<u>7,521</u>	<u>87,277</u>	

Revaluation check

Fixed asset movement	<u>7,342</u>
Accumulated Dep	<u>4,645</u>
Difference Net Assets	<u>2,697</u>
Statutory Fund movement	<u>2,697</u>

The accompanying notes to the financial statements are an integral part of this document.

PRIEKULE DAIRY ENTERPRISE
Income Statement (Finansu Rezultanti)

Line Nos.	1992 <u>Revenues</u>	1992 <u>Costs</u>	1991 <u>Revenues</u>	1991 <u>Costs</u>
010 Revenue from goods sold	383,424		43,320	
020 Turnover tax	383,424		43,320	
030 Sales less tax - check	383,424		43,320	
040 Product and period costs	350,233		45,953	
050 Profit - check	33,191		(2,633)	
060 Other sales results				
070 Non-sales operations	1,161		4,761	
071 Investment income			1,150	
080 Profit and loss totals	33,191		2,128	
090 Net profit - check	32,030		978	
100 Non taxable income				
101 Value of stock sold				

Use of Profits Statement 1992
(Pelnas Izlietosana)

1992

- 200 Income tax expense
- 210 To reserves
- 220 To capital funds
- 221 To the investment fund
- 230 To dividends
- 240 To previous year's losses
- 250 Donations
- 260 Other

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221 is subset of 220

Uses of profits - check

0

Use of Profits Statement 1991
(Pelnas Izlietosana)

1991

- 200 Income tax expense
- 210 To reserves
- 220 Production Development
- 230 Social development
- 240 Employee bonus/incentives
- 250 Donations
- 260 Other
- 270 Other

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Uses of profits - check

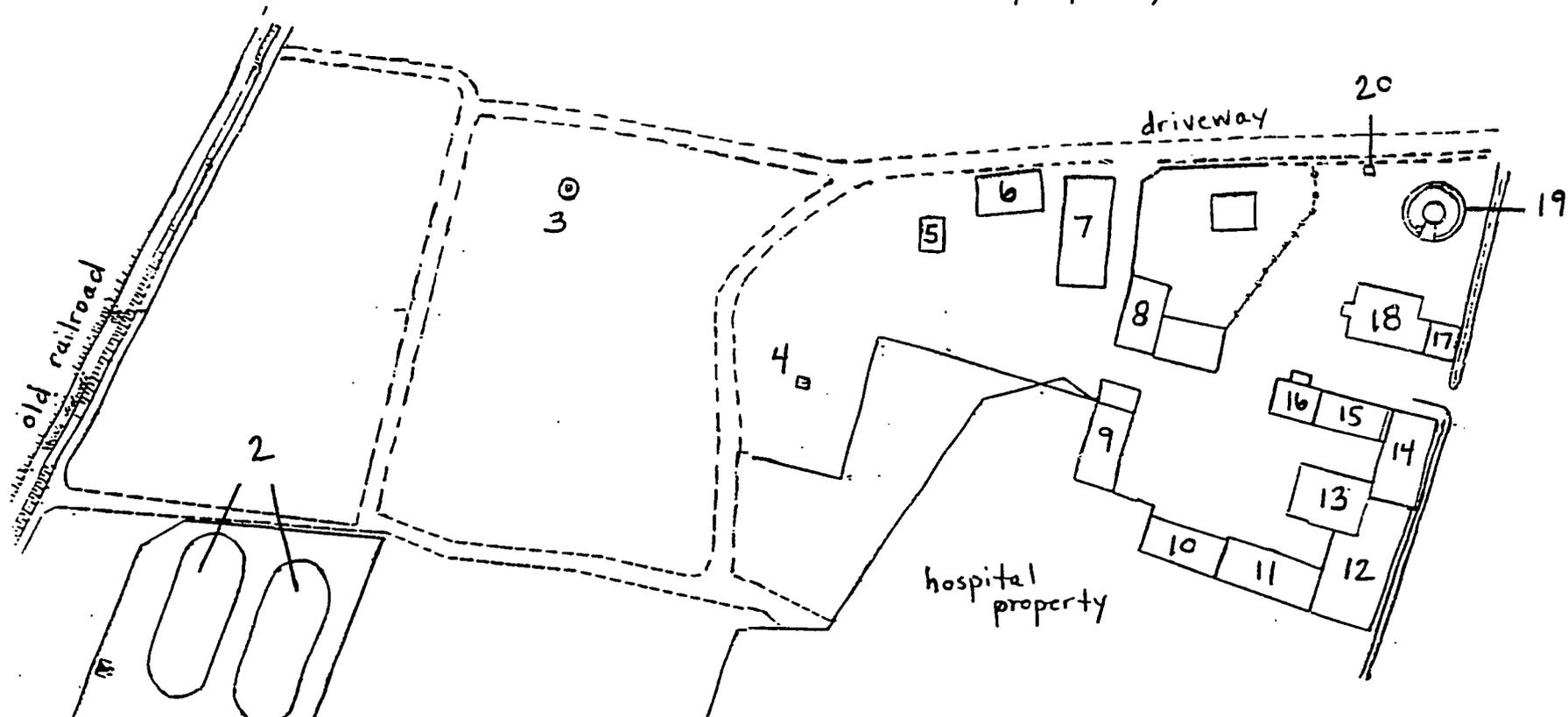
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Priekule Dairy		FIXED ASSETS				
Measuring Instruments	year	purchase price	deprec. rate	deprec.	book value	deprec. per month
Scale 500	1984	10837	12.5	10837	0	
Scale 500	1986	10220	12.5	8943	1278	106
Scale 500	1990	6175	12.5	2316	3859	64
Milk meter	1989	349809	8.4	117535	232274	2448
Oscillograph C 755	1988	18668	11.6	10827	7841	180
Milk meter	1988	349806	8.4	146919	202887	2448
Other						
Total	1960-1990	858071		402193	455877	5563
furnace equipment						
Electric station	1987	82300	6.2	30616	51684	425
Boiler	1971	252500	3.5	194425	58075	736
Boiler	1985	114678	4.2	38532	76146	401
Other						
Total	1971-1987	619815		349958	269857	2058
Production facilities						
Krute creamery	1910	153356	2.5	153356	0	0
Dunika creamery	1925	1166830	1.2	952103	214697	1166
Gavieze creaery	1937	1450365	2.5	1450365	0	0
Priekule workshop	1947	552440	1.2	304947	247492	552
Priekule dairy	1925	8389535	1.2	6845860	1543675	8389
Other		5694776		4403062	1291722	5468
Total	1910-1990	17407302	2.2	14109723	3297586	15575
equipment						
water tower	1989	39673	4.1	6506	33167	135
water treatment	1976	2648854	5	2251526	22556	786
chimney	1966	630000	2	340200	289800	1050
other		783964		746430	412306	11452
Total		4102491	2	3344662	757829	13423
Office equipment and other not related to the production						
Wood procesing.	1985	37930	8	24275	13655	253
Carbonated water e.	1986	19587	12.5	17148	2449	204
Tape recorder	1983	1465	8	11727	2932	97
Other		253876		94873	145798	1307
Total	1978-1993	312858		148023	164834	1861

195

Priekule dairy	Fixed assets on January 1, 1993			bookvalue		
		value	deprec			
Buildings		17407309	14109723	3297586		
Facilities		4102491	3344662	757829		
Equipment		65150233	49185625	15964608		
Transport		3078316	1724752	1353564		
Inventory		628702	402056	226646		
total		90367051	68766818	21600233		

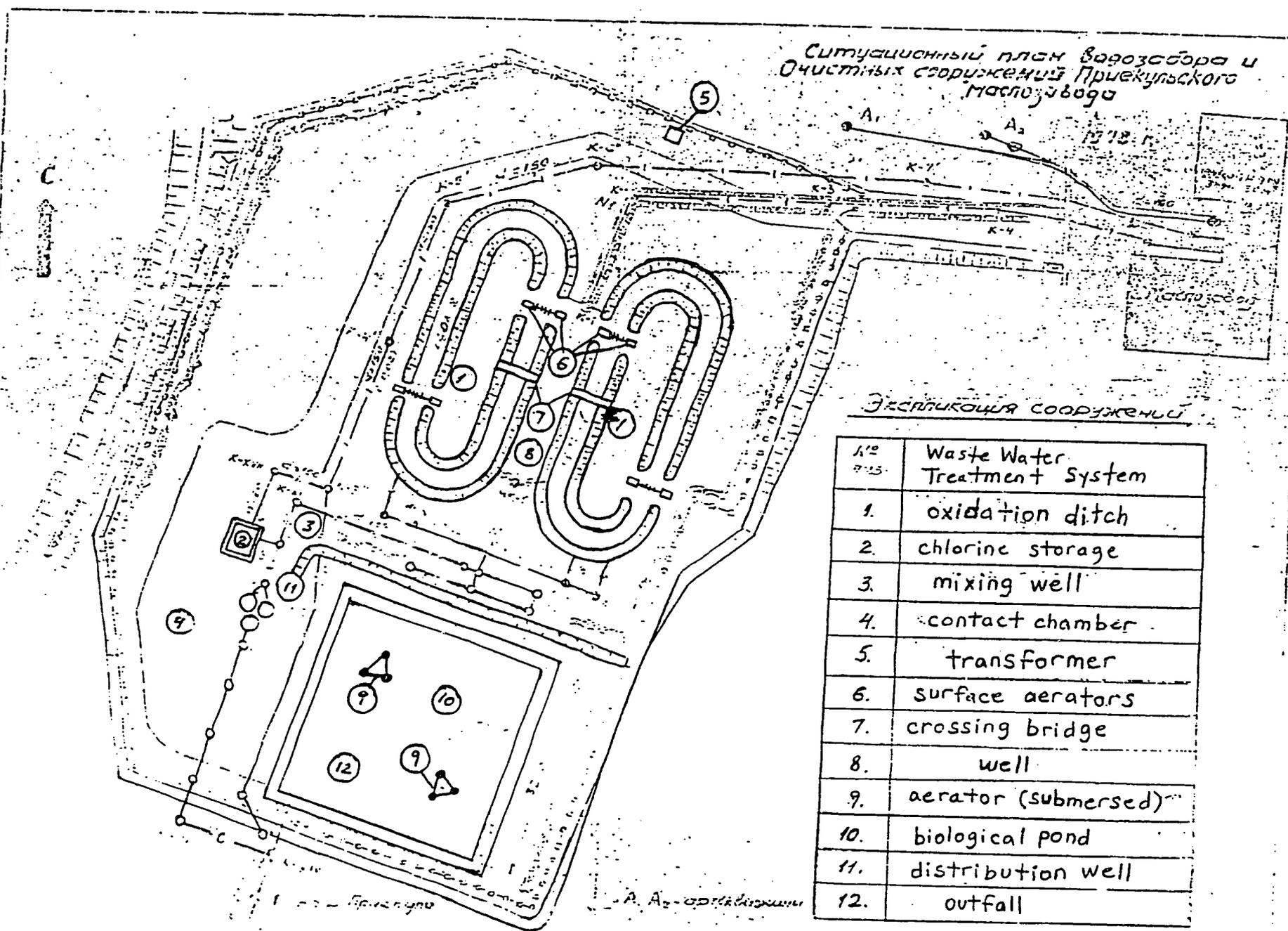
PRIEKULE DAIRY ENTERPRISE - property



1. biopond
2. oxidation ditch 1 and 2
3. water pump #2
4. water pump #1
5. milk receiving
6. temporary gasoline storage
7. warehouse
8. warehouse
9. hospital garage
10. garage
11. cheese storage warehouse
12. cheese manufacturing
13. dressing/living rooms
14. milk processing
15. compressors
16. offices
17. administration/offices
18. boiler
19. heavy oil tank
20. Security

Ситуационный план водозабора и
Очистных сооружений Прикульского
маслозавода

1972 г.



ЛЕГЕНДА СООРУЖЕНИЙ

№	Waste Water Treatment System
1.	oxidation ditch
2.	chlorine storage
3.	mixing well
4.	contact chamber
5.	transformer
6.	surface aerators
7.	crossing bridge
8.	well
9.	aerator (submersed)
10.	biological pond
11.	distribution well
12.	outfall

COUNTRY DATA - LATVIA

GNP per capita in USD in 1991 3,410

General

Area (square km)	64,600
Population, 1990 mid-year (thousands)	2,670
Growth rate, 1980-90 (percent)	0.6
Density, 1990 (per square km)	40

Social Indicators

Population characteristics

Crude birth rate, 1990 (per 1,000)	14.2
Crude death rate, 1990 (per 1,000)	13.0

Health

Infant mortality rate, 1990 (per 1,000 live)	10.8
Life expectancy at birth, 1990	70.5

Gross Domestic Product

	Current Prices (million rubles)		Real Growth Rates (annual % change)	
	1990	1991	1990	1991
GDP at market prices	12,201.0	28,665.0	-3.5	-8.3
Total consumption	8,226.0	16,198.0	N.A.	N.A.
Private consumption	6,888.5	13,249.6	N.A.	N.A.
Government consumption	1,337.5	2,948.4	N.A.	N.A.
Gross domestic investment	4,057.0	9,669.5	N.A.	N.A.
Fixed investment	3,337.9	N.A.	N.A.	N.A.
Change in stocks	719.1	N.A.	--	--
Net Exports	-82.0	2,797.5	--	--

Output, Employment and Productivity

	GDP in 1991		Employment in 1991		GDP per worker	
	min RUR	% of total	thousands	% of total	rubles	% of average
Agriculture	5,739.0	20.0	226.6	16.2	23,326	123.4
Industry	13,907.0	48.5	433.6	31.0	32,073	156.3
Services	9,019.0	31.5	736.3	52.8	12,244	59.7
Total/Average	28,665.0	100.0	1,396.8	100.0	20,522	100.0

Source: *Latvia: Transition to a Market Economy*, The World Bank, 1993

Productivity Comparison, 1989

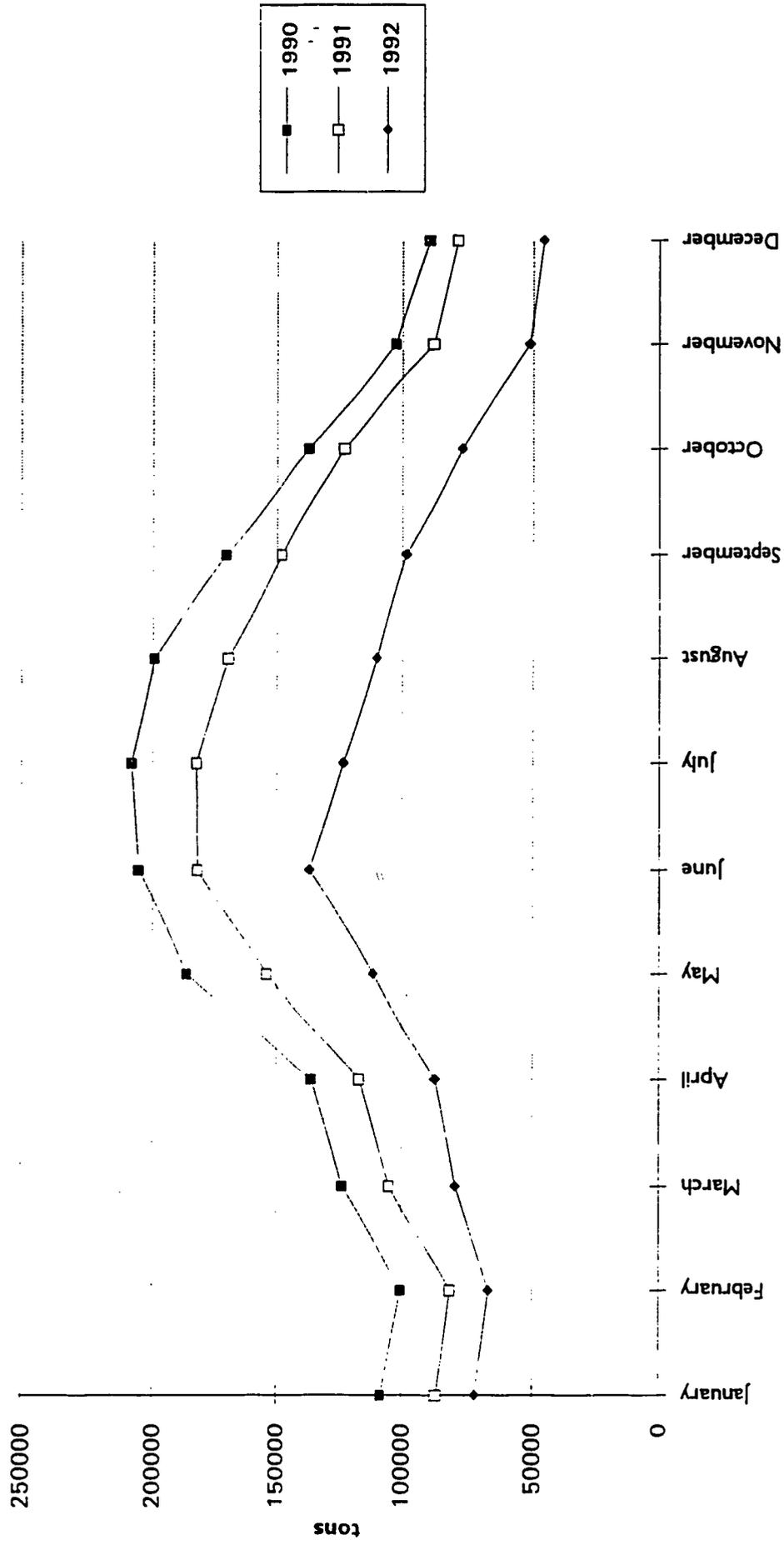
Commodity	Finland	Latvia	USSR	Democratic Republic of Germany
Grain (quintals/ha)	29.3	23.5	19.0	44.0
Potatoes (quintals/ha)	219.0	155.0	20.0	233.6
Sugar Beet (quintals/ha)	320.3	294.0	249.0	302.3
Milk (kg/cow)	5,246.0	3,636.0	2,600.0	3,821.0
Eggs (units/hen)	N.A.	219.0	N.A.	220.0
Feed conversion (pigs)	3.2	9.8	N.A.	N.A.
Inputs				
Labor/100 hectares	7.9	11.4	N.A.	8.2
N/ha	100.0	91.5	N.A.	141.3
P/ha	30.0	71.4	N.A.	56.4
K/ha	56.0	123.8	N.A.	94.4

N.A. = not available

Note: N = nitrogen; P = phosphorus; K = potassium

Source: *Latvia: Transition to a Market Economy*, The World Bank, 1993

MILK PURCHASE IN LATVIA, 1990-1992



**PERCENTAGES OF MILK PURCHASES
BY "KOMBINAT" DAIRY COOPERATIVES**
(in metric tons)

Name of Enterprise	% Change 1992-1991	Tons 1991	% Total	Tons 1992	% Total
Riga	-31.84%	122,599	8.07%	83,563	7.86%
Valmiera	-30.21%	289,334	19.05%	201,927	19.00%
Liepaja	-15.68%	140,399	9.25%	118,388	11.14%
Rezekne	-36.04%	264,892	17.44%	169,427	15.95%
Daugavpils	-40.53%	67,948	4.47%	40,407	3.80%
Jelgava	-23.43%	146,615	9.66%	112,266	10.57%
Tukums	-21.72%	65,983	4.35%	51,654	4.86%
Jekabpils	-37.42%	60,437	3.98%	37,821	3.56%
Bauskas	-28.09%	79,058	5.21%	56,852	5.35%
Ventspils	-32.46%	28,703	1.89%	19,387	1.82%
Agrofirma "Koknese"	-36.36%	50,152	3.30%	31,918	3.00%
Kraslava	-34.63%	60,051	3.95%	39,255	3.69%
Aizpute	-35.76%	36,380	2.40%	23,369	2.20%
Preili	-30.26%	50,580	3.33%	35,277	3.32%
Saldus	-25.94%	55,363	3.65%	41,001	3.86%
TOTAL	-30.03%	1,518,494	100.00%	1,062,512	100.00%

Source: The Ministry of Agriculture of the Republic of Latvia

Environmental Assessment of Priekule Dairy

Latvian Agribusiness Privatization Project
June 12, 1993

1.0 SUMMARY OF ENVIRONMENTAL PROTECTION IN THE REPUBLIC OF LATVIA

This chapter summarizes the current environmental protection laws and practices in the Republic of Latvia based on reading of *Latvia: A Transition to a Market Economy*, A World Bank country Study, *The International Bank for Reconstruction and Development*, 1993 and discussions with personnel from seven dairies in the country, three Environmental Protection Committee (EPC) personnel in Headquarters, three Regional EPC personnel, and two local municipal treatment plant personnel.

The majority of the comments made in this entire report are based on translations (from both Latvian and Russian) of either written or oral comments. Because of the potential disparity in interpretation of questions and answers through the translation process, the discussion that follows should be read with that in mind.

1.1 Environmental Institutions

The Environmental Protection Committee (EPC) was created by the Latvian Supreme Council on June 2, 1990 (after the self-declaration of independence). The Supreme Council both appoints the Chairman of and elects members of the EPC. At present, the Chairman is Indulis Emsis. The EPC was placed outside of the Council of Ministers structure (but at the same level); the rationale being that the importance of the environment should not be lost amid economic priorities. The EPC will be incorporated into the parliament shortly after the June 1993 elections, including the selection of a minister to head the ministry. As such, the future of the EPC is difficult to predict. It is expected that few if any of the top officials in the EPC will remain in their existing positions. It is likely, however, that staff level employees, especially in regional offices, will maintain similar responsibilities. Nonetheless, the discussion which follows describes the environmental laws, EPC policy, and general environmental protection attitudes. The reader is warned that significant changes may occur upon entrance of the EPC into parliament.

The EPC is divided into technical and enforcement subdivisions. The technical section is headed by the first vice chairman and sets policy and standards while the enforcement section is headed by the chief inspector and implements the legal mandates in the field, including levying penalties and taxes. Nine regional committees and other state institutions assist with the implementation of these requirements.

Environmental organizations who assist the EPC to develop, implement, and enforce the regulations include; the Research Center, the Analytic and Information Center, the Forest and Hunting Inspection Committee, the Water Resource Use and Inspectorate, the

Water Reservoirs and Mineral Resources Inspectorate, and several nature reserves. The Hydrogeological and Meteorological Institute, a Soviet designed group with the best monitoring capabilities in Latvia, performs independent monitoring and maintains a database. The EPC coordinates many activities with this group, but has no administrative control over it.

The nine regional EPCs are responsible for issuing permits for projects, enforcing regulations, and providing public information services. Latvia has 26 local government administrative units, so each regional committee has about 3 local government units. Each regional committee has 5 subdivisions: (1) an inspectorate (the largest group); (2) a sampling and testing laboratory; (3) an expert group for performing environmental impact assessments preparatory to the issuance of permits for new or expanded facilities; (4) a cadastre that catalogs statistics on emissions, natural resource use, volumes, etc., and (5) support services.

The regional EPCs are primarily geared towards determining the pollution charge level, to inspect for compliance, to impose penalties for exceeding limitations, and to negotiate a compliance schedule to achieve the necessary reductions in emissions. The ultimate sanction, closing down an enterprise, has not yet been exercised.

1.2 Environmental Laws

Since 1990, the Supreme Council of the Republic of Latvia has enacted several laws governing environmental protection:

- The Law on the Environmental Protection Committee (June 1990) establishes the Environmental Protection Committee (EPC) as the executive and oversight authority for all environmental protection and natural resource use in Latvia and is accountable of and subordinate to the Supreme Council. The EPC thereby formulates, implements, and oversees unified policy for environmental protection and natural resource use. This law also grants the EPC authority to monitor without hinderance to assess compliance with environmental laws. Finally, this law sets out the requirement that the EPC must prepare an account of its activities at least annually and submit this report to the Supreme Council.
- The Law on State Environmental Impact Assessments (October 1990) establishes and regulates the environmental impact process in Latvia. Environmental Impact Assessments are a prerequisite for the financing of any state industrial project. If the assessment determines that the project directly or indirectly impacts, or in the future, may impact the surrounding environment, public health, or living conditions, state

institutions of authority and administration will determine the fate of the facility.

- The Environmental Protection Committee Inspectorate Regulation (October 1990) vests authority in EPC inspectors to verify, without impediment, the observation of the environmental protection law, for both environmental protection and natural resource use, and provides enforcement powers in these inspectors to halt activities that violate the law and to punish violators.
- The Law on Natural Resource and Pollution Charges (December 1990) establishes charges for the use of natural resources and the release of effluent within standards and enforces sanctions against those who exceed permitted limitations or whose releases exceed the standards. Funds collected from these taxes and fines, of which 25 percent goes to the Republic of Latvia national budget and 75 percent goes to the local municipal government budget, must be used for activities related to environmental protection.
- The Law of Environmental Protection (August 1991) delegates primary responsibility to the EPC regarding environmental protection, natural resource use, environmental impact assessment procedures, standards, permits, and public information and sets out goals for the protection of the environment and the rational use of natural resources.

At this time, these regulations identify overall goals rather than specific operative limitations and requirements. The EPC and the Supreme Council are considering new laws to improve implementability of the requirements and to make the laws more technically defensible. For example, a new hazardous waste law was recently enacted, setting out specific requirements for wastes exhibiting corrosive, reactive, ignitable, or toxic properties.

Latvia has also instituted specific regulations for water use, water use permits, wastewater discharge permits, and wastewater discharge standards which were confirmed with the Latvia EPC Council on November 29, 1991 (Resolution Number 3). These regulations, which were implemented starting in 1992, limit the use of water and set maximum allowable discharge standards to Latvian waters (i.e., water quality standards).

Regardless of the quality of the existing regulations, changes to all environmental laws will occur, if nothing else than to revise the administrative procedures of the law (i.e., now being within the parliament).

Unfortunately, at this time, privatization efforts have paid little or no attention to environmental issues that may be of concern at these enterprises. Similarly, the EPC, aware of the

101

economic hardship, has been willing to forego strict enforcement of environmental standards. The EPC waives fines at enterprises on a regular basis as long as the enterprise is aware of the environmental problems at its plant and is willing to do "whatever it takes" to improve its situation with the exception of making a capital investment. Enterprises that do not appear to care about the future of the environment typically are required to pay fines, hopefully to instill a sense of urgency in the protection of the environment.

1.3 Environmental Standards

Latvia uses the water standards of the former Soviet Union and has added a limited number of its own national standards. The Soviet standards are more stringent than European Community or United States standards; however, enforcement of these standards was minimal in the Soviet Union. The setting of unrealistic limitations led to general disregard for environmental laws and regulations. Over 2,000 water quality indicators were applied in the old Soviet system. Individual industrial effluent limitations are to be based on manual calculations taking into account the characteristics of the receiving stream. Discussions with dairy personnel indicate that in most cases, rather than setting site-specific limitations, the EPC uses a National set of effluent limitations, per the EPC Council Resolution Number 3 (November 29, 1991). These effluent limitations for pollutants associated with dairies, along with National water quality criteria applicable in the receiving waters, are provided in Table 1.1. These limits were developed by the EPC using both the old Soviet standards and more recent European Community (EC) standards as a basis.

Table 1.1. Pollutant Limitations and Water Quality Criteria Applicable to Dairies

NO.	PARAMETER	WATER QUALITY CRITERIA (mg/l)	EFFLUENT LIMITATION (mg/l)
1	Suspended Solids	-	15
2	Chlorides	300	300
3	Sulfates	100	500
4	Biochemical Oxygen Demand	3	12
5	Chemical Oxygen Demand	15	90
6	Nitrate Nitrogen	9.1	25
7	Nitrite Nitrogen	0.02	0.15
8	Ammonia Nitrogen	0.39	8

9	Phosphates	0.25	2.5
10	Anionic Surfactants	0.1	0.5
11	Nonionic Surfactants	0.1	2
12	Fats	-	5
13	Oil Products	0.05	0.5

Similarly, air standards were adopted from old Soviet regulations and apply to over 500 pollutants. For dairies, emission monitoring is not routinely performed, but dairies are required to pay taxes for air pollution from boilers, furnaces, and ammonia refrigeration systems based on the quantity of chemicals used or oils burned. Limitations on the quantity of pollutants that can be emitted are contained in air permits. These quantities are based on the chemicals used or burned rather than on actual emission monitoring results.

1.4 Enforcement

As identified in Section 1.1, permits are issued by regional EPCs. The permits stipulate effluent limits for major pollutants and are subject to revision every year. When a facility does not have control equipment to meet emission standards, temporary limits are established through negotiations on the basis of the best possible utilization of the technology currently in place at the plant.

Natural resource and pollution taxes and fines were introduced in the Law on Natural Resource and Pollution Charges. The taxes are based on the use of natural resources (e.g., surface water and groundwater) and the pollution of air and water according to the quantity used or discharged. As of June 1993, the specific tax rates for natural resource use are provided in Table 1.1. Tax rates for pollution are provided in Table 1.2. Note that rates for natural resource use and pollution emission are subject to change. For example, the rates provided in Tables 1.1 and 1.2 denote a ten-fold increase effective January 1, 1993.

Fines have to be paid by enterprises if permit limits are exceeded and amount to three times the fees and are paid to the State Environmental Protection Fund from after tax profit. Seventy percent of the fines go to the regional EPC and thirty percent go to the National EPC. In 1991, about 6 million Russian Rubles accrued to the fund.

At present, there is no National requirement for industries in Latvia to perform independent sampling and analysis of emissions. This work is performed by the EPC, and its subordinate organizations, and the Hydrogeological and Meteorological Agency.

There are, however, some Regional EPCs that have required industrial facilities to monitor wastewater discharges and report results to the Regional EPC. Latvia does not have National sampling and analysis protocols that must be followed. Rather, the EPC will occasionally compare its laboratory results with enterprise analytical results and if large discrepancies are noted, the EPC will try to determine the cause of these problems. Quite often, the problem is traced to the analytical procedures, however, again it should be noted, that with the poor state of the economy, laboratory reagents are difficult to purchase, making laboratory work less reliable.

Dairies that discharge wastewater to a municipal (e.g., City) treatment plant are subject to the requirements of the treatment plant personnel rather than the EPC personnel. In these cases, the City staff issues a permit to the dairy that identifies the volume of wastewater permitted to be discharged and the allowable nature and concentration of the wastewater. Sampling may be conducted by the EPC and/or the City and may also require self-monitoring on the part of the dairy. Specific requirements for industries discharging to municipal treatment plants are not set out in the environmental regulations, rather, City personnel develop limitations based on the amount of water and pollutants that its treatment plant can accept and still meet its wastewater permit limitations.

Table 1.1. Tax Rates for Natural Resource Use

TAX RATES FOR WATER USE		
NO.	TYPE OF WATER USE	TAX RATE (LVR/M ³)
1	Ground water	1.0
2	Surface water	0.2
3	Medicinal mineral water	5.0
4	Table mineral water	20.0
TAX RATES FOR NATURAL RESOURCE ACQUISITION		
NO.	RESOURCE TYPE	TAX RATE (LVR/M ³)
1	Ground soil	1.0
2	Sand	2.5
3	Sand and gravel mixture	8.0
4	Gravel	6.0
5	Clay	3.0

6	Dolomite	8.0
7	Limestone	15.0
8	Gypsum	20.0
9	Peat	3.0
10	Sapropel	2.5
11	Medicinal mud	36.0

Table 1.2. Tax Rates for Pollution

TAX RATE FOR POLLUTION WITHIN NORMATIVES, WASTE DISPOSAL		
NO.	WASTE CLASSIFICATION	TAX RATE (LVR/M ³)
1	Non-toxic wastes	30
2	Toxic wastes	100
3	Extremely toxic wastes	3,000
TAX RATES FOR AIR POLLUTION		
NO.	POLLUTION CLASSIFICATION*	TAX RATE (LVR/TON)
1	Non-toxic emissions	200
2	Medium hazard emissions	300
3	Hazardous emissions	650
4	Very hazardous emissions	650,000
TAX RATES FOR WATER POLLUTION		
NO.	POLLUTION CLASSIFICATION*	TAX RATE (LVR/TON)
1	Non-toxic substances	200
2	Medium hazard substances	2,000
3	Hazardous substances	500,000
4	Very hazardous substances	3,000,000

* The separation of polluting substances according to hazard level is done according to classifications set by the Republic of Latvia Environmental Protection Committee.

POLLUTION CLASSIFICATION ACCORDING TO HAZARD LEVEL
(Air and Water Pollution)

- | | |
|-------------------|---|
| 1. Non-toxic | Dust, suspended materials, sulfate, alkaline metal chloride. |
| 2. Medium hazard | Carbon dioxide, phosphorus, nitrate, nitrite, iron compounds, biodegradable organic compounds, fats, surface active substances. |
| 3. Hazardous | Sulfur and nitrogen oxides, oil products, phenol, alcohol. |
| 4. Very Hazardous | Aromatic hydrocarbons, cyanide and its derivatives, heavy metals, and pesticides. |

1.5 Environmental Audits

Industrial environmental audits can be valuable in guiding programs for remedial development and prioritization of activities. One of the most important benefits of plant-wide environmental audits is to identify processes and operational practices that are large pollution generation sources. This can assist plants in making changes that reduce pollution rather than focusing on control, which can be costly and, often, ineffective. Process changes can provide other benefits as well, such as reducing operating costs, and maximizing plant efficiency. It is also important to instill environmental auditing as an in-house plant management activity that keeps up with the dynamic workings of all types of manufacturing operations, due to process and product changes, technology changes, utility pricing, and market changes. The highest priority for dairies should be given to the protection of surface waters. Problems are emerging, both at the industrial and municipal level, with the operation of wastewater treatment units because of the shortage of replacement units and spare parts from the old Soviet Union and the higher costs of this equipment from westernized countries.

1.6 Conclusions

Technical solutions are available for most of the environmental problems caused by industry. Key measures for control should include the expanded use of modern equipment for industrial pollution control, waste utilization, and environmental monitoring. Substantial investments may be necessary to meet environmental goals, but care must be taken to invest in pollution controls for industries that will remain economically viable for a period of time and are not likely to close down soon. Investments should be cost effective and should provide the only alternative to achieve the pollution reduction goals.

2.0 PRIEKULE DAIRY

2.1 Introduction

The dairy at Priekule manufactures butter (continuous churn method) and Krievijas cheese (60 day aging). The facility is also experimenting presently with a skim milk cheese as a way to use its excess skim milk.

Priekule received 21,117.6 tons (all references are to metric tons) of raw milk and cream for processing in 1992. In June of 1992, the facility received 2,705.1 t of raw milk and cream combined (highest receipt of the year), while in December the plant received 817.9 t (lowest receipt of the year). Milk production is down about 30 percent this year over last and down over 60 percent from several years ago.

The plant currently receives approximately 60-80 t of milk and 15-20 t of cream a day and anticipates about half as much during the winter months. From this, the plant is producing about 7-8 t of butter a day and 3 t of Krievijas cheese a day. Currently, the facility is also producing about 1 t a day of skim milk cheese, but this is only made about 1-2 months a year.

The Priekule dairy plant has the capacity to produce about 15 t of butter a day and 3 t of cheese a day. These capacities assume operation of two shifts a day.

Plant production varies considerably from summer to winter. Production in the summer months (June through August) is on average about twice the production during winter months (December through February). Water use and wastewater discharge varies over a similar range.

The basic operation consists of raw milk and cream receipt, separation of the cream, pasteurization of the cream at 90-100 degrees Celsius (the Production Manager did not know for how many seconds the cream was pasteurized), and then processing the cream into butter and cheese. Butter production consists of churning the cream into butter while cheese production consists of curd making, cutting, cooking, and forming the curd for subsequent brining, packaging, and aging.

Buttermilk and whey, produced as by-products of the butter and cheese production (30 t a day) is being sent back to the suppliers of cream, to the dairies, and to the City landfill. Apparently, 80 percent of this by-product is now being sent to the landfill. Eventually, the plant hopes to send all of the whey and buttermilk back to the farms. The plant also generates about 40 t a day of skim milk which up until recently, was being sent to a dairy in Liepaja or, occasionally, to a dry milk processing facility in Aizepute or processed on-site into skim milk cheese. The plant is now making farmers take skim milk (for use as animal feed) in return for the dairy accepting their raw milk. Skim milk disposal

is a big problem at the Priekule dairy and it is expected to continue to be a problem as Liepaja no longer accepts the skim milk and the dry milk processing plant in Aizepute rarely takes skim milk from Priekule.

The plant uses 6 chemicals for cleaning and disinfecting of process equipment. A summary of this chemical usage is provided in Table 1.1

TABLE 1.1 CHEMICALS USAGE AT PRIEKULE

CHEMICAL	MAXIMUM USAGE	USES
NaOH	200 kg/month	Cleaning pipes
HNO ₃	300 kg/month	Cleaning pipes and cheese forms
H ₂ SO ₄	50 kg/month	Laboratory analysis
HCl	40 kg/month	Furnaces, compressors, etc.
Na ₂ CO ₃	200 kg/month	Washing floors and basins
N ₃ PO ₄	300 kg/month	Cleaning butter churn

The majority of these chemicals end up in the wastewater and, eventually, in the wastewater treatment system. The types and quantities of chemicals used do not pose a risk to the treatment plant or the receiving stream.

2.2 Water Use

For calendar year 1992, the plant used 128.5 thousand cubic meters of water (approximately 409 m³ a day, assuming operation six days a week). The facility does have a water meter to measure this flow. During the peak month of June, the plant used almost 568 m³ a day, while during the slowest month, January, the plant used approximately 314 m³ of water a day. The plant is permitted (by the Regional EPC) to use up to 150 thousand cubic meters of water a year (481 m³ a day) with a maximum of 16.9 thousand cubic meters (636 m³ a day) during August. (According to plant personnel, these figures were calculated by the EPC using an average plant production of 60 metric tons of milk processed a day.) Every 3 years, the EPC revises the water use allowance based on the previous 3 years of data.

Water use in 1993 is down about 20-25 percent from 1992 because of the reduced production of milk products.

Process wastewater consists primarily of cleaning and sanitizing of equipment. Areas that generate the majority of the wastewater include the cleaning and sanitizing of the raw milk delivery trucks, sludge removal from separation of the milk,

cleaning and sanitizing milk product processing and storage lines, pasteurization operational waters (i.e., start-up, shut-down, and cleaning), whey draining and rinsing, packaging losses, floor cleaning, and laboratory wastes. Wastewater is not metered but is estimated to be at least 90 percent of the volume of water used (evaporation being the major loss of water).

The plant pays one ruble per cubic meter for water use/wastewater discharge. This water fee is paid once a quarter (19,000 Rubles in the first quarter of 1993).

2.3 Wastewater Treatment

The Priekule dairy discharges wastewater directly to the river following on-site biological treatment. The existing treatment plant is 8 years old and uses two oxidation-ditch type treatment ponds (1100 m³ each) with two surface aerators on each and one mixer in each followed by a stabilization pond (2500 m³). The plant alternates the use of these ditches every other day. This system does not require the use of pumps to circulate the water, rather the action of the surface aerators is enough to move the water around the ditch. Water appeared to circulate reasonably well in the pond although there were small where water seemed to stagnate. This system was designed by a Lithuanian firm in the 1970's. At the average daily wastewater flow of about 400 m³ per day, this allows for about a 9 day retention in the treatment system (oxidation ditch plus stabilization pond). Solids are removed from these ditches about 1-2 times a year.

The plant has a new oxidation ditch type treatment system (2000 m³ pond) that includes four 40 cubic meter per hour pumps used to pump air into the water and to circulate the water in the basin. Unfortunately, the dairy can not use the system because the pumps are inadequate to circulate the water and pooling/stagnation of the water occurs in the basin, causing inadequate treatment. An option would be to use floating aerators although the plant is unsure of the exact design specifications and would probably go to Bauska to see how their plant is designed and operated. These surface aerators (of which probably 4-6 would be needed) cost about \$5-10,000 by western standards and are said to cost about 100,000 Rubles by Latvian standards (but are of poorer quality). The plant did comment that there is only one firm in all of Latvia that provides wastewater treatment equipment, and as such, assistance is difficult to come by. Assistance on the design of this system was provided by the Liepaja kombinant.

The plant also has a contract with the local hospital (140 beds) to treat 30,000 m³ of wastewater per year. The plant likes receiving this waste because it dilutes the strength of the dairy waste through treatment. The plant charges the hospital 16.16 Rubles per cubic meter (approximately 485,000 Rubles a year) for this treatment; however, the plant has not received any money this

year from the hospital because of economic hardship.

The plant does have problems with its treatment system both in the summer and the winter. On warm summer days, the plant is unable to supply enough air to the water to provide adequate oxygen for biological treatment to perform adequately. In the winter, when the temperature reaches 10 degrees Celsius below zero, the surface aerators freeze and affect the performance of this equipment. Ice buildup on the surface aerators causes the impeller to stop turning, effectively stopping aeration of the wastewater.

Influent wastewater to treatment (including wastewater from the hospital) is about 250-350 mg/l TSS and 250-500 mg/l BOD. Effluent from the stabilization pond is about 10-15 mg/l TSS and 8-15 mg/l BOD. These figures equate to a removal efficiency for TSS of between 93 and 97 percent and BOD of between 93 and 98 percent. While these figures were quoted by the plant engineer, these concentrations represent conditions during normal production activity and during dry weather conditions. Apparently, "problems" occur during rains. Because of the large area of pavement that is directed to waste treatment, it is obvious that the plant does not have the capacity to provide adequate retention and treatment during rains.

Utility consumption for the treatment process was 12,780 kilowatts in January 1993 and 12,882 kilowatts in May 1993.

According to the plant engineer, compared to other dairies in Latvia, the existing treatment system is fairly good.

2.4 Storm Water Management

All storm water from the site (5.9 hectares) goes to the on-site wastewater treatment plant. This does cause problems during heavy rains because the treatment basins fill up with water and the plant has to release some of this water to the biological pond before complete biodegradation has occurred. Fortunately, very little production activities occur outdoors, thus the storm water is very dilute. The most likely area for milk bearing wastes to come in contact with storm water is from the raw milk receiving area. Two skim milk storage tanks are located outdoors, but these tanks are bulkheaded indoors, therefore the likelihood that contamination of storm water would occur is minimal. However, since all plant water, both process and storm, go to the treatment system, the concern over outdoor exposure of process equipment to storm water is moot.

2.5 Vehicle Maintenance and Washing

Milk trucks are washed (both inside and out) after delivering milk to the treatment plant. Water and steam are used to clean these trucks with the water going directly to the waste treatment

system.

The plant has about 15 trucks, for which small repairs are done on-site. All used oil from the trucks is burned for heat generation in the plant furnace. Under the old Soviet system, the plant was required to return at least 50 percent of its oil in order to purchase the new oil, but now the accessibility of oil reclaiming operations is such that the dairy has no option but to dispose of its oil on its own.

2.6 Solid Waste

Sludge from the treatment system is land applied on fields or disposed in a local landfill. This sludge could be a useful fertilizer for local farms if the solid content could be increased (i.e., with some type of drying equipment). As is, the water content is so high that in order for enough sludge to be applied on the fields to provide adequate nutrients, the fields have to be flooded with the water.

The brine solution from the cheese salting process (22-23 percent salt) is disposed of about twice a year in the City landfill (27.5 t each).

Cheese waste that does not come in contact with the floor or cleaning/sanitizing chemicals is sent to a plant that manufactures melted cheese. Miscellaneous milk solids from receiving and solids swept up off the floor are collected by a company who uses these solids for animal feed.

2.7 Groundwater

The plant has not had any problems with the quality or quantity of the ground water at the plant. This groundwater is extracted from wells approximately 160 meters deep. The plant engineer believes that there is plenty of ground water for use, but there is only pumping capacity for about 400 cubic meters a day. Therefore the plant is extracting water close to the pump capacity.

2.8 Compliance with Existing Regulations

The plant is permitted for water use and wastewater discharge by the Liepaja Regional EPC. A new permit is issued each year, although wastewater discharge limits typically remain the same (have not changed in 6 years).

Limits (expressed as instantaneous maximums) are as follows: TSS-12 mg/l, BOD-15 mg/l, COD-100 mg/l, ammonia-8 mg/l, nitrite-.15 mg/l, nitrate-10 mg/l, oil-0.5 mg/l, surfactants-0.5 mg/l, phosphates-4 mg/l, and fats-5 mg/l. The two pollutants that the plant has the toughest time meeting the limits for are TSS and BOD.

On average, the plant discharges about 10-15 mg/l of TSS and 8-15 mg/l BOD. The plant does violate other pollutant limits, but these violations occurred less frequently. In talking to the plant engineer, the BOD and TSS discharge concentrations expressed above are typical values during normal, dry weather operations and are likely higher during wet weather or high production periods.

The limits provided above are applicable to the wastewater discharge from the Priekule dairy regardless of how much wastewater actually comes from the dairy and how much wastewater comes from other locations (i.e., the local hospital and residential housing), making receipt of lower strength wastewater advantageous to the Priekule dairy for meeting its permit limitations.

Regional EPC for Liepaja sample the treatment plant once a quarter. Liepaja EPC says the plant is doing fine and there are no objections. The dairy samples about every two weeks and submits reports monthly to the Regional EPC.

The plant did have to pay one fine in May 1992 for wastewater discharge violations (150 Rubles). This fine was paid by the Plant Engineer and the Plant Manager rather than the enterprise itself. The facility violates its permit limits on a regular basis but has an honest relationship with the Regional EPC and as such do not have to pay their fines.

Plant personnel indicated that the plant minimizes the severity of reported violations by not reporting those monitoring results that indicate extreme cases of noncompliance.

The facility also pays a small air pollution tax for the on-site boiler, furnace, and ammonia refrigeration system; however, this issue was not discussed with the plant as air pollution is of minimal concern at dairies and compliance with the requirements is based on usage of chemicals and not actual air pollution. Air monitoring is not done, despite the permit limits being expressed as grams per second of pollutants emitted.

2.9 Summary

The Preikule Dairy is making a conscientious effort to comply with environmental regulations. While air, water, and solid waste are issues of discussion, the dairy's overriding environmental concern is wastewater. The facility has had difficulty meeting effluent discharge limitations, but the exceedances do not seem to be major and may be attributed to the lack of capacity of the existing treatment system to handle the volume of wastewater currently being treated. Construction of the new treatment system would help the plant meet its discharge standards, primarily by allowing the plant to extend the retention time of the wastewater in the impoundments. It is recommended that wastewater be retained in the oxidation ditches (both old and new, when constructed) for as long as possible (two days or more, if possible) before

discharging to the stabilization pond. This added time allows for further aeration and biodegradation of the dairy wastewaters.

Priekule does use more water than is reasonably needed to process its milk. The plant currently uses about 5-6 liters of water per liter of milk processed (about 2-3 liters of water per liter of milk is reasonable and about 1 liter of water per liter of milk would be considered very good). Reducing the amount of water used in its process would allow the plant to retain its wastewater in the oxidation ditch for longer periods of time, effectively improving the treatment capacity of the system.

Additionally, the dairy should look for ways to reduce the amount of milk and milk by-products that is being discharged into the treatment system. The best approach to this problem is to plan and conduct an environmental audit of the processing facility, paying special attention to water usage and milk losses. Areas that are typically of concern include;

- Housekeeping practices (e.g., spill cleanup practices and response to leaks)
- Water control (e.g., only running water from the hose when cleaning, adding spray nozzles to the hoses to provide on-demand supply of high pressure low volume water, or paying close attention to tank filling to prevent overflows)
- Building dikes or berms around storage tanks and other vessels where leaks to the sewer are unwanted
- Controlling breakage in milk packaging equipment (e.g., paying close attention to the filling of the packaging and stopping the system if a high percentage of breakages are occurring)
- Whey handling practices (e.g., preventing the initial whey drainage and first rinse from entering the sewer system and only discharging second and third rinses)
- Spilled material handling (e.g., cleaning up spilled solids with a broom for use as animal feed, rather than hosing this material)
- Worker understanding of the problem (preventing willful wasting of material as a time or effort saving step).

Similarly, processing practices and small capital investments may also effectively reduce the volume of water and pollutants being discharged. These include activities such as:

- Draining milk cans or milk trucks for a longer period of time to reduce the residual milk that must be washed out

- Covering all drains with wire mesh to collect milk and milk by-product solids that may end up on the floor
- Clearly marking on and off positions on water valves to minimize worker negligence
- Use post cleaning rinses as make-up water for sanitizing or cleaning of other equipment
- Provide drip shields on filling equipment for product recovery.

While the above practices may not all be appropriate, or may already be instituted, it is likely that the incorporation of these types of ideas into the worker mentality can improve the quality of and reduce the quantity of wastewater discharged. It is also important that the environmental audit be supported by the plant management.

As discussed during the visit, the disposal of whey and skim milk will continue to be problems for the facility. If the plant has to discharge whey to the treatment plant, the whey drainage or the first wash should be stored for disposal or sales to farmers, rather than discharging to the treatment plant. The second and third washes should be the waste that is discharged.

PRIVATIZATION OF THE PRIEKULE MILKERY

A legal analysis

Background

The Priekule Milkery ("Priekule") is a second-tier plant in the Latvian milk processing system. Talsi and Kuldiga are the other second-tier milkeries located within the Liepaja Milk Kombinat's administrative region. Schematically beneath Priekule, within its administrative region, is the Dunikas Creamery.

A unique aspect of Priekule's situation is that only 42% of the milk supplied to Priekule comes from farmers located in its region. Typically milkeries are supplied primarily by local producers. The bulk of Priekule's supply comes from other privatization objects within the Liepaja structure. This gave rise to the concern that it would be somewhat more complicated to personify assets in Priekule than in a typical milkery.

We attended a meeting of the pagasta representatives called by the Priekule management on February 24, 1993. Of the 14 pagasti that make up the Priekule region, eight had formed associations at that time. Both the directors of the milkery and the representatives in attendance were most concerned with the ability of the other pagasti to organize cooperatives in time to meet the deadline of April 1 which is imposed by the law on Privatization of Milk Processing Enterprises. This is the same concern we had heard at the Tukums Milk Processing Plant while working with their management. The Priekule management agreed to reserve places on the privatization committee for representatives from the missing pagasti even though the deadline for such representatives to be appointed had passed on February 15. All parties agreed to make a concentrated effort to contact and encourage these missing regions.

Legal Analysis

As authorized by the law on the Privatization of Milk Processing Enterprises, this milkery has been claimed by the Priekule Milk Producers' Association on behalf of all cooperative associations contributing to Priekule. The law applies to Priekule in the following manner:

1) Definitions:

As described above, Priekule has been rightfully claimed by the local association free of charge under authority of the Supreme Council resolution of April 15, 1992. Priekule is thus a "personified object" under the law.

- 2) Section I "General Regulations";
Article I "The Law's Function and Objectives";
Paragraph 3:

The privatization process as applied to personified objects is called personification and is described in Article V of this law.

- 3) Section V "Personification of capital in milk producer cooperative associations and stability guarantees for the privatization process";
Article 23 "Distribution of assets regained by milk producer cooperative associations without compensation."

If the object to be personified incorporates several pagasti in its operational area, then an association of these pagasti cooperative associations is to be formed and distribution of capital among the various pagasti cooperative associations follows guidelines of Article 18 of this law.

- 4) Section IV "Valuation and purchase of the unit to be privatized";
Article 18 "Distribution of basic capital among milk producers and milk and milk product suppliers":

Milk producers are to be allocated capital shares in the object through their pagasti cooperative associations. These associations are given capital shares according to the amount of milk supplies by that association's milk producers during both 1991 and 1992.

- 5) Section V
Article 24 "Personification of capital in milk producer cooperative associations without compensation"

Personification to the individual farmer/members of each association is to be accomplished in two stages - half of the enterprises value is personified on January 1, 1994 and the other half on January 1, 1995. This is accomplished by increasing the basic capital of the company by the appropriate percentage of enterprise assets on the date specified. Each stage of this process is completed by correspondingly increasing the number of shares or their nominal value (initially one share per 2400 kg of milk supplied). Property of the state transferred to the association without compensation cannot be alienated until all assets are personified.

Issues

Although the legal analysis regarding Priekule is fairly straightforward, the fact that most of its milk is supplied by other plants may make the application of the law problematic.

Since the ultimate owner of capital shares can only be a milk producer through an association, ownership interest in Priekule goes through the plants that supply Priekule to the associations that Priekule to the associations that supply those plants and, ultimately, to the farmer who is a member of that association.

The association that owns the plant supplying Priekule would claim its share of Priekule based on the amount of milk supplied by that plant in 1991 and 1992. Then, the pagastu associations should receive capital shares in their plant and in Priekule based on the amount of milk their members supplied to the plant in those years. For example, if one of the Kuldigas pagasti supplies 10% of Kuldiga's milk in both years, and Kuldiga supplies 20% of Priekule's milk in both years, then that pagast's share in Kuldiga would be 10% and its share in Priekule would be 10% of Kuldiga's 20% share.

Another interesting question arises if the Liepaja central plant supplied milk to Priekule. As between plants, the law provides for comparison of the flow of milk from one plant to the other and allows a claim only by plants with a net positive flow. However, since Liepaja would be organized as a joint stock company and not a cooperative, would the law prohibit it from claiming a share of Priekule if it was entitled to such a share? Again, it seems that claim should be allowed if it were made by the Liepaja association of cooperatives but it might involve some interesting calculations for those farmers in Kuldiga who supplied through Kuldiga to Priekule and through Kuldiga to Liepaja to Priekule.

Finally, it remains to be seen how the relationship between the Priekule management and the local farmers develops. Since there are strong leaders among the farmers they should have the ability to organize the pagasti and lead this personification process. How the management will react could determine how smoothly this process will go. Management has signaled a willingness to work with the milk suppliers by keeping places on the privatization commission open for the pagasti who had not formed cooperative within the time mandated by the privatization law.

2. DAIRY SECTOR

TUKUMS PIENS

Business Plan for Tukums Dairy Processing Plant

Financial Details

Environmental Assessment of Tukums Dairy

**Privatization of the Tukums Milk Processing Plant:
A Legal Analysis**

Handwritten mark

BUSINESS PLAN

FOR

TUKUMS DAIRY PROCESSING PLANT

Tukums Region

Jelgavas Street 7

Tukums Latvia

Telephone: 25250, 25290

June, 1993

225

CONTENTS

Statement of purpose

1. Executive summary

2. Description of the business

- The business
- Legal status and organization
- Current products and processes
- The way forward

3. Management and employees

- Management structure and senior management
- Human resources

4. Marketing

- Background
- Milk purchases
- Sales
- Customers and markets
- Pricing
- Competitors
- Marketing strategy

5. Supplies and operations

6. Financial details

- Balance sheet
- Profit and loss statement
- Forecasts for 1993
- Assumptions to forecasts

7. Supporting documents

- Latvian financial statement
- Latvian country statistics
- Milk purchase and dairy statistics

Statement of Purpose

This business plan was prepared in order to help Tukums' management focus on certain issues and assist them in their privatization and planning the future after the privatization. The plan was not prepared for and should not be used for any other purposes. Coopers & Lybrand has not undertaken an audit nor verified the information which was presented to us. We do not express an opinion nor provide any assurance as to the accuracy of the historic or forecast information (please refer to detailed notes). The business plan is based upon both historic and forecast information provided to us by staff and management of Tukums.

The forecast of future operations was made based upon the assumptions and representations made to us. The business plan is not intended to be relied on as an indication or assessment or projection of Tukums' future operations. The present environment in Latvia is uncertain. The figures have been derived from the enterprise's Latvian accounts which have been prepared in accordance with Latvian accounting regulations. To understand the potential limitations of the financial information provided it is essential to read the accompanying reformatted Latvian accounts and the notes attached.

There are significant differences between Latvian accounting principles and generally accepted accounting principles. The main differences are outlined in the report attachment "Tukums Dairy Enterprise - Financial Statement Years ending 31 December 1991 and 1992" and the attached notes. It is essential that the above mentioned statement and notes be read in conjunction with this business plan.

Major changes have taken place in Eastern Europe and the Baltic States over the last two years and the historic performance of the business is likely to bear little relationship to its future potential.

TUKUMS DAIRY PROCESSING PLANT

EXECUTIVE SUMMARY OF BUSINESS PLAN

Preamble

- 101 The Tukums Dairy processing plant is one of the bigger regional dairy processing plants in Latvia producing butter, cheese, fluid milk, cream, kefir, cottage cheese and skim milk. It sells the bulk of its products in the local region and in Jurmala and Riga. Currently, it is owned and operated by an independent cooperative association.
- 102 The purpose of this business plan is to provide a planning tool, and to highlight and consolidate into one document Tukums' aims, and objectives through a period of substantial change.
- 103 Tukums' strategic aims are:
- to focus on the production and sale of fluid milk products in the region while endeavoring to find new markets for butter and cheese, in particular export markets;
 - to promote smaller packaging sizes, particularly for butter, in order to increase markets;
 - to develop new low fat products;
 - to keep the costs of production down, particularly the cost of milk delivered to the factory and the packaging costs of the final products, so as to keep product prices competitive.
 - to provide assistance to farmers to help them increase the productivity of their herds and lower the cost of milk production; and
 - to foster support from local dairy farmers through the establishment of pagast level dairy cooperatives.

Conclusions

- 104 As an enterprise facing the new challenges of changing markets and growing competition, the preparation of the business plan is intended to help Tukums focus on where it is and where would like to be. To a large degree, many issues cannot be fully addressed until a further date when the economic strategy of the new government will become clear, and the final ownership structure of the cooperative is decided.

DESCRIPTION OF THE BUSINESS

The Business

- 201 The Tukums Dairy Processing Plant (Tukums or the enterprise) is located in the Tukums region. It is approximately 78 km south east of the capital Riga. Two satellite plants are located at Jaunpils and Kandava. The Jaunpils plant produces only cheese whereas the Kandava plant produces fluid milk, cream, and skim milk cottage cheese. Twenty-four collecting stations, along with a fleet of trucks, are used to collect the milk from local farmers. Together the plants produce a standard range of dairy products - butter, cheese, fluid milk, cream, kefir, cottage cheese, and skim milk. Tukums is the biggest fluid milk producer in the region after the Riga Central plant.
- 202 The Tukums plant can trace its history of activities to 1936 when it began production.
- 203 Following Latvia's integration into the Soviet Union, the agricultural sector was collectivized. From 1948, Tukums was state-operated and part of the Soviet dairy industry.
- 204 During this period, from 1948 to the present, the incentive for managers to develop and expand business was removed. Tukums was centrally managed and controlled by the Ministry of Agriculture and its results were aggregated with other plants. Individual rights to land and assets were removed, and managers received little or no benefit from being successful or profitable.
- 205 Prices for all raw materials and finished products were centrally established. Consequently, no consideration or incentive was given for cost-minimizing or profit maximizing decisions.
- 206 Capital investment decisions were also approved by the Ministry. No commercial assessment was made of the viability of increasing capacity.
- 207 These central controls have now been removed. Each dairy plant must not only find markets for all their products at a time when tractional markets are collapsing, but also fix the purchase price for milk in the light of the price and demand for their products and the available supply of milk. For the first time, managers will be accountable for their decisions. As a newly privatized dairy plant, Tukums is facing a challenge in a climate of political and economic upheaval. Sound economic and financial decision making will be required.

Legal status and organization

- 208 On June 3, 1992, following an April 15, 1992 Supreme Council Resolution allowing milk producer associations to claim assets located within their territory, the Tukums

dairy producers association was formed. The assets of the kombinat were transferred to the association on November 5, 1992. The association, which is formed around the processing plant, includes 21 legal persons and 275 natural persons as members. The charter of the association allows for subsequently formed pagast cooperatives to claim assets within their territory.

- 209 Further legislation came into effect on April 1, 1993 - "The Privatization of Milk Receiving and Processing Plants", which provides that ownership of milk processing plants can be transferred to pagast-level cooperative dairy producers associations. These co-operative associations are composed of the individual dairy producers supplying the processing plant. The dairy producers have until June 30, 1993 to form cooperative associations and submit claims for shares in the processing plant.
- 210 In order to strictly comply with the letter of this new law, Tukums should organize pagast-level cooperative associations. Although they have been trying to do so, they have had little success so far. As the law allows the Ministry of Agriculture the discretion to approve deviations based on local circumstances, ultimately the Ministry will decide whether to approve Tukums' approach to privatization.
- 211 The Board of the Tukums cooperative association currently has twelve members, including the directors of each of the three plants. The Chairmen of the board is J. Skvarnovicus, a local dairy farmer. The board of the cooperative decides overall strategy, including such matters as the price of milk to be paid to farmers. However, the day-to-day running of the three plants is controlled and administered by the Director of Tukums.
- 212 Reporting directly to the board is Tukums' Director - Mr. Janis Plavans. Mr. Plavans together with the Chief Engineer - Mr. Purmalis, the Chief Technologist - Ms. Uzulina and the Chief Economist - Mrs. Astrida Grinberga actively participate in the day-to-day running of the enterprise.

Current products and processes

- 213 Tukums currently produces butter, cheese, cottage cheese, kefir, cream and fluid milk.

214 The capacity of the three plants together is as follows:

TABLE 1

Product	Plant Capacity	Production
Butter	all package sizes	15 tons/day
Cheese	"Bauskas"	1.2 tons/day
Kefir	2.5%	6000 bottles/hour
Cream	all grades	10-12 tons/day
Milk	2.5%	6000 bottles/hour
Cottage cheese	6.5	

215 Tukums is capable of producing butter in 20 kilogram packs as well as 200 gram packs. Cream is produced with both 25% and 35% butterfat and can be produced in cans as well as half-liter bottles. Milk is produced in bottles, in cans, and in plastic poly-packs. The plant can also package cottage cheese.

216 Production in 1992 was as follows:

TABLE 2

Product	Production (tons)
Butter	1269
Cheese	100
Kefir	1390
Fluid Milk	5132
Cream	1678
Cottage cheese	1922

The way forward

217 1992 and 1993 are proving to be particularly difficult years for the dairy industry. As an industry, agriculture and particularly the dairy sector, is susceptible to a range of factors over which the industry itself often has no direct control.

218 Not all factors are unpredictable; many can be anticipated. What Tukums is committed to doing is to attempt to recognize and anticipate problems and opportunities, and to plan to deal with them accordingly.

219 To help in this process, below is a summary of the strengthes, weaknesses, threats, and opportunities facing the industry and specifically Tukums .

Dairy Industry

Strengths

- relatively good road and rail infrastructure

Threats

- relative political and economic uncertainty
- competition from other emerging markets (e.g. Lithuania)
- competition from established markets (Sweden/Finland)

Weaknesses

- demise of Comecon market
- limited and reduced domestic market
- seasonality in milk production
- low purchase power of customers
- low hygiene standards overseas
- strong currency

Opportunities

- new markets from tourism due to current interest/ fashion of Eastern Europe and the Baltic
- demise of small unproductive dairies as a result of restructuring

Tukums Dairy

Strengths

- close to major population center
- experience of management and staff
- lower collection costs than competitors
- strong support from local farmers

Threats

- disruptions due to privatization

Weaknesses

- cheese of lower quality
- historical major underinvestment
- lack of focus and drive
- no market niche
- no experience with exporting

Opportunities

- as a result of privatization, independent planning and financing can be carried out
- new products and markets

MANAGEMENT AND EMPLOYEES

Management structure and senior management

301 The day-to-day management of the business is under the control of the director, Mr. Plavans, who works closely with the Chief Engineer, the Chief Technologist, the Economist and the Chief Accountant. Mr. Pladins also has overall responsibility for the two satellite plants at Jaunpils and Kandava. Mr. Plavans has been with Tukums for over fifteen years.

302 Brief details of the five senior staff at Tukums reporting to the director are given below.

Mr. Purmalis - Chief Engineer. Mr. Purmalis is responsible for production and the operation and maintenance of the plant.

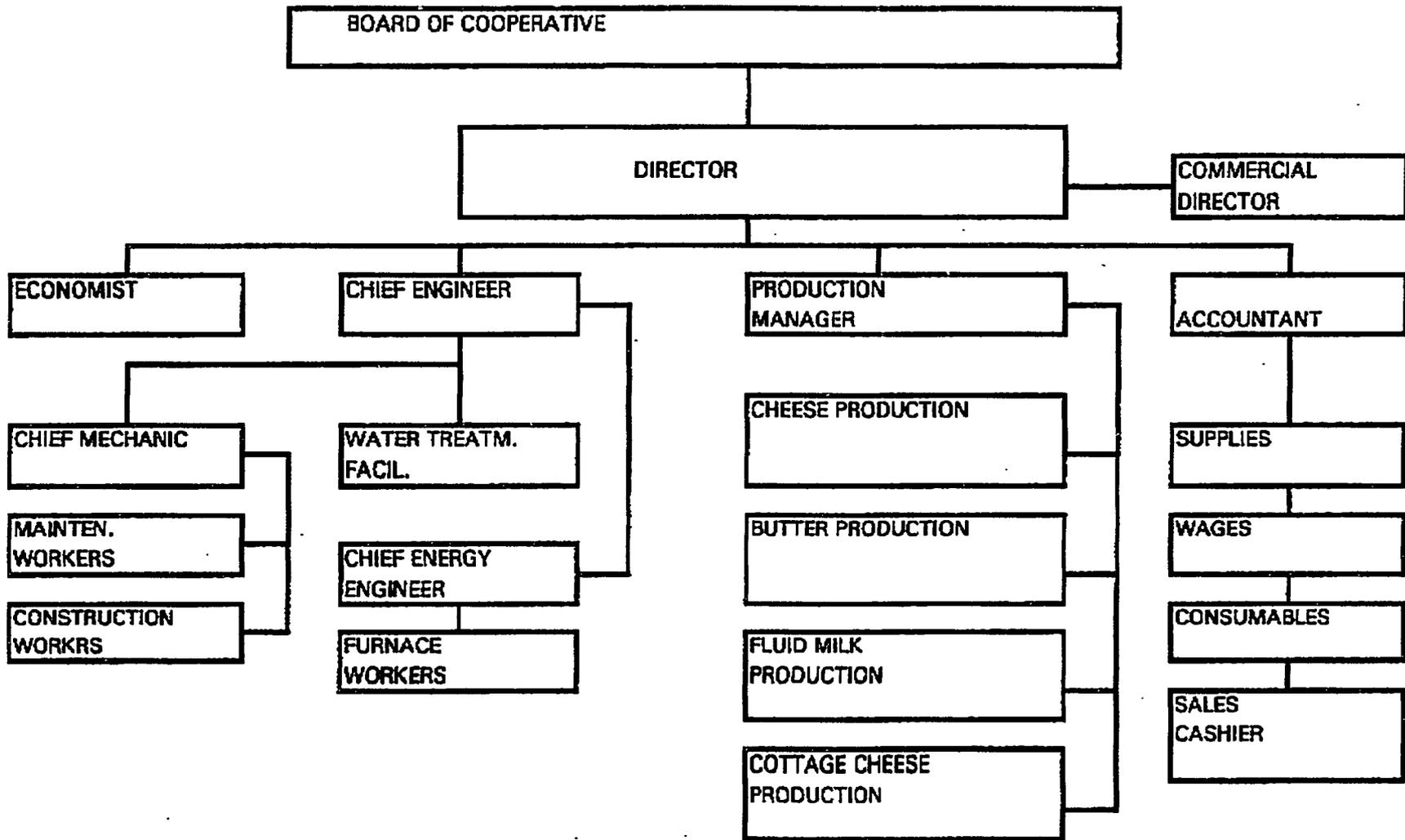
Rudite Praulina - Chief Accountant. Mrs. Praulina reports directly to Director. She is responsible for all bookkeeping and report preparation including balance sheets.

Grinberga Astrida - Chief Economist. Mrs. Grinberga reports directly to the Director and is responsible for forecasting and pricing. She has no other staff reporting to her.

Commercial director - Ingrida Belinska. With the Chairman of the board, she is responsible for Tukums' market strategy, new market development, public contacts, and contacts with farmers.

Chief Technologist - Ms. Uzulina. Responsible for all production in the plant. The production workers report to Ms. Uzulina.

303 The management structure of Tukums is given on the following page:



304 Tukums has a strong and experienced team which has a commitment to ensure that Tukums becomes a viable and self-reliant entity. Managers and employees have a good relationship and work closely together.

Human resources

305 Tukums employed 247 people as of June 1993.

306 A break down of employment in previous years and a forecast for the average level of employment for 1993 is given below.

TABLE 3

	1991	1992	1993 forecast
Total employees	239	266	242
production	179	198	179
managers	31	37	33
others	148	161	146
nonproduction	60	68	63

Remuneration

307 Wage and salary costs are not a significant proportion of total production costs for Tukums, being approximately 1.5 to 3.0%. This has remained the case despite significant increases in average monthly salaries as a result of inflation. The total remuneration of the employees of Tukums includes salaries and bonuses. Workers are paid according to their category of employment. Government regulations establish a range within each scale. Approximately 85 workers are paid according to how much they produce. Although they must be paid at least the legal minimum wage, at current production levels this represents only one third of their total income.

308 The average monthly remuneration at Tukums in June 1993 was LVR 10174, in 1992 - LVR 5032. This compares to the current average monthly remuneration in Latvia of 8200 Latvian rubles.

Other Employment Costs

309 In addition to the employee remuneration outlined above, the enterprise also has to meet certain other employment costs. The largest is a Social Security contribution which is 37% of gross salary.

Employment policy

- 310 Tukums mostly employs people from the area around Tukums. People can be fired for not fulfilling their duties, but it is difficult to fire them if they simply do not perform according to needs of the company. This policy is in effect only because they are a state-owned company. Retirement age in Latvia is 60 years for men and 55 for women. If the person still works after the retirement, they may choose between getting their salary from the company and not receiving a pension from social security, or limiting their salary. This generally means that people do not work after retirement age. There are no regulations requiring companies to pay any allowances for retired people.

Working conditions

- 311 The plant operates seven days a week. However, most employees work five days per week, with production workers on rotating shifts. There is one shift of 8 hours per day. The office hours are 7 a.m. to 4 p.m. Production staff hours are determined by the delivery of milk and cream. Milk supplies tend to be delivered early in the day.

MARKETING

Background to Latvian dairy industry

- 401 In 1991, the agricultural sector accounted for some 20% of GDP. In 1990 dairy production accounted for 43% of livestock agricultural production.
- 402 Until 1993, all dairy processing plants were centrally controlled state-owned enterprises. No competition or free markets existed. The industry, including all processing plants and milk cooperatives, were allocated markets to supply, distribution networks, and transport routes. Both raw material prices and final goods prices were centrally determined.
- 403 This provided no incentive for managers. Productivity goals were set without regard for any efficiency or profit maximizing considerations.
- 404 The dairy industry has faced significant upheaval since 1991, including:
- the collapse of the Soviet Union and the loss of one of the country's main markets.
 - a declining domestic market

- periods of hyperinflation
- the removal of central planning and pricing mechanisms
- the fragmentation of the dairy industry into small individual producers
- falling animal stock levels and milk production
- cheaper Lithuanian and Western European dairy products flooding the domestic market
- the introduction of the Latvian rouble

Milk Purchases

405 Table 4 indicates the fall in milk purchases for the industry as a whole from 1990 to 1992:

TABLE 4: Industry Milk Purchases

1990	1,767,153
1991	1,518,494
1992	1,062,518

406 The level of milk production in Latvia has fallen sharply over the past three years, as reflected in milk purchases made by processing plants (A more detailed table is included in the supporting documents). This decline is due to several factors including the rising costs of feed paid by farmers, as a result of the reduction of grain subsidies, a drought in mid-1992 which reduced grain supplies and a livestock disease which again forced many collective farms to kill stock. In all, milk purchases fell by 40% between 1990 and 1992 throughout Latvia.

Sales

- 407 Prior to 1993, sales of all products simply equaled production in that quarter as products such as butter that were not all sold locally were centrally marketed. In the case of Tukums much of their butter was on sold to St. Petersburg. That is no longer the case. In 1992 production of butter and cheese has exceeded sales despite the lowering in price of those products. Sales in the first quarter of 1993 for the major product groups were:

TABLE 5

Product	Sales
Butter	157 tons
Cheese	103 tons
Whole milk products	5,603 tons
Skim milk products	2,130 tons

However, in the first quarter some 16 tons of butter were placed in storage. In April and May, an additional 35 and 56 tons respectively were placed in storage. It is anticipated that about 60 tons will also go into storage in June giving a total of about 167 tons in storage by mid-year. Similarly, for cheese there will be about 15 tons in storage by mid-year. [Note: The figures for production, sales and storage for the first quarter could not be reconciled]

Customers and Markets

- 408 As noted above, prior to 1992, apart from local sales, all production was sold to state warehouses and a large proportion of Tukums' products were then exported to Russia and other markets. With the collapse of this market, Tukums has had to rely on the depressed domestic market, which is being flooded with cheaper Lithuanian and Scandinavian products.

409 Currently Tukums sells all its products on the domestic market. The distribution of sales by region for 1992 is shown below.

TABLE 6

Place of sale	Percentage of sales
Tukums region	23
Talsi region	13
Jurmala	45
Riga	17

410 Whereas under the old regime Tukums sold all its products through 12 state outlets, now days they have some 300 separate customers. None of these customers are very large and many are small retail outlets. The largest of the customers are wholesale dealers in Riga. Tukums runs a shop of its own in Tukums and was planning to open more in both Jurmala and Riga. A shop was opened for three months in Riga but its costs were too high. As the Tukums shop has not proved very profitable, and there are high costs and difficulties in obtaining suitable retail space, there are no plans now to open further shops in the other two areas.

411 In terms of possible export sales to the former Soviet Union, the introduction of the Latvian Rouble has further exacerbated potential sales to this region. In the short- to medium- term, there is no reason to forecast a significant improvement in access to these markets.

Pricing

412 As discussed above, pricing policies were all centrally determined. A 15% margin above production costs was set by the government. Up until 1993, enterprises had no authority to set prices. Domestic pricing decisions will now be based on market conditions.

413 With the high inflation that prevailed until the end of 1992, prices for dairy products rose continuously. This had to cease by the end of March 1993 when the demand products, particularly butter and cheese, dropped substantially. The price for butter had risen progressively from 200 R/kg at the beginning of 1993 to 245 R/kg by the middle of March 1993. However, at that price, sales of butter virtually ceased. The price was subsequently lowered until it reached 180 R/kg in mid-June. Despite the drop in price, sales are not sufficient to consume all production. It is therefore likely that the price will have to be lowered even further. A similar situation applies to cheese where the price rose from 180 R/kg to 200 R/kg, but by mid-June had dropped to 165 R/kg.

Competitors

- 414 The Riga Central Dairy Plant is Tukums major competitor for the majority of its products in all regions. This applies particularly to liquid products - milk, kefir and cream - but also to a lesser degree with butter. With regard to cheese, Valmiera is the main competitor as it produces cheese which is of a higher quality than the "Bauska" cheese produced by Tukums. Tukums must try and compete with Valmiera by selling at a lower price.
- 415 Tukums can compete with the Riga plant not only because of its lower milk collection costs and hence product price, but also through packaging. Riga sells a lot of its product in tetra packs which raises the final price. Tukums sells its product in bulk in cans, in bottles, and for smaller quantities in plastic poly packs. These are all cheaper forms of packaging and lead to a price competitive product.

Marketing Strategy

- 416 One of Tukums' main strengths is that it is close to the largest population center in the country. As butter is proving difficult to sell at the moment, Tukums exploits this advantage and focuses on selling as much of its production as possible in the form of fluid products and cottage cheese in its local market. Only milk that can not be sold in those forms will be converted to butter which can be stored and transported if necessary for future sale. As long as the price for Bauska cheese can be kept down, then full production of that product, just over 400 tons per year, should be able to be disposed of on the domestic market.
- 417 Remaining competitive on the domestic market will imply keeping prices down both through controlling the purchase and collection costs of milk and through innovative packaging. Tukums will also endeavor to develop new products. Low fat products are popular on the market at the moment and Tukums is currently investigating the production of a low fat whole milk cheese.
- 418 In the short- to medium-term, Tukums will continue to try to develop contracts in the ex-Comecon market, in particular to try and dispose of excess butter.

SUPPLIES AND OPERATIONS

- 501 Milk purchases to May 1993 by Tukums were running at approximately 85% of 1992 levels. If purchases continue at this level for the rest of the year then total purchases in 1993 will be approximately 44,000 tons. This compares with 51,654 tons in 1992 and 65,928 tons in 1991. Although Tukums has been dropping the price paid to farmers for milk, it is anticipated that for the remainder of the year, it will not significantly affect supply. However, in the future this could become a problem. (Details of historical and forecast purchases of milk by Tukums are included in the supporting documents.)

- 502 Ensuring a stable and cost competitive supply of milk is crucial to the continued operation of the plant. Tukums is working with the pagast level cooperatives in the upgrading of milk collection stations. Work is currently planned or being undertaken in the Zantes, Matkules and Zemites pagasts. Tukums is also encouraging the pagasts to collect milk using their own vehicles to help lower costs. This is now happening in seven pagasts. Tukums itself has recently arranged for the state enterprise "Kurzemnieks", which collects milk for the Tukums plant, to take a share in the Tukums Dairy Association. By this means it will obtain a better contract for the collection of milk, thus helping to lower costs.
- 503 Tukums plans no major capital expenditure in the near future. The cheese production facility at Jaunpils is currently being upgraded, which will increase its capacity to two tons per shift. This work should be completed by 1995. In addition, new boiler facilities are being installed at the main Tukums plant. This work is all being financed out of current income.

6. FINANCIAL DETAILS

UNAUDITED FINANCIAL STATEMENTS
AND
NOTES TO THE FINANCIAL STATEMENTS
General Notes & Enterprise Specific

UNAUDITED

TUKUMS DAIRY ENTERPRISE
Balance Sheet
Balances at December 31st
(LVR in thousands)

	<u>1992</u>	<u>1991</u>
ASSETS		
<u>Current Assets</u>		
Cash	5,465	1,314
Short term investments	0	0
Accounts receivable	59,135	4,549
Inventory	16,011	1,752
Other	5,098	1,015
Total Current Assets	<u>85,709</u>	<u>8,630</u>
Fixed Assets	6,723	5,074
Assets under construction	6,763	824
Other Long term Assets	60	0
TOTAL ASSETS	<u><u>99,255</u></u>	<u><u>14,528</u></u>
 LIABILITIES AND EQUITY		
<u>Current Liabilities</u>		
Accounts payable	52,677	3,878
Other short term payables	5,855	1,276
Other	5,029	407
Total Current Liabilities	<u>63,561</u>	<u>5,561</u>
Long Term Debt	0	0
Total Liabilities	<u>63,561</u>	<u>5,561</u>
<u>Equity</u>		
Capital & retained earnings	32,186	8,967
1992 Revaluation reserve	3,508	0
Total Equity	<u>35,694</u>	<u>8,967</u>
TOTAL LIABILITIES & EQUITY	<u><u>99,255</u></u>	<u><u>14,528</u></u>

The accompanying notes to the financial statements are an integral part of this document.

2004

UNAUDITED

TUKUMS DAIRY ENTERPRISE
Income Statement
For year ended December 31st
(LVR in thousands)

	<u>1992</u>	<u>1991</u>
Sales	161,832	0
Less: Turnover Tax	<u>0</u>	<u>0</u>
Net sales	161,832	0
Less: Cost of Goods Sold	<u>140,177</u>	<u>0</u>
Gross profit	21,655	0
Other Income	1,673	0
Less: Other Expenses	<u>480</u>	<u>0</u>
Net Other Income	1,193	0
PROFIT (LOSS)	22,848	0
Taxes	<u>10,213</u>	<u>0</u>
NET PROFIT (LOSS)	<u>12,635</u>	<u>0</u>

The accompanying notes to the financial statements are an integral part of this document.

245

FINANCIAL STATEMENTS

SUMMARY

The financial statements of the enterprise have been reformatted into a standard western format. The scope of this project did not include the restatement of the accounts in accordance with International Accounting Standards (IAS). As such, no adjustments to management's representation of financial information have been made. Nor has this compilation of financial information included any audit or due diligence efforts that in any way expresses an opinion on the financial information presented.

This effort has:

- 1) reformatted the enterprise's existing accounts into asset, liability, equity, revenue and expense categories;
- 2) eliminated entries which represent double counting of accounts;
- 3) compiled balance sheets and income statements, based on the existing Latvian accounts and management representations, as of and for the year ending December 31, 1992, and, when possible, for the year ending December 31, 1991, (the 1990 financial statements have not been included in this report);
- 4) included interviews of the enterprise's management and accounting staff, which, along with the Latvian financial statements, are the basis of the notes to the financial statements for individual enterprises;
- 5) included interviews of Ministry of Agriculture personnel and management personnel from other Latvian dairy and bakery enterprises, which are the basis of the general notes to and background on Latvian accounting practices and financial statements included in this document; and
- 6) not added accounts omitted from the Latvian financial records which represent balance sheet and income statement entries necessary to meet IAS principles and more fairly present the financial position of the enterprise;

The financial information presented contains many limitations and issues which impact the content of the information, its comparability to other enterprises and other time periods, and the interpretative and analytical value. The major constraints and issues impacting the enterprise's financial statements are highlighted in the notes (general and enterprise-specific) to the financial statements, which are considered an integral part of this document.

NOTES TO THE FINANCIAL STATEMENTS

GENERAL

(Also See Enterprise Specific Notes)

LATVIAN ACCOUNTING PRACTICE

The following analysis sets out the basis on which the enterprises' financial statements are prepared and highlights the differences between Latvian and international standard accounting practice.

The analysis has been based on interviews with the accounting staff at the enterprises and The Ministry of Agriculture.

The laws on "Accounting" and "On Annual Reports" govern accounting practices in Latvia as of January 1, 1993. They are based largely on principles set out by the Fourth Directive of the EC and the Danish accounting law in particular.

FINANCIAL STATEMENTS

The preparation of financial statements in Latvia is not in accordance with International Accounting Standards (IAS). The fundamental accounting concepts are only partially observed:

- Going concern - all enterprises are correctly assumed to be going concerns and are accounted for on the basis that they will continue to trade with the current scale of operations.
- Consistency - books and records are kept using accounts which record the enterprise's activities and transactions which form categories of assets and liabilities. Although accounting policies are applied consistently during a given year, the past three years have been characterized by changes in government policy and directives as to form and content of financial reporting and accounting treatment of transactions.

In particular, the accounting formats changed between 1990 when they were prepared under the Soviet system, and 1991 when statements which were prepared under the Latvian system. The format was changed once more in 1992, although not as significantly. No analysis is provided in the accounts to show the effects of these changes. The 1993 accounts and financial statements have also changed significantly from 1992, in an effort to more closely adapt to IAS.

- Accruals - accrual accounting was only introduced for the year ended December, 1992. Prior to this the basis used

was similar to a double entry form of cash accounting with some adjustments for prepayments. The changes initiated in 1992 do not reflect a full accrual basis, some aspects may still be considered a modified cash basis of accounting.

- Prudence - the financial statements do not reflect a conservative view of the affairs of the enterprise. No provisions are made to reflect irrecoverability of debt or other reductions in the value of assets.

The profit and loss information provided does not fully reflect the profit or loss generated or the amount transferred to reserves. The net profit figure does not take account of items such as interest paid, employee bonuses, and depreciation of certain asset categories and thus overstates the profit. Detailed expense information, ie analyzing expense categories included in cost of goods sold, is not included in the Latvian financial statements and therefore excluded from the reformatted financial statements.

Many different funds and reserves are maintained for a variety of purposes with the result that almost all transactions require transfers to be made to or from reserves in a manner which is not consistent with IAS.

As noted above, the financial statements are not comparable as a result of changes in format, asset revaluations which have been made, and the rapid inflation during the period.

As a result, it is difficult to assess a Latvian enterprise based on its financial statements. The only review of books carried out is one by tax authorities to ensure the compliance and accuracy of tax computations.

The financial statements provide evidence that books have been maintained. They do not necessarily reflect a true and fair view of the financial position of all of the enterprise's assets and liabilities, or that the revenue and expenses represent maintainable earnings.

The significant divergences from international accounting practice would make it difficult for an unqualified audit opinion to be rendered for the periods represented, if such an audit of the financial statements was attempted.

ACCOUNTING POLICIES

We set out below details of accounting policies for significant classes of asset and liability.

Fixed Assets

All state enterprises revalued their fixed assets at 1 January 1992, in accordance with Government regulations. The different categories of asset were revalued according to published revaluation coefficients to reflect the deterioration in value caused by high rates of inflation.

The following coefficients were generally used for classes of assets purchased prior to 1989 for the 1 January 1992 revaluation:

Motor vehicles	3.5
Instruments	2.5
Machinery	2.5
Imported Machinery	5.0

Additional revaluations took place at 1 January 1993. The following coefficients were determined by government regulation:

Assets purchased prior to 1990	10.0
Assets purchased during 1991	3.0
Assets purchased during 1992	-

Accumulated depreciation was adjusted in proportion to the change in fixed asset values. The revaluation surplus was credited to the statutory fund rather than being maintained in a separate reserve.

The method adopted for revaluations does not reflect the IAS practice on revaluation of assets, although in some way it reflects the change in value caused by inflation. No account is taken of the replacement cost of the assets, of their physical condition nor of any changes in the remaining useful life of the asset.

Depreciation

Depreciation rates are on average lower than those used in Western Europe and the US. Many items which would be considered small replacements or consumables are included as assets and depreciated over 1 or 2 years. Examples of the depreciation rates used are as follows:

<u>Asset</u>	<u>Asset Life</u> <u># of years</u>	<u>Annual Rate of</u> <u>Depreciation</u>
Buildings	84 to 100	1%
Trucks	7-14	7-14%
Computers	14	7%
Machinery		
- city use	10	10%
- country use	12	8%

Office furniture with a value of less than 5,000 Latvian Rubles (LVR) are included as fixed assets, but not depreciated.

Depreciation is calculated monthly on a straight line basis commencing in the month of acquisition.

The definition of a capital asset is any item exceeding a specified cost. This threshold can be very low, for example 5,000 LVR for dairies. As a result, there a large number of very low value items being included as assets rather than being expensed. These items are usually included as part of inventory. 50% of their value is written off when used, while the remaining 50% is written off on disposal. Assets under construction are recorded separately and are not depreciated until completed and put into operation.

Accounts Receivable

Accounts receivable are generally overstated. Amounts owed to the enterprise are included at full value with no adjustment made for bad or doubtful accounts. Until recently, the incidence of bad debts was so low that such provisions were not required. Detailed debtor ledgers are maintained and usually updated monthly, however no credit control is exercised.

With the privatization of some entities, former state debts are dismissed, leaving the enterprises to deal with government rather than the original debtor entity.

Inventory

Stocks are valued at cost with no provision for diminution in value or obsolescence. Many stock levels will be significantly overstated in the accounts. Stock levels are further misstated when consumables or small replacements are included in the asset line.

Reserves

The statutory fund and other reserve funds are used to reflect a variety of transactions. There are frequent transfers between funds which would not be possible under IAS. Thus for example, the purchase of a fixed asset requires the transfer of appropriated funds from a fixed asset fund to the statutory fund. There is no equity or share capital on the Latvian financial statements. For purposes of this analysis, the reserves which appear equivalent to equity have been classified as such on the reformatted financial statements.

Subsidies

Subsidies received from the state are not reflected in the income or profit/loss of the enterprise. The accounting treatment used results in an increase in reserves reflecting the amount of subsidies received even though the subsidies are for operating costs. Under IAS such amounts would be treated as income.

Liabilities

The principal categories of liabilities included in balance sheets are taxation and accounts payable. Liabilities for bank loans or other long term loans essentially did not exist.

Accounts payable balances are principally for suppliers. As with accounts receivables, any evaluation of the likelihood of payment or the period in arrears was not made.

Financial Planning

There are currently no financial forecasts or budgets prepared by the enterprises. This is partly because of the difficulty of forecasting in such a rapidly changing economy and partly because plans are considered to be a feature of the old regime and therefore no longer required. There is little understanding of the importance of budgeting for the overall financial control of an enterprise. Previously, all planning was centrally performed and given to the enterprises.

Enterprises currently are in the process of preparing privatization plans, and are preparing plans and future strategies for the first time. Some enterprises are in the preliminary stages of such planning, while others are more advanced and are being valued, and are near submission of these plans to the Ministry of Agriculture.

Internal and Accounting Controls

A review of internal and accounting controls was not within the scope of this review. All amounts presented are management representations.

Other Information

As previously stated, the enterprises have been operating in rapidly changing market and economic conditions. Extreme inflationary conditions began in 1991 and continued through 1992. Monthly inflation rates, based on the retail price index, were as high as 56.4% in January of 1992, the 1991 annual rate was 262%. In May of 1992, the inflation rate compared to May of 1991 was 639%. Inflation had diminished by December of 1992.

251

Similarly, currency values have also been fluctuating. Comparisons to the US dollar from the Bank of Latvia are presented below.

US\$ expressed as LVR

Annual Rate 1991	0.05821		
December 1991	103.5	Buy	120.55 Sell
October 1992	180	Buy	191 Sell

Notes to Financial Statements - Enterprise Specific Tukums Dairy Enterprise

Note 1 - Significant Accounting Principles

As stated in more detail in the general notes and summary, Tukums Dairy Enterprise (Tukums), like other Latvian enterprises, during 1992 managed its accounts and financial reporting according to Republic regulations and guidelines. As such, Tukums did not employ a full accrual basis in recording assets and liabilities or in the recognition of income or realization of expenses during 1992 or 1991. The handling of accounts may be considered a modified cash basis with some accrual accounting in accordance with Latvian accounting practices and regulations in effect during the periods presented.

Fixed Assets are carried at historical cost and depreciated over the useful life (as prescribed by Latvian regulations) using the straight line method. However, fixed assets were revalued according to Latvian regulations on both January 1st of 1992 and 1993. The basis and coefficients employed in revaluation are discussed in more detail in the general notes to the financial statements.

Land (property) values were not recorded on enterprise financial statements in Latvia during any of the years presented.

A cash flow statement is not included in the financial statements presented, as the 1992 and 1991 Latvian accounts were not conducive to its preparation. Cash is held in Latvian currency (LVR), hard currencies (e.g. DM, US\$), and other currencies (e.g. Russian, Georgian), exchange gains and losses are included in net income.

Note 2 - Accounts Receivable

Accounts Receivable for Tukums includes the following in thousands of LVR at December 31st:

Type of Accounts Receivable	1992	1991
Trade Accounts Receivable	54,154	3,306
Other Receivables	4,981	1,243
TOTAL	59,135	4,549

Tukums did not record any allowance for bad debts to reduce

the amount of the reported accounts receivable. According to management, they do not have any receivables they consider uncollectible. Most sales are paid in cash, with the exception of sales made to other state enterprises. Under new regulations, Latvian enterprises are allowed to collect 5% in fines from debtors for late payments.

Note 3 - Inventories

Inventories appear to be accounted for on a first in first out (FIFO) basis. An allowance for loss or spoilage is not recorded by the enterprise, nor does the carrying amount of inventory necessarily reflect the net realizable value of the inventory.

Note 4 - Fixed Assets

Fixed assets are generally carried at historical cost, as previously noted, except for the revaluations which have occurred in 1992 and 1993. Depreciation is expensed and accumulated on a straight line basis using the asset category useful lives as prescribed by regulations (see general notes for examples). Typically, the useful life of an asset under Latvian regulations is significantly longer than that considered appropriate by Western standards.

The following table displays the gross book value of fixed assets, accumulated depreciation, and net book value at December 31, 1991, after revaluation at January 1, 1992, and at December 31, 1992 for Tukums. Amounts are expressed as thousands of LVRs.

	12/31/91	1/1/92	12/31/92
Fixed Asset - Gross	n/a	13,742	11,896
Less: Accumulated Depreciation	n/a	5,160	5,173
Net Fixed Assets	5,074	8,582	6,723

In the fixed asset category as presented on the financial statements, apartment buildings are included. Under the privatization law, such buildings will be removed from the assets of the enterprise and privatized separately. Consequently, the net book value of assets presented in these financial statements may overstate the net book value of the assets actually to be privatized.

Also see Note 8 regarding restitution claims.

Note 5 - Taxes

Tukums is subject to various taxes as an enterprise under Latvian regulations. The major taxes and the basis of the taxes assessed are outlined below.

<u>Type of Tax</u>	<u>Tax Base</u>	<u>Percent of Base</u>
Turnover Tax	Sales	6
Profit/Income Tax	Profit	35
Land/Property Tax	Profit	<2
Social Tax	Payroll	37

Note 6 - Credit Disclosures

Tukums's financial statements include only current types of payables, including taxes payable, trade payables to suppliers, accrued salaries, and other rents, etc. They do not represent to have any bank loans or long term debt, which is consistent with other Latvian enterprises, due to the banking system which currently does not extend such types of credit.

Note 7 - Equity Disclosures

Tukums currently prepares its accounts as a state enterprise. Equity on the balance sheet has been segregated to show separately the amount of equity which is the result of increases realized due to fixed asset revaluation at January 1, 1992, and the total amount of equity associated with capital, retained earnings, and perhaps previous revaluations.

Note 8 - Contingent Liabilities

As is the case with all Latvian enterprises involved in privatization, potential claims may exist in regard to restitution to the pre-1941 land or building owners. According to Tukums's management, no search of the Archives to determine if former private owners may exist has been performed. No liability reserves for potential future claims have been included in the financial statements.

Note 9 - Other Notes

As stated in the general notes to the financial statements, Latvia has been in a transitional environment. Tukums's operations and financial statements have been impacted by such pressures as high inflation, significant demand shifts due to price liberalization and lifting of subsidies, dramatic policy

and regulation changes involved in the shift from socialism to capitalism, and the appreciation of the Latvian Ruble against currencies of other former Soviet republics. As such, the financial statements presented have significant limitations as to analytical value in comparing between time periods and between enterprises. The notes have merely presented and outlined the major factors and conditions underlying the financial statements which would influence their utility for users in making assessments of the enterprise's financial condition.

TUKUMS - Forecast Profit & Loss 1993

LVR (000)

	Q1	Q2	Q3	Q4	year ended Dec. 1993
Sales Revenue	170,734	188,027	222,113	181,567	762,441
Less Sales Tax (6%)	10,244	11,282	13,327	10,894	45,746
Net Revenue	160,490	176,745	208,786	170,673	716,695
Less Production Expenses	144,616	142,089	166,231	133,230	586,166
Gross Profit (Loss)	15,874	34,656	42,555	37,443	130,529
Less Profit Taxes	5,556	12,696	15,408	13,441	47,101
Net Profit (Loss)	10,318	21,960	27,147	24,002	83,428

251

TUKUMS - Forecast Profit & Loss 1993

LVR (000)

BUTTER	Q1	Q2	Q3	Q4	year ended Dec. 1993
Sales Revenue	26,203	34,959	39,283	25,048	125,493
Less Sales Tax (6%)	1,572	2,098	2,357	1,503	7,530
Net Revenue	24,631	32,861	36,926	23,545	117,963
Less Production Expenses	23,917	31,043	35,267	22,626	112,853
Gross Profit (Loss)	714	1,818	1,659	919	5,110
Less Profit Taxes	250	636	581	322	1,789
Net Profit (Loss)	464	1,182	1,078	597	3,321

CHEESE	Q1	Q2	Q3	Q4	year ended Dec. 1993
Sales Revenue	22,154	18,656	19,970	18,614	79,394
Less Sales Tax (6%)	1,329	1,119	1,198	1,117	4,763
Net Revenue	20,825	17,537	18,772	17,497	74,631
Less Production Expenses	18,436	12,872	13,938	13,002	58,248
Gross Profit (Loss)	2,389	4,665	4,834	4,495	16,383
Less Profit Taxes	836	1,633	1,692	1,573	5,734
Net Profit (Loss)	1,553	3,032	3,142	2,922	10,649

CREAM	Q1	Q2	Q3	Q4	year ended Dec. 199
Sales Revenue	54,378	74,115	106,339	93,450	328,282
Less Sales Tax (6%)	3,263	4,447	6,380	5,607	19,697
Net Revenue	51,115	69,668	99,959	87,843	308,585
Less Production Expenses	47,766	50,903	73,034	64,182	235,885
Gross Profit (Loss)	3,349	18,765	26,925	23,661	72,700
Less Profit Taxes	1,172	6,568	9,424	8,281	25,445
Net Profit (Loss)	2,177	12,197	17,501	15,380	47,255

TUKUMS - Forecast Profit & Loss 1993

LVR (000)

COTTAGE CHEESE	Q1	Q2	Q3	Q4	year ended Dec. 1993
Sales Revenue	28,419	25,991	23,532	15,434	93,376
Less Sales Tax (6%)	1,705	1,559	1,412	926	5,602
Net Revenue	26,714	24,432	22,120	14,508	87,774
Less Production Expenses	23,057	26,049	23,585	15,468	88,159
Gross Profit (Loss)	3,657	-1,617	-1,465	-960	-385
Less Profit Taxes	762				762
Net Profit (Loss)	2,895	-1,617	-1,465	-960	-1,147
OTHER WHOLE MILK PRODUCTS	Q1	Q2	Q3	Q4	year ended Dec. 1993
Sales Revenue	39,580	34,306	32,989	29,021	135,896
Less Sales Tax (6%)	2,375	2,058	1,979	1,741	8,154
Net Revenue	37,205	32,248	31,010	27,280	127,742
Less Production Expenses	31,440	21,222	20,407	17,952	91,021
Gross Profit (Loss)	5,765	11,026	10,603	9,328	36,721
Less Profit Taxes	145	3,859	3,711	3,265	10,980
Net Profit (Loss)	5,620	7,167	6,892	6,063	25,741

Assumptions to Forecasts

1. Production volumes in each of the quarters in 1993 for each product are assumed to be in the same proportion as production in 1992. The total volume of each product produced in 1993 is based on the ratio of first quarter 1993 production to first quarter 1992 production. Tables showing actual production on a quarterly basis for each product in 1992, and forecasts for 1993 are attached.
2. The costs of production for all products for the last three quarters of 1993 will remain the same as those of March 1993 except for the purchase price of milk. The purchase price of milk in March averaged 14.5 Rubles per liter. This was in line with the average purchase price through out the whole first quarter of 1993. However, by June 1993 the milk purchase price had dropped to an average of 9.5 Rubles per liter. It is possible that the price will have to be lowered yet again. For the forecasts therefore a price of 9.0 Rubles per liter has been used. Tables showing the cost of production by product in March 1993, and forecasts for the remainder of the year are attached.
3. Actual and forecast wholesale product prices for 1993 in Rubles per kilogram are as follows:

Product	mid January	mid March	mid June	Forecast
Butter	220	240	180	170
Cheese	190	190	165	160
Cream	90	95	80	80
Other whole milk prods	18	21	18	18
Cottage Cheese	62	70	45	40

The further lowering of the price of both butter and cheese reflects the fact that even at the mid-June prices not all the product being produced is being sold, some product is having to be stored. The price for cottage cheese is assumed to drop to reflect the fact that skim milk, the major raw product from which cottage cheese is manufactured, is moving into excess supply. This is forcing the price of cottage cheese down. Although some of this excess is currently being sold back to the farmers for animal feed at a profit, as quantities increase it is likely that the price farmers will be willing to pay for the product will drop to zero.

4. Sales of all products produced in the forecast period are assumed to occur in the quarter in which they are produced. [Note This is not the case for butter and possibly also cheese. However, the figures supplied for production, sales and storage for the first part of 1993 did not reconcile so no meaningful adjustment could be made to this assumption.] The 167 tons of butter and 15 tons of cheese currently in storage are assumed to be sold off over the second half of 1993 and the first two quarters of 1994. As these products were produced using milk purchased at a relatively high price, it is assumed that they are being sold at the cost of production and hence the sales make no contribution to profits.
5. No allowance has been made for the effect of inflation.

Assumptions Note 1

TUKUMS - FORECAST PRODUCTION 1993 (tonnes)

	Q1	Q2	Q3	Q4	Total
Butter	103	194	177	98	<u>572</u>
Cheese	110	110	114	106	<u>440</u>
Cream	570	874	1254	1102	<u>3800</u>
Cottage Cheese	383	613	555	364	<u>1915</u>
Other Whole Milk Products	1867	1798	1729	1521	<u>6915</u>

Note: Actual 1st Quarter 1993 production figures used

TUKUMS - PRODUCTION 1992 (tonnes)

	Q 1	Q 2	Q 3	Q 4	Total
Butter	223	439	393	214	<u>1269</u>
% of total	18	34	31	17	100
Cheese	107	109	111	104	<u>431</u>
% of total	25	25	26	24	100
Cream	259	394	546	479	<u>1678</u>
% of total	15	23	33	29	100
Cottage Cheese	377	624	554	367	<u>1922</u>
% of total	20	32	29	19	100
Other Whole Milk Products	1402	1357	1319	1142	<u>5220</u>
% of total	27	26	25	22	100

TUKUMS - Cost of Production March 1993
LVR per tonne

	Milk*	Energy	Production Salaries	Transport	Admin.	Other	Total Production Expenses	Other Sales Costs	Total
Butter	190,310	11,468	1,249	23,365	1,445	1,782	229,619	2,581	232,200
Cheese	133,350	5,319	5,209	9,638	6,041	6,725	166,282	1,318	167,600
Cream	67,384	4,017	1,329	7,780	1,532	828	82,870	930	83,800
WM Prod.	13,280	688	393	798	454	1,108	16,721	119	16,840
Cottage Ch	49,574	4,804	1,757	0	2,029	904	59,068	1,132	60,200
Total	453,898	26,296	9,937	41,581	11,501	11,347	554,560	6,080	560,640

Production Costs as Percent of Total

	Milk*	Energy	Production Salaries	Transport	Admin.	Other	Total Production Expenses	Other Sales Costs	Total
Butter	81.96%	4.94%	0.54%	10.06%	0.62%	0.77%	98.89%	1.11%	100.00%
Cheese	79.56%	3.17%	3.11%	5.75%	3.60%	4.01%	99.21%	0.79%	100.00%
Cream	80.41%	4.79%	1.59%	9.28%	1.83%	0.99%	98.89%	1.11%	100.00%
WM Prod.	78.86%	4.09%	2.33%	4.74%	2.70%	6.58%	99.29%	0.71%	100.00%
Cottage Ch	82.35%	7.98%	2.92%	0.00%	3.37%	1.50%	98.12%	1.88%	100.00%
Total	80.96%	4.69%	1.77%	7.42%	2.05%	2.02%	98.92%	1.08%	100.00%

*Milk prices calculated at 14.5 LVR/liter

TUKUMS - Forecast Cost of Production April-Dec. 1993
LVR per tonne

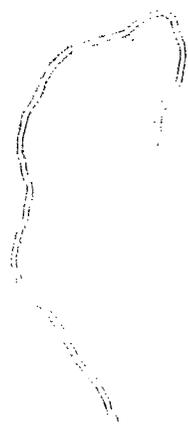
	Milk*	Energy	Production Salaries	Transport	Admin.	Other	Total Production Expenses	Other Sales Costs	Total
Butter	118,123	11,468	1,249	23,365	1,445	1,782	157,432	2,581	160,013
Cheese	82,769	5,319	5,209	9,638	6,041	6,725	115,701	1,318	117,019
Cream	41,825	4,017	1,329	7,780	1,532	828	57,311	930	58,241
WM Prod.	8,243	688	393	798	454	1,108	11,684	119	11,803
Cottage Ch.	31,869	4,804	1,757	0	2,029	904	41,363	1,132	42,495
Total	282,829	26,296	9,937	41,581	11,501	11,347	383,491	6,080	389,571

Production Costs as Percent of Total

	Milk*	Energy	Production Salaries	Transport	Admin.	Other	Total Production Expenses	Other Sales Costs	Total
Butter	73.82%	7.17%	0.78%	14.60%	0.90%	1.11%	98.39%	1.61%	100.00%
Cheese	70.73%	4.55%	4.45%	8.24%	5.16%	5.75%	98.87%	1.13%	100.00%
Cream	71.81%	6.90%	2.28%	13.36%	2.63%	1.42%	98.40%	1.60%	100.00%
WM Prod.	69.84%	5.83%	3.33%	6.76%	3.85%	9.39%	98.99%	1.01%	100.00%
Cottage Ch.	74.99%	11.30%	4.13%	0.00%	4.77%	2.13%	97.34%	2.66%	100.00%
Total	72.60%	6.75%	2.55%	10.67%	2.95%	2.91%	98.44%	1.56%	100.00%

*Milk prices calculated at 9 LVR/liter

7. SUPPORTING DOCUMENTS



LATVIAN FINANCIAL STATEMENTS

TUKUMS DAIRY ENTERPRISE
Balance Sheet (Bilance)

31 Dec 1991 31 Dec 1992 1 Jan 1992

Line Nos.	<u>Assets (Aktivs)</u>			
010	Fixed Assets	10,234	11,896	13,742
020	Intangible Assets			
030	Assets under construction	824	6,763	
035	Assets not ready for use			
040	Long term investments		60	
050	Current year profit/offset 500 or 510	3,494	40,942	
065	Amounts due from members			
070	Other receivables			
080	Current year loss/offset 500 or 510			
090	Total – check	14,552	59,661	
100	Raw Materials and consumables	1,814	16,083	
110	Work in progress			
120	Work in progress			
130	Prepaid expenses	757	4,162	
140	Finished goods			
150	Finished goods			
160	Other inventory			
170	Total	2,571	20,245	
171	Goods in transit			
200	Cash on hand		1,681	
210	Cash in bank	217	1,267	
220	Hard currency accounts		2,343	
230	Other bank accounts	17	154	
240	Other bank accounts	1,080		
250	Short term investments			
270	Bank loan monies rec'd			
300	Trade accts receivable	3,306	54,154	
310	Bills of exchange			
320	Payments in advance			
325	Tax overpayments rec'ble	266		
330	Other debtors	232	4,981	
340	Employee loans	258	936	
350	Social welfare expenses			
360	Other receivables	745		
370	Total – check	<u>6,121</u>	<u>65,536</u>	
390	Total – check	<u>23,244</u>	<u>145,442</u>	

The accompanying notes to the financial statements are an integral part of this document.

2/85

TUKUMS DAIRY ENTERPRISE

Line Nos.	<i>Liabilities (Pasivs)</i>	31 Dec 1991	31 Dec 1992	1 Jan 1992
400	Statutory fund	6,379	9,918	9,887
410	Accum depreciation	5,160	5,173	5,160
420	Depreciation consumables	62	72	
430	Investment financing	824	6,763	
440	Other payables			
445	Obligations to members			
450	Financing reserve	1,764	19,013	1,764
460	Vaccation accrual	49	3	
470	Amortization & Repairs			
480	Payments received in advance			
490	Unrealised profit on sales			
500	or 510 Profit	3,494	40,942	
520	Total – check	<u>17,732</u>	<u>81,884</u>	
600	Short term payables	1,276	5,855	
610	Medium term payables			
620	Long term payables			
630	Overdue loans!			
640	Short term loans			
650	Long term loans			
660	Total – check	<u>1,276</u>	<u>5,855</u>	
700	Accts payable – goods	3,646	44,518	
710	Bills of exchange			
720	Payments received in advance			
730	Taxes payable	43	6,554	
735	Privatization expenses			
740	Social pension tax	84	579	
750	Accured salaries	105	1,026	
760	Other payables	358	5,026	
765	Employee loans			
770	Other			
780	Total – check	<u>4,236</u>	<u>57,703</u>	
800	Total – check	<u>23,244</u>	<u>145,442</u>	

Revaluation check

Fixed asset movement	3,508
Accumulated Dep	0
Difference Net Assets	<u>3,508</u>
Statutory Fund movement	<u>3,508</u>

The accompanying notes to the financial statements are an integral part of this document.

TUKUMS DAIRY ENTERPRISE**Income Statement (Finansu Rezultanti)**Line
Nos.1992
Revenues1992
Costs1991
Revenues1991
Costs

010 Revenue from goods sold	161,832			
020 Turnover tax				
030 Sales less tax - check	161,832		0	
040 Product and period costs		140,177		
050 Profit - check	21,655		0	
060 Other sales results				
070 Non-sales operations	1,673	480		
071 Investment Income				
080 Profit and loss totals	23,328	480	0	0
090 Net profit - check	22,848		0	
100 Non taxable income				
101 Value of stock sold				

Use of Profits Statement 1992
(Pelnas Izlietosana)1992

200 Income tax expense	10,213	
210 To reserves		
220 To capital funds	11,784	
221 To the investment fund		221 is subset of 220
230 To dividends	805	
240 To previous year's losses	46	
250 Donations		
260 Other		
Uses of profits - check	<u>22,848</u>	

Use of Profits Statement 1991
(Pelnas Izlietosana)1991

200 Income tax expense	
210 To reserves	
220 Production Development	
230 Social development	
240 Employee bonus/incentives	
250 Donations	
260 Other	
270 Other	
Uses of profits - check	<u>0</u>

The accompanying notes to the financial statements are an integral part of this document.

COUNTRY DATA - LATVIA

GNP per capita in USD in 1991 3,410

General

Area (square km)	64,600
Population, 1990 mid-year (thousands)	2,670
Growth rate, 1980-90 (percent)	0.6
Density, 1990 (per square km)	40

Social Indicators

Population characteristics

Crude birth rate, 1990 (per 1,000)	14.2
Crude death rate, 1990 (per 1,000)	13.0

Health

Infant mortality rate, 1990 (per 1,000 live)	10.8
Life expectancy at birth, 1990	70.5

Gross Domestic Product

	Current Prices (million rubles)		Real Growth Rates (annual % change)	
	1990	1991	1990	1991
	GDP at market prices	12,201.0	28,665.0	-3.5	-8.3
Total consumption	8,226.0	16,198.0	N.A.	N.A.
Private consumption	6,888.5	13,249.6	N.A.	N.A.
Government consumption	1,337.5	2,948.4	N.A.	N.A.
Gross domestic investment	4,057.0	9,669.5	N.A.	N.A.
Fixed investment	3,337.9	N.A.	N.A.	N.A.
Change in stocks	719.1	N.A.	--	--
Net Exports	-82.0	2,797.5	--	--

Output, Employment and Productivity

	GDP in 1991		Employment in 1991		GDP per worker	
	min RUR	% of total	thousands	% of total	rubles	% of average
Agriculture	5,739.0	20.0	226.6	16.2	23,326	123.4
Industry	13,907.0	48.5	433.6	31.0	32,073	156.3
Services	9,019.0	31.5	736.3	52.8	12,244	59.7
Total/Average	28,665.0	100.0	1,396.8	100.0	20,522	100.0

Source: *Latvia: Transition to a Market Economy*. The World Bank, 1993

Latvia: Consumer Price Index
(1987 = 100.0)

	1988	1989	1990	1991
Consumer Price Index	103.6	108.5	119.9	326.4
Average Price of Goods Purchased	104.2	109.6	122.2	342.2
Price of Services	100.1	101.3	104.5	231
Memorandum Items:				
Percent Change from Previous Year				
Consumer Price Index	3.6	4.7	10.5	172.2
Average Prices of Goods	4.2	5.2	11.5	180
Purchased Price of Services	0.1	1.2	3.2	121.1

Source: State Committee for Statistics

216

**Latvia: Average Monthly Salary of Workers
(Rubles per Month)**

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
Agriculture	157	166.8	174.1	185.7	203.6	214.2	224.2	226.6	235.1	259.2	281.2	473.4
Industry	186.3	189.8	195.7	198.2	205.6	212.1	217.5	225.4	248.2	270.8	309.1	602.3
Construction	203.8	207.9	218.4	228.2	235.8	241.7	249.6	265.6	295	332.9	385.4	674.4
Education	142.1	144.3	145.4	145.5	148.5	154.6	159.6	168.1	171.6	177.7	195.5	459.2
Health	133.2	135.8	139.5	138.5	139.5	141.7	144.2	154	162.9	176.4	203.8	451.5
Average Salary in State Enterprises	171.4	175	180.4	183.6	190.3	195.9	201.4	208.9	227	249.9	290.9	561.4
Average Salary in:												
Agricultural Cooperatives	151.9	159.7	168.4	183.4	205.2	212.7	222.7	230.9	243.1	264.1	300.5	457.7
Other Cooperatives	NA	NA	NA	NA	NA	NA	NA	NA	495	668	507	694

Source: State Committee for Statistics.

215

Productivity Comparison, 1989

Commodity	Finland	Latvia	USSR	Democratic Republic of Germany
Grain (quintals/ha)	29.3	23.5	19.0	44.0
Potatoes (quintals/ha)	219.0	155.0	20.0	233.6
Sugar Beet (quintals/ha)	320.3	294.0	249.0	302.3
Milk (kg/cow)	5,246.0	3,636.0	2,600.0	3,821.0
Eggs (units/hen)	N.A.	219.0	N.A.	220.0
Feed conversion (pigs)	3.2	9.8	N.A.	N.A.
Inputs				
Labor/100 hectares	7.9	11.4	N.A.	8.2
N/ha	100.0	91.5	N.A.	141.3
P/ha	30.0	71.4	N.A.	56.4
K/ha	56.0	123.8	N.A.	94.4

N.A. = not available

Note: N = nitrogen; P = phosphorus; K = potassium

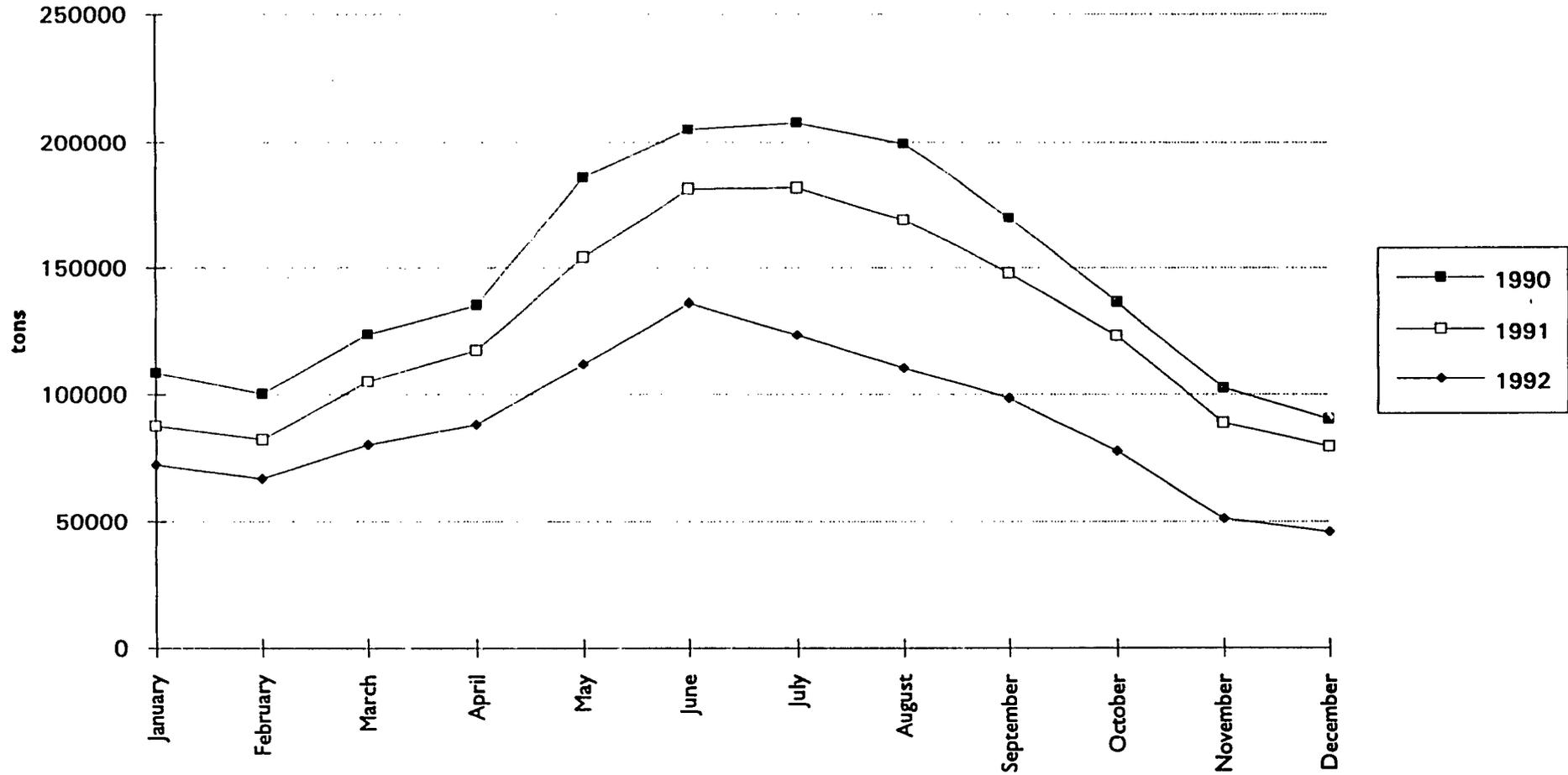
Source: *Latvia: Transition to a Market Economy*, The World Bank, 1993

**PERCENTAGES OF MILK PURCHASES
BY "KOMBINAT" DAIRY COOPERATIVES**
(in metric tons)

Name of Enterprise	% Change 1992-1991	Tons 1991	% Total	Tons 1992	% Total
Riga	-31.84%	122,599	8.07%	83,563	7.86%
Valmiera	-30.21%	289,334	19.05%	201,927	19.00%
Liepaja	-15.68%	140,399	9.25%	118,388	11.14%
Rezekne	-36.04%	264,892	17.44%	169,427	15.95%
Daugavpils	-40.53%	67,948	4.47%	40,407	3.80%
Jelgava	-23.43%	146,615	9.66%	112,266	10.57%
Tukums	-21.72%	65,983	4.35%	51,654	4.86%
Jekabpils	-37.42%	60,437	3.98%	37,821	3.56%
Bauskas	-28.09%	79,058	5.21%	56,852	5.35%
Ventspils	-32.46%	28,703	1.89%	19,387	1.82%
Agrofirma "Koknese"	-36.36%	50,152	3.30%	31,918	3.00%
Kraslava	-34.63%	60,051	3.95%	39,255	3.69%
Aizpute	-35.76%	36,380	2.40%	23,369	2.20%
Preili	-30.26%	50,580	3.33%	35,277	3.32%
Saldus	-20.94%	55,363	3.65%	41,001	3.86%
TOTAL	-30.03%	1,518,494	100.00%	1,062,512	100.00%

Source: The Ministry of Agriculture of the Republic of Latvia

MILK PURCHASE IN LATVIA, 1990-1992



1-1

Environmental Assessment of Tukums Dairy

Latvian Agribusiness Privatization Project
June 12, 1993

1.0 SUMMARY OF ENVIRONMENTAL PROTECTION IN THE REPUBLIC OF LATVIA

This chapter summarizes the current environmental protection laws and practices in the Republic of Latvia based on reading of *Latvia: A Transition to a Market Economy, A World Bank country Study, The International Bank for Reconstruction and Development, 1993* and discussions with personnel from seven dairies in the country, three Environmental Protection Committee (EPC) personnel in Headquarters, three Regional EPC personnel, and two local municipal treatment plant personnel.

The majority of the comments made in this entire report are based on translations (from both Latvian and Russian) of either written or oral comments. Because of the potential disparity in interpretation of questions and answers through the translation process, the discussion that follows should be read with that in mind.

1.1 Environmental Institutions

The Environmental Protection Committee (EPC) was created by the Latvian Supreme Council on June 2, 1990 (after the self-declaration of independence). The Supreme Council both appoints the Chairman of and elects members of the EPC. At present, the Chairman is Indulis Emsis. The EPC was placed outside of the Council of Ministers structure (but at the same level); the rationale being that the importance of the environment should not be lost amid economic priorities. The EPC will be incorporated into the parliament shortly after the June 1993 elections, including the selection of a minister to head the ministry. As such, the future of the EPC is difficult to predict. It is expected that few if any of the top officials in the EPC will remain in their existing positions. It is likely, however, that staff level employees, especially in regional offices, will maintain similar responsibilities. Nonetheless, the discussion which follows describes the environmental laws, EPC policy, and general environmental protection attitudes. The reader is warned that significant changes may occur upon entrance of the EPC into parliament.

The EPC is divided into technical and enforcement subdivisions. The technical section is headed by the first vice chairman and sets policy and standards while the enforcement section is headed by the chief inspector and implements the legal mandates in the field, including levying penalties and taxes. Nine regional committees and other state institutions assist with the implementation of these requirements.

Environmental organizations who assist the EPC to develop, implement, and enforce the regulations include; the Research Center, the Analytic and Information Center, the Forest and Hunting Inspection Committee, the Water Resource Use and Inspectorate, the

Water Reservoirs and Mineral Resources Inspectorate, and several nature reserves. The Hydrogeological and Meteorological Institute, a Soviet designed group with the best monitoring capabilities in Latvia, performs independent monitoring and maintains a database. The EPC coordinates many activities with this group, but has no administrative control over it.

The nine regional EPCs are responsible for issuing permits for projects, enforcing regulations, and providing public information services. Latvia has 26 local government administrative units, so each regional committee has about 3 local government units. Each regional committee has 5 subdivisions: (1) an inspectorate (the largest group); (2) a sampling and testing laboratory; (3) an expert group for performing environmental impact assessments preparatory to the issuance of permits for new or expanded facilities; (4) a cadastre that catalogs statistics on emissions, natural resource use, volumes, etc., and (5) support services.

The regional EPCs are primarily geared towards determining the pollution charge level, to inspect for compliance, to impose penalties for exceeding limitations, and to negotiate a compliance schedule to achieve the necessary reductions in emissions. The ultimate sanction, closing down an enterprise, has not yet been exercised.

1.2 Environmental Laws

Since 1990, the Supreme Council of the Republic of Latvia has enacted several laws governing environmental protection:

- The Law on the Environmental Protection Committee (June 1990) establishes the Environmental Protection Committee (EPC) as the executive and oversight authority for all environmental protection and natural resource use in Latvia and is accountable of and subordinate to the Supreme Council. The EPC thereby formulates, implements, and oversees unified policy for environmental protection and natural resource use. This law also grants the EPC authority to monitor without hinderance to assess compliance with environmental laws. Finally, this law sets out the requirement that the EPC must prepare an account of its activities at least annually and submit this report to the Supreme Council.
- The Law on State Environmental Impact Assessments (October 1990) establishes and regulates the environmental impact process in Latvia. Environmental Impact Assessments are a prerequisite for the financing of any state industrial project. If the assessment determines that the project directly or indirectly impacts, or in the future, may impact the surrounding environment, public health, or living conditions, state

institutions of authority and administration will determine the fate of the facility.

- The Environmental Protection Committee Inspectorate Regulation (October 1990) vests authority in EPC inspectors to verify, without impediment, the observation of the environmental protection law, for both environmental protection and natural resource use, and provides enforcement powers in these inspectors to halt activities that violate the law and to punish violators.
- The Law on Natural Resource and Pollution Charges (December 1990) establishes charges for the use of natural resources and the release of effluent within standards and enforces sanctions against those who exceed permitted limitations or whose releases exceed the standards. Funds collected from these taxes and fines, of which 25 percent goes to the Republic of Latvia national budget and 75 percent goes to the local municipal government budget, must be used for activities related to environmental protection.
- The Law of Environmental Protection (August 1991) delegates primary responsibility to the EPC regarding environmental protection, natural resource use, environmental impact assessment procedures, standards, permits, and public information and sets out goals for the protection of the environment and the rational use of natural resources.

At this time, these regulations identify overall goals rather than specific operative limitations and requirements. The EPC and the Supreme Council are considering new laws to improve implementability of the requirements and to make the laws more technically defensible. For example, a new hazardous waste law was recently enacted, setting out specific requirements for wastes exhibiting corrosive, reactive, ignitable, or toxic properties.

Latvia has also instituted specific regulations for water use, water use permits, wastewater discharge permits, and wastewater discharge standards which were confirmed with the Latvia EPC Council on November 29, 1991 (Resolution Number 3). These regulations, which were implemented starting in 1992, limit the use of water and set maximum allowable discharge standards to Latvian waters (i.e., water quality standards).

Regardless of the quality of the existing regulations, changes to all environmental laws will occur, if nothing else than to revise the administrative procedures of the law (i.e., now being within the parliament).

Unfortunately, at this time, privatization efforts have paid little or no attention to environmental issues that may be of concern at these enterprises. Similarly, the EPC, aware of the

economic hardship, has been willing to forego strict enforcement of environmental standards. The EPC waives fines at enterprises on a regular basis as long as the enterprise is aware of the environmental problems at its plant and is willing to do "whatever it takes" to improve its situation with the exception of making a capital investment. Enterprises that do not appear to care about the future of the environment typically are required to pay fines, hopefully to instill a sense of urgency in the protection of the environment.

1.3 Environmental Standards

Latvia uses the water standards of the former Soviet Union and has added a limited number of its own national standards. The Soviet standards are more stringent than European Community or United States standards; however, enforcement of these standards was minimal in the Soviet Union. The setting of unrealistic limitations led to general disregard for environmental laws and regulations. Over 2,000 water quality indicators were applied in the old Soviet system. Individual industrial effluent limitations are to be based on manual calculations taking into account the characteristics of the receiving stream. Discussions with dairy personnel indicate that in most cases, rather than setting site-specific limitations, the EPC uses a National set of effluent limitations, per the EPC Council Resolution Number 3 (November 29, 1991). These effluent limitations for pollutants associated with dairies, along with National water quality criteria applicable in the receiving waters, are provided in Table 1.1. These limits were developed by the EPC using both the old Soviet standards and more recent European Community (EC) standards as a basis.

Table 1.1. Pollutant Limitations and Water Quality Criteria Applicable to Dairies

NO.	PARAMETER	WATER QUALITY CRITERIA (mg/l)	EFFLUENT LIMITATION (mg/l)
1	Suspended Solids	-	15
2	Chlorides	300	300
3	Sulfates	100	500
4	Biochemical Oxygen Demand	3	12
5	Chemical Oxygen Demand	15	90
6	Nitrate Nitrogen	9.1	25
7	Nitrite Nitrogen	0.02	0.15
8	Ammonia Nitrogen	0.39	8

9	Phosphates	0.25	2.5
10	Anionic Surfactants	0.1	0.5
11	Nonionic Surfactants	0.1	2
12	Fats	-	5
13	Oil Products	0.05	0.5

Similarly, air standards were adopted from old Soviet regulations and apply to over 500 pollutants. For dairies, emission monitoring is not routinely performed, but dairies are required to pay taxes for air pollution from boilers, furnaces, and ammonia refrigeration systems based on the quantity of chemicals used or oils burned. Limitations on the quantity of pollutants that can be emitted are contained in air permits. These quantities are based on the chemicals used or burned rather than on actual emission monitoring results.

1.4 Enforcement

As identified in Section 1.1, permits are issued by regional EPCs. The permits stipulate effluent limits for major pollutants and are subject to revision every year. When a facility does not have control equipment to meet emission standards, temporary limits are established through negotiations on the basis of the best possible utilization of the technology currently in place at the plant.

Natural resource and pollution taxes and fines were introduced in the Law on Natural Resource and Pollution Charges. The taxes are based on the use of natural resources (e.g., surface water and groundwater) and the pollution of air and water according to the quantity used or discharged. As of June 1993, the specific tax rates for natural resource use are provided in Table 1.1. Tax rates for pollution are provided in Table 1.2. Note that rates for natural resource use and pollution emission are subject to change. For example, the rates provided in Tables 1.1 and 1.2 denote a ten-fold increase effective January 1, 1993.

Fines have to be paid by enterprises if permit limits are exceeded and amount to three times the fees and are paid to the State Environmental Protection Fund from after tax profit. Seventy percent of the fines go to the regional EPC and thirty percent go to the National EPC. In 1991, about 6 million Russian Rubles accrued to the fund.

At present, there is no National requirement for industries in Latvia to perform independent sampling and analysis of emissions. This work is performed by the EPC, and its subordinate organizations, and the Hydrogeological and Meteorological Agency.

There are, however, some Regional EPCs that have required industrial facilities to monitor wastewater discharges and report results to the Regional EPC. Latvia does not have National sampling and analysis protocols that must be followed. Rather, the EPC will occasionally compare its laboratory results with enterprise analytical results and if large discrepancies are noted, the EPC will try to determine the cause of these problems. Quite often, the problem is traced to the analytical procedures, however, again it should be noted, that with the poor state of the economy, laboratory reagents are difficult to purchase, making laboratory work less reliable.

Dairies that discharge wastewater to a municipal (e.g., City) treatment plant are subject to the requirements of the treatment plant personnel rather than the EPC personnel. In these cases, the City staff issues a permit to the dairy that identifies the volume of wastewater permitted to be discharged and the allowable nature and concentration of the wastewater. Sampling may be conducted by the EPC and/or the City and may also require self-monitoring on the part of the dairy. Specific requirements for industries discharging to municipal treatment plants are not set out in the environmental regulations, rather, City personnel develop limitations based on the amount of water and pollutants that its treatment plant can accept and still meet its wastewater permit limitations.

Table 1.1. Tax Rates for Natural Resource Use

TAX RATES FOR WATER USE		
NO.	TYPE OF WATER USE	TAX RATE (LVR/M ³)
1	Ground water	1.0
2	Surface water	0.2
3	Medicinal mineral water	5.0
4	Table mineral water	20.0
TAX RATES FOR NATURAL RESOURCE ACQUISITION		
NO.	RESOURCE TYPE	TAX RATE (LVR/M ³)
1	Ground soil	1.0
2	Sand	2.5
3	Sand and gravel mixture	8.0
4	Gravel	6.0
5	Clay	3.0

6	Dolomite	8.0
7	Limestone	15.0
8	Gypsum	20.0
9	Peat	3.0
10	Sapropel	2.5
11	Medicinal mud	36.0

Table 1.2. Tax Rates for Pollution

TAX RATE FOR POLLUTION WITHIN NORMATIVES, WASTE DISPOSAL		
NO.	WASTE CLASSIFICATION	TAX RATE (LVR/M ³)
1	Non-toxic wastes	30
2	Toxic wastes	100
3	Extremely toxic wastes	3,000
TAX RATES FOR AIR POLLUTION		
NO.	POLLUTION CLASSIFICATION*	TAX RATE (LVR/TON)
1	Non-toxic emissions	200
2	Medium hazard emissions	300
3	Hazardous emissions	650
4	Very hazardous emissions	650,000
TAX RATES FOR WATER POLLUTION		
NO.	POLLUTION CLASSIFICATION*	TAX RATE (LVR/TON)
1	Non-toxic substances	200
2	Medium hazard substances	2,000
3	Hazardous substances	500,000
4	Very hazardous substances	3,000,000

* The separation of polluting substances according to hazard level is done according to classifications set by the Republic of Latvia Environmental Protection Committee.

POLLUTION CLASSIFICATION ACCORDING TO HAZARD LEVEL
(Air and Water Pollution)

284

1. Non-toxic Dust, suspended materials, sulfate, alkaline metal chloride.
2. Medium hazard Carbon dioxide, phosphorus, nitrate, nitrite, iron compounds, biodegradable organic compounds, fats, surface active substances.
3. Hazardous Sulfur and nitrogen oxides, oil products, phenol, alcohol.
4. Very Hazardous Aromatic hydrocarbons, cyanide and its derivatives, heavy metals, and pesticides.

1.5 Environmental Audits

Industrial environmental audits can be valuable in guiding programs for remedial development and prioritization of activities. One of the most important benefits of plant-wide environmental audits is to identify processes and operational practices that are large pollution generation sources. This can assist plants in making changes that reduce pollution rather than focusing on control, which can be costly and, often, ineffective. Process changes can provide other benefits as well, such as reducing operating costs, and maximizing plant efficiency. It is also important to instill environmental auditing as an in-house plant management activity that keeps up with the dynamic workings of all types of manufacturing operations, due to process and product changes, technology changes, utility pricing, and market changes. The highest priority for dairies should be given to the protection of surface waters. Problems are emerging, both at the industrial and municipal level, with the operation of wastewater treatment units because of the shortage of replacement units and spare parts from the old Soviet Union and the higher costs of this equipment from westernized countries.

1.6 Conclusions

Technical solutions are available for most of the environmental problems caused by industry. Key measures for control should include the expanded use of modern equipment for industrial pollution control, waste utilization, and environmental monitoring. Substantial investments may be necessary to meet environmental goals, but care must be taken to invest in pollution controls for industries that will remain economically viable for a period of time and are not likely to close down soon. Investments should be cost effective and should provide the only alternative to achieve the pollution reduction goals.

107

2.0 TUKUMS DAIRY

The Tukums Piens (Tukums Dairy) enterprise consists of three plants; one located in the City of Tukums, one in the Village of Jaunpils, and one in the Village of Kandava. The primary focus of the report is on the Tukums plant, but an overview of environmental issues at Jaunpils and Kandava are also discussed.

2.1 Introduction

The Tukums dairy receives approximately 75 t (all references are to metric tons) of raw milk and about 10 t of cream daily. The plant is operating at about 50 percent capacity. The Tukums dairy manufactures fluid milk products, butter, kefir, cottage cheese, and cream. The largest consumption of raw milk is the production of 3-5 t of cottage cheese and 5 t of butter daily. The plant is experimenting with casein production as a way to get rid of its skim milk.

The dairy in Tukums discharges wastewater both to the City and the receiving stream. Dairy processing wastewaters are discharged to the City. Non-contact cooling water is discharged to the river adjacent to the dairy.

Whey is returned to farmers for use as hog feed. Often, the dairy can not sell all this whey and has to discharge the excess whey to the sewer.

2.2 Water Use

The plant uses approximately 450 m³ of water a day, approximately half of which goes to the City treatment plant. Water use is high at the plant. Significant sources of water include; bottle washing operations for fluid milk and cream packaging, cottage cheese washing operations, and general equipment and floor cleaning.

2.3 Wastewater Treatment

Tukums does not have wastewater treatment for its process wastewater. The facility does have a sand filter to trap large particles prior to discharge, this being to prevent clogging of the collection system. The dairy claims it does not have the money to build treatment, but the Regional EPC inspector feels that the fines imposed on the dairy for violations should be enough of an incentive to initiate construction of a treatment plant.

The dairy is located in an area where there is little land available to build a treatment plant (i.e., landlocked); however, land is available a short distance away which is available for the

dairy to build its treatment. It appears as though the dairy has negotiated with the City for the use of this land. The dairy is working on plans to construct a treatment system, but the Regional EPC feels that progress is too slow.

The dairy's planned design for its treatment system include anaerobic and aerobic treatment in two 350 m³ tanks, followed by a 100 m³ biofilter, and stabilization in a biological pond. Under this treatment scenario, the dairy expects to achieve about 96-97 percent removal of BOD. The dairy does expect a large amount of energy to be consumed to keep the anaerobic treatment tank at its operating temperature of about 30 degrees Celsius. According to the dairy, this treatment system should cost about 5-6 million Rubles to build.

The City operates a design capacity 3,400 m³ a day secondary treatment plant, employing activated sludge biological treatment with an average daily flow of 6,000 m³ a day. The City began an expansion to increase plant capacity in 1989, but funding is inadequate to complete the construction. The City estimates that it will take about 25 million Rubles to complete the plant, but only have funding of 5 million Rubles. As such, the existing plant is operating at almost twice the capacity and is unable to meet its discharge limitations. The Tukums dairy is one of the two largest contributors of wastewater and BOD to the treatment plant.

2.4 Groundwater Quality

The dairy stated that it has not problems with the quantity or quality of groundwater that it uses at the plant.

2.5 Compliance with Existing Regulations

The dairy has had effluent limitations since 1989 for its discharge to the City. The City fined the dairy 597,000 Rubles in the first quarter of 1993 for violations of discharge limitations (primarily BOD). These limitations are in Tukums' wastewater discharge permit, which was developed by the City and the Ventspils Regional EPC, based on the enterprise's calculations of loadings contributed to the City. These limitations were updated less than one month ago. The City does not fine the dairy for all discharge violations because of the economic hardship that would be imposed. As such, fines are imposed on an irregular basis, more to try to stimulate attempts to reduce pollutant concentrations than to severely penalize the plant.

The dairy's range of wastewater discharge concentrations and corresponding discharge limitations for pollutants of concern are as follows: Total Suspended Solids (TSS), 500-1,500 mg/l average discharge (limit of 450 mg/l); Biochemical Oxygen Demand (BOD), 800-2,200 mg/l average discharge (limit of 450 mg/l); Chemical

Oxygen Demand (COD), 1,100-3,600 mg/l average discharge (limit of 700 mg/l); and fats, 50-200 mg/l (50 mg/l limit). The plant's permit also includes limits for synthetic surfactants, ammonia, nitrate, nitrite, phosphate, and total nitrogen.

Tukums Regional EPC oversees the City of Tukums wastewater treatment plant. Wastewater is sampled as a joint venture between the City, the Jurmala EPC laboratory, and the dairy. These samples are collected each month and are apparently collected both as grab samples and composite samples (taking into account flows at various times of the day).

Additionally, the amount of groundwater extracted from groundwater wells (550 m³), the amount of cooling water discharged directly to the river (230 m³), and the amount of process water discharged to the City (220 m³) is also limited in the dairy's water use permit. The plant has flow meters to measure these flows.

2.6 Summary

Tukums lack of treatment has put a lot of pressure on the City to comply with its wastewater discharge limitations. As Tukums is one of the largest contributors to the City in terms of both hydraulic and organic loadings, the City appears to fine the dairy only to cover the cost of their own fines. Based on the effluent data provided for Tukums' discharge, it does not appear as though in-house management practices would have a significant impact on the City's ability to meet its discharge permit limitations. Until Tukums installs treatment, Tukums will continue to be one of the largest contributors of organics to the City.

3.0 JAUNPILS DAIRY

The Jaunpils Dairy receives approximately 30-40 t of raw milk daily and is operating at about 50 percent of its capacity. The plant manufactures about 1 t of cottage cheese, 1.5-2 t of sour cream, and about 0.35 t of caraway seed cheese daily. The dairy also has equipment to make butter, but, anymore, this is rarely used. Approximately 3-4 t of cream is sent to Tukums daily. Jaunpils is reconstructing its cheese production area, scheduled to be completed in 1995. This will increase cheese production capacity to 2 t per shift.

Skim milk, generated in the separation of raw milk, is returned to the farmers as is a portion of the whey generated from cheese manufacturing. The remaining whey is discharged to the sewer. The production manager did not know what percentage of whey went to each of these two practices as whey disposal is changing almost daily.

The plant uses about 50-75 m³ of process wastewater daily, all

of which is discharged to the City treatment plant. The plant also uses about 100 m³ of water for cooling that is discharged directly to the river. The plant is permitted to discharge 80 m³ a day of process wastewater and 102 m³ a day of non-contact cooling water. The majority of the process water is from once-through equipment cleaning and washing of whey. Steam and caustic soda are used to sanitize the equipment.

Jaunpils does not have wastewater treatment, other than three large (approximately 8-10 m³ each) underground tanks used for solids settling prior to discharge to the City.

The dairy discharges its process wastewater to the City treatment plant, which consists of equalization, mechanical screening, aeration, sedimentation, and stabilization. The plant has a design capacity of 700 m³ of wastewater a day and is operating around capacity. At the time of the visit, the aeration system was unable to provide adequate oxygen, causing the activated sludge to turn black in one of the two aeration basins. While the plant is manned 24 hours a day, at the time of our visit, the operator was not present.

The majority of the storm water from the dairy discharges to the City treatment plant. There are areas around the facility that seem to be sloped to allow storm water to flow off plant property, although it did not appear likely that this storm water would be of concern (i.e., no process wastes).

The dairy uses both groundwater and surface water at its plant. The EPC set limits on the consumption of both types of water use. The plant is permitted to use 110 m³ of groundwater (drinking water quality) and 82 m³ of surface water a day.

It did not appear as though the Jaunpils dairy had effluent limitations for its discharge to the City's treatment plant, and if it did, these limitations were not being enforced.

4.0 KANDAVA DAIRY

The Kandava Dairy receives approximately 30-40 t of raw milk a day at this plant. The plant manufactures whole milk products, cream, cottage cheese, and cheese and is operating at about 50 percent of its capacity. Approximately 3-4 t of cream is sent to Tukums daily. The plant generates approximately 8-10 t of skim milk a day.

The facility is permitted to use 238 m³ a day for process and drinking water and 9 m³ a day for cooling water.

Kandava does not have wastewater treatment. All wastewater is discharged to the Village treatment plant. The Village's existing treatment plant is a 650 m³ a day primary treatment plant with

mechanical screening and sedimentation. The system is in total disrepair, appearing as though operation and maintenance is no longer performed. At the time of our visit, the water flowing through the City treatment plant was very milky in color, indicating that large amounts of milk waste from Kandava was being lost down the drain.

The Village built a new secondary treatment plant that has a capacity of 700 m³ a day, with an existing flow of 300 m³. The dairy is unable to discharge to the new plant because it is on the other side of town and construction of the necessary pipeline and pumping station would cost 40 million Rubles or more (of which this money is not available in the village).

The plant does not have to pay a surcharge or a fine for wastewater discharges, only a water use fee is charged. All storm water from the site flows directly into the river, although little processing activity takes place outdoors, thus little cause for concern. Wastewater from the milk receiving area flows to the City treatment plant rather than to the river.

5.0 SUMMARY OF TUKUMS PIENS

Only the dairy at Kandava appears to be using a lot more water than is necessary. The Tukums plant currently uses about 2-3 liters of water per pound of milk processed, Jaunpils uses about 2 liters of water per pound of milk processed, while Kandava uses about 6-7 liters of water per pound of milk processed (about 2-3 liters of water per pound of milk is reasonable and about 1 liter of water per pound of milk would be considered very good). The amount of water used does depend on the type of products being manufactured and is only presented as a guide. However, in almost all cases, dairies that use more than 3 liters of water per pound of milk processed can reduce water usage through in-house management practices or inexpensive capital investments. Even Tukums and Jaunpils, who are not using overly excessive amounts of water, may find simple solutions to reduce water usage.

Additionally, all three dairies should look for ways to reduce the amount of milk and milk by-products that are being discharged into the treatment system or to the City. The best approach to this problem is to plan and conduct an environmental audit of the processing facility, paying special attention to water usage and milk losses. Areas that are typically of concern include;

- Housekeeping practices (e.g., spill cleanup practices and response to leaks)
- Water control (e.g., only running water from the hose when cleaning, adding spray nozzles to the hoses to provide on-demand supply of high pressure low volume water, or paying close attention to tank filling to

prevent overflows)

- Building dikes or berms around storage tanks and other vessels where leaks to the sewer are unwanted
- Controlling breakage in milk packaging equipment (e.g., paying close attention to the filling of the packaging and stopping the system if a high percentage of breakages are occurring)
- Whey handling practices (e.g., preventing the initial whey drainage and first rinse from entering the sewer system and only discharging second and third rinses)
- Spilled material handling (e.g., cleaning up spilled solids with a broom for use as animal feed, rather than hosing this material)
- Worker understanding of the problem (preventing willful wasting of material as a time or effort saving step).

Similarly, processing practices and small capital investments may also effectively reduce the volume of water and pollutants being discharged. These include activities such as:

- Draining milk cans or milk trucks for a longer period of time to reduce the residual milk that must be washed out
- Covering all drains with wire mesh to collect milk and milk by-product solids that may end up on the floor
- Clearly marking on and off positions on water valves to minimize worker negligence
- Use post cleaning rinses as make-up water for sanitizing or cleaning of other equipment
- Provide drip shields on filling equipment for product recovery.

While the above practices may not all be appropriate, or may already be instituted, it is likely that the incorporation of these types of ideas into the worker mentality can improve the quality of and reduce the quantity of wastewater discharged. It is also important that the environmental audit be supported by the plant management.

As discussed during the visit, the disposal of whey and skim milk will continue to be problems for all dairies in Latvia. If the plant has to discharge whey, initial drainage and the first wash of the whey should be stored for disposal or sales to farmers, rather than discharging to the treatment plant or City. The second and third washes should be the waste that is discharged. If whey has to be discharged, the plant should have storage so that the

they can be bled into the system a little bit at a time.

In conclusion, Tukums will have to install treatment if the Nation begins to implement sound environmental legislation and take enforcement action against violators. Tukums does appear to be headed in the right direction with its design of a treatment system. Plans and estimated costs for that system appear reasonable. It is doubtful that with this system the dairy will be able to discharge directly to the river as the concentrations of BOD and TSS will still be well over the National standards of 12 mg/l and 15 mg/l, respectively. This treatment will, however, have a significant impact on the City's treatment plant as it is estimated that pretreatment by the dairy will reduce the organic loading from over 1,130 of BOD to about 50 pounds of BOD.

In Jaunpils, the Village's treatment system appears to be more of a problem than the dairy. The Jaunpils dairy is a small plant located in a remote Village in Latvia. Under those conditions, the dairy appeared to be making a conscientious effort to reduce the discharge of milk waste to the Village. During our visit to Jaunpils, wastewater in the settling tanks was only slightly discolored, indicating that little milk and milk waste was being lost. Considering that the dairy is making cheese and cottage cheese, the plant seems to be performing well. Of course, a permanent solution to its whey disposal would be helpful.

Kandava appears to discharge excessive water to the Village, as well as excessive milk waste. Looking at the Village's treatment plant, there is cause for concern that depletion of oxygen in the receiving stream is likely to be occurring. The immediate solution is for the Village to complete construction of the collection system so that the dairy is connected to the secondary treatment system, rather than to the run-down primary system. Apparently, there is capacity in the Village's new treatment plant to accept all the wastewater currently being discharged to the primary plant. Even if this construction is completed, Kandava should focus its efforts on reducing water usage and milk losses in production.

**Privatization of the
Tukums Milk Processing Plant**
A legal analysis

I. Summary of the facts

The Tukums Milk Processing Plant ("Tukums") has systematically followed the course charted by the Latvian Ministry of Agriculture ("MOA") to private ownership. The first step was a change to Kombinate status on June 16, 1991. This allowed for additional local control over what still remained a state enterprise. Following the April 15, 1992 Supreme Council Resolution allowed milk producer associations to claim milk processing plants located within their territory, Tukums formed and registered the Tukums Milk Producers' Association ("Association") on June 3, 1992. The plant was then transferred to the Association by MOA decree on November 5, 1992 but not before the Association agreed to amend its Charter to allow for Subsequently-formed pagast cooperatives to claim objects within its territory.

At the time of a visit to the plant on February 18, 1993 we were informed by Directors and Officers of the Association that they were having a difficult time organizing cooperatives at the pagast level. There are 21 pagasti and two smaller plants (Kandava and Jaunpils) in Tukums' operational area. According to the people we spoke with, the producers in the various pagasti do not see the need to form such organizations since all of their current needs are taken care of by Tukums (ie milk transportation). Therefore, the Directors at Tukums were considering proceeding with the final privatization of the plant through the Association, without pagast-level cooperatives.

Subsequent to that visit, the legal analysis as outlined below was presented to the officers of the Association. The Association also made greater efforts to make local farmer aware of the provisions of the Privatization Law. As the consequences of the law became better understood, less resistance was found to establishing pagast-level cooperative associations. Considerable progress has be made more recently in establishing such associations.

II Legal Analysis

The law on Privatization of Milk Processing Enterprises came into effect on February 1, 1993. This law lays out the final steps of the dairy privatization program both for those objects that still must be privatized and those, like Tukums, which have already been transferred to and association and only require that their assets be personified. As applied to Tukums, this law proceeds as follows:

1) Definitions:

Tukums squarely falls under the category of "personified objects". These are state milk collecting and processing enterprises which were transferred to milk producer

cooperatives associations in accordance with the Supreme Council resolution of April 15, 1992.

- 2) Section I "General Regulations";
Article 1 "The Law's Function and Objectives";
Paragraph 3:

This paragraph states that personified objects are subject to the provisions of Article V of this law.

- 3) Section V "Personification of capital in milk producer cooperatives associations and stability guarantees for the privatization process",

Article 23 "Distribution of assets regained by milk producer cooperative associations without compensation":

If the object returned as a result of the April 15 legislation incorporates several pagasti in its operational area, then distribution of capital among the various cooperative associations follows the guidelines of Article 18 of this law.

- 4) Section IV "Valuation and purchase of the unit to be privatized";
Article 18 "Distribution of basic capital among milk producers and milk and milk product suppliers":

Capital shares in the object are to be divided among milk producer cooperative associations proportional to the amount of milk supplied by pagast milk producers within the operational area of each association during both 1991 and 1992.

- 5) Section V
Article 24 "Personification of capital in milk producer cooperative association without compensation":

The above-described personification is to be accomplished in two stages - half of the enterprise value is personified on January 1, 1994 and the other half on January 1, 1995. This is done by adding half of the value of the enterprise assets to the basic capital of the company by correspondingly increasing the number of shares or their nominal value.

This article concludes by stating that property of the state transferred to the association without compensation cannot be expropriated until all assets are personified.

Substantially this is the entire law as it applies to Tukums. As far as application of the law is concerned, Tukums is following a course dictated by local circumstances and preferences. Since it has not been listed by the MOA as one of the central milk processing plants subject to full-scale privatization, the Association has a great deal of freedom in creating their own privatization plan.

Tukums' practical approach of initially organizing a cooperative association around the processing plant and then allowing pagast cooperatives to claim assets later, as they are formed, is a deviation from the language of the privatization law. The law would require Tukums to form cooperatives in each pagast immediately in order to personify assets that have been given to the Association without compensation.

In order to follow the letter of the law, Tukums should exert every effort to organize pagast-level cooperative associations. This would not be especially complicated since the Association already has a list of members from the various pagasti. Only five founding members need to be identified and a cooperative can be formed. Despite the burdens pointed out by the Directors of the Association (no perceived need for local cooperatives, lack of money to pay founding capital) this would put them in compliance with the privatization law. At least, sincere activity in attempting to form pagast cooperatives could convince the MOA that Tukums has exerted its best efforts to comply with law.

Even if all the pagasti do not form cooperative associations, the MOA will still personify the assets in the Association in accordance with the timetable set out in the privatization law. The MOA has already acquiesced to the Tukums personification plan. In approving the transfer of the Tukums Kombinate to the Association, the MOA recommended that the Association add a provision to their charter allowing for personification of assets to any regional cooperatives that may be formed later. (Notice from the Milk Receiving & Processing Enterprise Privatization Working Group; Meeting of October 21, 1992). The MOA seems to have recognized the need for this adjustment based on local circumstances at Tukums.

In his written comments, the author of the privatization law, Mr A Migalvs, has allowed for solution based on very similar local considerations. (See Section 6.3, Privatization of Dairy Processing Plants). There he foresees the possibility of uniting several pagasts under one cooperative association should circumstances warrant. Such language does not appear in the law.

Ultimately, the MOA will decide whether to approve the Tukums approach. Since the law does not specifically disallow deviations based on local circumstances, the MOA has the discretionary authority to allow Tukums to proceed. MOA officials have privately expressed confidence that Tukums will proceed smoothly through the privatization process.

**AGRO-INDUSTRY PRIVATIZATION
IN LATVIA**

**FINAL REPORT
(VOLUME 2 OF 5)**

JULY 30, 1993

**REFERENCE CONTRACT NO.
EUR-0014-I-00-1058-00**

DELIVERY ORDER #9

VOLUME 2 OF 5

Contents

3. THE GRAIN SECTOR

3.1 Overview of Activities

3.2 General Industry

3.2.1 "Industry Characteristics and Strategy to Privatize Enterprises in the Grain and Grain Processing Industry: Draft Report" (February 1, 1993)

3.2.2 "Industry Characteristics and Strategy to Privatize Enterprises in the Grain and Grain Processing Industry: Report No. 2" (May 15, 1993)

3.2.3 "Comments on the Draft Law of 2/22/93: "On the Latvian Grain Market and State Grain Reserves" (April 15, 1993)

3.2.4 "Comments on National Grain Production Program" (March 22, 1993)

3.2.5 "Discussion Paper on Farm Programs" (April 29, 1993)

3.2.6 "Status Report on Latvian State Feed Mills: April 1993" (May 28, 1993)

3.3 On Latvijas Labiba

3.3.1 "On Restructuring *Latvijas Labiba*" (December 18, 1992)

3.3.2 "Discussion Paper: Restructuring and Privatizing Latvijas Labiba: Guidelines for Implementation" (January 25, 1993)

3.3.3 "Comments on the Draft Law of 1/28/93: "On the Latvian Grain Market and State Grain Reserves" (February 8, 1993)

3.3.4 "Comments on The Charter of Latvijas Valsts Labiba Birojs" (February 1993)

3.4 Bakeries

3.4.1 "Bakeries - Privatization Plan" (June 1993)

3.4.2 Sample Investment Packet for Druva

- General Information
- Bakery Notes
- Financial Statements
- Notes to Financial Statements

3.4.3 "Bakeries - Reports on Individual Enterprises" (June 1993)

- Notes to Financial Statements
- Abra
- Balmaiznieks
- Jelgava
- Liepaja
- Rezekne
- Ventspils
- Vidzeme

4. GENERAL

"Farm and Agribusiness Privatization in Latvia" (March 12, 1993)

5. AID MONTHLY REPORTS

5.1 June 1992

- Latvia Country Briefing

5.2 July 1992

5.3 August 1992

- "Current Status of Collective and State Farm Privatization and Models for Dairy Producers Associations in Latvia" (September 3, 1992)

5.4 September 1992

5.5 October 1992

5.6 November 1992

5.7 December 1992/January 1993

5.8 February/March 1993

3. GRAIN SECTOR

Overview of Activities

GENERAL INDUSTRY

Industry Characteristics and Strategy to Privatize Enterprises
in the Grain and Grain Processing Industry: Draft Report

Industry Characteristics and Strategy to Privatize Enterprises
in the Grain and Grain Processing Industry: Report No. 2

Comments on the Draft Law of 1/28/93
"On the Latvian Grain Market and State Grain Reserves"

Comments on National Grain Production Program

Discussion Paper on Farm Programs

Status Report on Latvian State Feed Mills

THE GRAIN SECTOR

OVERVIEW OF ACTIVITIES

Work on the grain sector began in December 1992 when the government decided to disestablish Latvijas Labība. Latvijas Labība was the organization that controlled all aspects of the grain industry from the purchase of grain from farmers, its storage and milling, through to the sale of flour, bread and animal feed both locally and on export markets. As well as owning and managing the commercial enterprises within the grain sector, Latvijas Labība was also responsible for the regulation of the industry including fixing prices for all grain and grain products. Given the importance of creating an appropriate commercial and regulatory environment in which to carry out the privatization of the industry, at the government's request the project team prepared draft legislation for the government's consideration. A copy of the draft legislation is included in section 3.3.1. The principal provision of the legislation provided for the separation of the ownership and control of commercial operations from the regulation of the industry. The principle of separating the ownership and regulatory functions was accepted by the government and embodied in subsequent legislation.

In January 1993, a grain sector expert, Si Matthies, joined the project team to assist in the preparation of a preliminary report on the grain sector. Following an initial survey of the industry, a discussion paper was prepared addressing the steps needed to transform and ultimately privatize the grain sector. This paper was discussed with the government while the grain expert was still in Latvia. The government's views and response were taken into account in completing the preliminary report on the sector. This report (section 3.2.1) described the salient features of the grain sector and proposed a strategy for its privatization.

As a consequence of the decision to disestablish Latvijas Labība, a range of new legislation was required. This included legislation covering the establishment of a competitive grain market, the regulation of the industry, the establishment of a new regulatory body, and policies regarding the government's grain purchasing program. This body of legislation was intended to provide a framework for privatized entities in the grain sector to operate.

The project team provided input and comments on drafts of the various pieces of legislation as they were prepared. This was done at both a formal and informal level. Copies of written comments on the grain market law, the charter of the regulatory body - Latvijas Birojs, and the government's proposed grain production program are included in section 3.3.

The grain expert returned to Latvia in April 1993 to continue work on preparing a final report on the grain sector (section 3.2.2). The final report included additional information on the characteristics and prospects of the industry as well as a more detailed strategy for the restructuring and privatization of the sector. The report recommended that, despite the considerable over capacity in most segments of the industry, privatization should proceed immediately. It also recommended that the government should not attempt any major restructuring of any of the commercial enterprises within the sector before privatizing them.

Given the abrupt disestablishment of Latvijas Labība and the lack of new institutions to take over some of its functions, particularly grain purchasing, there were concerns that the 1993 harvest would prove disastrous for the farmers. A discussion paper on a farm program to assist the transition to a competitive market was prepared and discussed with the government while the grain expert was in Latvia. A copy of the report is included in section 3.2.5.

By the end of April it was apparent that, although legislation covering the grain market might be passed before parliament was dissolved in May, it was unlikely that any major progress would be made on privatizing grain elevators, feed mills or flour mills before the elections in June. However, the government did undertake to pass specific legislation prior to the election covering the privatization of the bakeries that had been part of Latvijas Labība. These bakeries were already operating in a relatively unregulated market and were having to face competition from both newly established small private sector bakeries, and from larger established bakeries owned by collective farms. As early privatization was likely to occur with the state bakeries, and as they were operating in an appropriate competitive environment, it was decided that the remaining work in the grain sector under delivery order nine should focus on bakeries.

In discussions with the officials responsible for drafting agricultural privatization laws, it was established that the bakeries law would follow the same format as the draft law on the privatization of meat processing plants. The draft meat processing law allowed for a majority of the shares to be sold to third parties, with minority stakes for management, employees, and relevant agricultural interests. The sale to third parties would be by way of a competitive tender. Preliminary discussions with the bakeries indicated that there was likely to be interest from foreigners in the sale.

As foreigners were likely to be involved, it was decided that assistance could best be provided through the preparation of information on the bakeries that would be in a form that would be useful to both local and foreign investors. Further, as only ten bakeries were involved, it was decided that the work could cover all ten. However, in practice only eight bakeries were covered. One bakery, Daugavpils, was in the process of having its management replaced and the Ministry of Agriculture recommended that the team not approach that enterprise. Two other bakeries, Vidzeme and Strategic, already had arrangements with the Ministry of Agriculture whereby the plants were leased to the management. A visit was made to Vidzeme but, because of the management's direct financial interest in the operation, they declined to supply financial information on the enterprise. Limited information was obtained directly from the Ministry, however, some crucial financial information could not be collected. Similar problems were predicted for Strategic so, given its limited production, no visits were made to it.

The information collected covered the financial, operational and legal aspects of each of the bakeries. An early assessment that bakeries were unlikely to be responsible for any major environmental problems was confirmed when the environmental engineer covering the dairies visited two of the bakeries. The work was undertaken by the resident project team assisted by a bakery expert and two accountants.

With regard to the financial aspects of the bakeries, a major effort went into transforming their accounts from the Soviet format into a Western format. Building on the work undertaken with

the dairies the previous year, a program was developed for transforming the accounts. This was done with the assistance of accountants from the Ministry of Agriculture and from the bakeries and dairies. Although all state enterprises used a standard format for their accounts, it became apparent that the way individual lines were treated varied from enterprises to enterprise. This necessitated careful discussion with the accountants from each enterprise to ensure consistency of the reformatted accounts. A general note on the accounts was prepared as well as specific notes on each bakery.

The operational information collected on each bakery consisted of production levels, a description of the major items of plant for each production site, and a brief description of the production process. The legal work consisted of determining the current legal status of each bakery and if there were any major impediments to its privatization.

In addition to the specific information on each bakery, background information and statistics on the Latvian economy and the bakery industry were prepared. This information was aimed principally at the foreign investor. For each bakery a complete information pack for a potential investor consists of:

- the general background note on the economy and the bakery industry;
- a set of financial statements for the bakery, both in its original form and restated in a Western format;
- a general note on the accounts and a set of enterprise specific notes;
- a set of technical notes on the bakery including legal comments.

A complete set of documents for Druva bakery is assembled in section 3.4.2. For the other bakeries only the financial statements, the enterprise specific notes to those statements, and the technical notes have been included.

The bakery privatization law was finally passed at the end of May during the last few sitting days of parliament. Although the law was passed, the privatization commission for bakeries had not been established before work on the deliver order finished at the end of June. For that reason, no further progress could be made on the privatization of the bakeries. A privatization plan was therefore prepared for the government and is included in section 3.4.1. The government indicated that they wished to have a member of the privatization team represented on the privatization commission when it was established.

LATVIAN AGRIBUSINESS PRIVATIZATION PROJECT

**Industry Characteristics
and
Strategy to Privatize Enterprises
in**

THE GRAIN AND GRAIN PROCESSING INDUSTRY

(DRAFT REPORT)

Prepared by: Si Matthies - Grain Services Inc.

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In association with:

**United States Agency for International Development
and
Republic of Latvia Ministry of Agriculture**

**Riga, Latvia
February 1, 1993**

Table of Contents

Section I	Page #
Executive Summary	1
Section II Industrial Analyses	
A. Structure of the Industry	3
B. Management/Labor Force	3
C. Technological Characteristics	3
D. Ownership Arrangements	4
E. Spatial Distribution	4
F. Relations among Enterprises	4
G. Relationships with Farmers	4
Section III Restructuring and Privatization Plan	
A. Suggested Procedures to Restructure and Privatize Latvijas Labiba	6
B. Issues to be Addressed by Draft Legislation on Grain	7
C. Issues to be Addressed by Draft Legislation on Grain Market Operation	7
D. Discussion of Draft Legislation on Grain Processing Enterprise	7
E. Preparing a Government Grain Program	9
F. Preparing a Privatization Plan	11
Appendix A Industry Structure/Capacity	
A1. Flour Mills, Feed Mixing Plants and Elevators	
A2. Production Capacities of Bakeries	
Appendix B Grain Industry Enterprise Locations	
B1. Flour Milling Plants	
B2. Mixed feed Mill locations	
B3. Grain Storage Elevators	
B4. Bakeries	

SECTION I

EXECUTIVE SUMMARY

A. Study Purpose and Objectives

The objectives of Phase I of the privatization project are to define the salient characteristics of the grain industry and to prepare a specific strategy and work plan for the Ministry of Agriculture to facilitate private ownership in the sector.

B. Initial Observations

In addressing the project objectives, it became clear that Phase I required redefinition in light of the decision by the Council of Ministers to dissolve the state enterprise management concern Latvijas Labiba by January 1, 1993. As a result of the initial cursory review, it was determined that an expanded workplan would be necessary in order to guide the privatization of the grain sector. Section II of this report discusses the findings of this review. Section III provides an initial restructuring and privatization strategy which is currently being discussed with the government of Latvia. The actual privatization strategy and work plan will be developed during the next review.

C. Initial Findings

The industry is made up of twenty four enterprises consisting of varied configurations of flour mills, feed mills, grain elevators, seed plants and bakeries. In addition, there are four other enterprise support units including research, construction, security, etc. Prior to January 1, 1993, these enterprises were under the tight supervision and control of Latvijas Labiba, a concern formed in 1990 to replace the Ministry of Bread Products which previously reported to Moscow. Contact was made with a representative number of the enterprises during the sector review. A consistent pattern emerged that applies to most of the enterprises:

1. the enterprises are deeply in debt (inventory and receivables);
2. there is no new credit available to the enterprises;
3. the industry has large amount of excess capacity (projected capacity utilization for 1993 is 15% for mixed feed mills and 66% for flour mills);
4. the managers of the enterprises are well-trained technically, but have a limited knowledge of market driven economics.

D. Initial Conclusions and Recommendations

1. Split the previous activities of Latvijas Labiba into two distinct and separate functional areas by establishing the following:
 - a) an agency which provides governmental services and regulation;
 - b) a joint stock holding company for the express purpose of overseeing the commercial enterprises and managing the privatization process (limited life corporation).
2. Mandate the establishment of a market pricing system consistent with market driven economic systems.
3. Prior to the harvest of 1993 develop and implement producer programs consistent with a market driven economy. This would have the express purpose of funding industry capital requirements and producer income.

The following sections of this report address the points of this summary in additional detail.

SECTION II INDUSTRY ANALYSES

A. Structure of the Industry

The individual operating units consist of six wheat, rye and oat processing plants. There are a total of eleven feed mixing plants, four of which are associated with a flour milling plant. Grain elevator facilities are adjacent to all processing plants. In addition, there are two stand-alone grain elevator facilities. There are nine bakeries. Appendix A provides a list of enterprises and their production capacities.

The functions of the Latvijas Labiba structure also included grain inspection, grain quality supervision, economic analyses, management control over the individual enterprises, and price setting at all levels of the industry.

B. Management/Labor Force

It appears that most units have highly-trained management in place with the technical skills necessary to operate their assigned processing plants. The majority of the managers have been trained at technical institutes located in the former Soviet Union, or at the Latvian National Academy of Agriculture. The managers interviewed were experienced. However, they lacked a sound understanding of the functioning of a market oriented business. There appeared to be an excess number of employees relative to production requirements. Additionally, service units operating in support of production appeared to be overstaffed.

Based on a recent order of the Council of Ministers, Latvijas Labiba is in the process of being reorganized. A new organization, Labibas Birojs, was established on February 1, 1993. It is anticipated that Labibas Birojs will manage the service, regulatory and policy management functions previously handled by Latvijas Labiba. There is discussion regarding the establishment of Latvijas Dzirnavas, an organization which may be expected to oversee the restructuring of commercial activities. However, the division of responsibilities among these two organizations is still unclear.

Caution is necessary in transforming the various activities and units of the former Latvijas Labiba into newly formed structures since they will have to operate in a privatized, market driven environment.

C. Technological Characteristics

The majority of the plants were constructed within the last 25 years. Milling equipment inspected was largely manufactured in the U.S.S.R. under license to Buhler-Miag, a respected western milling equipment company. At some future date there may be a desire or need to have a milling technology specialist inspect the equipment in conjunction with the privatization of the individual enterprises.

D. Ownership Arrangements

All enterprises are owned by the Latvian government and, until very recently, have been under the direct control of Latvijas Labiba. This was an association responsible for managing the industry. The organization was headed by a Board of Directors and Managing Director who were appointed primarily by state owned grain enterprise managers. The Board of Directors was made up of the managers of each individual state enterprise. Prior to the formation of Latvijas Labiba in 1990, these enterprises were under the control of the USSR Ministry of Bread Products. At that time it was headed by an individual with the rank of First Deputy Minister who reported directly to the Minister located in Moscow.

E. Spatial Distribution of Enterprises

The six flour milling locations are widely dispersed across the country and are in close proximity to population centers. However, some individual plant capacities appear to be disproportionately large compared to area populations. This distortion is due to previous processing requirements involving the export of flour to the former Soviet republics and the production of bread in excess of human consumption requirements of Latvia. There is a slight concern that the size of the plants and the distance between them, may tend to create a non-competitive environment. This will require additional analyses during the next phase of the project.

The seven independently-operated mixed feed mills, in addition to the four operated in conjunction with flour mill plants, are broadly dispersed across the feedgrain and livestock areas of the country. Recent reduction in meat production and adverse economic conditions are having a significant impact on the running time of these units. Grain elevator units are located adjacent to feed and flour mill processing plants with the exception of two which are free-standing.

The nine bakery plants are well placed to serve the needs of the consumer. In some locations state owned bakeries compete with small privately owned bakeries. The competitive situation in this subsector will be addressed in detail during the next phase of the project. Appendix B 1-3 provides maps indicating the geographic distribution of the industry segments.

F. Relations among Enterprises

Under the command system the individual enterprises operated as non-competitive units of the government. Prices were fixed by the government/Latvijas Labiba for all segments of the industry from farmer to consumer. It is critical that legislation be enacted and enforced to ensure that prices in the industry are established through the operation of market forces. Collusion among enterprises to fix prices cannot be permitted.

G. Relationships with Farmers

The industry serves as the administrator of government pricing programs. They are the initial receiver of producer grains and have been responsible for making payments of government-set grain prices to the producer. Additionally, the industry provides grain services such as grain seed supply, drying, mixing and conditioning of grain. The relationship between industry and producer is not the normal customer/supplier relationship. Establishment of a more normal customer/supplier relationship between the farmer and the grain industry is a critical requirement for survival in a market driven economy.

SECTION III RESTRUCTURING AND PRIVATIZATION STRATEGY

Material in this section was prepared during the consultancy and presented to the Government of Latvia in response to official documents calling for the liquidation of the concern "Latvijas Labiba" and its restructuring and privatization.

The relevant resolutions orders and decrees include: Decree No. 471 (Nov. 9, 1992) of the Council of Ministers, "On the Situation in Bread and other Grain Product Supply"; Article 14, "Information on Implementation of Council of Ministers November 20 Resolution No. 485" by the Council of Ministers; and Order No. 326 (Dec. 12, 1992) "On the Liquidation of the Concern Latvijas Labiba of the Ministry of Agriculture".

The above documents refer to the dissolution of Latvijas Labiba and subsequent required actions dealing with formation of alternative new structures and with issues regarding privatization of commercial enterprises now making up the concern Latvijas Labiba.

A. Suggested Procedures to Restructure and Privatize Latvijas Labiba

The referenced documents require the following actions:

1. Submit draft legislation on "Grain Market and On Grain Processing Enterprise Privatization" to the Council of Ministers by February 1, 1993. (Article 14)
2. Establish Labibas Birojs (LB) by February 1, 1993. (Article 14)
3. Make arrangements for grain processing state enterprise privatization by March 1, 1993. (Article 14)

In addition, it is suggested that the following actions be taken to accomplish the intent of the referenced documents:

1. Prepare and submit a proposed government program for grain producers to the the Council of Ministers by June 15, 1993 for implementation beginning with the 1993 harvest and continuing until the 1994 harvest.
2. Prepare and submit a detailed privatization plan to the Council of Ministers by July 1, 1993.
3. Corporatize all existing state enterprises as individual legal entities with temporary ownership of the assets given to a new holding company. This new structure could be called Latvijas Dzirnavas (LD).

B. Issues to be Addressed by Draft Legislation on Grain Market Operation and Grain Processing Enterprise Privatization

Given the short time frame for achieving this requirement it is best covered by legislation giving some general provisions regarding:

1. principles guiding grain market operations (section C);
2. general role and function of LB (subsection D.1.); and
3. general role and function of LD (subsection D.2.).

These topics are addressed in greater detail below.

C. Issues to be Addressed by Draft Legislation on Grain Market Operation

This legislation would authorize functioning of a market based grain trading system. It is important that the law prohibit existing price fixing in grain and grain products pricing. In addition, LB and the LD holding company should be prohibited from commercial grain trading and processing functions. This will reinforce government policy aimed at setting up a market based price and trading system.

Managers of corporatized commercial enterprises would have responsibility for buying grain (including imports) and selling products produced within policies set by government. This will encourage competitive behavior among enterprise managers and other processors and handlers of grain and grain products.

LB would be responsible for managing strategic reserves and concessionary grain stocks for the government.

D. Discussion of Draft Legislation On Grain Processing Enterprise Privatization

1. The role and functions of Labibas Birojs

The documents cited above implicitly restrict LB from engaging in any commercial activity. This should be explicitly stated in the draft enabling legislation.

The general functions of LB include applied research (which may be contracted out), quality testing and control for the industry and administration of appropriate farm programs affecting the farmers and the grain industry. More specifically LB functions include:

- a. supervising warehouse grain stocks (both quantity and quality) if government owned (or under government program). LB ensures that all government program grain adheres to proper quality standards and administers all disposition of these grain stocks;
- b. administering grain inspection service including setting and maintaining commercial grading standards;
- c. maintaining an economic analysis department charged with providing supply/demand projections, grain situation and outlook reports and other important data critical to setting grain policies affecting farmers and processors;
- d. administering strategic reserve policies as set by law or the MOA;
- e. administering quota or tariff policies as set by law or the MOA;
- f. administering government programs for grain producers as set by law or MOA;
- g. administering consumer level subsidy programs as set by law or MOA; and
- h. administering government laws and regulations prohibiting price fixing among commercial enterprises operating in the grain industry (until general legislation and enforcement capability is available).

It is suggested that LB activities would be funded from the general MOA budget or from a user fee.

2. The Role and Functions of Latvijas Dzirnavas

LD should consist of all existing commercial enterprises now organized within LL. The enabling legislation should specify that, during phase I, each would be transformed into a joint stock corporate entity (corporatized or commercialized). In phase II ownership is transferred to the private sector.

Shares in the corporatized enterprises would be held by a holding company in the name of the Latvian government. The holding company would be composed of a Managing Director and a Board of Directors including local and foreign commercial experts on grain trading, grain processing (for human and animal consumption) and bakery production. The board would be responsible to the Minister of Agriculture.

The MD of the holding company should ideally be a Latvian language speaker with extensive commercial management experience in a market economy, preferably in the grain industry. His salary could be paid by a donor organization. A small technical staff would carry out the work of the holding company. Donor funds can also be solicited to cover salaries of local and expatriate technical staff and general administration.

The holding company would have a limited life -- existing only until all commercial enterprises have been privatized. It is suggested that the privatization process be completed no later than December 1996.

The holding company would have no commercial trading activities. Its functions could include:

- a. setting and enforcing general commercial operating policies of corporatized enterprises;
- b. hiring and dismissing managers of corporatized enterprises;
- c. providing management advice and training to corporatized enterprises;
- d. developing and implementing strategies to address the problem of existing debt loads of corporatized enterprises;
- e. monitoring all commercial enterprises organized within LD, eg early identification of substandard commercial performance by the staff who provide recommendations to the Board of Directors to remedy the problem;
- f. conducting or have conducted annual audits of corporatized enterprises;
- g. conducting industry analysis, recommending restructuring of corporatized enterprises in appropriate economic groupings and completing other preparatory work before offering them for private sector sale;
- h. negotiating sale of corporatized enterprises to private sector owners (the final decision to sell rests with the MOA);
- i. preparation of the privatization plan;
- j. implementation of the privatization plan.

All corporatized enterprises would be expected to operate in a market economy and price fixing as now practiced by LL should be prohibited by law. In the absence of national laws this should be part of the commercial operating policy of the LD holding company. (Such prohibition could also be included in the grain market law which would be superseded when a general commercial law against price fixing is passed.)

Managers of each corporatized enterprise would be responsible for all management decisions such as grain buying (including commercial imports), grain milling and setting prices for products produced, and personnel hiring and dismissal. Each enterprise would be subject to review by LD.

E. Preparing a Government Program for Grain Producers

A government program for grain producers to guide payments to farmers in 1993 is perhaps one of the key political issues of the MOA planning process. In the short run it is more important than developing and implementing a plan to privatize enterprises previously corporatized under phase I of the privatization process. It is suggested that the MOA complete preparation of a draft program by June 15 which must be ready for implementation prior to the 1993 harvest.

The policy issues to be decided before farmer grain sales occur include price support level, if any, import and export controls, if any, sale or other means of disposal of concessionary grain stocks, and elimination of grain price equalization across the country, eg government elimination of the current transport subsidy.

A major concern of the Latvian government today, as it affects grain policy, is that existing payment mechanisms are being dismantled and new institutions have yet to be established. The situation is aggravated this year because of the upcoming election, heavy debt loads carried by grain mills, lack of implementation modalities, consumer concerns brought about by low purchasing power, and an ever mounting number of proponents and opponents as the program is fleshed out.

In western market based economic systems funds can be easily borrowed using basic grain and grain flour as security. This is because such inventories can be easily converted to cash. For example, in their analysis of corporate credit ratings, Moodys and Standard and Poors do not include short-term borrowings backed by grain and grain flour inventories as normal debt.

However, a key to securing short term capital for financing inventories is the proper regulatory controls to assure quantity (eliminate theft) and quality (eliminate spoilage) of these inventories. (We have been told that systems are in place -- or can quickly be put in place -- to provide this needed regulatory control.)

Such a control system will give a lending agency the necessary assurances that will minimize -- or to a great degree -- eliminate their risk.

Currently, local banking institutions are not in place to provide this credit. Therefore, in the short term a mechanism must be found. It is possible that an institution such as the World Bank or the IMF could supply such short

term credit. Counterpart ruble funds from the sale of concessionary grain imports may also be available for this purpose.

Given a source of funds, there are many ways to transfer this money to farmers and virtually assure repayment of the loan.

In a move to a market system of grain trading a farm program similar to that in the U.S. would support a credit program based on collateralized grain. Such a program would:

- a. supply the farmer with money at harvest;
- b. limit the risk of exposure to loss from non-collateralized loans; and
- c. implement "free market" trading principles.

The program could also be used, if desired, to support farmer income, by subsidy, to a level set by Parliament.

The essence of the U.S farm grain program is that the government provides a minimum guaranteed price at which farmers can receive a loan secured by his own grain. Thus, a farmer can obtain cash at harvest without committing the crop for sale at a time when market prices are expected to be the lowest.

Within a certain time period the farmer can opt to sell the grain at the prevailing market price, pay off the loan plus charges and keep the difference. Or he can forfeit the grain directly to the government at the guaranteed loan price.

The loan price is usually set below the expected market price. Often it is set according to some percentage below average production costs. In this way efficient farmers are encouraged to continue production while inefficient ones are encouraged to reallocate resources.

In practice, some governments use target pricing to achieve a particular supply response from producers. The target is set higher where additional production is desired (wheat for example). It can be set below expected or prevailing market prices for commodities which are in surplus (rye for example). When the target is above the prevailing market price the government makes up the difference as a subsidy.

F. Preparing a Privatization Plan

The LD holding company would be responsible for developing and implementing the privatization plan. It is suggested that the plan be completed by July 1 for review by the Council of Ministers.

It is essential that the farm policy and market trading environment be established for the industry before actual privatization of corporatized enterprises occurs.

Businesses must know the rules under which they are operating before investing their own funds to purchase the assets. Foreign owners are unlikely to consider investing unless business policies are well established.

The privatization plan would address the following:

- a. recommended groupings of LD subsidiaries that could be sold together to make up a commercially viable unit;
- b. method of sale ranging from sale of shares in an enterprise using a tender process to transferring assets at no charge to producer cooperatives;
- c. recommended timing of sales -- it is likely that the plan would recommend earlier sale in subsectors where there is already competition (bakeries), and defer sales in areas where it is limited (flour milling).
- d. preferentially targeted buyers;
- e. special terms of sale, eg discounts, deferred payments etc;
- f. formation and responsibilities of privatization commissions, if any;
- g. responsibilities of the LD holding company in the privatization process; and
- h. management training plan and implementation modalities.

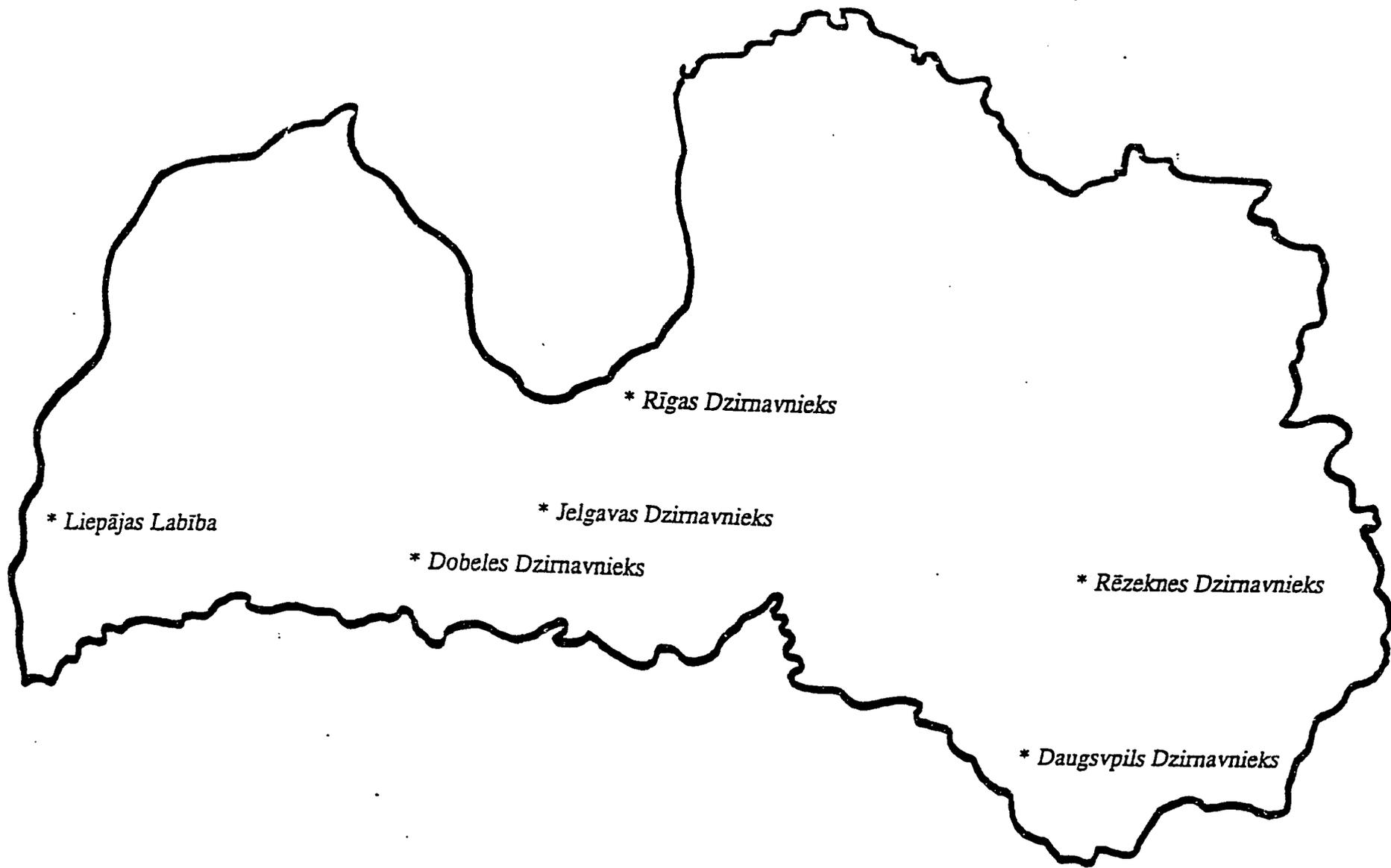
Appendix A1 Flour Mills, Feed Mixing Plants and Elevators

Flour Milling Plants	Annual flour milling capacity			Ann. feed mixing cap. (tons)	Elevator cap. (tons)
	Wheat (tons)	Rye (tons)	Barley/oats (tons)		
Rēzeknes Dzirnāvnieks	63000			122000	63000
Daugavpils Dzirnāvnieks (mill 1)	78500			235000	108900
Daugavpils Dzirnāvnieks (mill 2)		32000			
Dobeles Dzirnāvnieks	48000			166000	124180
Liepājas Lablba		27000		192000	40700
Rīgas Dzirnāvnieks (mill 1)	65000				84700
Rīgas Dzirnāvnieks (mill 2)		46500			
Rolled Oat Mill			31500		
Jelgavas Dzirnāvnieks		55000		50900	50900
Subtotal	254400	160500	31500	715000	472380
Animal Feed Mixing Plants				Ann. feed mixing cap. (tons)	Elevator cap. (tons)
Jēkabpils				198000	112600
Vidzemes Lablba				146000	60980
Madonas Lablba				122000	34700
Saldus Lablba				43000	39300
Stende				131000	22200
Rīga Mixed Feed				427000	9800
Jelgavas Lablba				122000	25000
Subtotal				1189000	304580
Grain Storage Elevators				Ann. feed mixing cap. (tons)	Elevator cap. (tons)
Gulbenes Grauds					16400
Rīga Port					65600
Subtotal					82000
Total	446500			1904000	858960

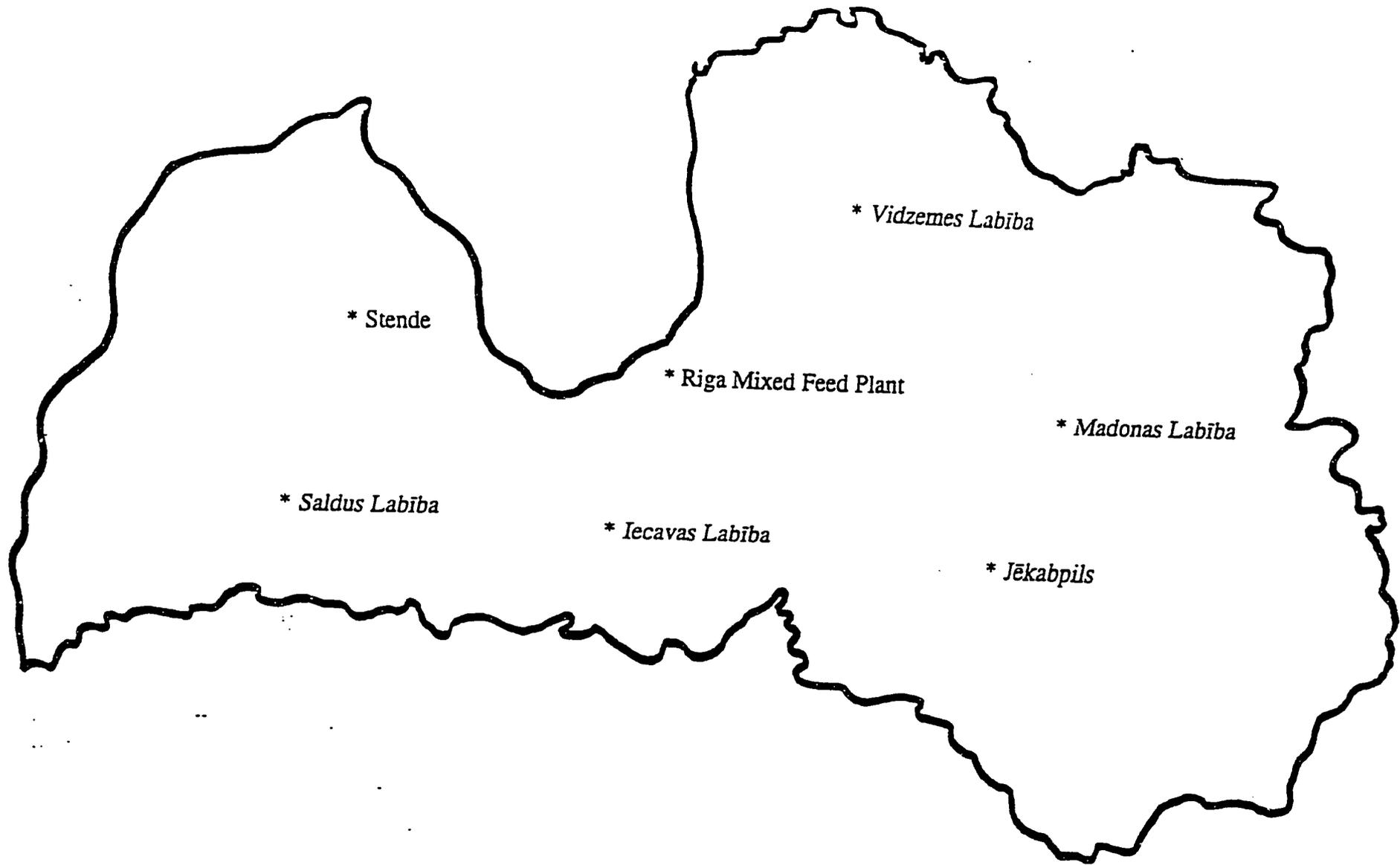
Appendix A2 Production Capacities of State Bakeries

Bakeries	Rye bread (tons/day)	Wheat bread (tons/day)	Rye/wheat bread (tons/day)	Other products (tons/day)
Druva				
'#1Rye bread	113.5			
'#2Rye bread	40.7			
Macaroni				*11.5
Riga Baltmaiznieks				
'#1Wheat bread		61.5		
'#2Wheat bread		23.8		
Jurmala bakery (Rye/wheat)			19.1	
Abra (Rye/wheat)			56.1	
Vidzemes Maiznieks				
Rye bread			42.5	
Confectionary (wheat)				5.7
Ventspils Maiznieks (rye/wheat)			30.2	
Daugavpils Maiznieks				
'#1Rye/wheat			44.1	
'#2(Rye/wheat)			36.1	
Confectionary				3.3
Jelgavas Maiznieks (Rye/wheat)			39.1	
Liepajas Maiznieks				
'#1(Rye/wheat)			25.2	
'#2(Rye/wheat)			25.2	
Rezeknes Maiznieks (Wheat/rye)			45	
Aldona private company (Rye)	30.5			
Company Strategic (confectionary) tons daily				4.3
Total	184.7	85.3	362.6	**13.3
*NOTE: Thousand tons per year				
**NOTE: Total for other bakery products excludes macaroni capacity				

FLOUR MILLING PLANTS



ANIMAL FEED MIXING PLANTS



GRAIN STORAGE ELEVATORS



Note: Grain elevators are located at all feed mixing and flour milling plants.
In addition elevators are located in Gulbene and Riga port.

BAKERIES



LATVIAN AGRIBUSINESS PRIVATIZATION PROJECT

Industry Characteristics
and
Strategy to Privatize Enterprises
in

THE GRAIN AND GRAIN PROCESSING INDUSTRY

Report No. 2

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In association with:

United States Agency for International Development

and

Republic of Latvia Ministry of Agriculture

Riga, Latvia
May 15, 1993

Table of Contents

Executive Summary

Section I Industry Status Through 1992

Section II Developing a Competitive Market

Section III A Privatization Strategy for the Grain Sector

Annex A Grain Industry Tables and Maps

Annex B Comments on Draft Grain Market Legislation

Annex C Discussion Paper on Farm Programs

EXECUTIVE SUMMARY

A. Study Purpose and Objectives

Phase II objectives of the grain sector study are to complete the assessment of the industry structure, functions and operations, make recommendations to government regarding appropriate privatization approaches and support other ongoing related grain sector privatization conducted by in-country project consultants.

B. Findings and Conclusions

All major segments of the flour and mixed feed milling industry form a critical part of the economy and should be sustained in one form or another in the short term. There is a sizable overcapacity in existing state owned feed and flour milling enterprises. But most plants can be operated, in the short term, at low capacity on a positive cash flow basis since overhead costs are minimal.

Government should privatize all grain processing enterprises quickly. Downsizing and restructuring should be the responsibility of new owners and be accomplished through normal commercial activities. This will minimize the use of scarce government resources and result in surviving enterprises able to supply the country's requirements for feed and flour at reasonably competitive manufacturing costs.

All existing state grain storage facilities will be required if the government's objective is to make the country self-sufficient in grain production but construction of new state owned elevators is not needed. The actual feed and flour milled by the state sector in 1992 was less than the capacity of state owned elevators located in Latvia. Historical levels of grain needs for domestic human consumption is about half of the available state elevator storage capacity. In addition, there is a large amount of storage capacity on private farms that can be used to store grain used for cattle feed.

A commercial loan facility using grain as collateral should be made available for the 1993 harvest to minimize government outlays. In this regard, it is important that government recognize that setting artificially high grain prices at harvest will not be sustainable over an extended period of time. Domestic market forces should be the major criteria for determining grain prices and costs for processing into flour and mixed feed products.

Debt of the various feed and flour enterprises is, with few exceptions, well in excess of commercially sustainable levels and must be addressed as privatization proceeds. Resolution of debt

issues will likely become more difficult the longer that privatization is delayed.

Most facilities remain overstaffed as they are currently operating. Downsizing the industry, either by closing of plants or the reduction of plant capacities is required for efficient future operation of the industry.

Considerable progress has been made in restructuring Latvijas Labiba's previous regulatory and service activities. The new agency, Labibas Birojs, has been assigned functions compatible with development of a competitive grain market. Appropriately, it has not been assigned the authoritarian and cartelized enterprise management functions of the former Latvijas Labiba which were the sources of its monopoly-like operations. It is critical that ongoing efforts by LB to create a state regulatory and service agency to support and promote private grain trading activities continue to be supported through administrative and legislative processes.

The team has serious concerns that the enterprise management oversight functions previously performed by Latvijas Labiba (albeit in an incorrect manner) have apparently been completely neglected over the past few months. As long as the state remains the owner of the grain processing enterprises it should be directly concerned about their operating status and activities. Continued neglect of this oversight function, especially in the absence of rapid privatization, could be regretted at some future date and might well result in significant losses to the state. The new management oversight criteria and procedures should be implemented separately for each enterprise, and be based on accounting and audit statements and cash flow analysis conforming to international standards. They should be implemented to promote competitive individual firm behavior and be formulated, put in place, monitored, enforced and directed to promote privatization.

C. Recommendations

1. Enact, immediately, legislation to provide the mechanism to supply appropriate regulatory and service functions to the industry. The same legislation should also provide the means to create a competitive market.
2. Introduce, immediately, a management oversight system for all existing grain and grain processing enterprises. This activity should be coordinated by the Deputy Minister of Agriculture. As a first step, all existing grain industry enterprises should be subjected to an audit and cash flow analysis using accepted international standards. Donor technical assistance is required to complete these activities and to assist with setting up and implementing the oversight functions.

3. Introduce, immediately, a comprehensive system of grain quality grades and standards which conform to international criteria. Without such standards Latvia cannot export grain through accepted international markets. Donor technical assistance should be solicited to assist with this work.
4. Proceed, urgently, with the rapid development of Latvijas Birojs' capability as a regulatory and service agency to support the creation and maintenance of competitive grain market activities. Priority areas for development include:
 - a. strengthening existing economic information, situation and outlook, and supply and demand balance sheet preparation and reporting activities;
 - b. preparation and release, to the public, of monthly reports on grain quantities held in state and "public" storage elevators, categorized by government stocks -- state reserves, and humanitarian assistance -- and privately held stocks;
 - c. adopting and implementing international grades and standards in all state owned grain storage elevators to promote future export of domestic grain; and
 - d. implementing grain trading and storage registration and/or licensing procedures;

Donor technical assistance is essential to accomplish the above activities.

5. Enact, as soon as possible, a single grain sector privatization law. The law should require a supervised, competitive bidding procedure to sell all grain processing and storage facilities formerly associated with Latvijas Labiba.
6. Proceed, as soon as possible, with privatization of flour and mixed feed plants and storage elevators. Competitive bids should be solicited from a wide array of prospective domestic and foreign investors. Donor technical assistance is needed to facilitate preparation of tender documents and to assist with proposal review.
7. Introduce, for the 1993 harvest season, a commercial farmer loan program for grain using the new crop as collateral. This will minimize the need for using limited government revenues to purchase large quantities of grain at harvest and can provide an early indication of domestic grain supplies available to meet human consumption needs.

8. Articulate government's long term objectives regarding privatization.
9. Determine the legal definition of assets to be privatized prior to offering the enterprise for sale. The existing lack of conceptual clarity between ownership and management rights and responsibilities which is a cause for the present confusion over asset ownership should not be used as an excuse to further defer enterprise privatization.

SECTION I INDUSTRY STATUS THROUGH 1992

The tables in Annex A summarize grain processing activities from 1989 through 1992. The rapid collapse of the feed processing sector from an average of 1.6 million tons per year prior to 1989 to less than 600,000 tons in 1992 reflects the rapid collapse of eastern markets for meat and dairy products. Estimated 1993 commercial feed milling needs by the present state sector are less than 300,000 tons. Most of this will be for pig and poultry rations.

Purchase of feed protein supplements averaged about 210,000 tons annually through 1990, declining to 157,500 tons in 1991 and 54,000 tons in 1992. The ratio of supplement imports to total mixed feed processed was about 13 percent through 1991. In 1992 the ratio declined to just over 9 percent.

The decline in annual flour production by the state sector, from about 380,000 tons through 1991 to about 260,000 tons in 1992, was not as drastic as the decline in animal feed production. It reflects the rapid decline in consumer purchasing power associated with price liberalization and loss of urban employment opportunities during the year and an increase in imports of less costly flour from states bordering with Latvia. While rye and wheat flour production declined about 30 percent and 40 percent respectively in 1992, groats and other milled grain products remained relatively constant.

The data indicate that flour exports from Latvia ranged from 40,000 tons to 80,000 tons during the 1988 - 1990 period. Flour exports dropped to 13,000 tons in 1991 and were discontinued in 1992.

Annual industry feed milling capacity is almost 2 million tons based on three shifts. Actual 1992 industry production levels were just under 30 percent, ranging from a low of 18 percent to a high of 48 percent.

Annual industry flourmilling capacity is just under 450,000 tons. This is sufficient to meet human consumption requirements at historical levels. The industry operated at about 50 percent of capacity in 1992. Individual enterprises production levels ranged from 71.5 percent of total capacity to just over 38 percent.

The rapid decline in both feed and flour production in 1992 suggests that government should not commit itself to making any new investments in existing facilities prior to privatization. Enterprises are best sold on an as-is basis, letting the new owners make appropriate new investment commitments.

Actual 1992 feed and flour production in the state sector (581,000 tons of feed and 230,000 tons of flour) was less than the available industry grain storage capacity of about 860,000 tons. Pre-1992 domestic grain use for human consumption ranged between 400,000 and 450,000 tons annually. This is approximately half of the storage capacity available in state elevators.

A decentralized agricultural production structure of smaller commercial farms, brought about by the on-going privatization of former collective and state farms, is now evolving in Latvia. This suggests that existing on-farm storage facilities and new smaller regional feed mills will be used more extensively in the future. Consequently, we believe that there is no need for construction of new state storage facilities at this time.

SECTION II
DEVELOPING A COMPETITIVE MARKET STRUCTURE

A. Industry Restructuring Since January 1993

The Phase I Report dated February 1, 1993 recommended the splitting of the previous "Latvijas Labiba" (LB) functions into two separate and distinct operating units -- Labibas Birojs (LB) and Latvijas Dzirnavas (LD)

LD was to consist of all the commercial enterprises of LL held in a limited life stock company--existing only until all commercial enterprises had been privatized. The primary functions of the proposed LD were to provide oversight of the enterprises and preparation and implementation of the privatization plan. The government elected not to form LD. They felt that the formation of such a company would tend to perpetuate state ownership, just the thing that the government was trying to eliminate.

The decision by government not to create LD has resulted in a management oversight gap that must be addressed immediately. As the current owner, government should regularly monitor enterprise performance to ensure that they are properly managed. Failure to do so could result in serious consequences not only for the enterprises but also for the government. LD would have provided a control mechanism to give government (as the enterprise owner) a view and understanding of current performance. It also could have identified operating problems at an early stage, thus giving authorities an opportunity to take corrective action. In the absence of immediate enterprise privatization it is essential that such an oversight mechanism be put in place. Details of such a function are discussed in Section II.C.

Labibas Birojs has been formed and provides three primary functions:

1. To facilitate development of state grain policy and to ensure its implementation;
2. To regulate and supply the controls necessary for the functioning of a grain market;
3. To gather and disseminate information to support the function of a competitive grain market.

Specific activities to carry out these functions include:

1. supervise warehouse stocks (both quantity and quality);
2. set and administer commercial grading standards;
3. manage the state grain reserves program;
4. maintain an economic analysis department to supply data to formulate agriculture policy and programs, determine the grain supply and demand balance, and provide current

- price and quantity information to farmers, traders and processors;
5. administer quotas and tariff policies;
 6. provide recommendations on enterprise privatization;
 7. administer the grain marketing law;
 8. provide licensing services for grain marketing firms;
 9. provide arbitration services to the grain industry;
 10. implement government grain policies and programs.

The current relationship between the various grain processing firms and LB is unclear. There seems to be an expectation on the part of the Ministry of Agriculture that LB is responsible for maintaining management oversight of flour and feed mixing enterprises. However, this mandate is clearly not included in the existing LB charter, nor does LB have the necessary staff to carry out a monitoring function. **We strongly believe that a management oversight function should not be assigned to LB.** To do so would seriously compromise its reputation and ability to function as a state regulatory and service agency and an impartial provider of information needed to support and promote a private sector grain trade. Additionally, it would retain the stigma of the Latvijas Labiba concern which was disbanded because it managed the grain industry as a monopoly enterprise.

B. Grain Market Legislation and Regulations

1. Grain Market Legislation

The Grain Market Law recently introduced in the Parliament contains the major provisions necessary to implement responsibilities assigned to LB. In addition, the bill puts in place the framework to permit the functioning of a competitive grain market. A significant amount of time has been spent in reviewing this bill, understanding its provisions and discussing ramifications with various participants in the industry. Writers of the bill have been most cooperative in aiding our full understanding of the bill and were also willing to listen and react to suggested changes. Written comments were prepared by the team and submitted to the government and the parliament. These comments are included in Annex B.

We are optimistic that this bill will be approved by the parliament prior to adjournment in May. Its approval is important at this time due to upcoming elections and the impending harvest. Failure to pass the bill can potentially result in market disruptions and lack of needed regulation and industry services. Its implementation will go a long way toward providing the environment necessary to permit a competitive market to function and contribute to the privatization of the industry.

2. Grain Market Regulations

The regulatory and service functions of LB were reviewed and discussed in detail with appropriate government officials during the consultancy. Our comments and conclusions are summarized below.

a. Grain Grades and Standards

A state grading system, administered by LB, is in place and functioning. It supplies meaningful information on factors influencing quality and ultimately price. It is similar to the previous system used by the former Soviet Union. However, there have been comments from the industry that the system does not adequately describe the quality of the grain, nor does it conform to international standards for all grains. Consequently, the existing standards should be reviewed in detail and be modified to conform to international standards for all types of grain. Adherence to international standards is essential to support future export trade of domestically produced grain.

Additionally, a testing procedure should be introduced to better and more quickly determine meaningful grain gluten levels. This will give the processing enterprises a more uniform product and provide a method of rewarding producers for superior grain quality. One recommended analysis for supplying this information is the Infra Red protein test. The cost of the equipment is not exorbitant and could quickly be paid for through voluntary service user fees.

b. Grain Facilities Supervision (quantity/quality)

An important function of LB is ensuring that the enterprise grain storage facilities (grain elevators) properly supervise the stocks under their direct control. As these facilities become private they will increasingly perform the function of a public warehouse operating under a licensing agreement with the government to provide storage and conditioning services to the various clientele (private and state) that they choose to serve.

When storage facilities provide this service they must be held accountable for maintaining the quality and quantity stored for the account of public "customers" -- i.e. the government (reserves), the farmer or grain traders. When enterprises become private they should have the option of choosing whether or not to perform these "public" grain storage services. If they choose to provide the services they should be appropriately licensed by LB and bonded. If they provide the services, fees for services provided should be published, be reasonable in cost, and obviously must be competitive with comparable services.

LB has the responsibility of ensuring that grain stocks held in "public" warehouses are properly maintained to assure that the quantity and quality belonging to the owner can be redelivered at any time. Additionally, these supervised stocks, properly receipted, should be available for use as collateral against commercial loans by the grain owners. One way in which this can be accomplished will be further elaborated in section II. D regarding farm programs.

c. Information and Economic Analysis Service

Accurate collection and preparation of a periodic domestic grain situation and outlook report is essential for the proper functioning of a competitive grain market, preparation of supply and demand balance sheets and for preparation of government grain policies. Additionally, to properly assess the Latvian situation, information from other areas of the world must be reviewed, analyzed and considered as to its impact on the country.

The national grain data collection and analysis function is now being performed by LB, but its current data collection and analysis capability is very rudimentary. The draft grain market legislation appropriately, in our opinion, fully authorizes LB to carry out these functions. But, without the new legislation, the unit does not yet have full authority to make existing state grain storage elevators comply with recurrent information requests. A system of civil penalties for non-reporting, may also be needed to support the legal requirements of the new law.

The current LB economic information and analysis function needs to be given higher priority by government. It should be clearly accepted as the single official source of grain market information. The objectivity of the information should be legally protected. To support competitive market information needs, LB should be required to release to the public, on a monthly basis, the level of grain stocks held in all state and "public" elevators broken out by ownership -- government domestic stocks, government humanitarian assistance stocks, and privately owned stocks. To support this expanded mandate, additional staff and computers should be acquired and training in appropriate data collection, analysis and reporting procedures provided.

d. Licensing/Registration of Firms

Based on experience in the U.S. and elsewhere, we believe that proper licensing and/or registration of grain storage and handling firms, without excessive administrative costs or regulation, can provide a valuable service to the industry. This activity is best preformed by LB. It is a method of assuring market participants that the people they are dealing with have been approved to perform the services noted in the licensing agreement. Caution is necessary in making sure that all parties clearly

understand what the license or registration document represents. Areas that should be considered for a licensing/registration program are:

1. grain dealers--especially those providing services to the producer.
2. grain importers/exporters
3. "public" grain storage warehouses (elevators)

Licensing and registration requirements could be voluntary for grain dealers and importers and exporters. Licensing should be mandatory for all operators of "public" grain storage elevators, but only to ensure that these facilities meet existing grain storage regulations and that they report stock movements regularly to LB.

In all cases, care should be taken to ensure that licensing and registration conditions address only minimum requirements. Excessive regulation will inhibit proper market functioning. Additionally, it is important that there is a clear understanding as to what the government is or is not providing to other affected parties through the licensing function.

e. Arbitration Services

Arbitration services provide a very valuable service that assists the settling of trade disputes without costly court action. The services are probably better designed and operated by the industry than by LB or another governmental agency since the users of the service usually agree to submit to arbitration by terms in the contract.

C. Enterprise Management Under Competitive Markets

When privatizing enterprises there will obviously be a requirement that the enterprise managers understand and can function in a competitive market situation. However, during the interim period leading to individual firm privatization, it is anticipated that competitive markets will be functioning. Current managers should be required to operate within this market environment.

Most current enterprise management staff have been in place for some time. Most are technically very well qualified but have had little or no experience operating in a competitive market environment or using international accounting and other business decision making tools. The government oversight activity (introduced in section II. A) should require all facilities, even before they are privatized, to restructure their accounting system to conform to acceptable international standards. As the first step, an audit of all enterprises, conforming to international standards, should be completed immediately. An appropriate balance

sheet and cash flow operating statement should be prepared for each enterprise. These documents can form the basis for introducing an effective Ministry of Agriculture oversight function and a management staff training program.

As stated earlier, we emphasize that this oversight function should not be managed by LB. A small staff, consisting of no more than three people should be assigned this task. The activities should be coordinated by Deputy Minister of Agriculture.

Managers should receive training in basic principles needed to operate in a competitive market environment and to develop new business management skills. Discussion of business principles and ethics should also be covered. Providing this type of training will not only allow current managers to function better during the transition phase, but will prepare them for the move to private ownership and operating in a competitive market situation. Donor technical assistance and training should be solicited to carry out the audit and training functions and to set up and assist in operating the enterprise management oversight activity.

D. Farm Program Needs

In the past, farmer prices in Latvia have been set by the central authority responsible for ensuring that the farmer received a price that was based on the cost of production. In a market economy farm prices are determined by the marketplace which is affected by basic supply/demand factors and government programs which, in part, reflect production costs. These programs can be very effective in assisting the accomplishment of a multitude of government objectives.

It is clear that there must be a specific farm program that is designed to accomplish government agricultural objectives. There are many alternative forms of programs that could be used to accomplish predetermined goals. Annex C discusses options that we believe would be effective in accomplishing a large portion of the government's program aims with minimal distortion of market operations.

It is not possible to introduce a farm program of the type discussed in Annex C in time for the 1993 harvest. Funds to provide farmers with subsidies are simply not available. However, we strongly urge that government and the international donor community devise a simple commercial grain loan program in time for the 1993 season. The first priority of the loan program is to ensure an adequate supply of grain for human consumption.

The program would simply provide a cash loan to farmers at harvest, using grain as collateral. To be workable, interest rates would have to be set at international levels. To be eligible for the loan, collateralized grain would have to be stored in existing

warehouses, under LB supervision, to maintain quantity and quality control. The farmer would retain possession of the grain while it was stored in the "public" facility but could sell it at any time in the future, with the proceeds used to pay off the loan.

Such a program would encourage farmers to store grain in existing "public" storage elevators rather than keep it on the farm. Grain quality would be assured, and government could have a more accurate picture of grain import requirements to meet human consumption needs throughout the marketing year.

SECTION III
A PRIVATIZATION STRATEGY FOR THE GRAIN SECTOR

A. Government Privatization Objectives

When disposing of state owned grain storage and processing facilities, government will have one or more specific objectives in mind. These can include:

- o maximizing cash sales price;
- o providing employment for current staff;
- o maintaining industry production capacity or existing production levels;
- o liquidating or selling accumulated enterprise debt;
- o providing a portion of ownership to:
 - farmers
 - plant labor force
 - management;

- o attracting foreign investment capital

These objectives may pose constraints which retard the enterprise privatization process. Enabling legislation should, whenever possible, clearly articulate government objectives so that all potential bidders have a clear idea of what is required.

If a government objective is to attract foreign investment, early contact with potential buyers to solicit their interest and information needs can speed up the sales process. Potential local and foreign investors can benefit and will be more interested in submitting bids if the following preconditions are met:

1. accurate data on the performance of the enterprise -- past, present and projected future -- is provided to prospective buyers.
2. regulations/rules defining how the specific industry will function and government oversight is accomplished;
3. legislation permitting and supporting the functioning of a competitive market economy;
4. anti-trust laws and laws prohibiting non-competitive trade practices;
5. resolution of legal issues affecting the legal definition of assets.

B. The Privatization Process

In practice, it may not be possible to have all the above preconditions in place before offering enterprises for sale. It is essential, however, that government be able to project a stable pro-business environment in order to attract investors willing to make a long term commitment to invest in the industry.

The enterprise audits and cash flow analyses used as the basis for initiating government oversight procedures should be made available for review by all prospective buyers. Other pertinent information such as a legal definition of assets to be privatized, plant capacity, current and potential markets, labor supply and appropriate labor laws and their application, etc. should also be available to prospective buyers.

Passage of the grain market bill will put in place many of the conditions needed to implement competitive domestic grain markets. In addition, a general privatization law is required to ensure a stable and equitable environment for selling existing enterprises. The meat processing law provides a suitable model given some minor modifications. A grain sector privatization law should include the following provisions:

1. Privatize grain elevators, and flour and feed mixing plants under common enabling legislation. The legislation should authorize formation of a Grain Industry Privatization Commission, responsible to the Ministry of Agriculture. The GIPC should have discretionary authority to form subcommissions for each subsector, as needed.
2. Authorize the Privatization Commission to implement all administrative activities associated with enterprise privatization. It should be clearly stated that the role of the Commission is administrative and that members of the Commission shall have no direct or indirect interests in the outcome of any enterprise being privatized under the law. The Commission should not be authorized to prepare or modify any bids submitted by potential investors.
3. Provide the Ministry of Economic Reform with clear authority to monitor the processes and procedures implemented by the Industry Privatization Commission to ensure adherence to requirements of the enabling legislation.
4. Restrict managers and other staff members of enterprises being privatized from membership on the Commission, but make them available to provide information, as needed, to the Commission.
5. Require the use of competitive procedures which advertise and solicit bids from all interested domestic and foreign buyers.
6. Appoint local and foreign management experts as advisors to the Commission and as members of the panels which review submitted bids.

C. Special Issues

1. Competitive Bidding Procedures

To date, privatization strategies adopted in Latvia have not required use of competitive bidding procedures. We believe it is important that the grain industry privatization law firmly include such provisions. It is the most effective way of gauging the market for the facilities being offered, thereby assuring government of the best possible terms of sale.

Clearly, publishing an offer to sell or soliciting bids on the properties from the maximum possible number of interested buyers does not carry any obligation to sell to any of the respondents or to sell under terms or conditions unacceptable to the government. But, it is important that the solicitation documents clearly state conditions associated with the sale of each enterprise. Moreover, it is not recommended that an offer to sell be announced unless the government is ready and willing to sell under the terms as stated in the tender offer.

2. Asset Management and Ownership Issues

Confusion of asset management and ownership rights has been and continues to be a deterrent to rapid privatization of state enterprises. Under previous law all assets were owned collectively by the people and managed in their name by the state. Existing Latvian legislation governing formation of state stock companies uses language which, in line with normal commercial practice, means that the state, although the owner of the stock issued by the new company, is not liable for the debts of the new state corporation. However, as the existing debts were incurred at the government's directive, the state must take responsibility for resolving the debt problem. Moreover, managers of state enterprises, while nominally employees of the state, may make some investment decisions usually associated with ownership.

The situation becomes more complex where existing managers form a limited liability company and lease state assets in the name of the company. In some cases, previous governments have made long term commitments to such management companies which imply some asset transfer or rights of first refusal in case assets are offered for sale.

The imprecise status of asset ownership brought about by confusion of ownership and management rights requires a thorough review and resolution of the legal definitions of assets being sold. This work should be undertaken as part of the enterprise analysis conducted prior to preparation of bids offering enterprises for sale.

The issues raised by confusion of management and ownership rights and responsibilities do not, in our opinion, provide a valid excuse for delaying privatization of grain industry enterprises. The problems are known and can be objectively identified. Similar issues are being addressed successfully in the milk processing industry. This experience, along with completion of the appropriate legal analysis prior to offering enterprise for sale provide sufficient knowledge to successfully address such issues in the grain processing and storage sectors.

3. Enterprise Debt

Outstanding debt of all state owned grain processing enterprises, in the form of bank loans and accounts payable to product and other input suppliers is estimated at over US\$ 27 million. Potentially offsetting accounts receivable are estimated at US\$ 13 million. However, many of the receivables are more than six months overdue and may have to be written off as bad debts.

The enterprise debt varies considerably among firms in the industry. But for most firms it is sufficiently high that it is not commercially sustainable. However, government expects existing management to include debt servicing as part of normal operating expenses and expects new owners to assume accumulated enterprise debt. In most cases existing low current and potential production levels invalidate these expectations.

As the net returns to the government will ultimately be the same whether enterprises are sold with or without debt, it is recommended that the government take over the debt of enterprises (apart from working capital requirements) and sell them debt free.

Notwithstanding the difficulties imposed by this situation, it should not be used as an excuse to defer privatization in any enterprise.

Ideally, a new bankruptcy law is needed to force liquidation of uneconomical enterprises. However, lack of such legislation should also not be used to further defer enterprise privatization.

D. Special Conditions of Sale

Based on our analysis we believe it is in the best interest of government to prepare invitations for tender simultaneously for all flour and feed mills and for grain elevators. Alternatively, solicitation by geographic grouping could be made if it is felt that the administrative burden posed by large scale privatization is too great under a single solicitation.

As noted in Annex A, all but one flour milling facility include a feed mixing plant. All but two storage elevators are located on the same site as either a flour or a feed mixing mill.

Soliciting bids on all facilities at the same time provides both government and prospective bidders with the greatest potential to maximize new ownership configurations.

While it is most efficient to solicit bids for all plants simultaneously, separate proposal review panels should be set up for each group; flour milling, feed milling and grain storage facilities (elevators). This will, in most cases, allow for maximum input by industry management specialists in each subsector and introduce general administrative efficiencies.

We repeat here the caveat made in the previous section. **Solicitation of bids simultaneously across all subsectors does not imply selling of all enterprises at the same time.** Various mitigating factors could make it advantageous for government not to negotiate simultaneous sales contracts.

Each industry subsector is reviewed below and a recommendation provided on disposition of the activity.

1. Flour Mills

Government considers that flour milling for human consumption is strategic to the accomplishment of its major objectives. Within this conditionality it is clear that two important considerations must be included in any privatization strategy for this subsector. These are:

- a. assurances that flour prices are determined under competitive market conditions based on the cost of wheat plus manufacturing cost and a "reasonable" margin of profit;
- b. bakeries must be assured of adequate supplies of flour at all times.

There are only four wheat flour mills and three rye flour mills in the country. While these mills are now operating at no more than 50 percent of capacity, elimination of any one could result in a restricted competitive situation.

Downsizing the existing facilities before offering them for sale, while potentially feasible, would be costly and be a waste of scarce government resources. Given the low overheads of existing plants there appears to be little additional cost in continuing to run all mills at low capacity utilization. Modernization or other labor saving restructuring prior to sale cannot be justified, since the return on the investment necessary would have to be primarily achieved by the savings in labor. Under current wage structures, (assuming the release of excess employees) labor is a relatively small portion of total product costs.

With due consideration of the circumstances outlined above we recommend that the government proceed as soon as possible with the offering of the flour mills for sale. An open competition, including an invitation to tender by potential foreign investors, should be prepared.

2. Feed Mills

Feed mills are in an extreme overcapacity situation; some are now operating at less than 15% of capacity. Again, as with flour mills, most plants should be able to operate on a positive cash flow basis in the short run if existing excess employees are released. However, the low capacity utilization indicates that excess capacity will have to be removed at some time in the future. The manner in which this takes place is critical to maintaining the industry during the transition period.

It is our opinion that over a period of time the large uneconomical units (in today's operating environment) will either be down sized or be completely replaced by smaller, more strategically placed units capable of supplying the needs of a reduced geographic area of the country. There are currently nine large mill locations, but there could easily be twice as many smaller units operating in the future. This expected restructuring could be accomplished by the conversion of previously operated collective farm facilities which can be restored to operating status by the infusion of relatively small amounts of capital. Alternatively, new, smaller, and more efficient units can be built to meet local needs as they develop under the new agricultural production environment. Both these alternatives may present ideal opportunities for World Bank investment lending in the agribusiness sector.

In the interim, feed requirements can easily be met by existing enterprises. We see no requirement or reason to close down the facilities as they now exist if they are operating on a positive cash flow basis, excluding finance costs except for current working capital cost. This implies that existing and new management would not be responsible for repayment of existing debt and interest charges.

Several of these facilities may continue to be viable for long term use. This is particularly true when considered in conjunction with adjacent flour mills and storage facilities (grain elevators).

We have serious doubts about attracting major buyers for these facilities outside the present management companies or other local investors with a stake in using mixed feed products produced by the plants. However, we do suggest a wide public solicitation of all potential buyers to determine the broadest possible expression of interest in bidding on these enterprises. This will maximize government bargaining power with potential buyers. **We recommend**

proceeding as quickly as possible with the privatization of these enterprises. There is no need for investment in plant modernization, repairs or downsizing prior to their sales offering.

3. Grain Storage Facilities (Elevators)

In almost all cases, grain storage facilities (elevators) are located adjacent to existing feed and flour mills. In some cases this poses a significant problem in the privatization process since the elevators provide the important function of ensuring the proper storage and conditioning of grain following the harvest.

Given that a primary objective of government is to maximize grain production and attain self sufficiency, these elevators are critical to achieving these government objectives. It requires that all continue to operate for the foreseeable future. While they may not be the most economical means of storing and conditioning grain, construction costs prohibit their immediate replacement. In most cases the disposition of the elevators will take place in conjunction with the disposition of the processing facility. However it is done, sale must be conditional on agreement by the new owners that ensures public storage of government grain at competitive rates in at least a portion of the elevator.

In our discussions with government officials the issue was raised that elevators should not be privatized as they are strategic to storing grain needed for domestic human consumption. Experience from other countries indicates that private ownership of grain storage facilities is not a deterrent to maintaining adequate grain stocks for human consumption. As discussed earlier, the primary consideration is implementation of a system of grades and standards and the licensing and bonding of elevators so that quality assurance for all grain (whether owned by the state or private individuals) is maintained.

We recommend that grain storage elevators be privatized as soon as possible. No modifications or new investment should be undertaken prior to sale. Elevators should be offered as separate entities from the adjacent flour or feed mixing facilities, but there should be no restrictions placed on bidder eligibility.

ANNEX A GRAIN INDUSTRY TABLES AND MAPS

3/10

Table A1 Flour Mills, Feed Mixing Plants and Elevators

Flour Milling Plants	Annual flour milling capacity			Ann. feed mixing cap. (tons)	Elevator cap. (tons)
	Wheat (tons)	Rye (tons)	Barley/oats (tons)		
Rēzeknes Dzirnāvnieks	63000			122000	63000
Daugavpils Dzirnāvnieks (mill 1)	78500			235000	108900
Daugavpils Dzirnāvnieks (mill 2)		32000			
Dobele Dzirnāvnieks	48000			166000	124180
Liepājas Labība		27000		192000	40700
Rīgas Dzirnāvnieks (mill 1)	65000				84700
Rīgas Dzirnāvnieks (mill 2)		46500			
Rolled Oat Mill			31500		
Jelgavas Dzirnāvnieks		55000		50900	50900
Subtotal	254400	160500	31500	715000	472380
Animal Feed Mixing Plants				Ann. feed mixing cap. (tons)	Elevator cap. (tons)
Jēkabpils				198000	112600
Vidzemes Labība				146000	60980
Madonas Labība				122000	34700
Saldus Labība				43000	39300
Stende				131000	22200
Rīga Mixed Feed				427000	9800
Iecavas Labība				122000	25000
Subtotal				1189000	304580
Grain Storage Elevators				Ann. feed mixing cap. (tons)	Elevator cap. (tons)
Gulbenes Grauds					16400
Rīga Part					65600
Subtotal					82000
Total	446500			1904000	858960

TABLE A.2 IMPORTS BY THE LATVIAN STATE GRAIN SECTOR, 1988 – 1992

Year	Wheat	Rye	Oats	Barley	Corn	Other Grain	Flour	Mixed Feeds	Total
	----- Tons -----								
1988	502,770	66,988	18,602	165,649	370,612	4,637	7,280		1,136,538
1989	316,370	41,693	31,912	148,103	668,651	69,560	7,412		1,283,701
1990	363,799	27,173	26,676	64,235	350,232	30,784	5,291		868,190
1991	262,372	23,698	6,205	171,987	386,342	7,077	5,286		862,967
1992	165,304	83,428	15,396	66,373	102,373	904		6,793	440,571

TABLE A.3 EXPORTS BY THE LATVIAN STATE GRAIN SECTOR, 1988 – 1992

Year	Wheat	Rye	Oats	Barley	Other Grain	Flour	Mixed Feeds	Total
	----- Tons -----							
1988				1,078		54,378	79,140	134,596
1989				1,088		51,892	49,803	102,783
1990						39,901	35,143	75,044
1991						40,926	13,367	54,293
1992						7,045		7,045

TABLE A.4 IMPORTS OF ANIMAL PROTEIN SUPPLEMENTS BY THE LATVIAN STATE GRAIN SECTOR, 1988 – 1992

Year	Soybean Oil Meal	Cotton Seed Meal	Fish Meal	Cattle feed Yeast	Yeast Prote & Vitamin Concentrate	Total
	----- Tons -----					
1988	138,000	40,000	12,000	10,000	15,000	215,000
1989	142,300	38,000	15,000	11,800	15,000	222,100
1990	139,100	28,000	14,000	8,400	15,000	204,500
1991	121,300	13,100	10,900	7,200	15,000	167,500
1992	32,100	8,800	3,200	2,800	7,100	54,000

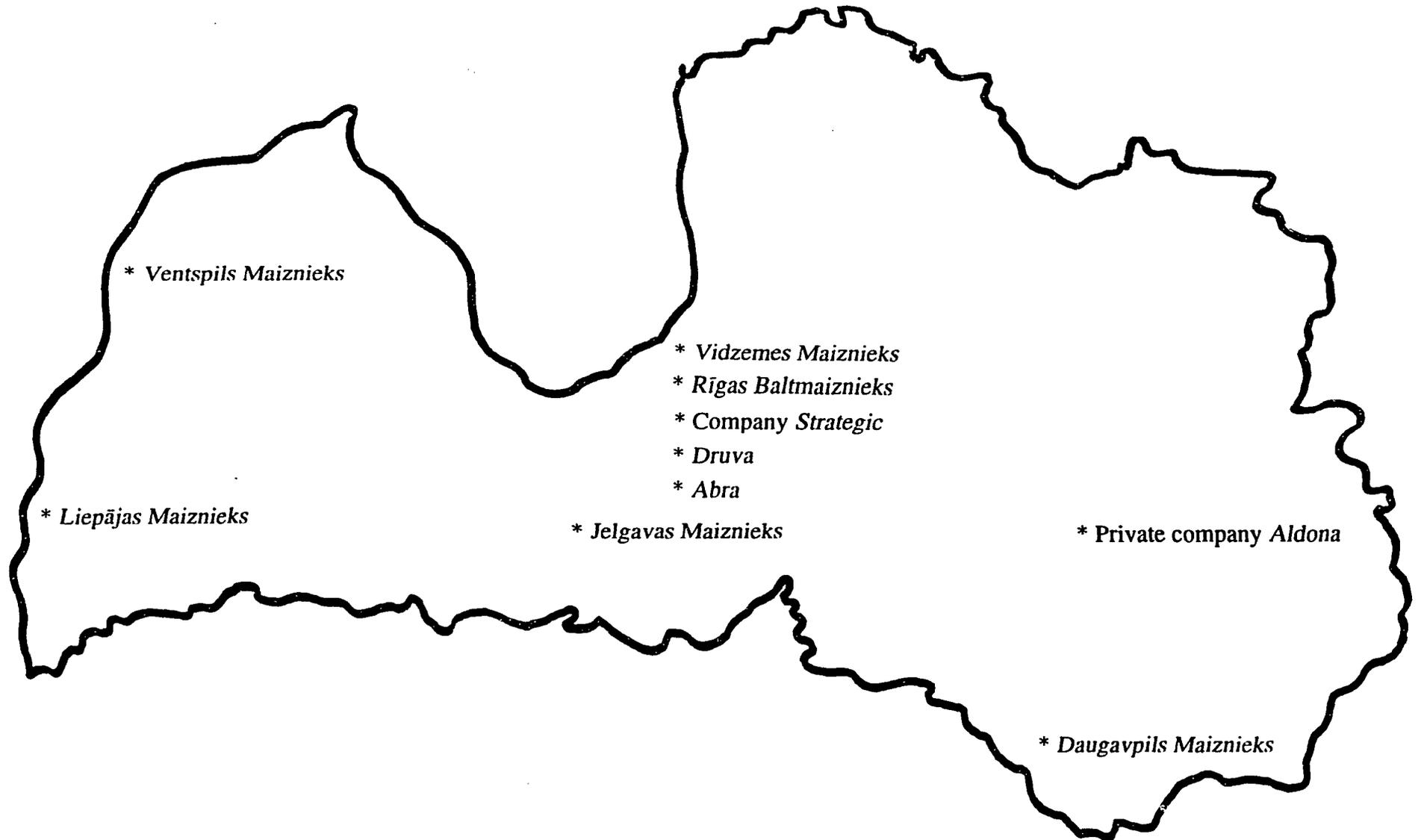
TABLE A.5 ANIMAL FEED PRODUCTS PRODUCED BY THE LATVIAN STATE
GRAIN SECTOR, 1988 - 1992

Year	Cattle Feed	Pig Feed	Chicken Feed	Other Feed	Sub Total
	----- tons -----				
1988	586,200	625,900	349,184	45,100	1,606,384
1989	631,300	668,400	342,429	42,100	1,684,229
1990	451,500	537,200	289,311	35,100	1,313,111
1991	398,900	504,100	298,513	26,100	1,227,613
1992	96,800	292,800	187,300	4,600	581,500

TABLE A.6 MILLED GRAIN PRODUCTS FOR HUMAN CONSUMPTION
PRODUCED BY THE LATVIAN STATE GRAIN SECTOR,
1988 - 1993

Year	Wheat Flour	Rye Flour	Groats	Other Millex Grain Prod	Sub Total	Total
	----- tons -----					
1988	212,278	135,136	32,721	428	380,563	1,986,947
1989	222,155	130,803	33,817	261	387,036	2,071,265
1990	207,047	136,090	33,614	304	377,055	1,690,166
1991	212,634	133,708	35,018	314	381,674	1,609,287
1992	151,381	76,713	33,610	1,287	262,991	844,491

BAKERIES



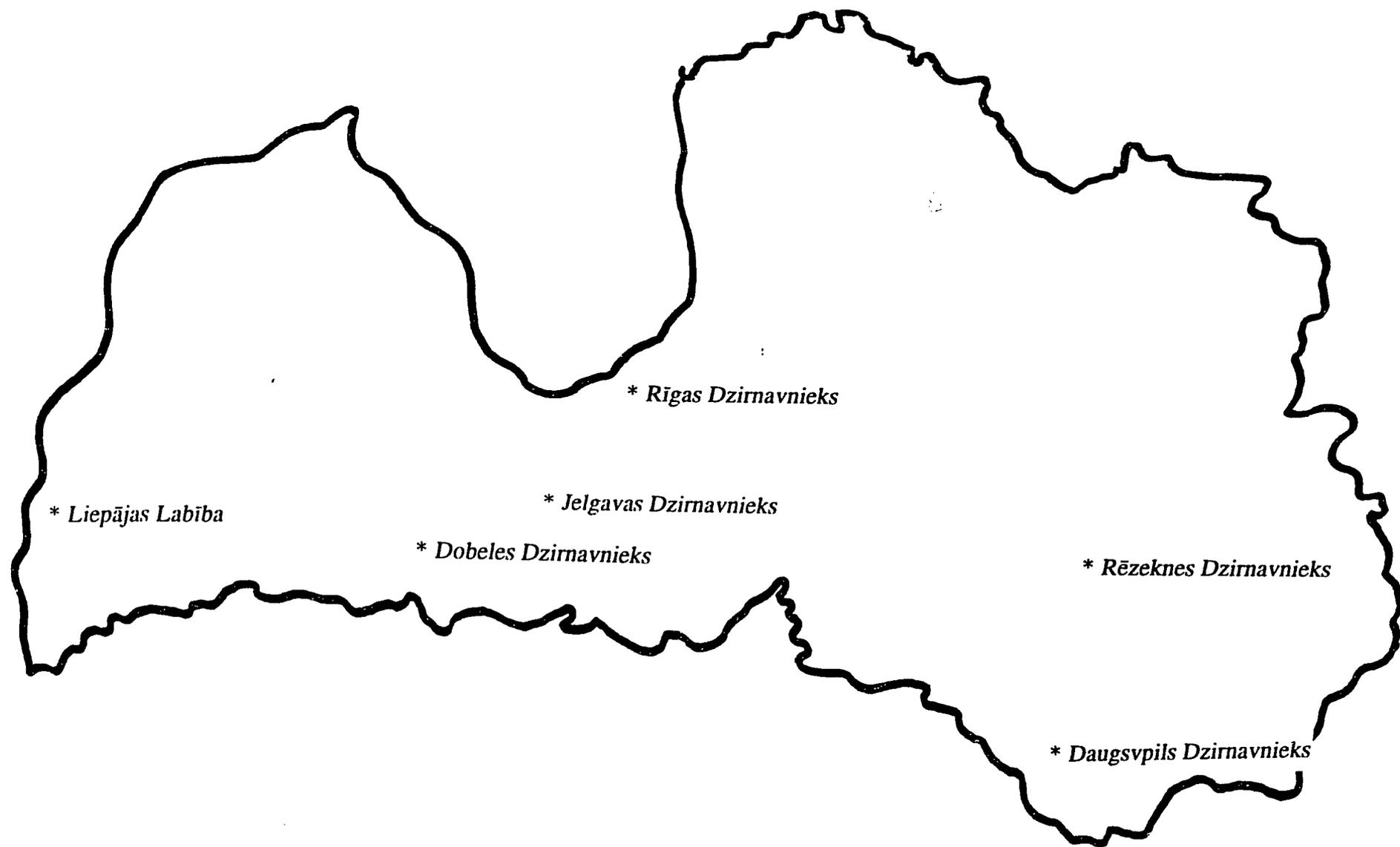
GRAIN STORAGE ELEVATORS



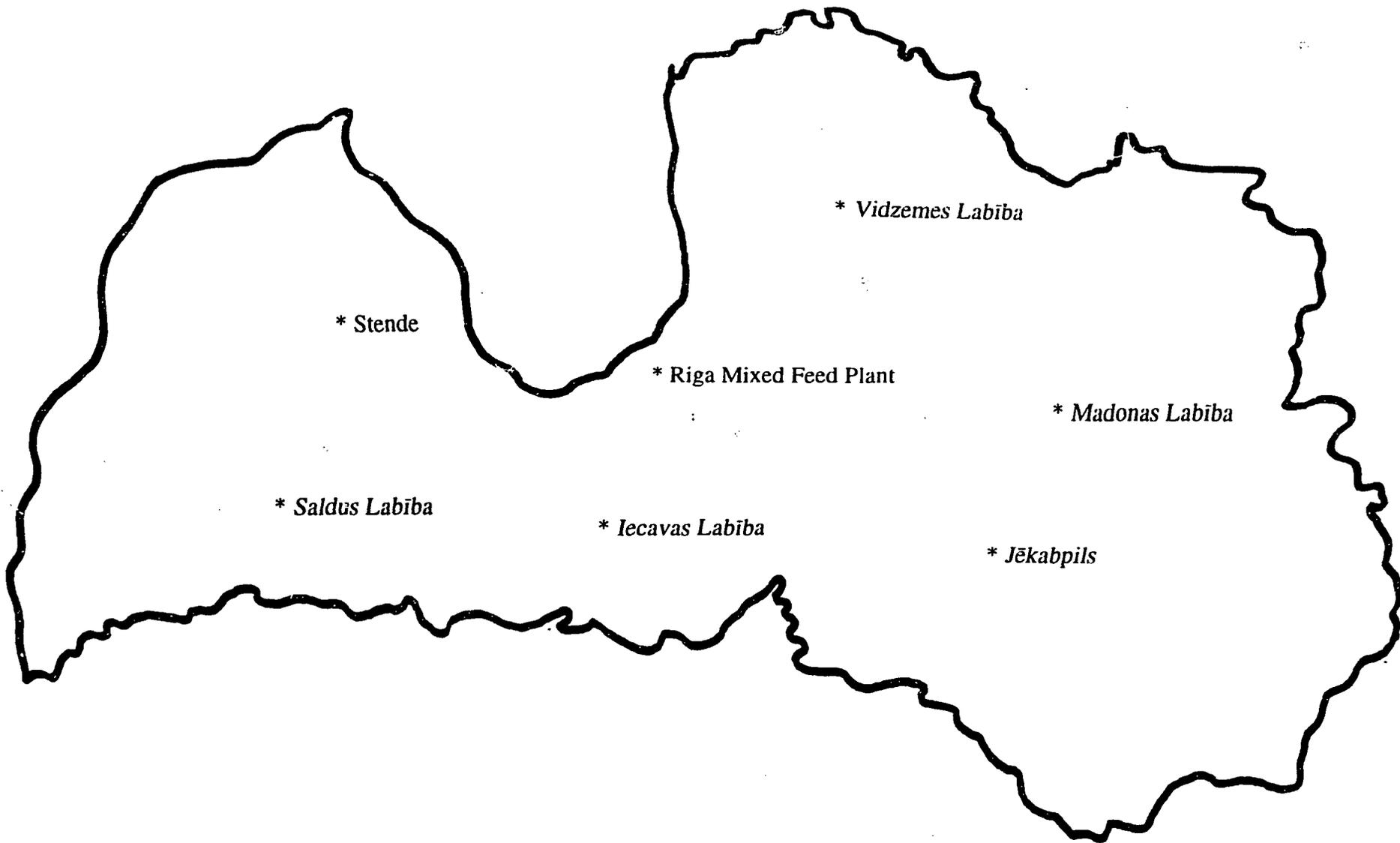
Note: Grain elevators are located at all feed mixing and flour milling plants.
In addition elevators are located in Gulbene and Riga port.

11/5/17

FLOUR MILLING PLANTS



ANIMAL FEED MIXING PLANTS



ANNEX B
COMMENTS ON THE DRAFT LAW OF 22 FEB, 1993
"ON THE LATVIAN GRAIN MARKET AND STATE GRAIN RESERVE"

While the objective of the law is clearly stated, translation may have resulted in a misinterpretation. As we read the proposed law, the objective is to promote the fulfillment of Latvia's domestic grain requirements through a law creating the preconditions for the formation of a Latvian grain market. Even though it is implied throughout the document that the intent of the law is also to support the establishment of a competitive grain market, we suggest that this objective be stated in Article 1--- Goals of the Law.

In general, we agree with the basic thrust of the law. However, there are certain aspects of the draft law that require clarification or modification. These are addressed below.

Terms in the Law

Latvian Grain Market:

We would exclude from the list the reference to bread producers, sellers and consumers. A case could be made to include the bakers in this list. But, in our opinion, the bread sellers and consumers are too far removed from the basic grain activities to be considered an integral part of the industry. Additionally, we would add to the list, other participants in the grain marketing system including merchandisers, traders and brokers. Including them acknowledges an acceptance of their function of providing an important service within the industry.

Paragraph 3:

We suggest using the words "supply/demand" rather than "production/consumption". This makes the concepts consistent with "normal" industry practices. It is also a more accurate description of the figures contained in a grain balance sheet.

Article 2

Paragraph 2.3:

We suggest that it is more appropriate to use words to the effect that the state "influences the supply/demand balance" rather than "influences the grain market" by using the state grain reserve. This connotation is much more acceptable than the latter phrasing and will be more consistent with our later proposal to define when reserve stocks can be used. (Article 13)

We would omit the reference to "state production and consumption balance". The reference to "state control over foreign trade" is unclear. We would omit from this list the reference to the state grain inspection for quality as it is not

done specifically to influence the grain market.

Article 3

Paragraph 3.1:

Change the words "regulate state grain market" to "administer state grain policies".

Paragraph 3.2:

We recommend that approval of balance-sheet recommendations be delayed until December 1 to enable proper analysis of recently completed harvests both in Latvia and other areas impacting on the Latvian grain situation. All analysis should be done on a crop year basis--i.e. June to May or July to June, etc.

Article 4

The title of this article could be better stated so that it doesn't infer that the grain markets are being controlled/influenced by a government agency. We suggest the words "in influencing Latvia's grain market" be deleted.

Paragraph 4.2:

We would restate this paragraph heading to read as follows: "To best ensure the proper balance between supply and demand, the Latvia State "Labibas Birojs" carries out the following:"

Paragraph 4.2.1:

Change the opening word "determines" to "estimates".

Paragraph 4.2.3:

Change the words "regulates foreign trade" to "regulates imports/exports".

Article 5

We have strong reservations about giving the "Labibas Birojs" Council authority for direct control over the management of "Labibas Birojs" and its functions. Clearly, this type of structure would move "LB" into the political arena rather than the intended regulatory and service functions. "Labibas Birojs" should be an activity of the MOA and report accordingly. If the government desires input from the various representatives mentioned in the draft, (primarily for purposes of policy development) that certainly can be accomplished through an advisory board. But such an advisory board should not have management control over the agency. Additionally, the reporting relationship provided in this draft will make it very difficult, if not impossible, for "LB" to function as intended.

The expected functions of "LB" highlight the difficulty in achieving a functioning organization with the Council as structured in the current draft. "LB" should be outside the influence of politics to the greatest extent possible. The present structure will lead to a very politicized organization.

Article 7

The dates for preparing the balance sheet, as indicated in this Article, may be a little premature. We suggest they be moved one month later. The reference to "minimal price for grain sale guaranteed" is unclear. If it is referring to the structure of a basic farm program, we have a strong recommendation and will prepare this as a separate recommendation.

Article 8

Paragraph 8.2:

The intent of this paragraph is not clear. Is the form required for each transaction or is it to provide general information about individual grain traders or to ensure that duties have been paid? If a form is required for each transaction a great deal of paperwork will be required which will distract from the development of market trading.

Paragraph 8.5:

From extensive experience we have learned that grain transaction fees of the type required by this paragraph have the effect of inhibiting trade and will clearly reduce the price received by the farmer. This tax will be a detriment to the establishment of a competitive grain market environment. Under competitive market conditions grain may be bought and sold many times before it is finally used. As an alternative, if this tax is an absolute requirement, we suggest an end user tax which would be added at the time the grain is processed. This means it would usually be collected from the flour or feed mill. Such a levy is administratively easier to collect than a levy imposed on grain traders.

Article 9

Paragraph 9.3:

The purpose and meaning of this Article is unclear.

Article 10

We suggest that the title for this article be simplified to read: "General Regulations for Foreign Trade". There is no need for the reference to "in grain and price regulation".

Paragraph 10.2:

We suggest that the last sentence of this paragraph be reworded: "Certificates issued shall be consistent with International Grain Standards".

Article 11

Paragraph 11.1-4:

The regional regulation of grain production as stated in this article will promote subsidized inefficient production, and is expensive and counterproductive to the development of a viable farm economy. If short term income supplements are needed in certain regions to overcome income declines from loss of traditional markets this should be addressed under farm program legislation and not under the enabling legislation which sets up a competitive grain market.

Article 12

Paragraph 12.1:

We suggest that an exact amount for a state grain reserve target not be stated in the law but instead be set on a yearly basis. If there is a need to provide guidelines in the law these can be stated as percentages of annual grain needs.

Article 13

Paragraph 13.1:

Reword this paragraph to read: "The State Grain Reserve is used to insure a minimum supply of grain stocks to assure adequate domestic supplies".

Paragraph 13.2-3:

The rules set out in this paragraph for buying and selling state reserve grain will encourage "LB" to become an active grain trader rather than carry out market regulatory and service functions. In this regard, there is an important principle to be considered in conjunction with the establishment of prices as they apply to the grain reserves.

Commodity markets operate at their best when all participants know "the rules of the game". Therefore, we strongly recommend that the law require the government to set minimum and maximum prices for state grain reserve transactions early in the calendar year for the upcoming harvest. This will enable the market to function within these predetermined limits and will facilitate the development of an active grain market. It will tend to act in a way that will keep market prices within the ranges set before the start of the season. We feel this is a

very important principle in the proper functioning of a competitive market and strongly recommend it be considered.

While the actual level at which these prices are set is determined on a yearly basis, the law should stipulate that a **maximum price** will be set at which the government may agree to **purchase** stocks to build up reserves. In a like manner, there should be a **minimum price** at which the government will consider **selling** stocks from the reserve. In practice the process could work as follows:

Suppose the government wanted the wheat market to operate between the range of LVR 12,000/ton and LVR 19,000/ton for the 1993-94 marketing season. Then they would set the minimum price at which they would consider selling grain from the reserve at LVR 19,000 and the maximum price at which they could consider buying grain for the reserve at LVR 12,000/ton. In between these prices they would not enter the market. Thus, if wheat supplies were in short supply and prices reached LVR 19,000 stocks could be sold from the reserve in order to increase supply and potentially reduce prices below LVR 19,000.

At the other extreme, if the market was in surplus and prices were pushed down to LVR 12,000, government could buy stocks to replenish the reserve, reduce the market supply and potentially move prices higher.

The above approach enables farmers and traders to operate in the market within known price parameters. At the same time, government should be able to buy grain when prices are low and sell when they are high, thereby retaining the spirit of the concepts now contained in Article 13:2-3 without violating market trading operations.

Prepared by:
The Agribusiness Privatization Project
April 15, 1993

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256

ANNEX C
DISCUSSION PAPER ON FARM PROGRAMS

The purpose of this paper is to introduce for discussion purposes options for a potential farm program that could be effective in accomplishing government objectives. The paper does not provide a firm recommendation on a particular program since a multitude of implications must be considered before a final decision can be made.

Background

In the past, farm prices in the former Soviet Union were set by a central authority responsible for guaranteeing that the farmer received a price based on the cost of production. With recent changes this may no longer be the way market prices are determined. The actual income received by the farmer may be derived from a combination of the competitive market and government programs designed to support agriculture and assure adequate production of important farm commodities.

The Program

The options for a farm program discussed in this paper are aimed at assuring the farmer of a level of income consistent with government objectives on production levels while allowing the realities of competitive market factors to operate, thus enabling the farmer to respond to supply and demand factors.

The components of the program are in many ways similar to the current U.S. farm program instituted in 1990. That program has as its basic objective to:

- a. minimize government expenditures for produced crops,
- b. help maintain farm income,
- c. encourage the farmer to produce for the demands of the market
- d. enable the government to influence crop production.

Participation in any farm program should be decided by individual farmers on a voluntary basis each year. The government would set certain requirements which the farmer must comply with to be eligible for the program benefits. This includes, in the U.S. such things as the types of crops that can be planted and acreage planting requirements. After considering the impacts of the governments compliance requirements on his farming operations, the farmer has the option of participating or not participating in the program. If he elects not to participate, he is not eligible for any of the program benefits and must rely completely on the market for his total income. Farmers in the U.S. participate to a high degree since the incentives of the program are quite attractive. This high participation level enables the government to effectively manage the production of various crops by "voluntary" participation

programs .

The U.S. farm program consists of three basic components that could be implemented in Latvia separately or in combination. The first part of the program is designed to ensure that the farmer has money in his hands at harvest time regardless of whether he sells his crop at that time or holds on to it in the hope of obtaining a higher sales price later in the season. Under the loan part of the program the government guarantees to lend money to the farmer at harvest time using the farmer's grain as collateral. When the loan is made the grain must be delivered into a government registered public elevator to ensure that the quality and quantity of the grain is maintained. If the farmer subsequently sells the grain on the open market he uses the proceeds of the sale to repay the loan.

The loans are normally set to mature six to nine months following the harvest so that the farmer has ample time to make a decision regarding the marketing of his crop. The farmer has the option of taking a loan out at any time during that period and still receiving the full loan rate. In Latvia the loan could be provided directly by the government or through a financial intermediary such as the Agricultural Finance Corporation that the World Bank and government are currently proposing to establish.

A second aspect of the loan program as it is operated in the U.S. is the use of an announced "loan rate". This provides a floor to the price which the farmer will be paid for his grain. It therefore provides a safety net for the farmer should the price of grain on the free market fall to very low levels. At the beginning of each season the government announces the loan rate. This is the price that the government guarantees it will loan money to the farmer for the upcoming crop. Further, even if the market price of grain falls below the loan rate, the government guarantees that it will allow the farmer to meet his loan obligations by simply forfeiting his grain to the government when the loan matures. Thus, regardless of what happens to the market price of grain, the farmer is guaranteed to receive at least the loan rate for his grain. However, at any time the farmer has the option of making a higher return by selling his grain on the free market should the market price for grain be above the loan rate. Under such a scheme the government must have money in its budget to meet the cost of "purchasing" the grain which may be forfeited to it should the market price of grain fall below the target price.

The third aspect of the farm program as operated in the U.S. is the use of deficiency payments. These payments provide more general support to farmer incomes to bring them up to a level that the government considers reasonable should market prices for grain be low. Concurrent with the loan rate a "target price" is announced. Should the average market price for grain in the first five or six months after harvest be below the target price

then farmers receive a deficiency payment. This payment is the difference between the target price and the average market price. Should the average market price fall below even the loan rate then the deficiency payment is limited to the difference between the loan rate and the target price. Again, with this part of the program the government must provide money in the budget to cover the deficiency payments.

Taking the three aspects of the program as a whole, the level of the government supported loan rates and target prices sends a clear signal to the farmer indicating his best alternatives for the use of his land. After deciding whether to participate in the program or not, he responds by planting crops that are expected to result in the highest return per hectare.

A farm program based on the above components can assure a level of farmer income consistent with government objectives while permitting prices to reflect the realities of competitive market factors. The farmer can then respond in his choice of crops to these prices and the relevant supply and demand factors.

There can be a large number of variations to the program as outlined that can be used to accomplish desired government objectives. Since there is an almost endless number of examples of how a program would actually work, given certain assumptions, the attachment provides two examples that could be considered "typical".

This paper is prepared for discussion purposes and should be considered a conceptual idea of how a viable farm program might achieve desired objectives. A much more detailed analysis of ramifications, mechanics and impact would be necessary if there is an interest in further investigation

DEFINITIONS AND TERMS USED

LOAN RATE

"Loan Rate" is the price at which the government or other lender will provide a loan to farmers to enable them to hold their crops for sale at some later date.

NONRECOURSE LOAN

The lender has no recourse but to take the crop as full repayment of the loan if the farmer so desires--- no matter how far the market price may have fallen.

TARGET PRICE

Price at which the government is desirous that the farmer receive for their production.

MAXIMUM DEFICIENCY PAYMENT

Target Price minus announced Loan Rate

ACTUAL DEFICIENCY PAYMENT

Target Price minus the higher of Loan Rate and actual market price average for a given period of time

MARKET PRICE

The price at which a commodity is trading in a "free" and competitive market.

SAMPLE FARM PROGRAM PARTICIPATION

Assumptions

Target Price	20000 LVR
Loan Rate	10000 LVR
Loan maturity date	March 31
Monthly charges (storage-interest)	400 LVR
Average market price (5 months)	16000 LVR
Market Price (harvest)	11000 LVR
Market Price Oct 31	18000 LVR
Market Price Dec 31	17000 LVR

EXAMPLE

Farmer takes loan on August 31	10000 LVR
Farmer redeems loan on October 31 (2 months charges--400/ month)	- 10800 LVR
Farmer sells grain on October 31 at	18000 LVR
Farmer receives deficiency payment--January (20000-16000)	<u>4000</u> LVR
"Net" returns to farmer from transactions	21200 LVR

EXAMPLE

Farmer takes loan on August 31	10000 LVR
Farmer redeems loan on December 31 (4 months charges--400/ month)	- 11600 LVR
Farmer sells grain on December 31	17000 LVR
Farmer receives deficiency payment--January (20000-16000)	<u>4000</u> LVR
"Net" returns to farmer from transactions	19400 LVR

200

Comments on The Draft Law of 28/01/93
"On The Latvian Grain Market and State Grain Reserves"

It appears that the intent of the law is to set up a competitive market environment for private sector grain traders and processors but give the state sufficient authority to control or manage grain stocks in such a way that: a) subsidies can be provided to farmers and to consumers based on government policies, and b) the state can intervene in market processes to minimize major grain price variability. The draft accomplishes this objective quite well.

However, the state is given broad powers to enter the market to stabilize grain prices. These powers could also be used to eliminate or curtail competition as well as promote it. Thought should be given to ways in which this power can be minimized so that abuses disruptive either to farmers, millers or consumers do not occur. This is obviously a sensitive issue which must be resolved within existing Latvian political realities.

It is generally advisable that specific directives regarding grain stock management and government market intervention be put in regulations written to implement the law. This preserves some policy flexibility.

The law also makes the distinction between the LB Board as a policy body covering grain issues from producer pricing, state grain reserves and consumer pricing and the LB technical staff charged with policy implementation. By definition, the Board membership will be very sensitive to political changes which could affect its decisions regarding pricing, reserve levels and other policies over which it has jurisdiction such as consumer subsidies.

Consequently, our comments suggest that the personnel management functions over LB technical staff, now assigned to the Board, should be reassigned to the MOA. This would help ensure that the LB technical staff are not replaced with individuals representing the particular political interests which may dominate the Board at any particular time.

Specific issues are addressed below.

Article 4

To what does the term "base price" relate? Does it mean the base price for grain producers, or for millers, or for both? If it is to be applied only to producers (which is the appropriate place if the milling industry is to operate on competitive market principles) wording such as "base producer price" would clarify the intent if that is what is meant.

Article 5

Paragraph 5.2: It is suggested that the reference to competitive tender for export trade be included in implementing regulations rather than in the law. However, keeping it in the law does emphasize that the private sector rather than the public sector should actually conduct grain exports and imports.

Article 6

Paragraph 6.2: It is not clear from the language used whether import and export duties would be applied to all foreign grain trades or just to some. The intent seems to be that duties can be levied to support implementation of government policy but will not be set in all cases. See also the discussion below.

Paragraph 6.3: The distinction between 6.2 and 6.3 is not clear. What does "contracts" mean in this context? It would seem that duties and levies should apply to all trades equally at the same time for commercial purposes. If they do not policy objectives become confused. However, it would seem appropriate that import duties would not apply in cases where imports were made for the purpose of replenishing government reserve stocks. Why should government pay duties on grains used to replenish state reserves? Perhaps paragraph 6.2 and 6.3 could be rewritten to remove apparent inconsistencies.

Article 7

Paragraph 7.1: Is one of the purposes of the reserve to regulate the "state grain market" "valsts labibas tirgus regulšanas", or just regulate the "grain market"? Under the new system there will not really be a state grain market to regulate if development of private sector competitive markets is the policy goal being pursued. Perhaps this paragraph can be eliminated as the same topic is covered in the first sentence of paragraph 8.1.

Article 8

Paragraph 8.1: In line with the above discussion it is suggested that the first sentence be replaced with "The state grain reserve is used mainly to eliminate existing shortages in domestic markets".

From our western perspective more general language would be preferable in place of the requirement limiting sales or purchases to 30 percent of the total reserve. Alternative language could be that "LB can buy and sell grain only to replenish state reserves or to stabilize the level of domestic grain supplies to the extent allowable by policy of the Government of Latvia".

The important point is that LB should not engage in commercial grain trade, whenever it wishes, but only trade to stabilize existing market supplies and to replenish reserves. The general language would remove the need for the sentence beginning "Novirzes no augstak..."

In addition, the implication that ongoing sales and purchases from the reserve should be self financing is an unrealistic requirement if market stabilization is the only purpose for entering the market. If profits are made, well and good, but this should not be stated as an agency objective.

Article 11

From the western perspective of separation of powers it would appear that a) a LB policy Board with the chairman appointed by the Prime Minister, and b) the Director of LB appointed by the Minister of Agriculture, will achieve a highly desirable balance between control of policy functions and technical implementation functions.

Over time, the policy of the government will change, but the technical aspects of grain inspection and control, economic analysis, buying and selling of grain etc. will remain the same. Hence, the goal for the LB staff is to achieve and maintain technical competence. Having LB staff appointments subject to the LB Board, as is now stated in the draft law, will not ensure this outcome. It may actually operate to destroy the technical competence needed to ensure availability of adequate grain stocks with known quality standards. Consequently, it is suggested that the director and all technical staff should be hired under civil service employment standards.

Paragraph 11.3: The membership of the Board clearly identifies it as a broad based representative policy body. That implies that the chairman should be appointed by the Prime Minister in addition to the other members who represent their own specific interest groups. These appointments would be made by each group represented on the Board.

This is consistent with the above suggestion that the technical director of LB, as well as all of his staff should have civil service status and be appointed within the staffing policy of all civil servants in the MOA.

Continuing with the policy and technical distinctions, the MOA representative to the Board could be the First Deputy Minister while the Director of LB could have status of the Executive Secretary to the Board. He would present the views of his organization from a technical perspective, but in an advisory capacity. He would not have a vote on the Board. It is important that the director not be subject to removal by the Board. Having the director subject to hiring and release by the Board could have

serious implications if the Board changed directors depending on the political makeup of the Board.

Paragraph 11.4: As developed above the director of LB should be subject to the same hiring and dismissal procedures as all other civil servants operating at high levels of government. If this approach is adopted the line beginning with "labibas birojs direktora ieceleana.... can be removed.

Prepared by:

The Agribusiness Privatization Project
February 8, 1993

Comments On
National Grain Production Program

A. General Comments

The report is well prepared and provides the basis for understanding the Latvian grain program and implications of resource needs. However, the actual purpose of the report is not clear. Is it a research report or a statement of government policy? Who is the intended audience? Is the report designed to provide policy makers with options for making policy, or is it designed to actually state the government's policy and program?

If the report is to provide options to policy makers than the technique of providing high, medium and low variants is appropriate. It is suggested that grain needs under high, medium and low variants of animal production be calculated in addition to the options presented for human grain consumption needs. Existing estimates of grain needs for animal use range from 800,000 tons to over 1.7 million tons depending on assumptions used. The attached tables provides additional details.

If, however, the report is designed to describe official government policies and procedures then providing grain production and land use options and implications of each is not the most appropriate approach. Instead, the report would contain the option that government was actually using to develop its strategies and then justify the option chosen. In the final version this dilemma should be resolved. This conflict was not so noticeable in the first draft as the Latvijas Birojs and grain program production and marketing discussions were not included.

From the perspective of a research document, the present report does not adequately address the alternative policy or technical production options and their implications. From a western perspective the discussion of district quotas and guaranteed prices seem to indicate a continuation of the command economic system. Perhaps in the discussion of a guaranteed state price it could be suggested that this would be based in part on average production costs. Domestic market demand for livestock feeding could operate to let prices increase above this level.

Perhaps two papers should be written, one as a research report and the second as a policy information bulletin.

The research report would analyze the implications of production and marketing options under alternative human and animal consumption patterns. Analysis of fertilizer, seed, pesticide and other input costs can provide the basis for determining total production costs and estimating credit needs. In this regard, the

sections addressing these activities require additional detail and analysis.

The policy information bulletin would describe the actual government policies and strategies and justify the options chosen.

B. Specific Comments

page 4 Introduction:

The meaning of the phrase "to become part of the international labor division system is not clear". Is it needed?

page 4 Objectives:

This is an important policy statement and should be clearly stated. Is the strategic goal to achieve 100 percent grain independence? If so, what is the target date for this? Or is the goal to obtain sufficient grain resources (from domestic and foreign sources) to enable Latvia to produce all its needed processed grain products? The two options are quite different and require different justifications and analytical approaches.

page 5:

In the fourth paragraph, including a large feed component as an afterthought to a discussion of human food needs does not give this sector the importance it deserves. It is suggested that the report provide three separate variants for the livestock production sector and estimate grain needs for each. (See discussion below.)

page 6 Grain Production and Management:

The alternative per hectare yields for grain are very high compared to actual yields realized during the 1980-1992 period. The highest yields obtained during this period were at the level calculated for the lowest variant in the report. The expected land area planted to grain in 1993 is not much greater than the highest plantings during the previous decade. Fertilizer prices are much higher now than they were during the 1980's and credit is harder to acquire. This implies that fertilizer use will be less than in the 1980s. If so, this suggests that the lowest variant calculated in the report may be closer to the maximum that could be expected in 1993.

The attached a set of tables summarizes performance during the 1980s. It shows that year to year production variations from the average may be as high as 50 or 60 percent. Perhaps the 15 percent annual variation suggested in the report is too low.

page 7 Grain Production and Management:

The basis for determining animal feed requirements is not provided. It would be useful to provide an appendix table relating feed needs to various levels of animal production. The attached tables A1-A5 provide estimates of animal feed use derived from various donor and Latvian sources. Depending on feeding assumptions and the number of livestock in each category the amount of animal feed grain needed ranges from about 800,000 tons to over 1.7 million tons. Latvijas Labība milled only 500,000 tons of animal feed in 1992 and are forecasting 300,000 tons for 1993. A separate section discussing the options under which each of these outcomes occurs could strengthen the report by providing a useful starting point for determining actual grain needs. The data in attached tables A4, A6 and A7 are linked to the data in the analysis table 4. These tables are on my computer and you may use them if you want to calculate animal feed variants with them.

page 7 Grain Production Material Base:

Can additional detail be provided regarding the location of land reclamation works, the number of hectares in each location and what the LVR 40 million will actually accomplish?

page 8 Maintenance of Soil Fertility:

Detail concerning the amount of liming done over the past ten years and specific estimates of additional amounts needed to bring the land base in each region or district up to appropriate ph levels would improve the presentation.

page 8 Fertilization and Plant Protection:

Additional detail concerning the type of fertilizer needed for different regions or districts would improve the discussion. (CF Note: Address fertilizer inconsistencies after discussing them with Boruks.) Is the amount of fertilizer recommended actually available in Latvia? It is useful to include the cost in the discussion section.

page 8 Pesticide and herbicide use:

It would be useful to include types of pesticides and herbicides needed and estimated costs.

page 9 Fuel:

Beginning with this section the report introduces more specific policy and strategy discussion considerations. Are there any suggestions for creating a fuel supply fund? What is the actual purpose of such a fund?

page 10 Grain Farming Machinery and Equipment:

What is meant by the statement that the machinery industry needs to be "put under full state control?" Does this mean that the state will own all the machinery? What is the regional machinery building program? Is there any strategy to expand private sector activity in machinery sales and services? When the report says that special attention shall be paid to maintenance of sowing machinery, harvesting, grain etc. what does this mean? While the section describes the problems faced by Latvia it does not address solutions very well.

pages 10-11 Selection and Seed farming:

Additional discussion of the seed development program would be useful. Does Latvia have a breeder seed production program? Who produces foundation and certified seed now? If foundation and certified seed is now produced here, how much is produced? What is the capacity for producing seed in Latvia?

Producing breeder seed is a complex process. It takes 10 to 14 years to produce a new variety. Growing foundation seed from breeder seed developed elsewhere is a more viable option for Latvia at this time. But close linkages with private sector seed companies and/or foreign state seed research institutes is required. Are plans made or being made to develop such linkages?

The discussion does not address how much certified seed is actually required and where it will come from in 1993. How much of the farmer's own seed will be planted in 1993? The high cost of foreign seed is mentioned, but alternatives to buying such seed for 1993 are not discussed.

page 11 Grain Purchase:

The text indicates that 588 thous tons of grain for the reserve will be purchased in 1993. But, on page 6 it is indicated that only 160 thous tons will be purchased in 1993. Which is correct?

This section is basically a discussion of policy and strategy. It is advisable that this and the remaining discussion be placed under a separate section entitled "Grain Strategies for 1993". Ideally, however, this discussion and the discussion of grain quotas and tariffs should be put into a separate report.

In the discussion of grain purchased for the grain reserve and grain purchased for other uses, what is the difference between the "guaranteed purchase price" and "contract prices"? Will prevailing market prices determine the level of the contract prices? If not, what is the basis for setting contract prices?

The discussion of "elite" and first generation seed purchase is unclear. Why is a state reserve in seed grain required? Where will the seed be purchased?

page 12 Grain Purchase Price Formation Mechanism:

This discussion is rather confusing. It is the type of discussion that would be contained in a government law or regulation rather than a research report. The term "free market price" is introduced in this section. How does this differ from the concept of "contract price" used elsewhere? What is the basis for setting the "state guaranteed price"? Why should this be any different than the market price in the purchasing region? Perhaps the state guaranteed price could be based, in part, on average production costs plus a reasonable profit margin. Setting a minimum price at or near average production costs would encourage better producers to increase grain production while less efficient producers would be encouraged to decrease production. Import tariffs may be set at levels which would make grain imports from eastern sources viable at prices about 10 to 15 percent over the minimum. Western grain imported at concessionary prices could be sold at domestic market prices, but not below the minimum. Over time it is expected that domestic prices will approach (and maybe exceed) world prices. But, this will not occur in 1993.

It is advisable to place a discussion of imports in a section separate from that of domestic purchases. As a separate issue, why should the state cover transportation costs of getting farmers grain to the mill when purchases for the grain reserve are made? Scarce state funds can be put to better use than paying for transporting farmer's grain.

page 13 Short term loans:

This section may better be included as a part of a summary of the costs of attaining the alternative levels of grain. It could also discuss the cost of the government grain program.

The estimated needs of 220 thous tons of fertilizer is considerably different from the figures of 177 thous to 185 thous indicated on page 8 under the different variants. These discrepancies should be reconciled.

How large a loan is needed to enable elevators to purchase grain from farmers? The discussion does not clearly indicate whether this loan facility has already been granted.

page 13 Customs policy:

It is not clear why this discussion is included in the report. It would fit better in a policy document.

page 14 Protection of Domestic Grain Price:

This section can be improved by describing alternative ways by which the objective can be achieved. Alternatively, the actual approach to be used by government can be given.

page 14 Cooperation in Grain Production and Use:

It is not clear whether this section is a statement of policy or a statement of what is needed. If the former, additional discussion is needed to explain how the cooperation forms will be introduced. If it is a statement of what is needed, additional discussion of why the forms are needed and alternative ways to attain them is required.

page 14 Conclusions:

The conclusions provide useful summary statements. They are sufficiently important that they should be put in the front of the report as part of an executive summary. However, most are not statements of research conclusions, but a summary of policy goals.

Specific comments on these statements follows:

1. The suggested import needs are based on domestic production levels well in excess of those achieved during the 1980's. While higher yields may be obtainable in the near future it may be better to be more conservative in forecasting 1993 domestic production levels.
2. The third conclusion statement seems to reflect a policy statement of the government rather than a suggested list of support measures needed to develop a viable grain sector. Is this the intent? In fact, most of the policy measures recommended are not in place and many cannot be put in place in 1993.
3. Is it appropriate to export rye or should this be changed to "rye flour"?
4. Are credit policies actually in place or is this just desired?
5. What is meant by "preservation and improving local seed development"? More specifics are needed.
6. What does "farmer and other grain producer cooperation" mean?
7. As a separate item is there merit to indicating that market pricing will be used to determine the price balance between grain producers and grain users for animal feed? Or that the market price can be the basis for setting contract prices between grain producers and buyers?

Prepared 15/2/93
Grain Production and Estimated Use, Latvia

Table 1 Hectares Planted

Crop	Year										
	1965	1970	1980	1985	1986	1987	1988	1989	1990	1991	1992
	Thous Hectares Planted										
Winter wheat	80.6	74.8	82.8	94.3	97	102.4	104.7	117.8	140.7	69.8	123
Spring wheat	25.8	0.3	0.2	0.4	0.5	0.7	0.2	0.2	0.8	1.7	5
Rye	277.3	108.8	111.1	100.7	107.3	82.1	101.2	128.7	130.7	69.2	129
Oats	50.7	113.5	81.7	91.6	77.1	67.3	65.5	75.6	82.4	92.7	83
Barley	119.6	322.8	396.7	396.9	408.1	402	352.5	331.6	306.6	397.5	343
Triticale										2.6	3
Total	554	620.2	672.5	683.9	690	654.5	624.1	653.9	661.2	633.5	686

Table 2 Yield per Hectare

Crop	Year										
	1965	1970	1980	1985	1986	1987	1988	1989	1990	1991	1992
	Tons per hectare										
Winter wheat			1.6	2.3	2.4	2.9	2.6	3.1	2.6	2.7	2.7
Spring wheat			0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.5	1.2
Rye			1.2	1.7	2.3	2.3	2.4	2.6	2.5	2.1	2.4
Oats			1.2	1.4	2.0	2.2	1.4	2.0	2.1	1.9	0.7
Barley			1.1	1.8	2.0	2.3	1.4	2.1	2.3	1.9	1.0

Table 3 Total Production

Crop	Year										
	1965	1970	1980	1985	1986	1987	1988	1989	1990	1991	1992
	Production (thous tons)										
Winter wheat			129.9	217.1	228.5	295.6	270.2	360.0	370.2	185.9	332.0
Spring wheat										4.3	6.0
Rye			129.2	169.8	245.8	189.4	239.0	336.8	323.6	145.8	309.0
Oats			96.4	129.7	151.9	151.1	89.7	149.3	175.1	177.2	58.0
Barley			439.1	710.8	802.2	906.7	500.2	700.3	692.8	761.9	357.0
Total			794.6	1227.4	1428.4	1542.8	1099.1	1546.4	1562.7	1275.1	1062.0

Table 4 Analysis

Crop	Av prod 80-92	Production		Estimated Needs*				
		Range		Food	Feed on farm	Milled Feed	Seed	Total
		Low	High					
Thous tons								
Winter wheat	265.5	129.9	370.2	238	200	50	36	523
Rye	232.0	129.2	336.8	149	100	50	36	334
Oats	131.0	58	177.2	27	50	0	26	102
Barley	652.3	357	906.7	27	550	100	108	785
Total	1280.9	674.1	1790.9	440	900	200	205	1745

* Estimates are 10 percent above calculated needs

Prepared 15/2/93
Grain Use Working Tables

Table A1 Feed needs by animal units (G24 western formulation)

Type	number thous	feeding rate/year kilos	percent grain	kilos feed per required				Total
				wheat	rye	oats	barley	
layers	3100	36.40	0.6895				77.8	77.8
broilers*	12573	3.08	0.6995				27.1	27.1
Beef cattle	322	433.00	0.7505				104.6	104.6
milk cows	238	600.00	0.7500				107.1	107.1
pigs**	1900	400.00	0.8500				646.0	646.0
total	18133			0.0	0.0	0.0	962.6	962.6

*2.089.000 * 6 cycles **950.000 * 2 cycles

Table A2 Feed needs by animal units (G24 Latvian formulation)

Type	number thous	feeding rate/year kilos	percent grain	kilos feed per required				Total
				wheat	rye	oats	barley	
layers	4000	36.00	1.0000				144.0	144.0
broilers*	12534	3.36	1.0000				42.1	42.1
Beef cattle	430	365.00	1.0000				157.0	157.0
milk cows	351	547.50	1.0000				192.2	192.2
pigs**	1900	650.00	1.0000				1235.0	1235.0
total	19215			0.0	0.0	0.0	1770.2	1770.2

*2.089.000 * 6 cycles **1,900,000 * one cycle

Table A4 Feed needs by animal units (ALC formulation)

Type	number thous	feeding rate/day	percent grain	days on feed	kilos feed per required				Total
					wheat	rye	oats	barley	
layers	2000	0.1397	0.7850	250				54.8	54.8
broilers	3160	0.0800	0.7750	257				50.4	50.4
beef cattle	600	1.3698	0.8700	243				173.8	173.8
milk cows	400	2.7397	0.7500	243				199.7	199.7
pigs	842	2.0000	0.7750	250				326.3	326.3
total	7002	4.7397			0.0	0.0	0.0	804.9	804.9

Table A5 Feed needs by animal units (Adjusted G24 Latvian formulation)

Type	number thous	feeding rate/year kilos	percent grain	kilos feed per required				Total
				wheat	rye	oats	barley	
layers	2000	36.00	1.0000				72.0	72.0
broilers*	7308	3.36	1.0000				24.6	24.6
Beef cattle	600	365.00	1.0000				219.0	219.0
milk cows	400	547.50	1.0000				219.0	219.0
pigs**	842	650.00	1.0000				547.3	547.3
total	11150			0.0	0.0	0.0	1081.9	1081.9

*1.044.500 * 7 cycles

**842.000 * one cycle

Table A 7 Human Consumption

Crop	Rate per capita	Pop-ulation	Total
	kgs	thous	thous tons
winter wheat	80	2.7	216
rye	50	2.7	135
oats	9	2.7	24.3
barley	9	2.7	24.3
Total	148	10.8	399.6

Table A8 Seed Use

Crop	Rate per hectare	No. of hectares	Total
	tons	thous	thous tons
winter wheat	0.25	130	32.5
rye	0.25	130	32.5
oats	0.26	90	23.4
barley	0.28	350	98
total		700	186.4

Revised draft 29 April 1993

DISCUSSION PAPER
ON
FARM PROGRAMS

The purpose of this paper is to introduce for discussion purposes options for a potential farm program that could be effective in accomplishing government objectives. The paper does not provide a firm recommendation on a particular program since a multitude of implications must be considered before a final decision can be made.

Background

In the past, farm prices in the former Soviet Union were set by a central authority responsible for guaranteeing that the farmer received a price based on the cost of production. With recent changes this may no longer be the way market prices are determined. The actual income received by the farmer may be derived from a combination of the competitive market and government programs designed to support agriculture and assure adequate production of important farm commodities.

The Program

The options for a farm program discussed in this paper are aimed at assuring the farmer of a level of income consistent with government objectives on production levels while allowing the realities of competitive market factors to operate, thus enabling the farmer to respond to supply and demand factors.

The components of the program are in many ways similar to the current U.S. farm program instituted in 1990. That program has as its basic objective to:

- a. minimize government expenditures for produced crops,
- b. help maintain farm income,
- c. encourage the farmer to produce for the demands of the market
- d. enable the government to influence crop production.

Participation in any farm program should be decided by individual farmers on a voluntary basis each year. The government would set certain requirements which the farmer must comply with to be eligible for the program benefits. This includes, in the U.S. such things as the types of crops that can be planted and acreage planting requirements. After considering the impacts of the governments compliance requirements on his farming operations, the farmer has the option of participating or not participating in the

program. If he elects not to participate, he is not eligible for any of the program benefits and must rely completely on the market for his total income. Farmers in the U.S. participate to a high degree since the incentives of the program are quite attractive. This high participation level enables the government to effectively manage the production of various crops by "voluntary" participation programs.

The U.S. farm program consists of three basic components that could be implemented in Latvia separately or in combination. The first part of the program is designed to ensure that the farmer has money in his hands at harvest time regardless of whether he sells his crop at that time or holds on to it in the hope of obtaining a higher sales price later in the season. Under the loan part of the program the government guarantees to lend money to the farmer at harvest time using the farmer's grain as collateral. When the loan is made the grain must be delivered into a government registered public elevator to ensure that the quality and quantity of the grain is maintained. If the farmer subsequently sells the grain on the open market he uses the proceeds of the sale to repay the loan.

The loans are normally set to mature six to nine months following the harvest so that the farmer has ample time to make a decision regarding the marketing of his crop. The farmer has the option of taking a loan out at any time during that period and still receiving the full loan rate. In Latvia the loan could be provided directly by the government or through a financial intermediary such as the Agricultural Finance Corporation that the World Bank and government are currently proposing to establish.

Another aspect of the loan program as it is operated in the U.S. is the use of an announced "loan rate". This provides a floor to the price which the farmer will be paid for his grain. It therefore provides a safety net for the farmer should the price of grain on the free market fall to very low levels. At the beginning of each season the government announces the loan rate. This is the price that the government guarantees it will loan money to the farmer for the upcoming crop. Further, even if the market price of grain falls below the loan rate, the government guarantees that it will allow the farmer to meet his loan obligations by simply forfeiting his grain to the government when the loan matures. Thus, regardless of what happens to the market price of grain, the farmer is guaranteed to receive at least the loan rate for his grain. However, at any time the farmer has the option of making a higher return by selling his grain on the free market should the market price for grain be above the loan rate. Under such a scheme the government must have money in its budget to meet the cost of "purchasing" the grain which may be forfeited to it should the market price of grain fall below the target price.

The third aspect of the farm program as operated in the U.S. is the use of deficiency payments. These payments provide more general support to farmer incomes to bring them up to a level that the government considers reasonable should market prices for grain be

low. Concurrent with the loan rate a "target price" is announced. Should the average market price for grain in the first five or six months after harvest be below the target price then farmers receive a deficiency payment. This payment is the difference between the target price and the average market price. Should the average market price fall below even the loan rate then the deficiency payment is limited to the difference between the loan rate and the target price. Again, with this part of the program the government must provide money in the budget to cover the deficiency payments.

Taking the three aspects of the program as a whole, the level of the government supported loan rates and target prices sends a clear signal to the farmer indicating his best alternatives for the use of his land. After deciding whether to participate in the program or not, he responds by planting crops that are expected to result in the highest return per hectare. This assures the government that, subject to the vagaries of weather, desired production goals will be met.

A farm program based on the above components can assure a level of farmer income consistent with government objectives while permitting prices to reflect the realities of competitive market factors. The farmer can then respond in his choice of crops to these prices and the relevant supply and demand factors.

There can be a large number of variations to the program as outlined that can be used to accomplish desired government objectives. Since there is an almost endless number of examples of how a program would actually work, given certain assumptions, the attachment provides two examples that could be considered "typical".

This paper is prepared for discussion purposes and should be considered a conceptual idea of how a viable farm program might achieve desired objectives. A much more detailed analysis of ramifications, mechanics and impact would be necessary if there is an interest in further investigation

DEFINITIONS

LOAN RATE

"Loan Rate" is the price at which the government or other lender will provide a loan to farmers to enable them to hold their crops for sale at some later date.

NONRECOURSE LOAN

The lender has no recourse but to take the crop as full repayment of the loan if the farmer so desires--- no matter how far the market price may have fallen.

TARGET PRICE

Price at which the government is desirous that the farmer receive for their production.

MAXIMUM DEFICIENCY PAYMENT

Target Price minus announced Loan Rate

ACTUAL DEFICIENCY PAYMENT

Target Price minus the higher of Loan Rate and actual market price average for a given period of time

MARKET PRICE

The price at which a commodity is trading in a "free" and competitive market.

SAMPLE FARM PROGRAM PARTICIPATION

FARMER INCOME

Assumptions	
Target Price	20000 LR
Loan Rate	10000 LR
Loan maturity date	March 31
Monthly charges	
(storage-interest)	400 LR
Average market price	
(5 months)	16000 LR
Market Price (harvest)	11000 LR
Market Price Oct 31	18000 LR
Market Price Dec 31	17000 LR

EXAMPLE

Farmer takes loan on August 31	10000 LR
Farmer redeems loan on October 31 (2 months charges--400/ month)	- 10800 LR
Farmer sells grain on October 31 at	18000 LR
Farmer receives deficiency payment--January (20000-16000)	<u>4000 LR</u>
"Net" returns to farmer from transactions	21200 LR

EXAMPLE

Farmer takes loan on August 31	10000 LR
Farmer redeems loan on December 31 (4 months charges--400/ month)	- 11600 LR
Farmer sells grain on December 31	17000 LR
Farmer receives deficiency payment--January (20000-16000)	<u>4000 LR</u>
"Net" returns to farmer from transactions	19400 LR

**Status Report on Latvian State Feed Mills
April 1993**

The Latvian state feed milling plants formerly associated with the concern Latvijas Labiba experienced a major decline in demand over the past twelve months. During the first quarter of 1993 the eleven state managed plants produced 57,132 tons of mixed animal feed. This compares to 202,972 tons produced in the first quarter of 1992 and represents a decline of more than 70 percent over the twelve month period.

The total monthly milling capacity of all state managed plants is about 125,000 tons. The actual amount of feed milled in April 1993 was about 7500 tons or about 6 percent of total capacity. Production declined even further in May.

Most feed mills are heavily in debt to the Bank of Latvia and the Government of Latvia. Monthly payments to service this debt are the greatest single cost item for most plants. Most debt was acquired during the 1992 harvest season when the GOL required mills to take loans from the Bank of Latvia in order to pay for grain purchased from farmers. Farmers received R15,000 per ton last autumn for feed grain sold to the mills. The current market price for feed grain has declined about 30 percent to an average of R10,500 per ton.

Interest charges on BOL debt was as high as 120 percent per year, but in most cases has been reduced to 65 to 85 percent. For the industry as a whole, April debt servicing costs just about equaled the total value of feed sold during the month. As expected, many plants are now in arrears on paying monthly interest costs on outstanding loans. Total outstanding debt to the BOL and the GOL was about 17 times the actual value of April sales. In addition, plants in the industry owed money to input suppliers and for grain purchased from other mills. This debt amounts to almost six times actual sales in April. However, most mills have paid off their outstanding debts to farmers.

Although plants were owed about seven times their April sales from purchases by farmers and other purchasers of grain and feed, more than 80 percent has been on the books for more than 6 months and is therefore probably not recoverable. Thus, any repayment of existing debt must come from future sales. But sales are expected to continue to decline during most of 1992.

All but three plants had sales in excess of production costs, excluding debt servicing and depreciation charges. The figures suggest that most plants can continue to cover basic production costs as long as monthly milling and sales are above 15 percent of single shift capacity.

Implications

1. The precarious financial position of most state managed feed mills requires immediate attention by the Government of Latvia and the Bank of Latvia. Most plants will be forced to shut down within the next 3 months if they are expected to continue to service the debts held by the BOL and the GOL at current interest rates.
2. Government should urgently review all options to rapidly privatize state managed feed mills, including arrangements to lease with an option to buy. To speed up the process of transferring ownership and management to the private sector, government should not make additional investments or conduct any restructuring of existing plants.

Prepared by:

Agribusiness Privatization Project

May 28, 1993

Conrad Fritsch

Draft CF.5/4/93

Outstanding Debt and Accounts Receivable, State Bakeries. March 18, 1993

Bakery	Accounts Receivable mil US\$	Accounts payable mil US\$	Bank loans	Total debt mil US\$	Net mil US\$
Druva	0.477	0.731	0.054	0.785	-0.308
Daugavpils Maiznieks	0.154	0.031	0.123	0.154	0.000
Jelgavas Maiznieks	0.112	0.102		0.102	0.010
Ventspils Maiznieks	0.015	0.012		0.012	0.004
Rezeknes Maiznieks	0.052	0.028		0.028	0.024
Liepajas Maiznieks	0.013	0.031		0.031	-0.018
Baltmaiznieks	0.281	0.138		0.138	0.142
Abra	0.088	0.112	0.046	0.158	-0.069
Vidzemes Maiznieks	0.171	0.198		0.198	-0.027
Total	1.363	1.381	0.223	1.604	-0.241

Conversion rate: US\$ 1 = 130 LVR

DratFCF:5/4/93
 Outstanding Debt and Accounts Receivable, State Mixed Feed and Flour Mills, March 18, 1993

Flour & feed Mills	Accounts Receivable from:			Accounts Payable to:					Total debts & AP	Bank Loans	Net
	Flour Milling	Mixed Feed	Total A/R	Private Farmers	A/S Farms	Budget (flour)	Others	Total AP				mil US$	mil US$
Riga Dzirnainieks	1.402	--	1.402	0.159	0.000	0.605	2.689	3.425	1.262	8.111	-6.709
Daugavpils Dzirnainieks	0.578	0.159	0.738	0.000	0.000	0.000	0.961	0.961	0.677	2.598	-1.861
Jelgava Dzirnainieks	0.575	0.467	1.042	0.000	0.000	0.000	0.821	0.821	1.600	1.642	-0.600
Dobele Dzirnainieks	2.338	0.031	2.369	0.023	0.146	0.000	0.355	0.554	1.600	2.708	-0.338
Liepajas Labiba	0.494	0.769	1.263	0.012	0.180	0.135	1.038	1.365	3.505	6.239	-4.976
Mixed Feed Mills	0.318	0.508	0.827	0.062	0.138	0.000	1.138	1.338	0.468	3.145	-2.318
						(feed)					
Riga Mixed feed	--	0.931	0.931	0.000	0.000	0.000	0.777	0.777	0.000	1.554	-0.623
Jekabpils Labiba	--	1.035	1.035	0.107	0.231	0.650	0.988	0.988	2.585	4.560	-3.525
Vidzemes Labiba	--	0.466	0.466	0.228	0.176	0.077	0.751	1.282	0.159	2.632	-2.166
Slende	--	0.852	0.852	0.004	0.077	0.010	0.742	0.832	0.359	2.024	-1.142
Madonas Labiba	--	0.806	0.806	0.077	0.277	0.000	0.266	0.940	0.707	1.967	-1.181
Iecavas Labiba	--	0.619	0.619	0.038	0.072	0.000	0.096	0.206	1.085	1.497	-0.878
Saldus Labiba	--	0.823	0.823	0.025	0.023	0.000	0.510	0.533	1.266	2.383	-1.560

Industry Summary	Accounts Receivable from:			Accounts Payable to:					Total debts & AP	Bank Loans	Net
	Flour Milling	Mixed Feed	Total A/R	Private Farmers	A/S Farms	Budget	Others	Total AP				mil US$	mil US$
Total Flour Milling	5.705	--	--	--	--	0.740	--	--	--	--	--
Total Feed Mixing	--	7.498	--	0.619	1.196	--	10.824	--	--	--	--
Subtotal feed/flour mills	--	1.935	--	0.247	0.485	0.740	7.012	24.443	7.515	16.803	-16.803
Sub total feed mills	--	5.563	--	0.372	0.732	0.318	3.812	16.637	6.171	11.074	-11.074
Industry totals	5.705	7.498	13.203	0.619	1.196	1.058	10.824	41.080	13.688	27.877	-27.877

3. GRAIN SECTOR

ON LATVIJUS LABIBA

On Restructuring Latvijas Labiba

Discussion Paper: Restructuring and Privatizing Latvijas Labiba
Guidelines for Implementation

Comments on the Draft Law of 2/22/93
"On the Latvian Grain Market and State Grain Reserves"

Comments on The Charter of Latvijas Valsts Labiba Birojs

On Restructuring Latvijas Labibas

Preamble

Whereas:

The grain industry is essential to the economy of Latvia.

and Whereas:

Bread and bread products are now the most important consumer food items in the Republic of Latvia.

and Whereas:

The supply of bread and other grain products to consumers must not be interrupted.

Therefore:

It is essential that the liquidation of the concern "Latvijas Labibas" and all its rights and responsibilities;

and the transfer, to the private sector, of all state owned grain storage, milling, baking and other production and marketing enterprises now associated with the concern "Latvijas Labibas";

be accomplished in such a way that these vital food supplies are not interrupted.

It is hereby ordered:

1. The cessation, as of December 31, 1992, of all operations of "Latvijas Labibas" as a profit making concern, as directed by the Decree of the Council of Ministers of the Republic of Latvia "On the Situation in Bread and Other Grain Product Supplies", dated November 9, 1992.
2. The transfer, as of January 1, 1993, of all employees associated with the concern "Latvijas Labibas" to the control of the Minister of Agriculture of the Republic of Latvia.
3. The creation, as of January 1, 1993, according to the Law "On State Enterprises" and under the control of the Minister of Agriculture, the temporary state organization "Latvijas Birojs".
4. The creation, as of January 1, 1993, according to the Law "On State Enterprises" and under the control of the Minister of Agriculture, the temporary state organization, "Latvijas Dzirnavas".

5. The preparation, by March 1, 1993, by the Ministry of Agriculture of the Republic of Latvia, of:
 - a. documentation setting out permanent rights and responsibilities for the state organizations, "Latvijas Birojs" and "Latvijas Dzirnavas";
 - b. procedures, in detail, to accomplish the orderly restructuring and transfer to the private sector of all state owned grain storage, milling, baking and other production and marketing enterprises now associated with the concern "Latvijas Labibas";
 - c. a draft Law "On Restructuring and Privatizing the State Grain Industry" for enactment by the Supreme Council of the Republic of Latvia, which shall:
 - i. set out the full functions, rights and responsibilities of the state organizations "Latvijas Birojs" and "Latvijas Dzirnavas";
 - ii. set out the form and manner for the orderly restructuring and transfer to the private sector of all state owned grain storage, milling, baking and other production and marketing enterprises now associated with the concern "Latvijas Labibas";
 - d. a draft Law "On the Formation of "Latvijas Birojs" for enactment by the Supreme Council of the Republic of Latvia which shall provide for the liquidation of the concern "Latvijas Labibas" and the creation of the permanent state agency "Latvijas Birojs".

And further:

6. The temporary firm, "Latvijas Birojs" shall assume all authorities and responsibilities formerly vested in the concern "Latvijas Labibas" that relate to:
 - a. implementation and management of the grain policies of the Government of the Republic of Latvia
 - b. regulating and managing state trade in foreign and domestic grain supplies;
 - c. determining the size of and maintaining the state strategic grain reserve;
 - d. gathering and preparation of statistics on the supply of grain and grain products;
 - e. conducting analysis for the state pertaining to grain and grain products;
 - f. setting tariffs and levies on grain and grain products;
 - g. inspection of state grain storage facilities; and
 - h. other similar activities assigned to it by the Minister

of Agriculture

7. "Latvijas Dzirnavas" shall assume ownership, in the name of the Republic of Latvia, of the physical assets associated with all state owned grain storage, milling, baking and other production and marketing enterprises now associated with the concern "Latvijas Labibas". In this role it shall make and enforce the operating policies, appoint and dismiss directors, and have the right to inspect the accounts and other transactions of each company until such time as their assets are transferred to the private sector. But, day to day operational management shall, in all cases, remain with the directors of each individual enterprise.
8. "Latvijas Dzirnavas" shall manage the process of restructuring and transferring to the private sector, physical assets associated with all state owned grain storage, milling, baking and other production and marketing enterprises now associated with the concern "Latvijas Labibas".
9. It is the intention of this order that the organization "Latvijas Birojs" shall become a permanent agency of the Government of the Republic of Latvia with full rights and responsibilities to implement and manage the grain policies of the Government of the Republic of Latvia.
10. It is the intention of this order that the organization "Latvijas Dzirnavas" shall cease to exist when all state owned grain storage, milling, baking and other production and marketing enterprises now associated with the concern "Latvijas Labibas" have been restructured and privatized according the Law "On Restructuring and Privatizing the State Grain Industry".
11. This order shall remain in effect until such time as the Supreme Council of The Republic of Latvia enacts the Law "On Restructuring and Privatizing the State Grain Industry" and the Law "On the Formation of "Latvijas Birojs".

This document was prepared by the Agribusiness
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Riga, December 18, 1992

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Draft: 25/1/93

Discussion Paper
Restructuring and Privatizing Latvijas Labiba
Guidelines for Implementation

1 Basis for Action

- 1.1 These implementation guidelines are based on requirements contained in Decree No. 471 (Nov. 9, 1992) of the Council of Ministers, "On the Situation in Bread and other Grain Product Supply"; Article 14, "Information on Implementation of Council of Ministers November 20 Resolution No. 485" by the Council of Ministers; and Order No. 326 (Dec. 12, 1992) "On the Liquidation of the Concern Latvijas Labiba" of the Ministry of Agriculture".
- 1.2 The above referenced documents refer to the dissolution of Latvijas labiba and subsequent required actions dealing with the formation of alternative new structures and with issues regarding privatization of the commercial enterprises now making up the concern Latvijas labiba.

2 Actions Required to Restructure and Privatize Latvijas labiba

- 2.1 Actions required by the referenced documentation:
- 2.11 Submit draft legislation on "Grain Market and On Grain Processing Enterprise Privatization" to the Council of Ministers by February 1, 1993. (Article 14)
- 2.12 Establish Latvijas birojs (LB) by February 1, 1993. (Article 14)
- 2.13 Make arrangements for grain processing state enterprise privatization by March 1, 1993. (Article 14)
- 2.14 Organize Latvijas dzirnavas (LD) by March 1, 1993 (Article 14)
- 2.2 Other required actions to accomplish the intent of the referenced documents:
- 2.21 Prepare and submit to the Council of Ministers a proposed government producer grain program by June 15 for implementation starting with the 1993 harvest and continuing until the 1994 harvest.
- 2.22 Prepare and submit a detailed privatization plan to the Council of Ministers by July 1, 1993.

3 Draft Legislation On Grain Market Operation and On Grain Processing Enterprise Privatization

- 3.1 Given the short time frame this requirement is best covered by legislation giving some general provisions regarding:
- a. principles guiding grain market operations (section 4);
 - b. general role and function of LB (subsection 5.1);
 - c. general role and function of LD (subsection 5.2);
 - d. authorization to complete activities outlined in 2.21 and 2.22 above.

4 Draft Legislation on Grain Market Operation

- 4.1 The legislation would authorize functioning of a market based grain trading system. It is important that the law prohibit existing price fixing in grain and grain products pricing.
- 4.2 LB and the LD holding company (paragraph 5.23) would be prohibited from commercial grain trading and processing functions. This will reinforce government policy aimed at setting up a market based price and trading system.
- 4.3 Managers of corporatized commercial enterprises (paragraph 5.22) would have responsibility for buying grain (including imports) and selling products produced within policies set by government. This will encourage competitive behavior among enterprise managers and other processors and handlers of grain and grain products.
- 4.4 LB would be responsible for managing strategic reserves and concessionary grain stocks for the government.

5 Draft Legislation On Grain Processing Enterprise Privatization

- 5.1 The role and functions of LB.
- 5.11 Documents referenced in 1.1 implicitly restrict LB from engaging in any commercial activity. This should be explicitly stated in the draft enabling legislation.
- 5.12 The general functions of LB include applied research (which may be contracted out), quality testing and control for the industry and administration of appropriate farm programs affecting the farmers and the grain industry. More specifically LB functions include:
- a. supervising warehouse grain stocks (both quantity and quality) if government owned (or under government program). LB ensures that all government program

- grain adheres to proper quality standards and administers all disposition of these grain stocks;
- b. administering grain inspection service including setting and maintaining commercial grading standards;
 - c. maintaining an economic analysis department charged with but not limited to providing supply/demand projections, grain situation and outlook reports and other important data critical to setting grain policies affecting farmers and processors;
 - d. administering strategic reserve policies as set by law or the MOA;
 - e. administering quota or tariff policies as set by law or the MOA;
 - f. administering farm programs as set by law or MOA (see subsection 6.5);
 - g. administering consumer level subsidy programs as set by law or MOA; and
 - h. administering government laws and regulations prohibiting price fixing among commercial enterprises operating in the grain industry (until general legislation and enforcement capability is available).
- 5.13 LB activities would be funded from the general MOA budget or from a user fee.
- 5.2 The Role and Functions of LD
- 5.21 LD would consist of all existing commercial enterprises now organized within LL.
- 5.22 The enabling legislation would specify that, during phase I, each would be transformed into a joint stock corporate entity (corporatized or commercialized). In phase II ownership is transferred to the private sector.
- 5.23 Shares in the corporatized enterprises would be held by a holding company in the name of the Latvian government. The holding company would be composed of a Managing Director and a Board of Directors including local and foreign commercial experts on grain trading, grain processing (for human and animal consumption) and bakery production. The board would be responsible to the Minister of Agriculture.
- 5.24 The MD of the holding company should ideally be a Latvian language speaker with extensive commercial management experience in a market economy, preferably in the grain industry. His salary could be paid by a donor organization. A small technical staff would carry out the work of the holding company. Donor funds can also be solicited to cover salaries of local and expatriate technical staff and general administration.

- 5.25 The holding company would have a limited life -- existing only until all commercial enterprises have been privatized. It is suggested that the privatization process be completed no later than December 1996.
- 5.26 The holding company would have no commercial trading activities. Its functions could include:
- a. setting and enforcing general commercial operating policies of corporatized enterprises;
 - b. hiring and dismissing managers of corporatized enterprises;
 - c. providing management advice and training to corporatized enterprise;
 - d. developing and implementing strategies to address the problem of existing debt loads of corporatized enterprises;
 - e. monitoring all commercial enterprises organized within LD, eg early identification of substandard commercial performance by the staff who provide recommendations to the Board of Directors to remedy the problem;
 - f. conducting or have conducted annual audits of corporatized enterprises;
 - g. conducting industry analysis, recommending restructuring of corporatized enterprises in appropriate economic groupings and completing other preparatory work before offering them for private sector sale;
 - h. negotiating sale of corporatized enterprises to private sector owners (the final decision to sell rests with the MOA);
 - i. preparation of the privatization plan;
 - j. implementation of the privatization plan.
- 5.27 All corporatized enterprises would be expected to operate in a market economy and price fixing as now practiced by LL should be prohibited by law. In the absence of national laws this should be part of the commercial operating policy of the LD holding company. (Such prohibition could also be included in the grain market law which would be superseded when a general commercial law against price fixing is passed.)
- 5.28 Managers of each corporatized enterprise would be responsible for all management decisions such as grain buying (including commercial imports), grain milling and setting prices for products produced, and personnel hiring and dismissal. Each enterprise would be subject to review by LD.

6 Preparing a Government Grain Program

- 6.1 A farmer grain program to guide payments to farmers in 1993 is perhaps one of the key political issues of the MOA planning process. In the short run it is more important than developing and implementing a plan to privatize enterprises previously corporatized under phase I of the privatization process. It is suggested that the MOA complete preparation of a draft program by June 15 and must be ready for implementation prior to the 1993 harvest.
- 6.2 The policy issues to be decided before farmer grain sales occur include price support level, if any, import and export controls, if any, sale or other means of disposal of concessionary grain stocks, elimination of grain price equalization across the country, eg should government continue to subsidize transportation?
- 6.3 A major concern of the Latvian government today, as it affects grain policy, is that existing payment mechanisms are being dismantled and new institutions have yet to be established. The situation is aggravated this year because of the upcoming election, heavy debt loads carried by grain mills, lack of implementation modalities, consumer concerns brought about by low purchasing power, and an ever mounting number of proponents and opponents as the program is fleshed out.
- 6.4 In western market based economic systems funds can be easily borrowed using basic grain and grain flour as security. This is because such inventories can be easily converted to cash. For example, Moodys and Standard and Poors do not include, as normal debt in their analysis of corporate credit ratings, short term borrowings backed by grain and grain flour inventories.
 - 6.41 However, a key to securing short term capital for financing inventories is the proper regulatory controls to assure quantity (eliminate theft) and quality (eliminate spoilage) of these inventories. (We have been told that systems are in place -- or can quickly be put in place -- to provide this needed regulatory control.)
 - 6.42 Such a control system will give a lending agency the necessary assurances that will minimize -- or to a great degree -- eliminate their risk.
 - 6.43 Currently, local banking institutions are not in place to provide this credit. Therefore, in the short term a mechanism must be found. It is possible that an institution such as the World Bank or the IMF could supply such short term credit. Counterpart ruble funds from the sale of

concessionary grain imports may also be available for this purpose.

- 6.44 Given a source of funds, there are many ways to transfer this money to farmers and virtually assure repayment of the loan.
- 6.5 In a move to a market system of grain trading a farm program similar to that in the U.S. would support a credit program based on collateralized grain. Such a program would:
- a. supply the farmer with money at harvest;
 - b. limit the risk of exposure to loss from non-collateralized loans, and
 - c. implement "free market" trading principles.

The program could also be used, if desired, to support farmer income, by subsidy, to a level set by Parliament.

- 6.51 The essence of the U.S farm grain program is that the government provides a minimum guaranteed price at which farmers can receive a loan secured by his own grain. Thus, a farmer can obtain cash at harvest without committing the crop for sale at a time when market prices are expected to be the lowest.
- 6.52 Within a certain time period the farmer can opt to sell the grain at the prevailing market price, pay off the loan plus charges and keep the difference. Or he can forfeit the grain directly to the government at the guaranteed loan price.
- 6.53 The loan price is usually set below the expected market price. Often it is set according to some percentage below average production costs. In this way efficient farmers are encouraged to continue production while inefficient ones are encouraged to reallocate resources.
- 6.54 In practice, some governments use target pricing to provide subsidies above or below expected or prevailing market prices. The target is set higher where additional production is desired (wheat for example), and below expected or prevailing market prices for commodities which are in surplus (rye for example). When the target is above the prevailing market price the government makes up the difference as a subsidy.

7 Prepare a Detailed Privatization Plan

- 7.1 The LD holding company would be responsible for developing and implementing the privatization plan. It is suggested that the plan be completed by July 1 for review by the Council of Ministers.

- 7.2 It is essential that the farm policy and market trading environment be established for the industry before actual privatization of corporatized enterprises occurs.
- 7.3 Businesses must know the rules under which they are operating before investing their own funds to purchase the assets. Foreign owners are unlikely to consider investing unless business policies are well established.
- 7.4 The privatization plan would address the following:
- a. recommended groupings of LD subsidiaries that could be sold together to make up a commercially viable unit;
 - b. method of sale ranging from sale of shares in an enterprise using a tender process to transferring assets at no charge to producer cooperatives;
 - c. recommended timing of sales -- it is likely that the plan would recommend earlier sale in subsectors where there is already competition (bakeries), and defer sales in areas where it is limited (flour milling).
 - d. preferentially targeted buyers;
 - e. special terms of sale, eg discounts, deferred payments etc;
 - f. formation and responsibilities of privatization commissions, if any;
 - g. responsibilities of the LD holding company in the privatization process; and
 - h. management training plan and implementation modalities.

**Comments on The Draft Law 22/2/93
On The Latvian Grain Market and State Grain Reserve**

While the objective of the law is clearly stated, translation may have resulted in a misinterpretation. As we read the proposed law, the objective is to promote the fulfillment of Latvia's domestic grain requirements through a law creating the preconditions for the formation of a Latvian grain market. Even though it is implied throughout the document that the intent of the law is also to support the establishment of a competitive grain market, we suggest that this objective be stated in Article 1--- Goals of the Law.

In general, we agree with the basic thrust of the law. However, there are certain aspects of the draft law that require clarification or modification. These are addressed below.

Terms in the Law

Latvian Grain Market:

We would exclude from the list the reference to bread producers, sellers and consumers. A case could be made to include the bakers in this list. But, in our opinion, the bread sellers and consumers are too far removed from the basic grain activities to be considered an integral part of the industry. Additionally, we would add to the list, other participants in the grain marketing system including merchandisers, traders and brokers. Including them acknowledges an acceptance of their function of providing an important service within the industry.

Paragraph 3:

We suggest using the words "supply/demand" rather than "production/consumption". This makes the concepts consistent with "normal" industry practices. It is also a more accurate description of the figures contained in a grain balance sheet.

Article 2

Paragraph 2.3:

We suggest that it is more appropriate to use words to the effect that the state "influences the supply/demand balance" rather than "influences the grain market" by using the state grain reserve. This connotation is much more acceptable than the latter phrasing and will be more consistent with our later proposal to define when reserve stocks can be used. (Article 13)

We would omit the reference to "state production and consumption balance". The reference to "state control over foreign

trade" is unclear. We would omit from this list the reference to the state grain inspection for quality as it is not done specifically to influence the grain market.

Article 3

Paragraph 3.1:

Change the words "regulate state grain market" to "administer state grain policies".

Paragraph 3.2:

We recommend that approval of balance-sheet recommendations be delayed until December 1 to enable proper analysis of recently completed harvests both in Latvia and other areas impacting on the Latvian grain situation. All analysis should be done on a crop year basis--i.e. June to May or July to June, etc.

Article 4

The title of this article could be better stated so that it doesn't infer that the grain markets are being controlled/influenced by a government agency. We suggest the words "in influencing Latvia's grain market" be deleted.

Paragraph 4.2:

We would restate this paragraph heading to read as follows: "To best ensure the proper balance between supply and demand, the Latvia State "Labibas Birojs" carries out the following:"

Paragraph 4.2.1:

Change the opening word "determines" to "estimates".

Paragraph 4.2.3:

Change the words "regulates foreign trade" to "regulates imports/exports".

Article 5

We have strong reservations about giving the "Labibas Birojs" Council authority for direct control over the management of "Labibas Birojs" and its functions. Clearly, this type of structure would move "LB" into the political arena rather than the intended regulatory and service functions. "Labibas Birojs" should be an activity of the MOA and report accordingly. If the government desires input from the various representatives mentioned in the draft, (primarily for purposes of policy development) that certainly can be accomplished through an advisory board. But such

an advisory board should not have management control over the agency. Additionally, the reporting relationship provided in this draft will make it very difficult, if not impossible, for "LB" to function as intended.

The expected functions of "LB" highlight the difficulty in achieving a functioning organization with the Council as structured in the current draft. "LB" should be outside the influence of politics to the greatest extent possible. The present structure will lead to a very politicized organization.

Article 7

The dates for preparing the balance sheet, as indicated in this Article, may be a little premature. We suggest they be moved one month later. The reference to "minimal price for grain sale guaranteed" is unclear. If it is referring to the structure of a basic farm program, we have a strong recommendation and will prepare this as a separate recommendation.

Article 8

Paragraph 8.2:

The intent of this paragraph is not clear. Is the form required for each transaction or is it to provide general information about individual grain traders or to ensure that duties have been paid? If a form is required for each transaction a great deal of paperwork will be required which will distract from the development of market trading.

Paragraph 8.5:

From extensive experience we have learned that grain transaction fees of the type required by this paragraph have the effect of inhibiting trade and will clearly reduce the price received by the farmer. This tax will be a detriment to the establishment of a competitive grain market environment. Under competitive market conditions grain may be bought and sold many times before it is finally used. As an alternative, if this tax is an absolute requirement, we suggest an end user tax which would be added at the time the grain is processed. This means it would usually be collected from the flour or feed mill. Such a levy is administratively easier to collect than a levy imposed on grain traders.

Article 9

Paragraph 9.3:

The purpose and meaning of this Article is unclear.

Article 10

We suggest that the title for this article be simplified to read: "General Regulations for Foreign Trade". There is no need for the reference to "in grain and price regulation".

Paragraph 10.2:

We suggest that the last sentence of this paragraph be reworded: "Certificates issued shall be consistent with International Grain Standards".

Article 11

Paragraph 11.1-4:

The regional regulation of grain production as stated in this article will promote subsidized inefficient production, and is expensive and counterproductive to the development of a viable farm economy. If short term income supplements are needed in certain regions to overcome income declines from loss of traditional markets this should be addressed under farm program legislation and not under the enabling legislation which sets up a competitive grain market.

Article 12

Paragraph 12.1:

We suggest that an exact amount for a state grain reserve target not be stated in the law but instead be set on a yearly basis. If there is a need to provide guidelines in the law these can be stated as percentages of annual grain needs.

Article 13

Paragraph 13.1:

Reword this paragraph to read: "The State Grain Reserve is used to insure a minimum supply of grain stocks to assure adequate domestic supplies".

Paragraph 13.2-3:

The rules set out in this paragraph for buying and selling state reserve grain will encourage "LB" to become an active grain trader rather than carry out market regulatory and service functions. In this regard, there is an important principle to be considered in conjunction with the establishment of prices as they apply to the grain reserves.

Commodity markets operate at their best when all participants know " the rules of the game". Therefore, we strongly recommend that the law require the government to set minimum and maximum prices for state grain reserve transactions early in the calendar year for the upcoming harvest. This will enable the market to function within these predetermined limits and will facilitate the development of an active grain market. It will tend to act in a way that will keep market prices within the ranges set before the start of the season. We feel this is a very important principle in the proper functioning of a competitive market and strongly recommend it be considered.

While the actual level at which these prices are set is determined on a yearly basis, the law should stipulate that a **maximum price** will be set at which the government may agree to **purchase** stocks to build up reserves. In a like manner, there should be a **minimum price** at which the government will consider **selling** stocks from the reserve. In practice the process could work as follows:

Suppose the government wanted the wheat market to operate between the range of LVR 12,000/ton and LVR 19,000/ton for the 1993-94 marketing season. Then they would set the minimum price at which they would consider selling grain from the reserve at LVR 19,000 and the maximum price at which they could consider buying grain for the reserve at LVR 12,000/ton. In between these prices they would not enter the market. Thus, if wheat supplies were in short supply and prices reached LVR 19,000 stocks would be sold from the reserve in order to increase supply and potentially reduce prices below LVR 19,000.

At the other extreme, if the market was in surplus and prices were pushed down to LVR 12,000, government could buy stocks to replenish the reserve, reduce the market supply and potentially move prices higher.

The above approach enables farmers and traders to operate in the market within known price parameters. At the same time, government should be able to buy grain when prices are low and sell when they are high, thereby retaining the spirit of the concepts now contained in Article 13:2-3 without violating market trading operations.

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April 15, 1993

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Comments On
The Charter of Latvijas Valsts Labības Birojs

The structure and functions described in the document suggest that the full monopoly type powers of Latvijas Labība are simply being transferred to the new Labības Birojs. The document would allow LB to engage in potential price fixing, commercial trading, milling activities and other income producing activities from which profits can be expected. They would be able to own commercial milling and processing enterprises. In addition, they would be responsible for maintaining grain quality and quantity control and other market regulatory functions affecting private sector entrepreneurs.

The potential entrance into commercial activities results in a clear conflict of interest with the regulatory functions. Consequently, the organization described in the document does not conform to the roles normally assigned to state regulatory and management agencies in a market oriented society. The purpose of such an agency is to carry out grain quality control functions and provide objective "rules of the game" to allow market competition to flourish among private sector grain traders, millers and producers of grain products.

Our comments below are designed to reorient the organization to activities consistent with a state regulatory agency operating within a market economy.

Article 2

Paragraph 2.2.1: The main actives listed in this section are similar to and in some cases identical to those in the draft law on "Grain Market and State Grain Reserves". But some important variations exist. In the final version of each document they should be the same.

Subparagraph 3 indicates that activities related to the state grain reserve follow directives of executive bodies of the Republic of Latvia. It is suggested that language be added which makes LB operations also subject to relevant Government of Latvia policies.

Paragraph 2.2.2: It is not clear what "organizing the supply of quality grain seed to the country" means. If it means a commercial sales to wholesalers and/or producers it is not consistent with the function of a state regulatory agency in a market economy. If it means that LB will maintain quality control over supplies and monitor activities of seed grain distributors, then it is consistent with a regulatory agency operating in a market economy. The language needs to be clarified to convey the desired intent.

Article 3

Paragraph 3.1.1: As a state regulatory and inspection agency it is more appropriate that LB be organized as a department within the Ministry of Agriculture than as an independent non-profit organization. As noted in our comments regarding the "Law on Grain Market and State Grain Reserve" the LB Council has a much broader public policy mandate than the technical management tasks envisioned for LB. The activities assigned to LB in the current draft, when combined with the broad policy functions of the board, give the organization the basis to control prices from the farmer to the consumer. Is that really the objective of the restructuring?

Paragraph 3.2.3: Allowing LB to manage entrepreneurial companies will result in a major conflict of interest regarding implementation of regulatory functions. This paragraph should be deleted.

Paragraph 3.2.4: To carry out its state mandated quality control and regulatory functions LB should not be granted authority to engage in any type of foreign trade or other commercial operations. In this context, buying and selling of grain to maintain the state reserve and to stabilize market prices are most correctly viewed as non-commercial market related operations. They are not designed to make a profit, but rather to perform functions necessary to promote development of market activities by private sector entrepreneurs.

Article 4

In keeping with our earlier comments this section is not needed. There is no need for LB to have or maintain capital reserves if its function is to serve as a state agency responsible for conducting quality control and regulatory activities to promote "a level playing field" for private sector enterprises. For such an organization, assets managed by LB would be owned in the same way that other non-commercial state assets are owned in Latvia.

Article 5

The discussion in this section on management and control of Labibas Birojs should closely parallel that in the law "On Grain Market and State Grain Reserve". Please refer to our comments on that document. If a broad based Board is finally approved, it is advisable that the Chairman be appointed by the Prime Minister. The MOA should, however, have its own representative on the Board. It would be preferable that the deliberative policy group be called a Council rather than a board and that the Director of LB serve as its executive secretary rather than as a member. To achieve separation of state and private sector activities all LB staff should be civil servants with no private sector associations with the industry they are expected to regulate and monitor.

With regard to the last sentence of this article, it is inconsistent to have the MOA appoint members who represent other state and private institutions with their own policy interests. These members should be selected by their own organizations.

Paragraph 5.3.2: While it is appropriate for the MOA to be responsible for the terms of management and payment to the LB director this should be in the context of the director's role as a civil servant and not as an employee of a quasi-independent agency.

Article 6

As a government agency responsible for ensuring quality controls and maintaining a competitive environment in the industry, revenues should come only from state budget allocations, users fees for services provided and from grain customs duties, if any. There should be no specific mention of revenues from managing the national grain reserve or revenues from grain processing enterprises.

Similarly, the last sentence in this article should be removed as it implies income sources associated with commercial market activities.

Prepared by:

The Agribusiness Privatization Project
February 8, 1993

3. GRAIN SECTOR

BAKERIES

Bakeries - Privatization Plan

Sample Investment Packet for Druva

Bakeries - Reports on Individual Enterprises

Bakeries - Privatization Plan

This privatization plan provides some recommendations as to how the privatization of the bakeries that were previously part of Latvijas Labiba could be carried out. The recommendations are all made within the context of the law that was passed in May 1993 on the privatization of state owned bakeries.

That law lays down a relatively detailed procedure and timetable for the privatization of the bakeries. However, some flexibility is provided within the law and some issues are not directly addressed. Two important aspects of the law are that structurally separate production units of the same state enterprise are to be privatized separately, and that 65-85% of the shares of each unit can be sold as a parcel to a third party. Both of these aspects of the law will have a direct impact on the procedures to be followed for the privatization of the bakeries.

Sale of Separate Production Units

Currently, state bakeries, such as Druva and Baltmaiznieks, which have multiple production units, produce only one set of consolidated financial statements covering the entire enterprise. It appears that separate sets of figures for costs and revenues for each unit are not kept for each unit, even for management purposes. This makes producing separate financial statements for each unit difficult. However, if each unit is to be sold separately and potential investors are to bid on separate units, then it is essential that the maximum possible amount of information on the profits, assets, liabilities, production, staff etc, be made available on each separate unit.

Work should therefore commence immediately on separating out the accounts for those bakeries that consist of more than one unit: Druva, Baltmaiznieks, Vidzemes, Daugavpils and Liepaja. Preferably three years of balance sheets and profit and loss statements should be produced for each separate unit. Where separate figures on revenues, costs etc are not available these should be generated as accurately as possible using tonnages of bread produced by each unit, consumption of flour and other consumables, numbers of employees and wage rates etc.

In addition to preparing balance sheets for each separate unit, a detailed asset schedule should be made available for potential investors for each unit. The status of land owned or leased by each unit is most important to determine. Any specific liabilities, including contingent liabilities, associated with a particular unit should be noted.

Sale of the Majority Share

Almost all state bakeries have had potential foreign investors visit their plants, suggesting that there could be considerable interest from both Latvia and abroad in purchasing shares in the bakeries when they are privatized. Therefore, it is essential that the competition for the sale of the shares, as required by the law, be organized in such a way that it encourages the maximum interest possible from outside parties.

Several steps should be taken to ensure maximum outside interest.

- a. The advertizement announcing the competition and its rules should not only be published in a local newspaper, as required by the law, but also in relevant foreign newspapers as well as some of the local trade journals. As potential investors are likely to come from nearby countries, advertisements could be put in some of the major Scandinavian, German and Baltic country newspapers as well as the local trade journals. If funds permit, advertisements could also be put in some more international newspapers such as "The Financial Times" and "The Economist", although advertizing costs are high in these publications. The advertizement and/or any subsequent information supplied to investors must make absolutely clear the procedures and timetable that will be followed throughout the privatization process.
- b. A package of material should be assembled to send to potential investors as soon as they respond to an advertizement. Only basic information, sufficient to elicit interest from potential investors, need be included in the advertizement announcing the competition. The information in the advertizement on each unit for sale need only include, for example, the location of the unit, its products and volumes produced together with turnover and staff numbers. All additional information would be sent to the potential investor when they responded to an advertizement. This additional information would include all the information listed in Article 16 of the law together with a more general description of each plant and a set of financial statements restated in a more conventional western format. The most recent quarterly figures for production and profit should also be included. A brief background on Latvia and general description of the bakery industry and the investment environment could also be included. Where a privatization plan has already been prepared for a bakery, any supplementary factual material from that plan should be included with the additional information. All this additional information could be formatted along the lines of the notes that form the rest of this report.

(Note: The descriptions of the bakeries and the financial statements that are attached were based on a single visit to each bakery. The information as presented here has not been verified

with the management of each plant. This must be done before any use is made of the information. In some cases the information is not complete and for bakeries with more than one plant, only a single report has been produced. In addition, the Daugavpils, Aldona and Strategic bakeries could not be visited and no notes have been prepared on those bakeries.)

A small fee could be charged for the supply of the information both to cover the cost of printing and delivery and to ensure that only genuine investors request the information. Alternatively, or in addition, potential investors could be requested to supply information on their financial and technical capabilities to own and manage a bakery. Unless they could substantiate their capabilities the potential investors would not be provided with the additional information. Under any circumstances, potential investors should be obliged to sign a confidentiality agreement stating that they will use the information supplied to them only for the purposes of preparing a privatization plan. Once the bakeries are privatized it is essential that details of their technical and commercial operations are kept confidential.

- c. Arrangements must be made to allow potential investors to visit the bakeries. In addition to the written information, investors will wish to inspect the bakeries and to talk to the managers. It is important that these site visits are well organized. Preferably the investors should be accompanied by an independent party to ensure that they receive the information they request in an impartial manner. These site visits could be organized by the Privatization Commission or by experts working with them. For the bakeries that are already leased out, it is particularly important that an independent party assist investors to ensure that they receive all the information they require. The existing management of these bakeries, because of their direct interest in the operation, may be unwilling to supply information to investors that they may see as potential competitors.
- d. Auctions for the sale of the shares, as provided for under Article 17 (4) of the law, should be encouraged. It is unlikely that the value of the enterprise that is established by the Privatization Commission through a theoretical calculation will be the optimal selling price. The optimal selling price is best found through a competitive auction process. Such auctions could be encouraged by ensuring that the value of each enterprise established by the Privatization Commission is a conservative figure. This should ensure that more than one privatization plan is received for each bakery and therefore that an auction is required. Although the law allows for the sales price to be lowered if it was initially set too high, this mechanism should be avoided. A procedure whereby a high price is initially set and is subsequently lowered because no plans were received is unlikely to encourage investors to participate.

- e. In evaluating the plans, not too much emphasis should be placed on warranties to continue producing fixed volumes of bread. In a competitive market, owners of enterprises must be free to vary their output to meet market needs. Any restrictions placed on their ability to match output to the market are likely to discourage them from investing. As was noted in the "Basic Principles" paper prepared on the privatization of state bakeries, there is considerable excess capacity in the industry and new small bakeries are being established. It is unlikely therefore that warranties on production levels will be needed to ensure a constant supply of bread.

Overall it would be desirable to encourage the maximum possible level of competition for the bakeries. There should be no presumption that the existing management will become the new owners even if through some form of management company. This principle should apply even in the cases where the existing management have a lease on the assets. In a capitalist economy, a distinction can be drawn between the managers and the owners of a business. Although the managers may be part or total owners of a business, often the managers will own no shares in the business. The managers of a business must have technical expertise in the relevant industry to be able to manage the business competently. However, the owners of a business need have no technical expertise in the industry; they need only employ managers with the relevant expertise. Encouraging widespread competition for the bakeries will ensure that the new owners will be the best possible owners and that they will make the best use of the assets. It should also ensure the maximum possible revenue for the government through the sale.

BAKERIES

Reports on Individual Enterprises

Druva (Complete Information Package)

Abra

Balmaiznieks

Vidzeme

Liepaja

Jelgava

Ventspils

Rezekne

Notice

For each bakery a complete information pack for a potential investor consists of:

- the general background note on the economy and the bakery industry
- a set of financial statements for the bakery, both in original form and restated in Western format
- a general note on the accounts and a set of enterprise specific notes
- a set of technical notes on the bakery including legal comments.

A complete set of documents for Druva is attached. For the other bakeries only the financial statements, the enterprise specific notes to those statements, and the technical notes are attached. The reformatted financial statements for each bakery should not be reproduced or distributed without the full set of notes attached.

UNAUDITED FINANCIAL STATEMENTS
AND
NOTES TO THE FINANCIAL STATEMENTS
General Notes & Enterprise Specific

FINANCIAL STATEMENTS

SUMMARY

The financial statements of the enterprise have been reformatted into a standard western format. The scope of this project did not include the restatement of the accounts in accordance with International Accounting Standards (IAS). As such, no adjustments to management's representation of financial information have been made. Nor has this compilation of financial information included any audit or due diligence efforts that in any way expresses an opinion on the financial information presented.

This effort has:

- 1) reformatted the enterprise's existing accounts into asset, liability, equity, revenue and expense categories;
- 2) eliminated entries which represent double counting of accounts;
- 3) compiled balance sheets and income statements, based on the existing Latvian accounts and management representations, as of and for the year ending December 31, 1992, and, when possible, for the year ending December 31, 1991, (the 1990 financial statements have not been included in this report);
- 4) included interviews of the enterprise's management and accounting staff, which, along with the Latvian financial statements, are the basis of the notes to the financial statements for individual enterprises;
- 5) included interviews of Ministry of Agriculture personnel and management personnel from other Latvian dairy and bakery enterprises, which are the basis of the general notes to and background on Latvian accounting practices and financial statements included in this document; and
- 6) not added accounts omitted from the Latvian financial records which represent balance sheet and income statement entries necessary to meet IAS principles and more fairly present the financial position of the enterprise;

The financial information presented contains many limitations and issues which impact the content of the information, its comparability to other enterprises and other time periods, and the interpretative and analytical value. The major constraints and issues impacting the enterprise's financial statements are highlighted in the notes (general and enterprise-specific) to the financial statements, which are considered an integral part of this document.

NOTES TO THE FINANCIAL STATEMENTS GENERAL

(Also See Enterprise Specific Notes)

LATVIAN ACCOUNTING PRACTICE

The following analysis sets out the basis on which the enterprises' financial statements are prepared and highlights the differences between Latvian and international standard accounting practice.

The analysis has been based on interviews with the accounting staff at the enterprises and The Ministry of Agriculture.

The laws on "Accounting" and "On Annual Reports" govern accounting practices in Latvia as of January 1, 1993. They are based largely on principles set out by the Fourth Directive of the EC and the Danish accounting law in particular.

FINANCIAL STATEMENTS

The preparation of financial statements in Latvia is not in accordance with International Accounting Standards (IAS). The fundamental accounting concepts are only partially observed:

- Going concern - all enterprises are correctly assumed to be going concerns and are accounted for on the basis that they will continue to trade with the current scale of operations.
- Consistency - books and records are kept using accounts which record the enterprise's activities and transactions which form categories of assets and liabilities. Although accounting policies are applied consistently during a given year, the past three years have been characterized by changes in government policy and directives as to form and content of financial reporting and accounting treatment of transactions.

In particular, the accounting formats changed between 1990 when they were prepared under the Soviet system, and 1991 when statements which were prepared under the Latvian system. The format was changed once more in 1992, although not as significantly. No analysis is provided in the accounts to show the effects of these changes. The 1993 accounts and financial statements have also changed significantly from 1992, in an effort to more closely adapt to IAS.

- Accruals - accrual accounting was only introduced for the year ended December, 1992. Prior to this the basis used

was similar to a double entry form of cash accounting with some adjustments for prepayments. The changes initiated in 1992 do not reflect a full accrual basis, some aspects may still be considered a modified cash basis of accounting.

- Prudence - the financial statements do not reflect a conservative view of the affairs of the enterprise. No provisions are made to reflect irrecoverability of debt or other reductions in the value of assets.

The profit and loss information provided does not fully reflect the profit or loss generated or the amount transferred to reserves. The net profit figure does not take account of items such as interest paid, employee bonuses, and depreciation of certain asset categories and thus overstates the profit. Detailed expense information, ie analyzing expense categories included in cost of goods sold, is not included in the Latvian financial statements and therefore excluded from the reformatted financial statements.

Many different funds and reserves are maintained for a variety of purposes with the result that almost all transactions require transfers to be made to or from reserves in a manner which is not consistent with IAS.

As noted above, the financial statements are not comparable as a result of changes in format, asset revaluations which have been made, and the rapid inflation during the period.

As a result, it is difficult to assess a Latvian enterprise based on its financial statements. The only review of books carried out is one by tax authorities to ensure the compliance and accuracy of tax computations.

The financial statements provide evidence that books have been maintained. They do not necessarily reflect a true and fair view of the financial position of all of the enterprise's assets and liabilities, or that the revenue and expenses represent maintainable earnings.

The significant divergences from international accounting practice would make it difficult for an unqualified audit opinion to be rendered for the periods represented, if such an audit of the financial statements was attempted.

ACCOUNTING POLICIES

We set out below details of accounting policies for significant classes of asset and liability.

Fixed Assets

All state enterprises revalued their fixed assets at 1 January 1992, in accordance with Government regulations. The different categories of asset were revalued according to published revaluation coefficients to reflect the deterioration in value caused by high rates of inflation.

The following coefficients were generally used for classes of assets purchased prior to 1989 for the 1 January 1992 revaluation:

Motor vehicles	3.5
Instruments	2.5
Machinery	2.5
Imported Machinery	5.0

Additional revaluations took place at 1 January 1993. The following coefficients were determined by government regulation:

Assets purchased prior to 1990	10.0
Assets purchased during 1991	3.0
Assets purchased during 1992	-

Accumulated depreciation was adjusted in proportion to the change in fixed asset values. The revaluation surplus was credited to the statutory fund rather than being maintained in a separate reserve.

The method adopted for revaluations does not reflect the IAS practice on revaluation of assets, although in some way it reflects the change in value caused by inflation. No account is taken of the replacement cost of the assets, of their physical condition nor of any changes in the remaining useful life of the asset.

Depreciation

Depreciation rates are on average lower than those used in Western Europe and the US. Many items which would be considered small replacements or consumables are included as assets and depreciated over 1 or 2 years. Examples of the depreciation rates used are as follows:

<u>Asset</u>	<u>Asset Life</u> <u># of years</u>	<u>Annual Rate of</u> <u>Depreciation</u>
Buildings	84 to 100	1%
Trucks	7-14	7-14%
Computers	14	7%
Machinery		
- city use	10	10%
- country use	12	8%

Office furniture with a value of less than 5,000 Latvian Rubles (LVR) are included as fixed assets, but not depreciated.

Depreciation is calculated monthly on a straight line basis commencing in the month of acquisition.

The definition of a capital asset is any item exceeding a specified cost. This threshold can be very low, for example 5,000 LVR for dairies. As a result, there a large number of very low value items being included as assets rather than being expensed. These items are usually included as part of inventory. 50% of their value is written of when used, while the remaining 50% is written off on disposal. Assets under construction are recorded separately and are not depreciated until completed and put into operation.

Accounts Receivable

Accounts receivable are generally overstated. Amounts owed to the enterprise are included at full value with no adjustment made for bad or doubtful accounts. Until recently, the incidence of bad debts was so low that such provisions were not required. Detailed debtor ledgers are maintained and usually updated monthly, however no credit control is exercised.

With the privatization of some entities, former state debts are dismissed, leaving the enterprises to deal with government rather than the original debtor entity.

Inventory

Stocks are valued at cost with no provision for diminution in value or obsolescence. Many stock levels will be significantly overstated in the accounts. Stock levels are further misstated when consumables or small replacements are included in the asset line.

Reserves

The statutory fund and other reserve funds are used to reflect a variety of transactions. There are frequent transfers between funds which would not be possible under IAS. Thus for example, the purchase of a fixed asset requires the transfer of appropriated funds from a fixed asset fund to the statutory fund. There is no equity or share capital on the Latvian financial statements. For purposes of this analysis, the reserves which appear equivalent to equity have been classified as such on the reformatted financial statements.

Subsidies

Subsidies received from the state are not reflected in the income or profit/loss of the enterprise. The accounting treatment used results in an increase in reserves reflecting the amount of subsidies received even though the subsidies are for operating costs. Under IAS such amounts would be treated as income.

Liabilities

The principal categories of liabilities included in balance sheets are taxation and accounts payable. Liabilities for bank loans or other long term loans essentially did not exist.

Accounts payable balances are principally for suppliers. As with accounts receivables, any evaluation of the likelihood of payment or the period in arrears was not made.

Financial Planning

There are currently no financial forecasts or budgets prepared by the enterprises. This is partly because of the difficulty of forecasting in such a rapidly changing economy and partly because plans are considered to be a feature of the old regime and therefore no longer required. There is little understanding of the importance of budgeting for the overall financial control of an enterprise. Previously, all planning was centrally performed and given to the enterprises.

Enterprises currently are in the process of preparing privatization plans, and are preparing plans and future strategies for the first time. Some enterprises are in the preliminary stages of such planning, while others are more advanced and are being valued, and are near submission of these plans to the Ministry of Agriculture.

Internal and Accounting Controls

A review of internal and accounting controls was not within the scope of this review. All amounts presented are management representations.

Other Information

As previously stated, the enterprises have been operating in rapidly changing market and economic conditions. Extreme inflationary conditions began in 1991 and continued through 1992. Monthly inflation rates, based on the retail price index, were as high as 56.4% in January of 1992, the 1991 annual rate was 262%. In May of 1992, the inflation rate compared to May of 1991 was 639%. Inflation had diminished by December of 1992.

Similarly, currency values have also been fluctuating. Comparisons to the US dollar from the Bank of Latvia are presented below.

US\$ expressed as LVR

Annual Rate 1991	0.05821		
December 1991	103.5	Buy	120.55 Sell
October 1992	180	Buy	191 Sell

DRUVA BAKERY

Information Pack for Potential Investors

Bakeries - General Information

Latvia

Latvia has a population of about 2.7 million people, of whom about one million live in Riga. Altogether approximately 70 percent of the population live in urban areas. GDP per capita was US\$ 3,410 in 1991 with growth in GDP being 5.7 percent in 1989, -3.5 percent in 1990 and -8.3 percent in 1991. Price reforms began in 1991 leading to a sharp rise in inflation - prices rose by 262 percent from December 1990 to December 1991. Although nominal wages were adjusted during 1991 there was no attempt to index them to prices. As a result, average real wages decreased by 29 percent in 1991. By the end of 1992, most price reforms had been completed and inflation was estimated to be in the order of only a few percent a month.

General data on Latvia and summary tables of major macroeconomic data are attached as appendix one.

Bakeries

There are ten state-owned bakeries in Latvia that were formerly part of Latvijas Labība - the central agency that controlled all grain and grain product trading and production. Between them these bakeries produced approximately 128 thousand tons of bread and bread products in 1992 (all references to tons are to metric tons). Of this, 53 thousand tons was wheat bread, 30 thousand tons rye bread, 36 thousand tons mixed rye/wheat bread, 2.7 thousand tons confectionery, and 7.7 thousand tons pasta. Total revenue for all ten bakeries was 2,928 million Rubles. Total production in 1991 was 149 thousand tons and total revenue 204 million Rubles.

Five of the bakeries are based in Riga. These include the two biggest bakeries in the country, both of which have production facilities at more than one site. The other bakeries are based in Daugavpils, Jelgava, Liepaja, Rezekne and Ventspils.

The bread produced by these ten bakeries represents about half of all the bread produced in the country. The majority of the rest of the bread is produced by some 20 bakeries associated with former cooperative farms. A number of small privately owned bakeries have been established in the last year or so but these bakeries are currently responsible for less than ten percent of total bread production. Imports of bread from Lithuania and Russia were affecting the sales of some bakeries but the imposition of import duties in the range of US 20-30 cents per loaf in April 1993 has largely stopped this trade.

The state-owned bakeries used to deliver all their output to state trading organizations, state shops, military establishments and

other state organizations. Virtually all retail shops have now been privatized and most state trading organizations have ceased to operate. As a consequence, state bakeries are now selling a significant portion of their production directly to privately owned enterprises. Similarly, state-owned bakeries purchased all their inputs from state-owned enterprises. This was forced on them both administratively and because of the lack of alternative sources of supply given the complete central control of all grain trading. This central control no longer exists and most bakeries have been purchasing some imported flour at prices significantly below the cost of the local product. The imposition by Latvia of a US 30c/kg duty on imported rye flour and US 20c/kg on wheat flour in April 1993 will affect this practice.

Prices, profits and the range of products produced used to be all variously controlled centrally. The last of these controls was finally removed in November 1992. Prices for bread rose substantially both while under central control and subsequently. At the beginning of 1991 a typical loaf of bread cost 25-35 Kopecks. By the end of 1992 prices were in the range 25-35 Rubles. Over the same period bread consumption was dropping at the rate of 10-15% per year. It is estimated that perhaps half of this reduction, particularly in rural areas, was due to bread no longer being fed to livestock.

While under central control, profit on the production of bread was fixed at 15% pre-tax on the cost of goods sold. Although this control no longer applies, most bakeries continue to fix the price of bread by adding a 15% margin to the cost of goods sold. As the demand for cakes and pastries has declined more drastically than that for bread, in general bakeries have reduced the margin on these products to about 5% in an endeavor to keep sales volumes up.

The large price increases for bread during 1991 and 1992 basically reflected the increase in the price of flour. The price of flour rose from approximately 40 Kopecks/kg at the beginning of 1991 to approximately 45 Rubles/kg by the end of 1992. Flour typically represents over 75% of total production costs. Other production costs, particularly energy, rose substantially over the same period, although because of their small contribution to total production costs they had a lesser impact on prices. In 1992, energy represented about 5% of costs, and wages even less.

Taxation

The law "On Profit Tax" states that all companies pay profit tax. The rate is 25% for private companies and 35% for companies where state capital is involved. Certain financial and other institutions pay at the rate of 45%. The 35% rate currently applies to state-owned bakeries.

The law "On Foreign Investments" Article 10.1 states that for companies where the foreign investor's share in the statutory fund is more than 30% and is not less than US\$ 50,000 the company is

exempt from profit tax for two years commencing from the first year of profit generation. If the foreign investor's share is more than 50% and not less than US\$ 1,000,000 the exemption period is three years and the profit tax is reduced by 50% for the subsequent five years.

State-owned bakeries that were formally a part of Latvijas Labība are also subject, under a special Council of Ministers decree, to a requirement to contribute 10% of their profits towards social welfare costs. This tax would not apply to privately owned bakeries.

A turnover (sales) tax is applied on the price of goods and services sold and the general rate is 12%. However, the rate for food and agricultural products is 6%. There is a proposal to increase the rates to 18% and 9% respectively, but this will probably not be introduced before fall 1993.

Social security tax has to be paid by the employer at the rate of 37% on top of the salary and wages paid to workers.

Natural resource taxes must be paid for the use of water and other natural resources including the pollution of air, water and soil.

A land tax must be paid by those who have land allocated from the state or a municipality.

Property tax is calculated on the basis of all property owned.

Workers' individual income tax and social security tax must be deducted from the payroll and transferred to the government by the employer.

Legal Issues

In May, 1993 Latvia passed a law mandating the privatization of state-owned bakeries.

In accordance with the law a privatization commission of was established. This commission consists of nine individuals and is headed by a specialist from the Ministry of Agriculture. Its first obligation is to ensure that all bakeries are valued. This valuation is conducted in accordance with the law "On the Valuation Procedure of Enterprises and their Assets Owned by State and Local Government."

The privatization commission is also charged with organizing and leading the process of transforming these state enterprises into state joint stock companies, including amending and filing the necessary documentation with the Registrar of Enterprises. The transformation of these enterprises must take place within three months of the formation of the commission.

Within one month of the formation of the joint stock company the commission must have completed the preparation of guidelines for each enterprise's privatization competition. Along with basic information about the enterprise, these guidelines must include information of the categories of investors allowed by the privatization plan.

The basic standard set out in the bakery law is that shares shall be sold to the following groups of investors:

- investment into pension fund - 5-15% of the shares
- employees - 10-25% of the shares
- other investors - 65-85% of the shares.

Employees can be given a 25 percent discount from the share's actual value and they can purchase their shares with privatization certificates. The majority interest is reserved for other persons who should have experience in bread production and must purchase this interest in its entirety. The privatization law provides that this majority share is not to be divided up among several investors.

The purchase of shares must be completed within three years and 15 percent of the purchase price must be paid two months after the privatization competition. As long as there is at least one participant in the privatization competition it will proceed, but the competition must be completed within three months from the time the guidelines are announced. The privatization competition is open to all interested investors.

Important notice. The information contained in this note and the individual notes on each bakery was obtained from government officials, the management of the bakeries and from government documents and other official sources. Although every effort has been made to ensure that the information is correct it has not been independently verified. Coopers & Lybrand makes no representations as to the accuracy of the information. Potential investors should not rely on the information contained in this and the associated documents but should carry out their own investigations to ascertain the information they need to make their investment decision.

COUNTRY DATA - LATVIA

GNP per capita in USD in 1991 3,410

General

Area (square km)	64,600
Population, 1990 mid-year (thousands)	2,670
Growth rate, 1980-90 (percent)	0.6
Density, 1990 (per square km)	40

Social Indicators

Population characteristics

Crude birth rate, 1990 (per 1,000)	14.2
Crude death rate, 1990 (per 1,000)	13.0

Health

Infant mortality rate, 1990 (per 1,000 live)	10.8
Life expectancy at birth, 1990	70.5

Gross Domestic Product

	Current Prices (million rubles)		Real Growth Rates (annual % change)	
	1990	1991	1990	1991
	GDP at market prices	12,201.0	28,665.0	-3.5	-8.3
Total consumption	8,226.0	16,198.0	N.A.	N.A.
Private consumption	6,888.5	13,249.6	N.A.	N.A.
Government consumption	1,337.5	2,948.4	N.A.	N.A.
Gross domestic investment	4,057.0	9,669.5	N.A.	N.A.
Fixed investment	3,337.9	N.A.	N.A.	N.A.
Change in stocks	719.1	N.A.	--	--
Net Exports	-82.0	2,797.5	--	--

Output, Employment and Productivity

	GDP in 1991		Employment in 1991		GDP per worker	
	min RUR	% of total	thousands	% of total	rubles	% of average
Agriculture	5,739.0	20.0	226.6	16.2	23,326	123.4
Industry	13,907.0	48.5	433.6	31.0	32,073	156.3
Services	9,019.0	31.5	736.3	52.8	12,244	59.7
Total/Average	28,665.0	100.0	1,396.8	100.0	20,522	100.0

Source: *Latvia: Transition to a Market Economy*, The World Bank, 1993

**Latvia: Consumer Price Index
(1987 = 100.0)**

	1988	1989	1990	1991
Consumer Price Index	103.6	108.5	119.9	326.4
Average Price of Goods Purchased	104.2	109.6	122.2	342.2
Price of Services	100.1	101.3	104.5	231
Memorandum Items:				
Percent Change from Previous Year				
Consumer Price Index	3.6	4.7	10.5	172.2
Average Prices of Goods	4.2	5.2	11.5	180
Purchased Price of Services	0.1	1.2	3.2	121.1

Source: State Committee for Statistics

**Latvia: Average Monthly Salary of Workers
(Rubles per Month)**

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
Agriculture	157	166.8	174.1	185.7	203.6	214.2	224.2	226.6	235.1	259.2	281.2	473.4
Industry	186.3	189.8	195.7	198.2	205.6	212.1	217.5	225.4	248.2	270.8	309.1	602.3
Construction	203.8	207.9	218.4	228.2	235.8	241.7	249.6	265.6	295	332.9	385.4	674.4
Education	142.1	144.3	145.4	145.5	148.5	154.6	159.6	168.1	171.6	177.7	195.5	459.2
Health	133.2	135.8	139.5	138.5	139.5	141.7	144.2	154	162.9	176.4	203.8	451.5
Average Salary in State Enterprises	171.4	175	180.4	183.6	190.3	195.9	201.4	208.9	227	249.9	290.9	561.4
Average Salary in:												
Agricultural Cooperatives	151.9	159.7	168.4	183.4	205.2	212.7	222.7	230.9	243.1	264.1	300.5	457.7
Other Cooperatives	NA	NA	NA	NA	NA	NA	NA	NA	495	668	507	694

Source: State Committee for Statistics.

Druva Bakery

Druva bakery is a state-owned enterprise. It has two production sites in Riga, the main one at Ganibu dambis 27 and the other at Bruneniekū 73. Title to the property at both sites is not clear. Druva bakery primarily produces rye bread that contains 70% rye flour and 30% wheat flour. This type of bread accounts for approximately 70% of their production. Previously it was the only type of bread they produced. Production of white bread at the main site did not begin until March 1992. Druva also has a macaroni production facility located at its main site but it is currently operating only sporadically. Production from both plants in 1992 was:

Product	Production (metric tons)
Rye bread	5033
Wheat bread	2804
Rye/Wheat bread	19384
Macaroni	7880

Total production of bread products in 1992 was down only about 8% from 1991, but as noted above, macaroni production has now virtually ceased. Production in the first quarter of 1993 was significantly down on the corresponding period last year. Total staff for both sites including administration and services are about 680 of which some 65 are associated with the macaroni plant.

Druva has a shop at each of its production sites as well as four others that it leases. In addition to bread, it sells dough from its second plant. There is also a small public cafeteria on the site of the second plant which sells its own pastries and coffee etc. Druva sells approximately 15 percent of production through its own shops and has about 450 private shops in Riga and Jurmala that buy its products.

Miroslav Dmitrass is the director of the main Druva plant, a position he has held for four years. Prior to that he was the chief engineer at the plant. He was trained in the Ukraine as an engineer. Fergenij Vladimirov is the director of the second plant. He has been the director of the plant for nine years and was the chief engineer there prior to that. He was trained at the Moscow Institute as an engineer and has worked for the Druva bakery for his entire career.

Main Plant

The main plant was built in 1945 and was substantially reconstructed in 1983-84. It was designed with a capacity of approximately 130 tons per day. Most of the plant is of Ukrainian origin. Production of rye/wheat bread averaged about 60 tons per

day in 1992; about 50% of capacity. So far for 1993 production is running at less than 30% of capacity. Production of white bread is about 25 tons per month, this being the maximum production that the existing facilities allow. Currently the main plant cannot meet the demand for white bread unless they install a new line, however, there is very limited space available to install any new equipment. White bread cannot be produced on a dark rye line due to the use of Russian sour culture.

The main plant has four production lines. Currently two lines are in operation, one line is being repaired and the fourth line is in reserve. Production staff at the main plant now number about 160.

The main Druva plant uses a Russian sour dough culture for the fermentation. They do not supplement with regular compressed yeast. Each loaf of bread weighs one kilogram. One shift produces 20 loaves per minute, 1200 loaves per hour, or 9600 loaves per shift. Each shift comprises four production people plus one relief person for a total of five people per shift. Kilograms per man hour is 240. There are nine people in shipping, taking and filling orders. Two lines are covered by these nine people, or four and a half persons per line. The dough production schedule is a continuous run.

Dough temperature	30-32 degrees Celsius
Culture fermentation	4-5 hours
Type of make up	two pocket rotary divider
Proof time	52 minutes
Bake time	52 minutes
Cooling time	none

Major bakery equipment

Estimated replacement cost
(LVR 000)

13 fermentation tanks	100 each
18 flour bins (30 ton capacity)	300 each
1 flour blender	300
1 air blower	100
7 mixers	200 each
4 secondary fermentation tanks	300 each
4 dividers	250 each
4 ovens	400 each
1 electric oven	400
4 refrigeration compressors	100 each
machine shop	500

Except for two of the ovens, the equipment is old and is generally fully depreciated. The remaining equipment is worth about 5% of original value. The bakery building is worth approximately 20 million rubles. Druva's main plant has very little quality control and their sanitation would not meet western standards.

Second Plant

It was not possible for the bakery expert to visit the second Druva plant at Bruneniekū iela due to timing difficulties and repairs being undertaken to the plant. The comments below therefore do not cover in detail the technical aspects of the plant.

The main building at Druva's second plant is very old and was not built to house a bakery. This causes some difficulties for the operation of this plant. The bakery consists of three production areas: a wheat bread area, a rye bread area, and a small pastry production area producing mainly French bread sticks which has only been in operation for the last three years. Up to 1990 the plant used to produce around 50 tons of bread per day, specializing in rye bread and a cheap variety of wheat form-bread produced for the army. Total production now is about 30 tons per day.

The wheat bread area has one form-bread line with a capacity of about 12 tons per day but currently operating at about ten tons per day. Another line produces about two tons per day on two half shifts but could produce three tons in an eight hour shift. In addition there are two small electric rake ovens producing various types of white bread. These two ovens have a capacity of about 1600 kg in an eight hour shift but are currently producing about 800 kg in eight hours. The wheat bread area has no bulk flour handling facilities and all flour must be brought in bagged. Fifteen people work in the wheat bread production area.

The rye bread production area produces a total of about 15 tons per day of two varieties of dense rye bread. There are three lines but only two operate at any one time. One line, which produces a standard rye bread, operates on three shifts. The other line, which produces two tons per day of an expensive variety of rye bread, operates on only one shift due to limited demand. The second line could produce ten tons per day. The rye bread area has bulk flour handling facilities including five storage units each with a 30 ton capacity.

The pastry production area produces about 600 pieces per day using two shifts with ten people on each shift. All production is by hand, the only equipment being one mixer and two electric ovens which were purchased second hand.

All machinery at the second site is of considerable age. There is very little quality control and sanitation would not meet minimum western standards.

There are about 200 staff on the second site including an accountant and economist. However, administration is generally carried out at the main plant. The two plants cooperate on marketing.

DRUVA BAKERY ENTERPRISE
Balance Sheet
Balances at December 31st
(LVR in thousands)

	<u>1992</u>	<u>1991</u>
ASSETS		
<u>Current Assets</u>		
Cash	14,283	1,171
Short term investments	0	0
Accounts receivable	80,468	3,149
Inventory	72,800	5,718
Other	0	0
Total Current Assets	<u>167,551</u>	<u>10,038</u>
Fixed Assets	22,057	4,409
Assets under construction	209	469
Other Long term Assets	0	0
TOTAL ASSETS	<u><u>189,817</u></u>	<u><u>14,916</u></u>
 LIABILITIES AND EQUITY		
<u>Current Liabilities</u>		
Accounts payable	132,548	5,066
Other short term payables	1,500	706
Other	8,640	2,003
Total Current Liabilities	<u>142,688</u>	<u>7,775</u>
Long Term Debt	0	2
Total Liabilities	<u><u>142,688</u></u>	<u><u>7,777</u></u>
<u>Equity</u>		
Capital & retained earnings	40,959	7,139
1992 Revaluation reserve	6,170	0
Total Equity	<u><u>47,129</u></u>	<u><u>7,139</u></u>
TOTAL LIABILITIES & EQUITY	<u><u>189,817</u></u>	<u><u>14,916</u></u>

The accompanying notes to the financial statements are an integral part of this document.

DRUVA BAKERY ENTERPRISE
Income Statement
 For year ended December 31st
 (LVR in thousands)

	<u>1992</u>	<u>1991</u>
Sales	687,026	50,727
Less: Turnover Tax	16,022	33
Net sales	<u>671,004</u>	<u>50,694</u>
Less: Cost of Goods Sold	<u>526,214</u>	<u>44,952</u>
Gross profit	144,790	5,742
Other Income	6,901	170
Less: Other Expenses	1,317	69
Net Other Income	<u>5,584</u>	<u>101</u>
PROFIT (LOSS)	150,374	5,843
Taxes	<u>64,703</u>	<u>1,674</u>
NET PROFIT (LOSS)	<u><u>85,671</u></u>	<u><u>4,169</u></u>

The accompanying notes to the financial statements are an integral part of this document.

429

DRUVA BAKERY ENTERPRISE
Balance Sheet (Bilance)

Line Nos.	<u>Assets (Aktivs)</u>	<u>31 Dec 1991</u>	<u>31 Dec 1992</u>	<u>1 Jan 1992</u>
010	Fixed Assets	6,239	27,593	16,080
020	Intangible Assets			
030	Assets under construction	469	209	
035	Assets not ready for use			
040	Long term investments			
050	Current year profit/offset 500 or 510	5,843	150,374	
065	Amounts due from members			
070	Other receivables			
080	Current year loss/offset 500 or 510			
090	Total - check	12,551	178,176	
100	Raw Materials and consumables	5,176	55,820	
110	Work in progress	18	409	
120	Work in progress			
130	Prepaid expenses			
140	Finished goods	644	10,434	
150	Finished goods		6,556	
160	Other inventory			
170	Total	5,838	73,219	
171	Goods in transit			
200	Cash on hand		1,509	
210	Cash in bank	1,140	9,585	
220	Hard currency accounts			
230	Other bank accounts	31	3,189	
240	Other bank accounts			
250	Short term investments			
270	Bank loan monies rec'd			
300	Trade accts receivable	2,888	72,086	
310	Bills of exchange			
320	Payments in advance			
325	Tax overpayments rec'ble			
330	Other debtors			
340	Employee loans			
350	Social welfare expenses			
360	Other receivables	261	8,382	
370	Total - check	<u>4,320</u>	<u>94,751</u>	
390	Total - check	<u>22,709</u>	<u>346,146</u>	

The accompanying notes to the financial statements are an integral part of this document.

400

DRUVA BAKERY ENTERPRISE

Line Nos.	<i>Liabilities (Pasivs)</i>	<u>31 Dec 1991</u>	<u>31 Dec 1992</u>	<u>1 Jan 1992</u>
400	Statutory fund	6,021	37,641	12,191
410	Accum depreciation	1,830	5,536	5,501
420	Depreciation consumables	120	419	
430	Investment financing	687		
440	Other payables			
445	Obligations to members			
450	Financing reserve	431	9,488	594
460	Vaccation accrual	135		
470	Amortization & Repairs			
480	Payments received in advance			
490	Unrealised profit on sales			
500	or 510 Profit	5,843	150,374	
520	Total - check	<u>15,067</u>	<u>203,458</u>	
600	Short term payables	706	1,500	
610	Medium term payables			
620	Long term payables	2		
630	Overdue loans!			
640	Short term loans			
650	Long term loans			
660	Total - check	<u>708</u>	<u>1,500</u>	
700	Accts payable - goods	3,804	100,902	
710	Bills of exchange			
720	Payments received in advance	151		
730	Taxes payable	626	27,022	
735	Privatization expenses			
740	Social pension tax	377	2,009	
750	Accured salaries	259	2,615	
760	Other payables	398	6,951	
765	Employee loans			
770	Other	1,319	1,689	
780	Total - check	<u>6,934</u>	<u>141,188</u>	
800	Total - check	<u>22,709</u>	<u>346,146</u>	

Revaluation check

Fixed asset movement	<u>9,841</u>
Accumulated Dep	<u>3,671</u>
Difference Net Assets	<u>6,170</u>
Statutory Fund movement	<u>6,333</u>

The accompanying notes to the financial statements are an integral part of this document.

DRUVA BAKERY ENTERPRISE
Income Statement (Finansu Rezultanti)
 Line
Nos.

	1992 <u>Revenues</u>	1992 <u>Costs</u>	1991 <u>Revenues</u>	1991 <u>Costs</u>
010 Revenue from goods sold	687,026		50,727	
020 Turnover tax		16,022		33
030 Sales less tax - check	671,004		50,694	
040 Product and period costs		526,214		44,952
050 Profit - check	144,790		5,742	
060 Other sales results	5,841		170	
070 Non-sales operations	1,060	1,317		69
071 Investment income				
080 Profit and loss totals	151,691	1,317	5,912	69
090 Net profit - check	150,374		5,843	
100 Non taxable income	9,777			
101 Value of stock sold	107,381			

Use of Profits Statement 1992
 (Pelnas Izlietosana)

1992

200 Income tax expense	64,703	
210 To reserves		
220 To capital funds	77,104	
221 To the investment fund		221 is subset of 220
230 To dividends		
240 To previous year's losses		
250 Donations		
260 Other	8,567	
Uses of profits - check	<u>150,374</u>	

Use of Profits Statement 1991
 (Pelnas Izlietosana)

1991

200 Income tax expense	1,674
210 To reserves	
220 Production Development	2,897
230 Social development	
240 Employee bonus/incentives	460
250 Donations	
260 Other	787
270 Other	0
Uses of profits - check	<u>5,818</u>

The accompanying notes to the financial statements are an integral part of this document.

432

Notes to Financial Statements - Enterprise Specific Druva Bakery

Note 1 - Significant Accounting Principles

As stated in more detail in the general notes and summary, Druva bakery (Druva), like other Latvian enterprises, during 1992 managed its accounts and financial reporting according to Republic regulations and guidelines. As such, Druva did not employ a full accrual basis in recording assets and liabilities or in the recognition of income or realization of expenses during 1992 or 1991. The handling of accounts may be considered a modified cash basis with some accrual accounting in accordance with Latvian accounting practices and regulations in effect during the periods presented.

Fixed Assets are carried at historical cost and depreciated over the useful life (as prescribed by Latvian regulations) using the straight line method. However, fixed assets were revalued according to Latvian regulations on both January 1st of 1992 and 1993. The basis and coefficients employed in revaluation are discussed in more detail in the general notes to the financial statements.

Land (property) values were not recorded on enterprise financial statements in Latvia during any of the years presented.

A cash flow statement is not included in the financial statements presented, as the 1992 and 1991 Latvian accounts were not conducive to its preparation. Cash is held in Latvian currency (LVR), hard currencies (e.g. DM, US\$), and other currencies (e.g. Russian, Georgian), exchange gains and losses are included in net income.

Note 2 - Accounts Receivable

Accounts Receivable for Druva includes the following in thousands of LVR at December 31st:

Type of Accounts Receivable	1992	1991
Trade Accounts Receivable	72,086	2,888
Other Receivables	8,382	261
TOTAL	80,468	3,149

Druva did not record any allowance for bad debts to reduce the amount of the reported accounts receivable. According to

423

management, of the balance of LVR 80.4 million, a total of LVR 32 million is considered uncollectible. LVR 18 million is outstanding from former state owned enterprises which have been privatized. The original debtor entity no longer exists. Management believes the entire amount is uncollectable. In addition, Druva supplies heating to other enterprises in the district. LVR 14 million is outstanding and believed to be uncollectable.

60% of all sales are paid in cash, with the exception of some enterprises which have bank accounts, in which case Druva will accept transfers. Under new regulations, Latvian enterprises are allowed to collect 5% in fines from debtors for late payments.

Note 3 - Inventories

Inventories appear to be accounted for on a first in first out (FIFO) basis. An allowance for loss or spoilage is not recorded by the enterprise, nor does the carrying amount of inventory necessarily reflect the net realizable value of the inventory.

Note 4 - Fixed Assets

Fixed assets are generally carried at historical cost, as previously noted, except for the revaluations which have occurred in 1992 and 1993. Depreciation is expensed and accumulated on a straight line basis using the asset category useful lives as prescribed by regulations (see general notes for examples). Typically, the useful life of an asset under Latvian regulations is significantly longer than that considered appropriate by Western standards.

The following table displays the gross book value of fixed assets, accumulated depreciation, and net book value at December 31, 1991, after revaluation at January 1, 1992, and at December 31, 1992 for Druva. Amounts are expressed as thousands of LVRs.

	12/31/91	1/1/92	12/31/92
Fixed Asset - Gross	6,239	16,080	27,593
Less: Accumulated Depreciation	1,830	5,501	5,536
Net Fixed Assets	4,409	10,579	22,057

Under the privatization law, residential buildings will be removed from the assets of the enterprise and privatized

separately. Although we have not been able to review the fixed asset register, management advise us that the enterprise had a workers' hostel which was given to the local municipality. However, the building still remains on the books at 31/12/92. Consequently, the net book value of assets presented in these financial statements may overstate the net book value of the assets actually to be privatized as the bakery enterprise.

Also see Note 8 regarding restitution claims.

Note 5 - Taxes

Druva is subject to various taxes as an enterprise under Latvian regulations. The major taxes and the basis of the taxes assessed are outlined below.

<u>Type of Tax</u>	<u>Tax Base</u>	<u>Percent of Base</u>
Turnover Tax	Sales	6
Profit/Income Tax	Profit	35
Charity Tax	Profit	10
Social Tax	Payroll	37

Note 6 - Credit Disclosures

Druva's financial statements include only current types of payables, including taxes payable, trade payables to suppliers, accrued salaries, and other rents, etc. They do not represent to have any bank loans or long term debt, which is consistent with other Latvian enterprises, due to the banking system which currently does not extend such types of credit.

In January 1993, the company obtained a short term loan from the Bank of Latvia of LVR 14.5 million with a floating interest rate. The loan is to be repaid in to installments, one on July, 30 and the other on August 30.

Note 7 - Equity Disclosures

Druva is currently a state enterprise. Equity on the balance sheet has been segregated to show separately the amount of equity which is the result of increases realized due to fixed asset revaluation at January 1, 1992, and the total amount of equity associated with capital, retained earnings, and perhaps previous revaluations.

Note 8 - Contingent Liabilities

As is the case with all Latvian enterprises involved in

privatization, potential claims may exist in regard to restitution to the pre-1941 land or building owners. According to Druva management, former owners could claim either all or part of the property at the second plant and the storage building at the main plant. The management has not had any contact with these former owners or their representatives or initiated any other action to resolve property issues. No liability reserves for potential future claims have been included in the financial statements.

Note 9 - Other Notes

As stated in the general notes to the financial statements, Latvia has been in a transitional environment. Druva's operations and financial statements have been impacted by such pressures as high inflation, significant demand shifts due to price liberalization and lifting of subsidies, dramatic policy and regulation changes involved in the shift from socialism to capitalism, and the appreciation of the Latvian Ruble against the currencies of other former Soviet republics. As such, the financial statements presented have significant limitations as to analytical value in comparing between time periods and between enterprises. The notes have merely presented and outlined the major factors and conditions underlying the financial statements which would influence their utility for users in making assessments of the enterprise's financial condition.

4/96

Abra Bakery

Abra bakery is a state enterprise which has one plant located at Pildas 10, Riga. It produces both dark rye and white bread and a small quantity of cake products. It also owned a small plant at a separate site which produced about one thousand metric tons of dried bread products in 1990. As this plant was not generating a profit it was leased out to a private organization in 1991 through until the end of 1993. The transactions associated with this lease are made directly with the Ministry of Agriculture and do not appear on the financial statements of the bakery. In 1992 production at Abra was:

Product	Production (Metric tons)
Rye bread	2855
Wheat bread	5341
Confectionery	553

Bread production was only about 2% down from 1991, but confectionery production was down to almost half that of 1991. Production so far in 1993 is down on 1992 levels; by about 8-9% for bread and almost 50% for confectionery.

The plant was originally designed with a capacity of about 90 tons per day. Production has been as high as 60 tons per day but is currently around 25 tons per day; about 30% of capacity. Total staff numbers in 1992 were 286 but by the end of the first quarter 1993 had been reduced to 250, the majority having been shed from confectionery production.

Abra has five production lines. In general only three lines are running, two for wheat bread and one for rye bread. One line, which is meant for rye bread, is on stand by or in reserve. The fifth line is for small rolls and bread, but this line is not run very often. Two shifts are run per line.

The bakery produces 16 loaves per minute. The scaling weight of the bread is 700 grams for rye and 450 grams for white. There are six people per line plus one for shipping, or a total of seven. Kilograms per man hour is rated at 16 loaves per minute at 700 grams per loaf, which is 672 kilograms per hour or 96 kilograms per man hour.

Abra uses a Russian sour culture and adds compressed yeast for fermentation. Compressed yeast is used for white bread production. White bread and dark bread cannot be run on each line due to the use of Russian sour culture. Production scheduling is a continuous run.

Dough temperature	31-32 degrees Celsius
Dough fermentation	3-6 hours
Type of make up	rotary two pocket divider
Proof time	55 minutes
Bake time	45 minutes
Cooling time	none
Selling price per loaf	22-25 rubles

<u>Major Bakery Equipment</u>	<u>Estimated Replacement Value</u> (LVR 000)
8 fermentation tanks	50 each
11 flour bins	300 each
5 air blowers	5 each
5 mixers	200 each
5 dough pumps	150 each
5 dividers	250 each
5 proofers	300 each
5 ovens	400 each
1 electric oven	400
3 flour sifters	250 each
3 air compressors	50 each
2 refrigeration compressors	100 each
1 secondary fermentation tank	50 each
cake shop equipment	50
machine shop equipment	500

Most of the equipment is old except for the new electric oven and the two refrigeration compressors which are four years old. The remaining equipment is worth about 5% of original value. The value of some of the equipment varies from other bakeries in terms of type and design. They have very little quality control and sanitation would not meet Western standards.

Abra has four stores in the city and two in the central market. One of these stores is owned by the bakery, the others are on lease. Approximately 30% of sales are through their own stores. Bread is sold at the same price to all customers, with about 70% of sales paid for in cash and the rest through bank transfer.

In an endeavor to keep sales volumes up the company has been developing new sweet baked products. It has also been lowering the average weight of the standard loaves of bread so as to keep the price per loaf down.

Konstantin Ivanov has been the director of Abra bakery for the past four years. His qualifications are in food technology from the Academy of Agriculture at Jelgava. He was the director of another bakery prior to moving to Abra.

ABRA BAKERY ENTERPRISE
Balance Sheet
Balances at December 31st
(LVR in thousands)

	<u>1992</u>	<u>1991</u>
ASSETS		
<u>Current Assets</u>		
Cash	3,466	134
Short term investments	0	50
Accounts receivable	24,082	1,170
Inventory	26,315	4,912
Other	444	15
Total Current Assets	<u>54,307</u>	<u>6,281</u>
Fixed Assets	10,160	2,448
Assets under construction	2,929	994
Other Long term Assets	0	0
TOTAL ASSETS	<u><u>67,396</u></u>	<u><u>9,723</u></u>
 LIABILITIES AND EQUITY		
<u>Current Liabilities</u>		
Accounts payable	36,693	2,085
Other short term payables	1,100	650
Other	6,034	1,188
Total Current Liabilities	<u>43,827</u>	<u>3,923</u>
Long Term Debt	550	500
Total Liabilities	<u><u>44,377</u></u>	<u><u>4,423</u></u>
<u>Equity</u>		
Capital & retained earnings	16,531	5,300
1992 Revaluation reserve	6,488	0
Total Equity	<u><u>23,019</u></u>	<u><u>5,300</u></u>
TOTAL LIABILITIES & EQUITY	<u><u>67,396</u></u>	<u><u>9,723</u></u>

The accompanying notes to the financial statements are an integral part of this document.

ABRA BAKERY ENTERPRISE
Income Statement
 For year ended December 31st
 (LVR in thousands)

	<u>1992</u>	<u>1991</u>
Sales	216,759	0
Less: Turnover Tax	8,102	0
Net sales	<u>208,657</u>	<u>0</u>
 Less: Cost of Goods Sold	 <u>191,006</u>	 <u>0</u>
Gross profit	17,651	0
Other Income	596	0
Less: Other Expenses	2,112	0
Net Other Income	<u>(1,516)</u>	<u>0</u>
 PROFIT (LOSS)	 16,135	 0
 Taxes	 <u>7,331</u>	 <u>0</u>
 NET PROFIT (LOSS)	 <u><u>8,804</u></u>	 <u><u>0</u></u>

The accompanying notes to the financial statements are an integral part of this document.

440

ABRA BAKERY ENTERPRISE
Balance Sheet (Bilance)

	<u>31 Dec 1991</u>	<u>31 Dec 1992</u>	<u>1 Jan 1992</u>
Line Nos.	<u>Assets (Aktivs)</u>		
010 Fixed Assets	9,890	18,320	16,378
020 Intangible Assets			
030 Assets under construction	793	1,501	
035 Assets not ready for use	201	1,428	
040 Long term investments			
050 Current year profit/offset 500 or 510	2,417	16,135	
065 Amounts due from members			
070 Other receivables			
080 Current year loss/offset 500 or 510			
090 Total – check	<u>13,301</u>	<u>37,384</u>	
100 Raw Materials and consumables	4,913	26,020	
110 Work in progress			
120 Work in progress			
130 Prepaid expenses			
140 Finished goods	38	412	
150 Finished goods			
160 Other inventory			
170 Total	<u>4,951</u>	<u>26,432</u>	
171 Goods in transit			
200 Cash on hand		1,615	
210 Cash in bank	134	1,815	
220 Hard currency accounts			
230 Other bank accounts		36	
240 Other bank accounts			
250 Short term investments	50		
270 Bank loan monies rec'd			
300 Trade accts receivable	608	20,249	
310 Bills of exchange			
320 Payments in advance			
325 Tax overpayments rec'ble	22		
330 Other debtors	540	3,833	
340 Employee loans	15	444	
350 Social welfare expenses			
360 Other receivables			
370 Total – check	<u>1,369</u>	<u>27,992</u>	
390 Total – check	<u>19,621</u>	<u>91,808</u>	

The accompanying notes to the financial statements are an integral part of this document.

ABRA BAKERY ENTERPRISE

Line Nos.	<i>Liabilities (Pasivs)</i>	31 Dec 1991	31 Dec 1992	1 Jan 1992
400	Statutory fund	3,661	18,142	10,149
410	Accum depreciation	7,442	8,160	7,442
420	Depreciation consumables	39	117	
430	Investment financing	1,083		
440	Other payables			
445	Obligations to members			
450	Financing reserve	556	4,877	556
460	Vaccation accrual	32		
470	Amortization & Repairs			
480	Payments received in advance			
490	Unrealised profit on sales			
500	or 510 Profit	2,417	16,135	
520	Total – check	<u>15,230</u>	<u>47,431</u>	
600	Short term payables	650	1,100	
610	Medium term payables			
620	Long term payables			
630	Overdue loans!			
640	Short term loans			
650	Long term loans	500	550	
660	Total – check	<u>1,150</u>	<u>1,650</u>	
700	Accts payable – goods	1,510	32,349	
710	Bills of exchange			
720	Payments received in advance		3,323	
730	Taxes payable	193	2,094	
735	Privatization expenses			
740	Social pension tax	100	926	
750	Accured salaries	282	1,324	
760	Other payables	29	990	
765	Employee loans			
770	Other	1,127	1,721	
780	Total – check	<u>3,241</u>	<u>42,727</u>	
800	Total – check	<u>19,621</u>	<u>91,808</u>	

Revaluation check	Calculation
Fixed asset movement	6,488
Accumulated Dep	0
Difference Net Assets	<u>6,488</u>
Statutory Fund movement	<u>6,488</u>

The accompanying notes to the financial statements are an integral part of this document.

402

ABRA BAKERY ENTERPRISE
Income Statement (Finansu Rezultanti)

Line Nos.	1992 Revenues	1992 Costs	1991 Revenues	1991 Costs
010 Revenue from goods sold	216,759			
020 Turnover tax		8,102		
030 Sales less tax – check	208,657		0	
040 Product and period costs		191,006		
050 Profit – check	17,651		0	
060 Other sales results		569		
070 Non-sales operations	596	1,543		
071 Investment Income				
080 Profit and loss totals	18,247	2,112	0	0
090 Net profit – check	16,135		0	
100 Non taxable income	1,099			
101 Value of stock sold				

Use of Profits Statement 1992
(Peļņas Izlietosana)
1992

200 Income tax expense	7,331	45.44%
210 To reserves		
220 To capital funds	7,679	
221 To the investment fund	6,727	221 is subset of 220
230 To dividends		
240 To previous year's losses		
250 Donations		
260 Other	888	
Uses of profits – check	<u>15,898</u>	*** See Comments

Use of Profits Statement 1991
(Peļņas Izlietosana)
1991

200 Income tax expense	
210 To reserves	
220 Production Development	
230 Social development	
240 Employee bonus/incentives	
250 Donations	
260 Other	
270 Other	
Uses of profits – check	<u>0</u>

The accompanying notes to the financial statements are an integral part of this document.

ABRA BAKERY ENTERPRISE**Comments On Financial Statement Input**

- ** Only 1992 financial statements were available for Abra, the 1991 balance sheet was calculated based on the January 1, 1992 beginning balance with an adjustment for the fixed asset revaluation, no income statement is presented.
- *** The 1992 uses of profit statement does not agree to the profit reported on the income statement. Since only the tax expense line of the Uses statement is used in the reformatted version, no alteration is made, the tax expense appears to be about 45% of the profit, in line with expectation.

The accompanying notes to the financial statements are an integral part of this document.

444

Notes to Financial Statements - Enterprise Specific Abra Bakery Enterprise

Note 1 - Significant Accounting Principles

As stated in more detail in the general notes and summary, Abra bakery (Abra), like other Latvian enterprises, during 1992 managed its accounts and financial reporting according to Republic regulations and guidelines. As such, Abra did not employ a full accrual basis in recording assets and liabilities or in the recognition of income or realization of expenses during 1992 or 1991. The handling of accounts may be considered a modified cash basis with some accrual accounting in accordance with Latvian accounting practices and regulations in effect during the periods presented.

Fixed Assets are carried at historical cost and depreciated over the useful life (as prescribed by Latvian regulations) using the straight line method. However, fixed assets were revalued according to Latvian regulations on both January 1st of 1992 and 1993. The basis and coefficients employed in revaluation are discussed in more detail in the general notes to the financial statements.

Land (property) values were not recorded on enterprise financial statements in Latvia during any of the years presented.

A cash flow statement is not included in the financial statements presented, as the 1992 and 1991 Latvian accounts were not conducive to its preparation. Cash is held in Latvian currency (LVR), hard currencies (e.g. DM, US\$), and other currencies (e.g. Russian, Georgian), exchange gains and losses are included in net income.

Note 2 - Accounts Receivable

Accounts Receivable for Abra includes the following in thousands of LVR at December 31st:

Type of Accounts Receivable	1992	1991
Trade Accounts Receivable	20,249	608
Other Receivables	3,833	562
TOTAL	24,082	1,170

Abra did not record any allowance for bad debts to reduce the amount of the reported accounts receivable. According to management, they have a total of LVR 1,485,004 of receivables

outstanding for more than 6 months which are considered uncollectable. About 70% of sales are paid in cash, with the remainder being paid through bank transfers. Under new regulations, Latvian enterprises are allowed to collect 5% in fines from debtors for late payments.

Note 3 - Inventories

Inventories appear to be accounted for on a first in first out (FIFO) basis. An allowance for loss or spoilage is not recorded by the enterprise, nor does the carrying amount of inventory necessarily reflect the net realizable value of the inventory.

Note 4 - Fixed Assets

Fixed assets are generally carried at historical cost, as previously noted, except for the revaluations which have occurred in 1992 and 1993. Depreciation is expensed and accumulated on a straight line basis using the asset category useful lives as prescribed by regulations (see general notes for examples). Typically, the useful life of an asset under Latvian regulations is significantly longer than that considered appropriate by Western standards.

The following table displays the gross book value of fixed assets, accumulated depreciation, and net book value at December 31, 1991, after revaluation at January 1, 1992, and at December 31, 1992 for Abra. Amounts are expressed as thousands of LVRs.

	12/31/91	1/1/92	12/31/92
Fixed Asset - Gross	n/a	16,378	18,320
Less: Accumulated Depreciation	n/a	7,442	8,160
Net Fixed Assets	2,448	8,936	10,160

In the fixed asset category as presented on the financial statements, apartment buildings are included. Under the privatization law, such buildings will be removed from the assets of the enterprise and privatized separately. Consequently, the net book value of assets presented in these financial statements may overstate the net book value of the assets actually to be privatized as the bakery enterprise. Abra owns an apartment block that will be privatized separately, but which is included in the fixed assets presented in the financial statements at a gross value of LVR 1.8 million (written down value LVR 1.09 million).

Also see Note 8 regarding restitution claims.

Note 5 - Taxes

Abra is subject to various taxes as an enterprise under Latvian regulations. The major taxes and the basis of the taxes assessed are outlined below.

<u>Type of Tax</u>	<u>Tax Base</u>	<u>Percent of Base</u>
Turnover Tax	Sales	6
Profit/Income Tax	Profit	35
Charity Tax	Profit	10
Social Tax	Payroll	37

Note 6 - Credit Disclosures

Abra's financial statements include both current types of payables (including taxes payable, trade payables to suppliers, accrued salaries, and other rents, etc.) and long term debt. This long term debt was obtained from private sources to help fund the construction of the apartment block. The outstanding balance of this loan was LVR 500,000 in 1991 and LVR 550,000 in 1992. The loan has now been fully repaid.

Note 7 - Equity Disclosures

Abra is currently a state enterprise. Equity on the balance sheet has been segregated to show separately the amount of equity which is the result of increases realized due to fixed asset revaluation at January 1, 1992, and the total amount of equity associated with capital, retained earnings, and perhaps previous revaluations.

Note 8 - Contingent Liabilities

As is the case with all Latvian enterprises involved in privatization, potential claims may exist in regard to restitution to the pre-1941 land or building owners. According to Abra management, no search of the Archives to determine if former private owners may exist has been performed. No liability reserves for potential future claims have been included in the financial statements.

Note 9 - Other Notes

As stated in the general notes to the financial statements, Latvia has been in a transitional environment. Abra's

operations and financial statements have been impacted by such pressures as high inflation, significant demand shifts due to price liberalization and lifting of subsidies, dramatic policy and regulation changes involved in the shift from socialism to capitalism, and the appreciation of the Latvian Ruble against the currencies of other former Soviet republics. As such, the financial statements presented have significant limitations as to analytical value in comparing between time periods and between enterprises. The notes have merely presented and outlined the major factors and conditions underlying the financial statements which would influence their utility for users in making assessments of the enterprise's financial condition.

Baltmaiznieks Bakery

Baltmaiznieks bakery is a state enterprise that consists of four production sites. Two are in Riga, the main one at Ventspils Ilea 51, the other at Muku Ilea 51. Two other smaller plants Pumpuri and Lielupe, are located in Jurmala. Over one half of the total production is from the main plant, a little over one quarter from the other Riga plant, and the rest from the plants in Jurmala. The four plants are centrally administered but have separate production and marketing responsibilities. Separation of the accounts for the individual plants is not possible. The Baltmaiznieks conglomerate currently has the highest production of bread of any bakery in Latvia.

Baltmaiznieks used to specialize in the production of a standard brick shaped form loaf produced from wheat flour. It now produces a total of eleven varieties of bread, including both wheat and rye bread. Production in 1992 from all four plants was:

Product	Production (Metric tons)
Wheat bread	28878
Rye/wheat bread	4041

Production of wheat bread was almost at the same level as in 1991, with production of rye/wheat bread slightly up on 1991. Production from all plants has been as high as 100 tons per day; about 80% of total capacity. Currently production is running at about 80 tons per day; a little over 60% of capacity. There is nothing stopping production being increased substantially if demand required it. Total staff numbers at all four plants in 1992 was 535.

There are shops at all of the factory sites as well as a separate shop in Riga. About one quarter of all Baltmaiznieks production is sold through its own stores, the rest being delivered to other shops. About 30% of sales are in cash, the rest being through bank transfers. There is a single selling price for all buyers. Baltmaiznieks has outstanding accounts payable of about LVR 50 million from former state trading organizations that have now been privatized. These debts are probably uncollectible. Management is currently negotiating with the government for the acquisition of retail stores in compensation for the debts.

Title to property is unclear at the main plant and at both Jurmala sites. According to management, former owners have made claims at all three of these sites but this is still being investigated and no contact has been made with these individuals. Only the Muku Ilea site has a clean title.

Iosifs Volceks is the overall director of Baltmaiznieks, a position he has held since 1982. Prior to that he has variously been the

director of Druva and Daugavpils bakeries, and the chief engineer at Druva. He is a graduate of the Institute of Mechanical Engineering in Leningrad.

Ventspils Ilea 51 plant

This plant was built in 1967 and new lines were added in 1982. The bakery has six lines, three lines are for white bread and one line is for rye bread. It currently operates four of the six lines on two shifts. The first shift begins at 8pm and finishes at 7am. The second shift begins at 7am and finishes when the order is completed.

White bread is produced at 50 loaves per minute, rye bread at 40 loaves per minute. The scaling weight of the white bread is 180 to 450 grams. The scaling weight for rye bread is 700 to 800 grams. The maximum kilograms per man hour for white bread is 225kg for production and 135kg for production and shipping. The maximum kilograms per man hour for rye bread is 320kg for production and 190kg for production and shipping. The dough production schedule is continuous.

Dough temperature	29-31 degrees Celsius
Dough fermentation	80-90 minutes
Type of make up	rotary divider
Proofing time	40 minutes
Baking time	23 minutes (white bread)
Cooling time	1 hour

Major bakery equipment

Estimated replacement cost (LVR 000)

10 flour bins (30 ton capacity)	300 each
3 weighing systems	100 each
3 flour sifters	250 each
3 spiral mixers	200 each
3 horizontal mixers	450 each
6 dividers	250 each
6 rounders	200 each
6 proofers	300 each
4 ovens	1,000 each
2 ovens	5,000 each
machine shop	500

Most of the equipment is 12-15 years old but has been well maintained. They make their own parts when they cannot purchase them. The current value of the equipment is approximately 15-20% of original cost. This plant has very little quality control and their sanitation would not meet western standards.

Muku Ilea Plant

This plant was built in the 1980's. Both the building and the equipment have been well maintained. The plant has three lines with a capacity of 17-18 tons per day for dark bread and 30 tons per day for white bread. Currently twelve tons of white bread is produced in two shifts and two tons of dark bread is produced in one shift each day. There are 140 employees at the Muku Ilea plant with seven people on each line working two shifts. White bread is produced at 25 loaves per minute and dark bread at 45 loaves per minute. The scaling weight of the bread at the Muku Ilea plant is 800 grams for rye, 800 grams for brick, and 400, 450 and 500 grams for white. Kilograms per man hour is 107.

The dough production schedule is a continuous run. Russian culture is used in the fermentation of rye bread, at 30-32 degrees Celsius. Compressed yeast is used in the fermentation of form bread and white bread at 29-30 degrees Celsius, for 90 to 120 minutes. Proofing time is 50 minutes for rye and 35 minutes for white.

The plant has one baguette line making 20 varieties of pastries. They also produce small 50 gram rolls on German equipment. This equipment was supplied by a prospective investor and is not owned by the bakery.

Major Bakery Equipment

Estimated Replacement Cost (LVR 000)

6 flour tanks (24 ton capacity)	210 each
2 flour use tanks	20 each
3 horizontal mixers	35 each
2 overhead fermentation units	400 each
3 flour scales	200 each
3 dividers	250 each
6 rounders	200 each
3 overhead proofers	125 each
3 ovens, tunnel type	400 each
3 molders	200 each
2 spiral mixers	200 each
1 dark bread mixer, Russian	150
1 ingredient mixer	50
13 dough bowls	3 each
1 roll machine	25
1 sheeter	20
7 rack ovens	50 each
1 bowl hoist	30
1 rounder, umbrella type	200
2 small spiral mixers for specialty breads	125 each
1 flour scale with vibrator	225
1 roll machine	25
1 electric deck oven	15
1 roll machine	100

The Muku Ilea plant is well equipped, well maintained, and is more progressive than most bakeries in Latvia. Their equipment is in excellent condition although most is fully depreciated. The value of their equipment would be 45-50% of its original cost. They have a well equipped quality control lab where they check flour protein, flour moisture and dough acidity. They also conduct quality checks on their products. Sanitation at this plant is very good and could probably pass minimum western sanitation standards.

Pumpuri Bakery

The Pumpuri bakery, which is located in Jurmala, was built during the 1930's. Three years ago they installed new mixers, proofer and oven, however, the equipment appears to have been built in the nineteen fifties or earlier. Pumpuri produces form wheat loaves and dark rye bread. All of the flour used is purchased in bags as opposed to the Riga plants which can deal with bulk flour.

The bread at Pumpuri is produced on two lines in three shifts with seven people per line. The scaling weight of the bread is 900 grams for brick bread and 500 grams to a kilogram for dark bread and dense rye bread. Kilograms per man hour is 73 and capacity is 12 tons in three shifts.

Dough scheduling:

Fermentation is a two stage process using Russian culture supplemented with a small percentage of compressed yeast. First flour, water and yeast are combined and fermented for three hours. Additional flour, water, salt and any remaining ingredients are then added. This is remixed into a dough and shaped into loaves.

Fermentation temperature	28-30 degrees Celsius
Type of make up	Two pocket rotary divider
Proofing time	90 minutes
Baking time	23 to 48 minutes

Rye bread fermentation is a two stage system using compressed yeast where the first stage takes from 10 to 12 hours and the second stage takes approximately one and a half hours.

Major Bakery Equipment

Estimated Replacement Cost (LVR 000)

1 flour sifter	250
2 flour scales	200 each
32 mixing bowls	3 each
3 mixers	200 each
2 ovens	400 each
2 overhead proofers	300 each

Pumpuri is small and not very automated but it is running at full capacity. Most of the equipment is old. The value of the equipment is 0 to 5% of the original cost. They do not have a quality control program and their sanitation would not meet minimum Western standards.

Lielupe Bakery

Lielupe Bakery is located in Jurmala. It produces white bread, hand molded dark sour dough rye bread, dark dense bread, sweet bread and has plans to make French baguettes. All flour is purchased in bags and no Russian culture is used, only compressed yeast. Lielupe has a single line operated by nine people which is run on three shifts with a capacity of about 3.9 tons per shift. The scaling weight of the bread is 400 to 800 grams and kilograms per man hour is approximately 55.5.

Fermentation time	3 hours
Fermentation temperature	28-30 degrees Celsius
Proof time	25 minutes
Bake time	50 minutes
Cooling time	none

Major Bakery Equipment

Estimated Replacement Cost (LVR 000)

1 flour dump station	50
1 flour sifter	125
2 spiral mixers	200 each
2 flour scales	150
30 dough bowls	3 each
2 bowl hoists	50 each
2 dividers	100 each
2 rounders	200 each
1 french bread cutter	10
1 overhead proofer	125
2 boilers: one gas fired, one oil fired	500 each

The equipment is very old except for a new gas fired boiler valued at 500,000 rubles. The rest of the equipment has little or no value. Lielupe does not have a quality control program and their sanitation would not meet minimum western standards.

BALDMAIZNIEKS BAKERY ENTERPRISE**Balance Sheet**

Balances at December 31st

(LVR in thousands)

	<u>1992</u>	<u>1991</u>
ASSETS		
<u>Current Assets</u>		
Cash	15,354	3,600
Short term investments	0	0
Accounts receivable	113,369	1,934
Inventory	32,856	3,452
Other	187	36
Total Current Assets	<u>161,766</u>	<u>9,022</u>
Fixed Assets	6,707	2,141
Assets under construction	8,200	659
Other Long term Assets	30	350
TOTAL ASSETS	<u><u>176,703</u></u>	<u><u>12,172</u></u>
 LIABILITIES AND EQUITY		
<u>Current Liabilities</u>		
Accounts payable	67,368	3,643
Other short term payables	0	0
Other	21,039	2,514
Total Current Liabilities	<u>88,407</u>	<u>6,157</u>
Long Term Debt	0	0
Total Liabilities	<u><u>88,407</u></u>	<u><u>6,157</u></u>
<u>Equity</u>		
Capital & retained earnings	83,271	6,015
1992 Revaluation reserve	5,025	0
Total Equity	<u><u>88,296</u></u>	<u><u>6,015</u></u>
TOTAL LIABILITIES & EQUITY	<u><u>176,703</u></u>	<u><u>12,172</u></u>

The accompanying notes to the financial statements are an integral part of this document.

BALDMAIZNIEKS BAKERY ENTERPRISE**Income Statement**

For year ended December 31st

(LVR in thousands)

	<u>1992</u>	<u>1991</u>
Sales	668,885	0
Less: Turnover Tax	15,449	0
Net sales	<u>653,436</u>	<u>0</u>
Less: Cost of Goods Sold	<u>495,741</u>	<u>0</u>
Gross profit	157,695	0
Other Income	760	0
Less: Other Expenses	798	0
Net Other Income	<u>(38)</u>	<u>0</u>
PROFIT (LOSS)	157,657	0
Taxes	<u>71,007</u>	<u>0</u>
NET PROFIT (LOSS)	<u><u>86,650</u></u>	<u><u>0</u></u>

The accompanying notes to the financial statements are an integral part of this document.

BALMAIZNIEKS BAKERY ENTERPRISE
Balance Sheet (Balancē)

Line Nos.	<i>Assets (Aktivs)</i>	31 Dec 1991	31 Dec 1992	1 Jan 1992
010	Fixed Assets	10,012	14,775	15,037
020	Intangible Assets			
030	Assets under construction	303	3,175	
035	Assets not ready for use	356	5,025	
040	Long term investments	350	30	
050	Current year profit/offset 500 or 510	6,255	157,617	
065	Amounts due from members			
070	Other receivables			
080	Current year loss/offset 500 or 510			
090	Total – check	17,276	180,622	
100	Raw Materials and consumables	3,483	32,851	
110	Work in progress			
120	Work in progress			
130	Prepaid expenses	4	24	
140	Finished goods	54	121	
150	Finished goods		59	
160	Other inventory			
170	Total	3,541	33,055	
171	Goods in transit			
200	Cash on hand		1,325	
210	Cash in bank	3,550	13,689	
220	Hard currency accounts		340	
230	Other bank accounts	50		
240	Other bank accounts			
250	Short term investments			
270	Bank loan monies rec'd			
300	Trade accts receivable	1,743	100,282	
310	Bills of exchange			
320	Payments in advance			
325	Tax overpayments rec'ble		5,797	
330	Other debtors	191	7,290	
340	Employee loans	32	163	
350	Social welfare expenses			
360	Other receivables			
370	Total – check	5,566	128,886	
390	Total – check	26,383	342,563	

The accompanying notes to the financial statements are an integral part of this document.

BALTMAIZNIEKS BAKERY ENTERPRISE

Line

<u>Nos.</u>	<u>Liabilities (Pasivs)</u>	<u>31 Dec 1991</u>	<u>31 Dec 1992</u>	<u>1 Jan 1992</u>
400	Statutory fund	2,880	24,718	7,905
410	Accum depreciation	7,871	8,068	7,871
420	Depreciation consumables	85	175	
430	Investment financing	707		
440	Other payables			
445	Obligations to members			
450	Financing reserve	2,428	63,578	2,428
460	Vaccation accrual	132		
470	Amortization & Repairs			
480	Payments received in advance			
490	Unrealised profit on sales			
500	or 510 Profit	6,255	157,617	
520	Total – check	<u>20,358</u>	<u>254,156</u>	
600	Short term payables			
610	Medium term payables			
620	Long term payables			
630	Overdue loans!			
640	Short term loans			
650	Long term loans			
660	Total – check	<u>0</u>	<u>0</u>	
700	Accts payable – goods	2,114	41,068	
710	Bills of exchange			
720	Payments received in advance			
730	Taxes payable	927	22,286	
735	Privatization expenses			
740	Social pension tax	220	1,479	
750	Accured salaries	382	2,535	
760	Other payables	966	15,061	
765	Employee loans			
770	Other	1,416	5,978	
780	Total – check	<u>6,025</u>	<u>88,407</u>	
800	Total – check	<u>26,383</u>	<u>342,563</u>	

Revaluation check

Fixed asset movement	5,025
Accumulated Dep	0
Difference Net Assets	<u>5,025</u>
Statutory Fund movement	<u>5,025</u>

The accompanying notes to the financial statements are an integral part of this document.

BALTAIZNIEKS BAKERY ENTERPRISE
Income Statement (Finansu Rezultanti)

Line Nos.	1992 <u>Revenues</u>	1992 <u>Costs</u>	1991 <u>Revenues</u>	1991 <u>Costs</u>
010 Revenue from goods sold	668,885			
020 Turnover tax		15,449		
030 Sales less tax – check	653,436		0	
040 Product and period costs		495,741		
050 Profit – check	157,695		0	
060 Other sales results				
070 Non-sales operations	720	798		
071 Investment Income	40	605		
080 Profit and loss totals	158,415	798	0	0
090 Net profit – check	157,617		0	
100 Non taxable income	6,140	605		
101 Value of stock sold				

Use of Profits Statement 1992
(Peļņas Izlietosana)
1992

200 Income tax expense	71,007	
210 To reserves		
220 To capital funds	80,169	
221 To the investment fund	19,215	221 is subset of 220
230 To dividends		
240 To previous year's losses		
250 Donations		
260 Other	6,441	
	-	
Uses of profits – check	<u>157,617</u>	

Use of Profits Statement 1991
(Peļņas Izlietosana)
1991

200 Income tax expense	
210 To reserves	
220 Production Development	
230 Social development	
240 Employee bonus/incentives	
250 Donations	
260 Other	
270 Other	
Uses of profits – check	<u>0</u>

The accompanying notes to the financial statements are an integral part of this document.

BALMAIZNIEKS BAKERY ENTERPRISE

Comments On Financial Statement Input

- * Only the 1992 financial statements were available for this enterprise, the 1991 balance sheet was calculated based on the January 1, 1992 beginning balances with an adjustment for the fixed asset revaluation, no income statement is presented for 1991.

Notes to Financial Statements - Enterprise Specific Baltmaiznieks Bakery

Note 1 - Significant Accounting Principles

As stated in more detail in the general notes and summary, Baltmaiznieks bakery (Baltmaiznieks), like other Latvian enterprises, during 1992 managed its accounts and financial reporting according to Republic regulations and guidelines. As such, Baltmaiznieks did not employ a full accrual basis in recording assets and liabilities or in the recognition of income or realization of expenses during 1992 or 1991. The handling of accounts may be considered a modified cash basis with some accrual accounting in accordance with Latvian accounting practices and regulations in effect during the periods presented.

Fixed Assets are carried at historical cost and depreciated over the useful life (as prescribed by Latvian regulations) using the straight line method. However, fixed assets were revalued according to Latvian regulations on both January 1st of 1992 and 1993. The basis and coefficients employed in revaluation are discussed in more detail in the general notes to the financial statements.

Land (property) values were not recorded on enterprise financial statements in Latvia during any of the years presented.

A cash flow statement is not included in the financial statements presented, as the 1992 and 1991 Latvian accounts were not conducive to its preparation. Cash is held in Latvian currency (LVR), hard currencies (e.g. DM, US\$), and other currencies (e.g. Russian, Georgian), exchange gains and losses are included in Baltmaiznieks' net income.

Note 2 - Accounts Receivable

Accounts Receivable for Baltmaiznieks includes the following in thousands of LVR at December 31st:

Type of Accounts Receivable	1992	1991
Trade Accounts Receivable	100,282	1,743
Tax Overpayments Receivable	5,797	0
Other Receivables	7,290	191
TOTAL	113,369	1,934

Baltmaiznieks did not record any allowance for bad debts to reduce the amount of the reported accounts receivable. According to management, they have approximately 50 million LVR in overdue and uncollectible receivables from former state trading companies which were privatized and are no longer responsible for the state debts. Management is pursuing recourse with the state in the form of obtaining new stores equal to the value of the debts owed to them. They have represented that all other receivables are current, and are paid within 30 days. Approximately, 40% of sales are credit, the other 60% is paid in cash. Under new regulations, Latvian enterprises are allowed to collect fines from debtors for late payments.

Note 3 - Inventories

Inventories appear to be accounted for on a first in first out (FIFO) basis. An allowance for loss or spoilage is not recorded by the enterprise, nor does the carrying amount of inventory necessarily reflect the net realizable value of the inventory.

Note 4 - Fixed Assets

Fixed assets are generally carried at historical cost, as previously noted, except for the revaluations which have occurred in 1992 and 1993. Depreciation is expensed and accumulated on a straight line basis using the asset category useful lives as prescribed by regulations (see general notes for examples). Typically, the useful life of an asset, under Latvian regulations, is significantly longer than the life considered appropriate by Western standards.

The following table displays the gross book value of fixed assets, accumulated depreciation, and net book value at December 31, 1991, after revaluation at January 1, 1992, and at December 31, 1992 for Baltmaiznieks. Amounts are expressed as thousands of LVRs.

	12/31/91	1/1/92	12/31/92
Fixed Asset - Gross	n/a	15,037	14,775
Less: Accumulated Depreciation	n/a	7,871	8,068
Net Fixed Assets	2,141	7,166	6,707

In the fixed asset category as presented on the financial statements, apartment buildings are included. Under the privatization law, such buildings will be removed from the

assets of the enterprise and privatized separately. Consequently, the net book value of assets presented in these financial statements may overstate the net book value of the assets the actually to be privatized as the bakery enterprise. Baltmaiznieks may own such assets (dwellings).

Also see Note 8 regarding restitution claims.

Note 5 - Taxes

Baltmaiznieks is subject to various taxes as an enterprise under Latvian regulations. The major taxes and the basis of the taxes assessed are outlined below.

<u>Type of Tax</u>	<u>Tax Base</u>	<u>Percent of Base</u>
Turnover Tax	Sales	6
Income Tax	Profit	35
Charity Tax	Profit	10
Other & Property Taxes	Profit	5
Social Tax	Payroll	37

Note 6 - Credit Disclosures

Baltmaiznieks financial statements include only current types of payables, including taxes payable, trade payables to suppliers, accrued salaries, and other rents, etc. They do not represent to have any bank loans or long term debt, which is consistent with other Latvian enterprises, due to the banking system which currently does not extend such types of credit.

Note 7 - Equity Disclosures

Baltmaiznieks is currently a state enterprise. Equity on the balance sheet has been segregated to show separately the amount of equity which is the result of increases realized due to fixed asset revaluation at January 1, 1992, and the total amount of equity associated with capital, retained earnings, and perhaps previous revaluations.

Note 8 - Contingent Liabilities

As is the case with all Latvian enterprises involved in privatization, potential claims may exist in regard to restitution to the pre-1941 land or building owners. According to Baltmaiznieks, of their four sites, one site in Riga is on state land, the main Riga site is on private land, and their two Jurmala sites are believed to be on private land. At least one claim by a former owner has been filed,

but no contact or resolution has been confirmed. Additional claims may be forthcoming from other previous owners (descendants). No liability reserves for potential future claims have been included in the financial statements.

Note 9 - Other Notes

As stated in the general notes to the financial statements, Latvia has been in a transitional environment. Baltmaiznieks' operations and financial statements have been impacted by such pressures as periods of high inflation, significant demand shifts due to price liberalization and lifting of subsidies, dramatic policy and regulation changes involved in the shift from socialism to capitalism, and the appreciation of the Latvian Ruble against currencies of other former Soviet republics. As such, the financial statements presented have significant limitations as to analytical value in comparing between time periods and between enterprises. The notes have merely presented and outlined the major factors and conditions underlying the financial statements which would influence their utility for users in making assessments of the enterprise's financial condition.

Vidzeme Bakery

[**Important Note.** The Vidzeme bakery is currently leased out to a company owned by the staff and management of the bakery. Because of the management's financial interest in the Vidzeme bakery they were reluctant to provide detailed information on some operational aspects of the bakery and on its financial performance. The financial information that was obtained came from government sources. A visit to the subsidiary plant producing barancs was also not possible so the description of the plant and major equipment refers only to the main plant.]

Vidzeme Bakery of a main plant located in Ropazu Ilea in Riga and a small subsidiary plant producing barancs located in the Siekurkalns district of Riga. The subsidiary plant only operates intermittently as it can not compete with cheap imports of barancs from Russia.

The operation of the bakery was taken over in 1989 by a cooperative formed by the managers and some of the employees of the bakery. In 1991 the cooperative members formed a limited liability company which took a lease of the plant. The current lease expires on July 1, 1993. Some of the assets of the bakery, including part of an apartment block built by the bakery, are owned by the limited liability company as they were purchased with the profits of the company.

Vidzeme basically produces four varieties of rye bread, some wheat bread as well as cakes and pastries. Originally it only produced dark rye and sour dough bread. In 1993 it began producing small quantities of white bread by hand. Production in 1992 was:

Product	Production (Metric Tons)
Rye bread	404
Wheat bread	643
Rye/wheat bread	5978
Cakes	615

Bread production in 1992 was down almost 20% from 1991 levels and cake production was down by over 20%. Production of all products in 1993 so far is down on 1992 levels. Vidzeme is currently running at approximately 60% of capacity.

The main plant was built in 1960. It has the capacity to produce about 40 tons of bread per day. Total staff numbers are about 360 which has remained roughly constant except for the shedding of some 30 to 40 people from the barancs plant.

Vidzeme operates three lines for bread using two shifts with five

people per shift. They produce 19-21 loaves per minute. The rye bread has a scaling weight of 600 grams and 800 grams. The white bread has a scale weight of 450 grams. Kilograms per man hour is 113 for 450 gram bread, 151 for 600 gram bread, and 202 for 800 gram bread.

All of the rye bread is made from Russian sour culture. They do not use any compressed yeast in rye production, but they add 5% sprouted grain to their fermentation for flavor. Compressed yeast is used for white bread production. Dough scheduling is a continuous run.

Dough temperature	29-31 degrees Celsius
Dough fermentation	6-8 hours
Type of make up	two pocket rotary divider
Proofing time	55-70 minutes
Baking time	39-43 minutes
Cooling time	none

Major bakery equipment

Estimated replacement cost
(LVR 000)

8 flour bins (capacity 30 tons)	300 each
8 flour use bins	14 each
12 fermentation tanks	50 each
4 mixers	200 each
4 dividers	250 each
4 molders	20 each
4 overhead tenuous	50 each
4 ovens	200 each
2 air compressors	75 each
2 refrigerator compressors	100 each
2 flour sifters	250 each
machine shop equipment	500
cake shop equipment	1,300

The equipment is fairly well maintained. Its value would be approximately 10-15% of original value. They have very little quality control and their sanitation would not meet western standards.

Vidzeme leases six stores in Riga for selling its products. About 70% of revenue is from bread production and 30% from cakes, pastries and the hand made white bread. Vidzeme is aiming to produce high quality products in an endeavor to maintain sales volumes.

Janis Celms is the director of the bakery and a shareholder in the limited liability company. He has been the director since 1978. He was trained as an electrical engineer but has worked principally in management positions.

4/62

VIDZEMES BAKERY ENTERPRISE

Balance Sheet
Balances at December 31st
(LVR in thousands)

	<u>1992</u>	<u>1991</u>
ASSETS		
<u>Current Assets</u>		
Cash	3,870	58
Short term investments	865	100
Accounts receivable	26,405	1,927
Inventory	23,258	3,378
Other	28	29
Total Current Assets	54,426	5,492
Fixed Assets	7,409	5,829
Assets under construction	454	532
Other Long term Assets	0	0
TOTAL ASSETS	<u>62,289</u>	<u>11,853</u>
 LIABILITIES AND EQUITY		
<u>Current Liabilities</u>		
Accounts payable	26,957	2,406
Other short term payables	0	0
Other	8,359	1,324
Total Current Liabilities	35,316	3,730
Long Term Debt	0	0
Total Liabilities	<u>35,316</u>	<u>3,730</u>
<u>Equity</u>		
Capital & retained earnings	26,973	7,955
1992 Revaluation reserve	Not Available	0
Total Equity	<u>26,973</u>	<u>7,955</u>
TOTAL LIABILITIES & EQUITY	<u>62,289</u>	<u>11,685</u>

The accompanying notes to the financial statements are an integral part of this document.

VIDZEMES BAKERY ENTERPRISE
Income Statement
For year ended December 31st
(LVR in thousands)

	<u>1992</u>	<u>1991</u>
Sales	234,089	0
Less: Turnover Tax	8,814	0
Net sales	<u>225,275</u>	<u>0</u>
Less: Cost of Goods Sold	<u>191,154</u>	<u>0</u>
Gross profit	34,121	0
Other Income	9,156	0
Less: Other Expenses	0	0
Net Other Income	<u>9,156</u>	<u>0</u>
PROFIT (LOSS)	43,277	0
Taxes	<u>13,842</u>	<u>0</u>
NET PROFIT (LOSS)	<u><u>29,435</u></u>	<u><u>0</u></u>

The accompanying notes to the financial statements are an integral part of this document.

VIDZEMES BAKERY ENTERPRISE
Balance Sheet (Bilance)

Line Nos.		<u>31 Dec 1991</u>	<u>31 Dec 1992</u>	<u>1 Jan 1992</u>
	<u>Assets (Aktivs)</u>			
010	Fixed Assets	10,576	13,134	10,576
020	Intangible Assets			***
030	Assets under construction	532	454	
035	Assets not ready for use			
040	Long term investments			
050	Current year profit/offset 500 or 510	3,070	43,277	
065	Amounts due from members			
070	Other receivables			
080	Current year loss/offset 500 or 510			
090	Total - check	14,178	56,865	
100	Raw Materials and consumables	3,133	22,442	
110	Work in progress			
120	Work in progress			
130	Prepaid expenses			
140	Finished goods	135	994	
150	Finished goods			
160	Other inventory			
170	Total	3,268	23,436	
171	Goods in transit	168		
200	Cash on hand	14	1,240	
210	Cash in bank	39	2,597	
220	Hard currency accounts			
230	Other bank accounts	5	33	
240	Other bank accounts			
250	Short term investments	100	865	
270	Bank loan monies rec'd			
300	Trade accts receivable	1,916	26,398	
310	Bills of exchange			
320	Payments in advance			
325	Tax overpayments rec'ble			
330	Other debtors	11	7	
340	Employee loans	29	28	
350	Social welfare expenses			
360	Other receivables			
370	Total - check	<u>2,114</u>	<u>31,168</u>	
390	Total - check	<u>19,728</u>	<u>111,469</u>	

The accompanying notes to the financial statements are an integral part of this document.

VIDZEMES BAKERY ENTERPRISE

Line Nos.	<i>Liabilities (Pasivs)</i>	31 Dec 1991	31 Dec 1992	1 Jan 1992
400	Statutory fund	5,495	4,944	5,495
410	Accum depreciation	4,747	5,725	4,747
420	Depreciation consumables	58	178	** See Com
430	Investment financing	532		
440	Other payables			
445	Obligations to members	338	7,875	
450	Financing reserve	1,928	22,029	1,928
460	Vaccation accrual			
470	Amortization & Repairs			
480	Payments received in advance			
490	Unrealised profit on sales			
500	or 510 Profit	3,070	43,277	
520	Total – check	<u>16,168</u>	<u>84,028</u>	
600	Short term payables			
610	Medium term payables			
620	Long term payables			
630	Overdue loans!			
640	Short term loans			
650	Long term loans			
660	Total – check	<u>0</u>	<u>0</u>	
700	Accts payable – goods	1,803	17,024	
710	Bills of exchange			
720	Payments received in advance			
730	Taxes payable	306	6,773	
735	Privatization expenses			
740	Social pension tax	69	889	
750	Accured salaries	228	2,271	
760	Other payables	365	184	
765	Employee loans	2		
770	Other	619	300	
780	Total – check	<u>3,392</u>	<u>27,441</u>	
800	Total – check	<u>19,560</u>	<u>111,469</u>	

Revaluation check

	Calculation
Fixed asset movement	0
Accumulated Dep	0
Difference Net Assets	0
Statutory Fund movement	0

The accompanying notes to the financial statements are an integral part of this document.

VIDZEMES BAKERY ENTERPRISE
Income Statement (Finansu Rezultanti)

Line Nos.	1992 <u>Revenues</u>	1992 <u>Costs</u>	1991 <u>Revenues</u>	1991 <u>Costs</u>
010 Revenue from goods sold	234,089			
020 Turnover tax		8,814		
030 Sales less tax -- check	225,275		0	
040 Product and period costs		191,154		
050 Profit -- check	34,121		0	
060 Other sales results	9,156			
070 Non-sales operations				
071 Investment Income				
080 Profit and loss totals	43,277	0	0	0
090 Net profit -- check	43,277		0	
100 Non taxable income	4,458			
101 Value of stock sold	9,156			

Use of Profits Statement 1992
(Peinas Izlietosana)
1992

200 Income tax expense	13,842	
210 To reserves	3,000	
220 To capital funds	16,637	
221 To the investment fund	6,500	221 is subset of 220
230 To dividends	7,875	
240 To previous year's losses		
250 Donations	563	
260 Other	1,360	
Uses of profits -- check	<u>43,277</u>	

Use of Profits Statement 1991
(Peinas Izlietosana)
1991

200 Income tax expense	
210 To reserves	
220 Production Development	
230 Social development	
240 Employee bonus/incentives	
250 Donations	
260 Other	
270 Other	
Uses of profits -- check	<u>0</u>

The accompanying notes to the financial statements are an integral part of this document.

VIDZEMES BAKERY ENTERPRISE

Comments On Financial Statement Input

- * The 1992 Latvian financial statements have been used for this enterprise, the balance sheet amounts at January 1, 1992 are used as the December 31, 1991 ending balances, adjusted for the revaluation of assets occurring January 1, 1992. Consequently, profit and loss information for 1991 is not presented.
- ** Line 455 was added as a write in account, the translated meaning is Charter Statutory funds. For purposes of this analysis, the amounts presented for 1991 and 1992 have been reclassified to Line 400, Statutory Funds, all rolling up to equity.
- *** No adjustment for the revaluation is apparent in the 1992 financial statements, consequently, equity is presented in total only, as the 1992 revaluation amount is not identifiable.

Limited liability company, provided no financial information.

Notes to Financial Statements - Enterprise Specific Vidzeme Bakery

NOTE: The scope of the enterprise specific notes of the Vidzeme bakery was impaired, as the management of this enterprise was not interested in supporting this effort, due to its current lease of state assets in its limited liability status. Consequently, only general information which is believed to be relevant to Latvian bakery enterprises in general is presented.

Note 1 - Significant Accounting Principles

As stated in more detail in the general notes and summary, Vidzeme bakery (Vidzeme), like other Latvian enterprises, during 1992 should have managed its accounts and financial reporting according to Republic regulations and guidelines. As such, a full accrual basis of accounting for assets and liabilities or in the recognition of income or realization of expenses during 1992 or 1991 is not typically employed. The handling of accounts may be considered a modified cash basis with some accrual accounting in accordance with Latvian accounting practices and regulations in effect during the periods presented.

Fixed Assets, under regulations, are carried at historical cost and depreciated over the useful life (as prescribed by Latvian regulations) using the straight line method. Whether or not Vidzeme revalued fixed assets according to Latvian regulations on both January 1st of 1992 and 1993 is not discernable from the available financial statements, nor would management confirm this. The basis and coefficients typically employed in revaluation are discussed in more detail in the general notes to the financial statements.

Land (property) values were not recorded on Latvian enterprise financial statements in Latvia during any of the years presented.

A cash flow statement is not included in the financial statements presented, as the 1992 and 1991 Latvian accounts were not conducive to its preparation. Cash is held in Latvian currency (LVR), hard currencies (e.g. DM, US\$), and other currencies (e.g. Russian, Georgian), exchange gains and losses are included generally in net income by Latvian enterprises. Whether or not Vidzeme included these items in net income is again unknown.

Note 2 - Accounts Receivable

Accounts Receivable for Vidzeme includes the following in thousands of LVR at December 31st:

Type of Accounts Receivable	1992	1991
Trade Accounts Receivable	26,398	1,916
Other Receivables	7	11
TOTAL	26,405	1,927

Vidzeme most likely did not record any allowance for bad debts to reduce the amount of the reported accounts receivable. No information as to the status and collectability of accounts receivable was provided by Vidzeme's management. Under new regulations, Latvian enterprises are allowed to collect 5% in fines from debtors for late payments.

Note 3 - Inventories

Inventories most likely were accounted for on a first in first out (FIFO) basis. An allowance for loss or spoilage was most likely not recorded by the enterprise, nor does the carrying amount of inventory necessarily reflect the net realizable value of the inventory.

Note 4 - Fixed Assets

Fixed assets are generally carried at historical cost by enterprises of this type, as previously noted, except for revaluations which have occurred in 1992 and 1993. Depreciation is expensed and accumulated on a straight line basis using the asset category useful lives as prescribed by regulations (see general notes for examples). Typically, the useful life of an asset under Latvian regulations is significantly longer than that considered appropriate by Western standards.

The gross fixed assets and accumulated depreciation are presented below, as presented on Latvian financial statements. It is not clear from the financial statements whether or not revaluations of fixed assets were performed by Vidzeme.

	12/31/92
Fixed Asset - Gross	13,134
Less: Accumulated Depreciation	5,725
Net Fixed Assets	7,409

In the fixed asset category as presented on the financial statements, apartment buildings are included. Under the privatization law, such buildings will be removed from the assets of the enterprise and privatized separately. Consequently, the net book value of assets presented in these financial statements may overstate the net book value of the assets actually to be privatized as the bakery enterprise. Vidzeme stated that they did own an apartment building which had been constructed with both state funds and funds from the cooperative and form the limited liability company which are included in the fixed assets presented in the financial statements. It is unclear how this building will be handled under the privatization process.

Also see Note 8 regarding restitution claims.

Note 5 - Taxes

Vidzeme management did not provide information of the taxes it is subject to as a limited liability company.

Note 6 - Credit Disclosures

Vidzeme's financial statements appear to include only current types of payables, which may include taxes payable, trade payables to suppliers, accrued salaries, and other rents, etc. They do not present any long term debt on their financial statements, which is consistent with other Latvian enterprises, due to the banking system which currently does not extend such types of credit.

Note 7 - Equity Disclosures

Vidzeme is currently a limited liability company leasing state assets. Equity on the balance sheet has not been segregated to show separately the amount of equity which is the result of increases realized due to fixed asset revaluation at January 1, 1992, and the total amount of equity associated with capital, retained earnings, and perhaps previous revaluations.

Note 8 - Contingent Liabilities

As is the case with all Latvian enterprises involved in privatization, potential claims may exist in regard to restitution to the pre-1941 land or building owners. Vidzeme management are in the process of investigating whether any former owners of the land at the main plant exist and have filed any claims. They are aware of a former owner of the Ciekurkalns plant property but have had no contact with this individual.

Note 9 - Other Notes

As stated in the general notes to the financial statements, Latvia has been in a transitional environment. Vidzeme's operations and financial statements have been impacted by such pressures as high inflation, significant demand shifts due to price liberalization and lifting of subsidies, dramatic policy and regulation changes involved in the shift from socialism to capitalism, and the appreciation of the Latvian Ruble against the currencies of former Soviet republics. As such, the financial statements presented have significant limitations as to analytical value in comparing between time periods and between enterprises. The notes have merely presented and outlined the major factors and conditions underlying the financial statements which would influence their utility for users in making assessments of the enterprise's financial condition. The restricted range of information provided by Vidzeme management further impairs the utility of the financial information presented in this format.

Liepaja Bakery

The Liepaja bakery is a state enterprise with two plants, the main one being at Liepaja, Riga, 63/65. As Liepaja was originally the only bakery in the area it produces a full range of about fifteen different bread products as well as rolls and some pastry products. Production in 1992 was:

Product	Production (metric tons)
Rye bread	3529
Wheat bread	4375
Other products	3018

Total production in 1992 was down almost 20% down on 1991 levels although wheat bread production rose slightly. Production in the first quarter of 1993 is again down on 1992 levels, but by a lesser amount. A significant part of the reduction in output can be explained by the departure of the military from the area. The military used to purchase about seven tons per day of bread but their purchases are now down to about one ton per day.

The building in which the main bakery is housed is over 100 years old. The bakery was first established on that site in 1941. The second bakery was built in 1956, with some new equipment being installed in 1983. Both bakeries have three lines of which two at each bakery are currently being operated on two shifts per day. The plants together have produced as much as 50 tons per day, but are currently operating at around 25-30 tons per day. Total staff numbers are 250 but this includes construction workers working on the two apartment buildings the bakery owns as well as teachers from the kindergarten that the bakery operates. There are less than 200 workers actually employed at the two bakeries.

Main Bakery

The main bakery has three lines, with one in reserve. There are 14 people on each line which operate on two shifts. Fifty percent of their production is basically hand crafted. The scaling weight of the bread is 100 grams and one kilogram. The bakery does not keep a record of the number of loaves produced per minute. It is estimated that the plant would do well to produce 12 to 16 loaves per minute, or 11 to 12 kilograms per minute. They use a Russian sour culture for producing black rye bread and compressed yeast for producing white bread.

Dough Scheduling:

Fermentation temperature	28-30 degrees Celsius
Fermentation time	2 1/2 to 3 hours, depending on the weather
Type of make up	Rotary divider and hand scaling plus considerable hand molding
Proofing time	30 minutes
Baking time	400 grams: 21-23 minutes 600 grams: 30 minutes 1 kilogram: 45-50 minutes

Major Bakery Equipment

Estimated Replacement Cost (LVR 000)

4 flour bins (30 ton capacity)	300 each
6 flour use bins (1 1/3 ton capacity)	14 each
1 fermentation tank, not in us	350
2 blenders	150 each
70 mixing bowls	3 each
9 spiral mixers	200 each
1 horizontal mixer	300
4 flour scales	200 each
3 dividers	250
3 rounders	200 each
2 molders	10 each
3 overhead proofers	125 each
3 ovens 37 tray oil fired	300
24 tray oil fired	190
28 tray oil fired	225
1 baguette molder	40
3 air compressors	130 each

The value of the majority of the equipment is close to zero probably having its highest value as scrap iron. Quality control is almost non-existent in Liepajas and their sanitation would not meet minimum western standards.

Liepaja Subsidiary Bakery

The subsidiary bakery also operates two lines on two shifts per day with one line in reserve.

<u>Major Bakery Equipment</u>	<u>Estimated Replacement Cost</u> (LVR 000)
6 flour bins (30 ton capacity)	300 each
2 use bins (1.4 ton capacity)	14 each
3 bread lines, divider overhead oven	1,000 each
3 fermentation units	300 each
3 blenders	100 each
6 fermentation tanks	50 each

The equipment at this bakery would be valued at approximately 10-15% of its original cost.

Liepaja bakery owns three shops and leases one other. It also use two trucks to sell its products. About 25-30% of all its sales are made through these outlets. Liepaja is considering opening an additional shop in Priekule. All sales currently are made within a 30 kilometer radius of the bakeries, mostly to the old collective farms, the city's central stores, and the remains of the old wholesale distribution system. A single wholesale price is offered to all buyers. There are only a few small private bakeries in the region that together produce about one ton of bread per day that provide any competition to Liepaja bakery.

Anatolijs Rjazisenkovs is the director of the bakery, a position he has held for ten years. He was trained as an electrical engineer but has worked mainly in management positions.

LIEPAJA BAKERY ENTERPRISE

Balance Sheet

Balances at December 31st

(LVR in thousands)

	<u>1992</u>	<u>1991</u>
ASSETS		
<u>Current Assets</u>		
Cash	4,590	914
Short term investments	0	0
Accounts receivable	6,437	506
Inventory	17,285	1,745
Other	1	3
Total Current Assets	<u>28,313</u>	<u>3,168</u>
Fixed Assets	3,952	1,236
Assets under construction	331	288
Other Long term Assets	0	0
TOTAL ASSETS	<u><u>32,596</u></u>	<u><u>4,692</u></u>
 LIABILITIES AND EQUITY		
<u>Current Liabilities</u>		
Accounts payable	14,159	984
Other short term payables	0	0
Other	8,774	982
Total Current Liabilities	<u>22,933</u>	<u>1,966</u>
Long Term Debt	0	0
Total Liabilities	<u><u>22,933</u></u>	<u><u>1,966</u></u>
<u>Equity</u>		
Capital & retained earnings	8,345	2,726
1992 Revaluation reserve	1,318	0
Total Equity	<u>9,663</u>	<u>2,726</u>
TOTAL LIABILITIES & EQUITY	<u><u>32,596</u></u>	<u><u>4,692</u></u>

The accompanying notes to the financial statements are an integral part of this document.

LIEPAJA BAKERY ENTERPRISE**Income Statement**

For year ended December 31st

(LVR in thousands)

	<u>1992</u>	<u>1991</u>
Sales	217,736	0
Less: Turnover Tax	5,931	0
Net sales	<u>211,805</u>	<u>0</u>
Less: Cost of Goods Sold	<u>180,862</u>	<u>0</u>
Gross profit	30,943	0
Other Income	0	0
Less: Other Expenses	3,807	0
Net Other Income	<u>(3,807)</u>	<u>0</u>
PROFIT (LOSS)	27,136	0
Taxes	<u>11,499</u>	<u>0</u>
NET PROFIT (LOSS)	<u><u>15,637</u></u>	<u><u>0</u></u>

The accompanying notes to the financial statements are an integral part of this document.

LIEPAJA BAKERY ENTERPRISE
Balance Sheet (Bilance)

	<u>31 Dec 1991</u>	<u>31 Dec 1992</u>	<u>1 Jan 1992</u>
Line Nos.	<u>Assets (Aktivs)</u>		
010 Fixed Assets	4,564	7,507	5,882
020 Intangible Assets			
030 Assets under construction	129	130	
035 Assets not ready for use	159	201	
040 Long term investments			
050 Current year profit/offset 500 or 510	1,726	27,136	
065 Amounts due from members			
070 Other receivables			
080 Current year loss/offset 500 or 510			
090 Total – check	6,578	34,974	
100 Raw Materials and consumables	1,745	15,123	
110 Work in progress	20	1,069	
120 Work in progress			
130 Prepaid expenses			
140 Finished goods	36	1,184	
150 Finished goods			
160 Other inventory			
170 Total	1,801	17,376	
171 Goods in transit			
200 Cash on hand		1,097	
210 Cash in bank	898	3,448	
220 Hard currency accounts		43	
230 Other bank accounts	16	2	
240 Other bank accounts			
250 Short term investments			
270 Bank loan monies rec'd			
300 Trade accts receivable	99	4,370	
310 Bills of exchange			
320 Payments in advance			
325 Tax overpayments rec'ble	25		
330 Other debtors	82	2,067	
340 Employee loans	3	1	
350 Social welfare expenses			
360 Other receivables	300		
370 Total – check	<u>1,423</u>	<u>11,028</u>	
390 Total – check	<u>9,802</u>	<u>63,378</u>	

The accompanying notes to the financial statements are an integral part of this document.

LIEPAJA BAKERY ENTERPRISE

Line Nos.	<i>Liabilities (Pasivs)</i>	31 Dec 1991	31 Dec 1992	1 Jan 1992
400	Statutory fund	1,847	4,215	3,165
410	Accum depreciation	3,328	3,555	3,328
420	Depreciation consumables	56	91	
430	Investment financing	278		
440	Other payables			
445	Obligations to members			
450	Financing reserve	601	5,448	601
460	Vaccation accrual	1		
470	Amortization & Repairs			
480	Payments received in advance			
490	Unrealised profit on sales			
500	or 510 Profit	1,726	27,136	
520	Total - check	<u>7,837</u>	<u>40,445</u>	
600	Short term payables			
610	Medium term payables			
620	Long term payables			
630	Overdue loans!			
640	Short term loans			
650	Long term loans			
660	Total - check	<u>0</u>	<u>0</u>	
700	Accts payable - goods	560	9,911	
710	Bills of exchange			
720	Payments received in advance	178	2,760	
730	Taxes payable	94	2,257	
735	Privatization expenses			
740	Social pension tax	146	836	
750	Accured salaries	184	1,155	
760	Other payables		5,141	
765	Employee loans			
770	Other	803	873	
780	Total - check	<u>1,965</u>	<u>22,933</u>	
800	Total - check	<u>9,802</u>	<u>63,378</u>	

Revaluation check

	Calculation
Fixed asset movement	1,318
Accumulated Dep	<u>0</u>
Difference Net Assets	<u>1,318</u>
Statutory Fund movement	<u>1,318</u>

The accompanying notes to the financial statements are an integral part of this document.

LIEPAJA BAKERY ENTERPRISE
Income Statement (Finansu Rezultanti)

Line Nos.	1992 <u>Revenues</u>	1992 <u>Costs</u>	1991 <u>Revenues</u>	1991 <u>Costs</u>
010 Revenue from goods sold	217,736			
020 Turnover tax		5,931		
030 Sales less tax – check	211,805		0	
040 Product and period costs		180,862		
050 Profit – check	30,943		0	
060 Other sales results				
070 Non-sales operations		3,807		
071 Investment Income				
080 Profit and loss totals	30,943	3,807	0	0
090 Net profit – check	27,136		0	
100 Non taxable income	5,979			
101 Value of stock sold				

Use of Profits Statement 1992
(Pelns Izlietosana)
1992

200 Income tax expense	11,499	
210 To reserves		
220 To capital funds	14,073	
221 To the investment fund		221 is subset of 220
230 To dividends		
240 To previous year's losses		
250 Donations		
260 Other	1,564	
Uses of profits – check	<u>27,136</u>	

Use of Profits Statement 1991
(Pelns Izlietosana)
1991

200 Income tax expense	
210 To reserves	
220 Production Development	
230 Social development	
240 Employee bonus/incentives	
250 Donations	
260 Other	
270 Other	
Uses of profits – check	0

The accompanying notes to the financial statements are an integral part of this document.

Notes to Financial Statements - Enterprise Specific Liepaja Bakery Enterprise

Note 1 - Significant Accounting Principles

As stated in more detail in the general notes and summary, Liepaja Bakery Enterprise (Liepaja), like other Latvian enterprises, during 1992 managed its accounts and financial reporting according to Republic regulations and guidelines. As such, Liepaja did not employ a full accrual basis in recording assets and liabilities or in the recognition of income or realization of expenses during 1992 or 1991. The handling of accounts may be considered a modified cash basis with some accrual accounting in accordance with Latvian accounting practices and regulations in effect during the periods presented.

Fixed Assets are carried at historical cost and depreciated over the useful life (as prescribed by Latvian regulations) using the straight line method. However, fixed assets were revalued according to Latvian regulations on both January 1st of 1992 and 1993. The basis and coefficients employed in revaluation are discussed in more detail in the general notes to the financial statements.

Land (property) values were not recorded on enterprise financial statements in Latvia during any of the years presented.

A cash flow statement is not included in the financial statements presented, as the 1992 and 1991 Latvian accounts were not conducive to its preparation. Cash is held in Latvian currency (LVR), hard currencies (e.g. DM, US\$), and other currencies (e.g. Russian, Georgian), exchange gains and losses are included in net income.

Note 2 - Accounts Receivable

Accounts Receivable for Liepaja includes the following in thousands of LVR at December 31st:

Type of Accounts Receivable	1992	1991
Trade Accounts Receivable	4,370	99
Other Receivables	2,067	407
TOTAL	6,437	506

Liepaja did not record any allowance for bad debts to reduce the amount of the reported accounts receivable. According to

management, they do not have any receivables outstanding for more than one month, nor are any considered uncollectible. Most sales are paid in cash, with the exception of enterprises which have bank accounts, in which case they will accept transfers. Under new regulations, Latvian enterprises are allowed to collect 5% in fines from debtors for late payments.

Note 3 - Inventories

Inventories appear to be accounted for on a first in first out (FIFO) basis. An allowance for loss or spoilage is not recorded by the enterprise, nor does the carrying amount of inventory necessarily reflect the net realizable value of the inventory.

Note 4 - Fixed Assets

Fixed assets are generally carried at historical cost, as previously noted, except for the revaluations which have occurred in 1992 and 1993. Depreciation is expensed and accumulated on a straight line basis using the asset category useful lives as prescribed by regulations (see general notes for examples). Typically, the useful life of an asset under Latvian regulations is significantly longer than that considered appropriate by Western standards.

The following table displays the gross book value of fixed assets, accumulated depreciation, and net book value at December 31, 1991, after revaluation at January 1, 1992, and at December 31, 1992 for Liepaja. Amounts are expressed as thousands of LVRs.

	12/31/91	1/1/92	12/31/92
Fixed Asset - Gross	n/a	5,882	7,507
Less: Accumulated Depreciation	n/a	3,328	3,555
Net Fixed Assets	1,236	2,554	3,952

In the fixed asset category as presented on the financial statements, apartment buildings are included. Under the privatization law, such buildings will be removed from the assets of the enterprise and privatized separately. Consequently, the net book value of assets presented in these financial statements may overstate the net book value of the assets actually to be privatized as the bakery enterprise. Liepaja stated that they did own such assets, two apartment buildings (dwellings) that will be privatized separately, but

which are included in the fixed assets presented in the financial statements.

Also see Note 8 regarding restitution claims.

Note 5 - Taxes

Liepaja is subject to various taxes as an enterprise under Latvian regulations. The major taxes and the basis of the taxes assessed are outlined below.

<u>Type of Tax</u>	<u>Tax Base</u>	<u>Percent of Base</u>
Turnover Tax	Sales	6
Profit/Income Tax	Profit	35
Charity Tax	Profit	10
Land/Property Tax	Profit	<2
Social Tax	Payroll	37

Note 6 - Credit Disclosures

Liepaja's financial statements include only current types of payables, including taxes payable, trade payables to suppliers, accrued salaries, and other rents, etc. They do not represent to have any bank loans or long term debt, which is consistent with other Latvian enterprises, due to the banking system which currently does not extend such types of credit.

Note 7 - Equity Disclosures

Liepaja is currently a state enterprise. Equity on the balance sheet has been segregated to show separately the amount of equity which is the result of increases realized due to fixed asset revaluation at January 1, 1992, and the total amount of equity associated with capital, retained earnings, and perhaps previous revaluations.

Note 8 - Contingent Liabilities

As is the case with all Latvian enterprises involved in privatization, potential claims may exist in regard to restitution to the pre-1941 land or building owners. According to Liepaja's management, no search of the Archives to determine if former private owners may exist has been performed. They believe that their sites are on land that was state owned prior to 1941. No claims have been submitted to date. No liability reserves for potential future claims have been included in the financial statements.

Note 9 - Other Notes

As stated in the general notes to the financial statements, Latvia has been in a transitional environment. Liepaja's operations and financial statements have been impacted by such pressures as high inflation, significant demand shifts due to price liberalization and lifting of subsidies, dramatic policy and regulation changes involved in the shift from socialism to capitalism, and the appreciation of the Latvian Ruble against currencies of other former Soviet republics. As such, the financial statements presented have significant limitations as to analytical value in comparing between time periods and between enterprises. The notes have merely presented and outlined the major factors and conditions underlying the financial statements which would influence their utility for users in making assessments of the enterprise's financial condition.

Jelgava Bakery

Jelgava Bakery is a State enterprise with a single plant located at Dzirnavu 3, Jelgava. The original plant was built in 1944. Until 1975, when it started producing white bread, Jelgava had specialized in the production of rye bread. In 1985 it started producing cakes. It now produces about 20 different products including cakes. Its major products are white bread, dark rye bread and a very dense rye bread. Production in 1992 was:

Product	Production (Metric tons)
Rye bread	339
Wheat bread	3802
Rye/wheat bread	4120
Confectionery	81

Wheat bread production in 1992 was slightly up on 1991 levels but production of rye/wheat bread was about 20% down on 1991 levels. Confectionery sales represents less than two percent of total sales.

Jelgava bakery has a capacity of about 90 tons of bread per day based on three shifts, although the maximum it has produced is about 40 tons per day on two shifts. Management estimates that the plants' current capacity on two shifts is about 55 tons per day. It is currently producing 22 tons a day on basically two shifts; around 25% of the theoretical total capacity. Jelgava employed 154 on average in 1992 and currently employs around 150 to 160 people. It currently purchases all its flour from private suppliers, although it continues to maintain its contacts with the state flour mills as an insurance against changing circumstances.

The bakery operates five lines. Two lines are used for rye bread and another one, operating on only one shift per day, specializes in producing the dense rye bread, although it could be used for producing any dark bread. The fourth line produces white bread and the last line is currently idle. Each line includes five people for production and six for shipping.

The scaling weight of the bread is 450 grams for white and 700, 800 and 940 grams for rye. Russian sour culture is used in the production of rye bread and regular compressed yeast is used in white bread production.

Major bakery equipmentEstimated replacement cost
(LVR 000)

8 flour bins (30 ton capacity)	300 each
5 use bins 91.4 ton capacity)	14 each
2 horizontal mixers	450 each
4 spiral mixers	200 each
2 dividers	
2 molders	4,000 in total
2 overhead proofers	
2 ovens	
3 flour blending units	100 each
5 flour sifters	250 each
2 refrigeration compressors	100 each
machine shop	1,000
2 fermentation tanks	450 each

Cake shop equipmentEstimated replacement cost
(LVR 000)

1 cookie mixer	200
1 cookie depositor	200
1 electric tray oven, 11 shelves	700
2 bowl hoists	150 each
1 vertical mixer	100
flour scales	250 each
1 divider	200
3 boilers	2,000 each

Most of the equipment is from 10 to 20 years old and has been fairly well maintained. The value of the equipment would be approximately 20-25% of original value. The fermentation tanks at Jelgava are more complex than at other bakeries. Jelgava has very little quality control and their sanitation would not meet western standards.

Jelgava bakery has one shop that it owns on the plant site. It also leases two shops in the city, has two kiosks and uses two trucks for selling its product. They sell approximately six tons through their own stores and trucks, 3.1 tons to regular stores, 1.5 tons outside the city, 2.5 tons to prisons and military, and eight tons to private customers. Private customers pay with cash and the rest through bank transfer. Their own shops add a ten percent margin to cover costs, on top of the 15% margin the bakery aims to achieve on all products. The bakery faces some competition from some small local private bakeries and from imports from the state bakeries in Riga and Jurmala.

Igars Hrapunenko is the director of Jelgava bakery, a position he has held since 1984. He was trained as an engineer at the Moscow Institute of Technology and was the chief engineer at the bakery from 1969 until becoming the director.

UNAUDITED

JELGAVA BAKERY ENTERPRISE
Balance Sheet
 Balances at December 31st
 (LVR in thousands)

	<u>1992</u>	<u>1991</u>
ASSETS		
<u>Current Assets</u>		
Cash	7,782	504
Short term investments	0	0
Accounts receivable	17,056	107
Inventory	20,095	1,630
Other	0	4
Total Current Assets	<u>44,933</u>	<u>2,245</u>
Fixed Assets	5,832	1,285
Assets under construction	0	0
Other Long term Assets	0	0
TOTAL ASSETS	<u>50,765</u>	<u>3,530</u>
 LIABILITIES AND EQUITY		
<u>Current Liabilities</u>		
Accounts payable	19,861	656
Other short term payables	0	0
Other	3,759	635
Total Current Liabilities	<u>23,620</u>	<u>1,291</u>
Long Term Debt	0	0
Total Liabilities	<u>23,620</u>	<u>1,291</u>
<u>Equity</u>		
Capital & retained earnings	24,954	2,239
1992 Revaluation reserve	2,191	0
Total Equity	<u>27,145</u>	<u>2,239</u>
TOTAL LIABILITIES & EQUITY	<u>50,765</u>	<u>3,530</u>

The accompanying notes to the financial statements are an integral part of this document.

UNAUDITED

JELGAVA BAKERY ENTERPRISE
Income Statement
 For year ended December 31st
 (LVR in thousands)

	<u>1992</u>	<u>1991</u>
Sales	169,911	9,525
Less: Turnover Tax	4,447	25
Net sales	<u>165,464</u>	<u>9,500</u>
Less: Cost of Goods Sold	<u>131,674</u>	<u>8,243</u>
Gross profit	33,790	1,257
Other Income	6,257	0
Less: Other Expenses	253	0
Net Other Income	<u>6,004</u>	<u>0</u>
PROFIT (LOSS)	39,794	1,257
Taxes	<u>16,353</u>	<u>341</u>
NET PROFIT	<u><u>23,441</u></u>	<u><u>916</u></u>

The accompanying notes to the financial statements are an integral part of this document.

491

UNAUDITED

JELGAVA BAKERY ENTERPRISE
Balance Sheet (Bilance)

31 Dec 1991 31 Dec 1992 1 Jan 1992

Line

Nos.

Assets (Aktivs)

010 Fixed Assets	1,973	8,836	5,692
020 Intangible Assets			
030 Assets under construction			
035 Assets not ready for use			
040 Long term investments			
050 Current year profit/offset 500 or 510	1,257	39,794	
065 Amounts due from members			
070 Other receivables			
080 Current year loss/offset 500 or 510			
090 Total - check	3,230	48,630	
100 Raw Materials and consumables	1,555	15,025	
110 Work in progress			
120 Work in progress			
130 Prepaid expenses			
140 Finished goods	95	4,410	
150 Finished goods		714	
160 Other inventory			
170 Total	1,650	20,149	
171 Goods in transit			
200 Cash on hand		2,166	
210 Cash in bank	502	3,832	
220 Hard currency accounts		1,783	
230 Other bank accounts	2	1	
240 Other bank accounts			
250 Short term investments			
270 Bank loan monies rec'd			
300 Trade accts receivable	45	8,983	
310 Bills of exchange			
320 Payments in advance			
325 Tax overpayments rec'ble			
330 Other debtors	62	8,073	
340 Employee loans	4		
350 Social welfare expenses			
360 Other receivables			
370 Total - check	615	24,838	
390 Total - check	5,495	93,617	

The accompanying notes to the financial statements are an integral part of this document.

492

JELGAVA BAKERY ENTERPRISE

Line Nos.	<i>Liabilities (Pasivs)</i>	<u>31 Dec 1991</u>	<u>31 Dec 1992</u>	<u>1 Jan 1992</u>
400	Statutory fund	1,768	12,786	3,959
410	Accum depreciation	688	3,004	2,216
420	Depreciation consumables	20	54	
430	Investment financing			
440	Other payables			
445	Obligations to members			
450	Financing reserve	471	14,359	471
460	Vaccation accrual	32		** See Com
470	Amortization & Repairs			
480	Payments received in advance			
490	Unrealised profit on sales			
500	or 510 Profit	1,257	39,794	
520	Total – check	<u>4,236</u>	<u>69,997</u>	
600	Short term payables			
610	Medium term payables			
620	Long term payables			
630	Overdue loans!			
640	Short term loans			
650	Long term loans			
660	Total – check	<u>0</u>	<u>0</u>	
700	Accts payable – goods	435	11,335	
710	Bills of exchange			
720	Payments received in advance			
730	Taxes payable	65	6,542	
735	Privatization expenses	0		**
740	Social pension tax	57	880	
750	Accured salaries	99	1,104	
760	Other payables	219	1,866	
765	Employee loans	5		
770	Other	379	1,893	
780	Total – check	<u>1,259</u>	<u>23,620</u>	
800	Total – check	<u>5,495</u>	<u>93,617</u>	

Revaluation check

	<u>Calculation</u>
Fixed asset movement (Line 010)	3,719
Accumulated Depreciation (Line 410)	<u>1,528</u>
Difference Net Fixed Assets	<u>2,191</u>
Statutory Fund movement (Lines 400, 450)	<u>2,191</u>

The accompanying notes to the financial statements are an integral part of this document.

JELGAVA BAKERY ENTERPRISE
Income Statement (Finansu Rezultanti)

Line Nos.	1992 Revenues	1992 Costs	1991 Revenues	1991 Costs
010 Revenue from goods sold	169,911		9,525	
020 Turnover tax		4,447		25
030 Sales less tax – check	165,464		9,500	
040 Product and period costs		131,674		8,243
050 Profit – check	33,790		1,257	
060 Other sales results	3,706	71		
070 Non-sales operations	2,551	182		
071 Investment Income				
080 Profit and loss totals	40,047	253	1,257	0
090 Net profit – check	39,794		1,257	
100 Non taxable income	645	642	287	
101 Value of stock sold				

Use of Profits Statement 1992
(Pelnas Izlietosana)
1992

200 Income tax expense	16,353	
210 To reserves		
220 To capital funds	21,289	
221 To the investment fund		221 is subset of 220
230 To dividends		
240 To previous year's losses		
250 Donations		
260 Other	2,152	
Uses of profits – check	<u>39,794</u>	

Use of Profits Statement 1991
(Pelnas Izlietosana)
1991

200 Income tax expense	341
210 To reserves	
220 Production Development	
230 Social development	445
240 Employee bonus/incentives	297
250 Donations	
260 Other	174
270 Other	
Uses of profits – check	<u>1,257</u>

The accompanying notes to the financial statements are an integral part of this document.

JELGAVA BAKERY ENTERPRISE**Comments On Financial Statement Input**

- * Also see detailed notes on financial statements.
- ** Line 735 of the Latvian financial statements represents charitable tax reserves in 1991. In 1992, this line represents privatization expenses. For purposes of this analysis, the December 31, 1991 balance in Line 735 has been reclassified to Line 450, consistent with the Latvian financial statements presentation on the January 1, 1992 balances. In Jelgavas' case, this represented 31,000 LVR as an increase to Line 450, and decrease to Line 735. This treatment does not impact the handling of the revaluation which in some cases impacts Line 450.
- *** Income Statement Line 070 for 1992 shows an amount of 182,000 LVR for expenses while the total expenses for Line 080 is 253,000 LVR, with no expense amounts shown for Lines 060, or 071. For purposes of this analysis, 71,000 LVR have been entered as expenses on Line 060 to allow the profit and expense totals to agree to those presented on the financial statements and so as not to overstate income.

The accompanying notes to the financial statements are an integral part of this document.

Notes to Financial Statements - Enterprise Specific Jelgava Bakery Enterprise

Note 1 - Significant Accounting Principles

As stated in more detail in the general notes and summary, Jelgava bakery (Jelgava), like other Latvian enterprises, during 1992 managed its accounts and financial reporting according to Republic regulations and guidelines. As such, Jelgava did not employ a full accrual basis in recording assets and liabilities or in the recognition of income or realization of expenses during 1992 or 1991. The handling of accounts may be considered a modified cash basis with some accrual accounting in accordance with Latvian accounting practices and regulations in effect during the periods presented.

Fixed Assets are carried at historical cost and depreciated over the useful life (as prescribed by Latvian regulations) using the straight line method. However, fixed assets were revalued according to Latvian regulations on both January 1st of 1992 and 1993. The basis and coefficients employed in revaluation are discussed in more detail in the general notes to the financial statements.

Land (property) values were not recorded on enterprise financial statements in Latvia during any of the years presented.

A cash flow statement is not included in the financial statements presented, as the 1992 and 1991 Latvian accounts were not conducive to its preparation. Cash is held in Latvian currency (LVR), hard currencies (e.g. DM, US\$), and other currencies (e.g. Russian, Georgian), exchange gains and losses are included in net income.

Note 2 - Accounts Receivable

Accounts Receivable for Jelgava includes the following in thousands of LVR at December 31st:

Type of Accounts Receivable	1992	1991
Trade Accounts Receivable	8,983	45
Other Receivables	8,073	62
TOTAL	17,056	107

Jelgava did not record any allowance for bad debts to reduce the amount of the reported accounts receivable. According to

management, they do not have any overdue or uncollectible receivables. They have represented that all other receivables are current, and are paid on schedule. Most sales are paid in cash, with the exception of state enterprises and the army which pay on schedule. Under new regulations, Latvian enterprises are allowed to collect 5% in fines from debtors for late payments.

Note 3 - Inventories

Inventories appear to be accounted for on a first in first out (FIFO) basis. An allowance for loss or spoilage is not recorded by the enterprise, nor does the carrying amount of inventory necessarily reflect the net realizable value of the inventory.

Note 4 - Fixed Assets

Fixed assets are generally carried at historical cost, as previously noted, except for the revaluations which have occurred in 1992 and 1993. Depreciation is expensed and accumulated on a straight line basis using the asset category useful lives as prescribed by regulations (see general notes for examples). Typically, the useful life of an asset under Latvian regulations is significantly longer than that considered appropriate by Western standards.

The following table displays the gross book value of fixed assets, accumulated depreciation, and net book value at December 31, 1991, after revaluation at January 1, 1992, and at December 31, 1992 for Jelgava. Amounts are expressed as thousands of LVRs.

	12/31/91	1/1/92	12/31/92
Fixed Asset - Gross	1,073	5,692	8,836
Less: Accumulated Depreciation	688	2,216	3,004
Net Fixed Assets	1,285	3,476	5,832

In the fixed asset category as presented on the financial statements, apartment buildings are included. Under the privatization law, such buildings will be removed from the assets of the enterprise and privatized separately. Consequently, the net book value of assets presented in these financial statements may overstate the net book value of the assets the actually to be privatized as the bakery enterprise. Jelgava stated that they owned two apartment buildings that would be privatized separately, but which are included in the

fixed assets presented in the financial statements.

Also see Note 8 regarding restitution claims.

Note 5 - Taxes

Jelgava is subject to various taxes as an enterprise under Latvian regulations. The major taxes and the basis of the taxes assessed are outlined below.

<u>Type of Tax</u>	<u>Tax Base</u>	<u>Percent of Base</u>
Turnover Tax	Sales	6
Income Tax	Profit	35
Charity Tax	Profit	10
Workers Union	Payroll	1
Social Tax	Payroll	37

Note 6 - Credit Disclosures

Jelgava's financial statements include only current types of payables, including taxes payable, trade payables to suppliers, accrued salaries, and other rents, etc. They do not represent to have any bank loans or long term debt, which is consistent with other Latvian enterprises, due to the banking system which currently does not extend such types of credit.

Note 7 - Equity Disclosures

Jelgava is currently a state enterprise. Equity on the balance sheet has been segregated to show separately the amount of equity which is the result of increases realized due to fixed asset revaluation at January 1, 1992, and the total amount of equity associated with capital, retained earnings, and perhaps previous revaluations.

Note 8 - Contingent Liabilities

As is the case with all Latvian enterprises involved in privatization, potential claims may exist in regard to restitution to the pre-1941 land or building owners. According to Jelgava's management, no search of the Archives to determine if former private owners may exist has been performed. No liability reserves for potential future claims have been included in the financial statements.

Note 9 - Other Notes

As stated in the general notes to the financial statements, Latvia has been in a transitional environment. Jelgava's operations and financial statements have been impacted by such pressures as high inflation, significant demand shifts due to price liberalization and lifting of subsidies, dramatic policy and regulation changes involved in the shift from socialism to capitalism, and the appreciation of the Latvian Ruble against other currencies of former Soviet republics. As such, the financial statements presented have significant limitations as to analytical value in comparing between time periods and between enterprises. The notes have merely presented and outlined the major factors and conditions underlying the financial statements which would influence their utility for users in making assessments of the enterprise's financial condition.

Ventspils Bakery

Ventspils Bakery is a State enterprise consisting of two production sites. The main one is located at Kuldiga 187, Ventspils and another much smaller plant is in downtown Ventspils. Both sites are in the process of having claims made on them by former owners. The main plant produces a full range of bread including form-bread, dark rye and white bread as well as cakes and pastries. Under a special contract it also produces about 4,000 ice cream cones a day. The other plant produces a Russian style cookie. Recently, however, production of these cookies has declined drastically due to competition from imports. The management of Ventspils has made unsuccessful attempts to sell the cookie plant. Production in 1992 was:

Product	Production (Metric tons)
Rye bread	809
Wheat bread	3127
Rye/wheat bread	1710
Confectionery	1030

Total bread production in 1992 was down over 20% from 1991 with confectionery production dropping by an even larger percentage. Production of bread in the first quarter of 1993 was down again by a similar amount, but management believe that output should stabilize at the current level as feeding of bread to livestock has now ceased. Ventspils has not attempted to significantly changed the range of bread products that it produces as it already covers the full range of standard products. It has been experimenting with new confectionery products in an endeavor to maintain volumes. It also aims for only a five percent profit margin on confectionery products as opposed to a 10-15 percent margin on bread. About 70% of total revenue comes from bread sales, the rest from cake and pastry sales.

The plant at Ventspils has operated at 30 tons per day, or 16 loaves per minute, however, they are currently producing only 20 tons per day, and less on the weekends. Staff numbers in 1992 were 183 but are now at about 150. Numbers at the down town site have dropped from 40 to seven to eight. About 13-14 are employed on the production of cakes and pastries at the main site.

Ventspils has four lines with three currently in use, one each for white, form-bread and dark rye. There are two shifts of three people on the dark rye bread line and five people on the white bread line. Ventspils also has a cake line that produces about one ton per day and only operates on one shift per day.

Dough production scheduling is a continuous run. Russian sour dough culture and compressed yeast is used in the fermentation of

500

rye bread dough and regular compressed yeast is used for white bread. Fermentation with Russian culture plus compressed yeast is done for one hour in the summer and two hours in the winter due to the variation in temperature of the different seasons. The scaling weight of the bread is 700 grams, 800 grams, one kilogram, and 450 grams for white bread.

Fermentation temperature	26-27 degrees Celsius
Type of make up	Two pocket rotary divider
Proofing time	55 minutes
Baking time: 450 grams	23 minutes
700 grams	28 minutes
800 grams	32 minutes
one kilogram	45 minutes

<u>Major Bakery Equipment</u>	<u>Estimated Replacement Cost</u> (LVR 000)
8 flour bins (30 ton capacity)	300 each
9 use bins (1.4 ton capacity)	14 each
2 flour sifters	250 each
2 flour blenders	100 each
4 spiral mixers	200 each
1 horizontal mixer	450
5 flour scales	150 each
4 dividers	100 each
5 air compressors	75 each
2 rounders	200 each
1 molder	100
4 overhead proofers	125 each
4 ovens, brick, very old, installed 1965	300 each
70 mixing bowls	3 each

<u>Cake Shop Equipment</u>	<u>Estimated Replacement Cost</u> (LVR 000)
2 rounders	100 each
1 divider	250
5 bowl hoists	50 each
1 spiral mixer	200
1 horizontal mixer	300
1 overhead proofer	125
1 electric oven	200
1 flour scale	200
2 deck ovens	26 each
1 small spiral mixer	100
1 wire cut cookie machine	25
1 ice cream machine	on lease

Ventspils has some degree of quality control; they check flour

protein and the dough acidity. However, because they are unable to control the temperature of the dough from winter to summer, their quality control does not help them much. Sanitation at Ventspils would not meet minimum western standards.

Ventspils has one shop that it owns at the main production site and two other shops that it leases in the city. One of the city shops is not at a good location and does not make a profit. Management is considering closing down that shop. Ventspils adds only a ten percent margin on sales through its own shops to cover costs. Other local retailers typically add about 25%. Approximately one quarter of its sales are made through its own shops with a large portion of the rest of the sales being made through two large wholesalers and to shipping services. One of the wholesalers is still state owned. About 50% of sales are for cash and the rest through bank transfer. Bread is supplied to within a radius of forty kilometers of the main plant.

Vilnis Dziesma is the director of the plant, a position he has held since 1985. He was originally trained as an electrical engineer but has mainly worked as a manager.

VENTSPILS BAKERY ENTERPRISE**Balance Sheet**

Balances at December 31st

(LVR in thousands)

	<u>1992</u>	<u>1991</u>
ASSETS		
<u>Current Assets</u>		
Cash	4,948	852
Short term investments	0	0
Accounts receivable	6,444	600
Inventory	16,951	1,459
Other	0	0
Total Current Assets	<u>28,343</u>	<u>2,911</u>
Fixed Assets	3,243	681
Assets under construction	0	15
Other Long term Assets	0	0
TOTAL ASSETS	<u><u>31,586</u></u>	<u><u>3,607</u></u>
 LIABILITIES AND EQUITY		
<u>Current Liabilities</u>		
Accounts payable	10,089	1,338
Other short term payables	0	0
Other	1,130	406
Total Current Liabilities	<u>11,219</u>	<u>1,744</u>
Long Term Debt	0	0
Total Liabilities	<u><u>11,219</u></u>	<u><u>1,744</u></u>
<u>Equity</u>		
Capital & retained earnings	18,839	1,863
1992 Revaluation reserve	1,528	0
Total Equity	<u><u>20,367</u></u>	<u><u>1,863</u></u>
TOTAL LIABILITIES & EQUITY	<u><u>31,586</u></u>	<u><u>3,607</u></u>

The accompanying notes to the financial statements are an integral part of this document.

VENTSPILS BAKERY ENTERPRISE**Income Statement**

For year ended December 31st

(LVR in thousands)

	<u>1992</u>	<u>1991</u>
Sales	146,131	10,854
Less: Turnover Tax	<u>6,468</u>	<u>294</u>
Net sales	139,663	10,560
Less: Cost of Goods Sold	<u>108,912</u>	<u>9,402</u>
Gross profit	30,751	1,158
Other Income	486	9
Less: Other Expenses	<u>176</u>	<u>5</u>
Net Other Income	310	4
PROFIT (LOSS)	31,061	1,162
Taxes	<u>13,255</u>	<u>320</u>
NET PROFIT	<u><u>17,806</u></u>	<u><u>842</u></u>

The accompanying notes to the financial statements are an integral part of this document.

VENTSPILS BAKERY ENTERPRISE
Balance Sheet (Bilance)

31 Dec 1991 31 Dec 1992 1 Jan 1992

Line Nos.	<u>Assets (Aktivs)</u>			
010	Fixed Assets	1,385	5,362	4,116
020	Intangible Assets			
030	Assets under construction	15		
035	Assets not ready for use			
040	Long term investments			
050	Current year profit/offset 500 or 510	1,162	31,061	
065	Amounts due from members			
070	Other receivables			
080	Current year loss/offset 500 or 510			
090	Total – check	2,562	36,423	
100	Raw Materials and consumables	1,474	16,821	
110	Work in progress			
120	Work in progress			
130	Prepaid expenses			
140	Finished goods	31	179	
150	Finished goods			
160	Other inventory			
170	Total	1,505	17,000	
171	Goods in transit			
200	Cash on hand	3	1,588	
210	Cash in bank	849	2,686	
220	Hard currency accounts		281	
230	Other bank accounts		393	
240	Other bank accounts			
250	Short term investments			
270	Bank loan monies rec'd			
300	Trade accts receivable	587	3,312	
310	Bills of exchange			
320	Payments in advance			
325	Tax overpayments rec'ble			
330	Other debtors	13	3,132	
340	Employee loans			
350	Social welfare expenses **Cr 450			
360	Other receivables			
370	Total – check	<u>1,452</u>	<u>11,392</u>	
390	Total – check	<u>5,519</u>	<u>64,815</u>	

The accompanying notes to the financial statements are an integral part of this document.

505

VENTSPILS BAKERY ENTERPRISE

Line Nos.	Liabilities (Pasivs)	31 Dec 1991	31 Dec 1992	1 Jan 1992
400	Statutory fund	1,240	7,305	2,768
410	Accum depreciation	704	2,119	1,907
420	Depreciation consumables	46	49	
430	Investment financing	15		
440	Other payables			
445	Obligations to members			
450	Financing reserve **	608	13,062	608
460	Vaccation accrual	79		
470	Amortization & Repairs			
480	Payments received in advance			
490	Unrealised profit on sales			
500	or 510 Profit	1,162	31,061	
520	Total – check	<u>3,854</u>	<u>53,596</u>	
600	Short term payables			
610	Medium term payables			
620	Long term payables			
630	Overdue loans!			
640	Short term loans			
650	Long term loans			
660	Total – check	<u>0</u>	<u>0</u>	
700	Accts payable – goods	771	4,265	
710	Bills of exchange			
720	Payments received in advance			
730	Taxes payable	102	3,937	
735	Privatization expenses	0		**
740	Social pension tax	129	445	
750	Accured salaries	336	1,442	
760	Other payables	10	571	
765	Employee loans			
770	Other	317	559	
780	Total – check	<u>1,665</u>	<u>11,219</u>	
800	Total – check	<u>5,519</u>	<u>64,815</u>	

Revaluation check

	Calculation
Fixed asset movement	2,731
Accumulated Dep	<u>1,203</u>
Difference Net Assets	<u>1,528</u>
Statutory Fund movement	<u>1,528</u>

The accompanying notes to the financial statements are an integral part of this document.

5/2

VENTSPILS BAKERY ENTERPRISE
Income Statement (Finansu Rezultanti)

Line Nos.	1992 Revenues	1992 Costs	1991 Revenues	1991 Costs
010 Revenue from goods sold	146,131		10,854	
020 Turnover tax		6,468		294
030 Sales less tax – check	139,663		10,560	
040 Product and period costs		108,912		9,402
050 Profit – check	30,751		1,158	
060 Other sales results	382		9	
070 Non-sales operations	104	176		5
071 Investment Income				
080 Profit and loss totals	31,237	176	1,167	5
090 Net profit – check	31,061		1,162	
100 Non taxable income				
101 Value of stock sold				

Use of Profits Statement 1992
(Peļņas Izlietosana)
1992

200 Income tax expense	13,255	
210 To reserves		
220 To capital funds	16,071	
221 To the investment fund		221 is subset of 220
230 To dividends		
240 To previous year's losses		
250 Donations		
260 Other	1,735	
Uses of profits – check	<u>31,061</u>	

Use of Profits Statement 1991
(Peļņas Izlietosana)
1991

200 Income tax expense	320
210 To reserves	
220 Production Development	
230 Social development	363
240 Employee bonus/incentives	319
250 Donations	
260 Other	160
270 Other	
Uses of profits – check	<u>1,162</u>

The accompanying notes to the financial statements are an integral part of this document.

VENTSPILS BAKERY ENTERPRISE**Comments On Financial Statement Input**

** Line 735 at end of year 1991 includes an amount 21,000 LVR, this amount is not included in the 1992 beginning balance, the difference appears in Line 450. Therefore, the revaluation amount associated with the January 1, 1992 revaluation is only the difference in the Lines 010 and 410.

The meaning of Line 735 changed between 1991 & 1992, meaning reserve for charitable fund in 1991 and privatization expense in 1992, the 1991 amount has been reclassified to Line 450 Reserves to reflect this change in accounts.

Notes to Financial Statements - Enterprise Specific Ventspils Bakery

Note 1 - Significant Accounting Principles

As stated in more detail in the general notes and summary, Ventspils Bakery (Ventspils), like other Latvian enterprises, during 1992 managed its accounts and financial reporting according to Republic regulations and guidelines. As such, Ventspils did not employ a full accrual basis in recording assets and liabilities or in the recognition of income or realization of expenses during 1992 or 1991. The handling of accounts may be considered a modified cash basis with some accrual accounting in accordance with Latvian accounting practices and regulations in effect during the periods presented.

Fixed Assets are carried at historical cost and depreciated over the useful life (as prescribed by Latvian regulations) using the straight line method. However, fixed assets were revalued according to Latvian regulations on both January 1st of 1992 and 1993. The basis and coefficients employed in revaluation are discussed in more detail in the general notes to the financial statements.

Land (property) values were not recorded on enterprise financial statements in Latvia during any of the years presented.

A cash flow statement is not included in the financial statements presented, as the 1992 and 1991 Latvian accounts were not conducive to its preparation. Cash is held in Latvian currency (LVR), hard currencies (e.g. DM, US\$), and other currencies (e.g. Russian, Georgian), exchange gains and losses are included in net income.

Note 2 - Accounts Receivable

Accounts Receivable for Ventspils includes the following in thousands of LVR at December 31st:

Type of Accounts Receivable	1992	1991
Trade Accounts Receivable	3,312	587
Other Receivables	3,132	13
TOTAL	6,444	600

Ventspils did not record any allowance for bad debts to reduce the amount of the reported accounts receivable. According to

509

management, all receivables are current, none are any considered uncollectible. Approximately 50% of sales are paid in cash by private sector customers, the remaining 50% are sales to state organizations and are paid via bank transfers. Under new regulations, Latvian enterprises are allowed to collect 5% in fines from debtors for late payments.

Note 3 - Inventories

Inventories appear to be accounted for on a first in first out (FIFO) basis. An allowance for loss or spoilage is not recorded by the enterprise, nor does the carrying amount of inventory necessarily reflect the net realizable value of the inventory.

Note 4 - Fixed Assets

Fixed assets are generally carried at historical cost, as previously noted, except for the revaluations which have occurred in 1992 and 1993. Depreciation is expensed and accumulated on a straight line basis using the asset category useful lives as prescribed by regulations (see general notes for examples). Typically, the useful life of an asset under Latvian regulations is significantly longer than that considered appropriate by Western standards.

The following table displays the gross book value of fixed assets, accumulated depreciation, and net book value at December 31, 1991, after revaluation at January 1, 1992, and at December 31, 1992 for Ventspils. Amounts are expressed as thousands of LVRs.

	12/31/91	1/1/92	12/31/92
Fixed Asset - Gross	1,385	4,116	5,362
Less: Accumulated Depreciation	704	1,907	2,119
Net Fixed Assets	681	2,209	3,243

In the fixed asset category as presented on the financial statements, apartment buildings are included. Under the privatization law, such buildings will be removed from the assets of the enterprise and privatized separately. Consequently, the net book value of assets presented in these financial statements may overstate the net book value of the assets actually to be privatized as the bakery enterprise. Ventspils stated that they did own such assets, two apartment buildings (dwellings) that will be privatized separately, but which are included in the fixed assets presented in the

financial statements.

Also see Note 8 regarding restitution claims.

Note 5 - Taxes

Ventspils is subject to various taxes as an enterprise under Latvian regulations. The major taxes and the basis of the taxes assessed are outlined below.

<u>Type of Tax</u>	<u>Tax Base</u>	<u>Percent of Base</u>
Turnover Tax	Sales	6
Profit/Income Tax	Profit	35
Charity Tax	Profit	10
Social Tax	Payroll	37

Note 6 - Credit Disclosures

Ventspils' financial statements include only current types of payables, including taxes payable, trade payables to suppliers, accrued salaries, and other rents, etc. They do not represent to have any bank loans or long term debt, which is consistent with other Latvian enterprises, due to the banking system which currently does not extend such types of credit.

Note 7 - Equity Disclosures

Ventspils is currently a state enterprise. Equity on the balance sheet has been segregated to show separately the amount of equity which is the result of increases realized due to fixed asset revaluation at January 1, 1992, and the total amount of equity associated with capital, retained earnings, and perhaps previous revaluations.

Note 8 - Contingent Liabilities

As is the case with all Latvian enterprises involved in privatization, potential claims may exist in regard to restitution to the pre-1941 land or building owners. According to Ventspils management, former private owners have submitted claims for the land of their main site, they are trying to negotiate a lease arrangement. They believe that a claim for the land of their other site will also be submitted, as it was formerly privately owned. No reserves for potential future claims have been included in the financial statements.

Note 9 - Other Notes

As stated in the general notes to the financial statements, Latvia has been in a transitional environment. Ventspils' operations and financial statements have been impacted by such pressures as high inflation, significant demand shifts due to price liberalization and lifting of subsidies, dramatic policy and regulation changes involved in the shift from socialism to capitalism, and the appreciation of the Latvian Ruble against the currencies of other former Soviet republics. As such, the financial statements presented have significant limitations as to analytical value in comparing between time periods and between enterprises. The notes have merely presented and outlined the major factors and conditions underlying the financial statements which would influence their utility for users in making assessments of the enterprise's financial condition.

Rezekne Bakery

Rezeknes Bakery is a state enterprise with a single plant located at Atbrivosanas aleja 173 in Rezekne. It is the newest, best equipped, and best maintained state bakery in Latvia. It produces a range of eleven types of bread and eleven types of cakes and pastries. Production in 1992 was:

Product	Production (metric tons)
Wheat bread	1759
Rye/wheat bread	4330
Confectionery	247

Production of wheat bread in 1992 was down about five percent on 1991 levels, however, rye/wheat bread production was down about 30 percent. Confectionery production in 1992 was down over 20 percent on 1991 levels. Profit margins on confectionery products are kept at five to ten percent as opposed to fifteen percent on bread in an endeavor to keep sales volumes up. Eighty five percent of revenue is from bread production. Production in the first part of 1993 is at about the same level as that of 1992.

Rezekne bakery was built in 1988. Originally it was intended to replace the existing state bakery in Rezekne so it was designed with a capacity of 90 tons per day. The original bakery has not in fact been closed down but rather leased to the private sector and it continues to supply about half the needs of Rezekne. For that reason only three of the proposed six lines were installed in the new bakery, giving it a capacity of about 45 tons per day. However, the majority of the supporting equipment was built with the full 90 ton per day capacity and the space is available to install the additional three lines. It would therefore be very easy to increase the capacity of the new bakery. The new bakery currently is operating at a capacity of 12-15 tons per day. Total staff numbers in 1992 were 175.

Rezeknes produces both rye/wheat and wheat bread. Of the three lines, one produces form bread using six people and operating two shifts per day. The other two lines operate only one and a half to two shifts per day and use five people per line. One of the lines produces rye/wheat bread and the other only white bread. Rezekne also has a small French bread line that was installed in 1991 that produces about 900 kg per day.

The scaling weight of the bread is 750 to 850 grams for rye and 250 to 400 grams for white. Approximately 15 to 75 kilograms of bread are produced per man hour, and 20 to 22 loaves per minute. Dough production scheduling is a continuous run. Russian culture is used in the fermentation of rye bread dough and compressed yeast is used for white bread dough.

Fermentation temperature	30-32 degrees Celsius
Type of make up	Rotary divider, rounder
Proofing time	45 minutes
Bake time	45 minutes
Cooling time	none

Major Bakery Equipment

Estimated Replacement Value
(LVR 000)

10 flour bins (32 ton capacity)	300 each
9 use bins (2 to 2 1/2 ton capacity)	17 each
fermentation tanks:	
7 Russian culture	50 each
7 with sweep arms not in use	100 each
1 fermentation unit	100 rubles
2 mixers	200 each
3 dividers	250 each
2 molders	200 each
4 rounders	200 each
2 overhead proofers	50 each
2 electric tunnel type ovens	400 each
2 air compressors	1,200 each
2 refrigeration compressors	1,000 each
1 cone type fermentation tank	350
3 spiral mixers	200 each
20 dough bowls	3 each
2 mixers	150 each
1 flour scale	200
1 form bread oven, divider	2,000

French Bread Shop

4 rack ovens	This is a typical retail type installation with value at 200,000 rubles
1 overhead proofer	
1 molder	
1 divider	
1 rounder	
1 dough sheeter	

New equipment was installed in 1988 that has since been well maintained. The value of their equipment would be from 65-70% of its original value. Rezeknes has fairly good quality control; they check flour protein and dough acidity. They also run quality checks on their products. Their sanitation could probably pass minimum Western standards.

Rezekne has one shop at the plant site and another one it leases downtown. It also uses a truck to sell its products. Approximately 50% of sales are to state enterprises; the army, various trading organizations and restaurant suppliers. In total Rezekne has about 60 clients of which 70 percent are private enterprises. All private enterprises pay in cash. The major state enterprises pay by bank transfer. Rezekne sells bread up to 150 km from its plant. As well as the old state bakery which provides the major competition to Rezekne, there are now several small private bakeries operating in the area.

Validin Petrof is the director of the bakery, a position he has held since 1988 when the new bakery opened. From 1985 he was the chief engineer at the old bakery. He was trained at St Petersburg as an engineer specializing in food technology and refrigeration in particular.

UNAUDITED

REZEKNES BAKERY ENTERPRISE
Balance Sheet
Balances at December 31st
(LVR in thousands)

	<u>1992</u>	<u>1991</u>
ASSETS		
<u>Current Assets</u>		
Cash	1,600	138
Short term investments	70	70
Accounts receivable	7,941	1,252
Inventory	13,808	1,678
Other	4	6
Total Current Assets	<u>23,423</u>	<u>3,144</u>
Fixed Assets	7,628	3,241
Assets under construction	491	143
Other Long term Assets	0	0
TOTAL ASSETS	<u><u>31,542</u></u>	<u><u>6,528</u></u>
 LIABILITIES AND EQUITY		
<u>Current Liabilities</u>		
Accounts payable	6,310	777
Other short term payables	0	470
Other	966	486
Total Current Liabilities	<u>7,276</u>	<u>1,733</u>
Long Term Debt	0	0
Total Liabilities	<u><u>7,276</u></u>	<u><u>1,733</u></u>
<u>Equity</u>		
Capital & retained earnings	19,616	4,795
1992 Revaluation reserve	4,650	0
Total Equity	<u><u>24,266</u></u>	<u><u>4,795</u></u>
TOTAL LIABILITIES & EQUITY	<u><u>31,542</u></u>	<u><u>6,528</u></u>

The accompanying notes to the financial statements are an integral part of this document.

51²

UNAUDITED

REZEKNES BAKERY ENTERPRISE
Income Statement
For year ended December 31st
(LVR in thousands)

	<u>1992</u>	<u>1991</u>
Sales	114,103	0
Less: Turnover Tax	<u>3,237</u>	<u>0</u>
Net sales	110,866	0
Less: Cost of Goods Sold	<u>97,116</u>	<u>0</u>
Gross profit	13,750	0
Other Income	753	0
Less: Other Expenses	<u>1,474</u>	<u>0</u>
Net Other Income	(721)	0
PROFIT (LOSS)	13,029	0
Taxes	<u>5,691</u>	<u>0</u>
NET PROFIT (LOSS)	<u>7,338</u>	<u>0</u>

The accompanying notes to the financial statements are an integral part of this document.

517

UNAUDITED

REZEKNES BAKERY ENTERPRISE

Balance Sheet (Bilance)

31 Dec 1991 31 Dec 1992 1 Jan 1992

Line

Nos.Assets (Aktivs)

010 Fixed Assets	4,119	8,802	8,769
020 Intangible Assets			
030 Assets under construction	143	491	
035 Assets not ready for use			
040 Long term investments			
050 Current year profit/offset 500 or 510	1,270	13,029	
065 Amounts due from members			
070 Other receivables			
080 Current year loss/offset 500 or 510			
090 Total – check	5,532	22,322	
100 Raw Materials and consumables	1,664	13,550	
110 Work in progress			
120 Work in progress			
130 Prepaid expenses			
140 Finished goods	29	129	
150 Finished goods		151	
160 Other inventory			
170 Total	1,693	13,830	
171 Goods in transit			
200 Cash on hand	6	310	
210 Cash in bank	130	843	
220 Hard currency accounts		189	
230 Other bank accounts	2	258	
240 Other bank accounts			
250 Short term investments	70	70	
270 Bank loan monies rec'd			
300 Trade accts receivable	1,248	7,923	
310 Bills of exchange			
320 Payments in advance			
325 Tax overpayments rec'ble			
330 Other debtors	4	18	
340 Employee loans	6	4	
350 Social welfare expenses			
360 Other receivables			
370 Total – check	1,466	9,615	
390 Total – check	8,691	45,767	

The accompanying notes to the financial statements are an integral part of this document.

515

REZEKNES BAKERY ENTERPRISE

Line Nos.	<i>Liabilities (Pasivs)</i>	31 Dec 1991	31 Dec 1992	1 Jan 1992
400	Statutory fund	3,901	15,831	8,551
410	Accum depreciation	878	1,174	878
420	Depreciation consumables	15	22	
430	Investment financing	192		
440	Other payables			
445	Obligations to members			
450	Financing reserve	702	8,435	702
460	Vaccation accrual	40		
470	Amortization & Repairs	94		
480	Payments received in advance			
490	Unrealised profit on sales			
500	or 510 Profit	1,270	13,029	
520	Total – check	<u>7,092</u>	<u>38,491</u>	
600	Short term payables	470		
610	Medium term payables			
620	Long term payables			
630	Overdue loans!			
640	Short term loans			
650	Long term loans			
660	Total – check	<u>470</u>	<u>0</u>	
700	Accts payable – goods	547	3,239	
710	Bills of exchange			
720	Payments received in advance			
730	Taxes payable	113	1,445	
735	Privatization expenses			
740	Social pension tax	50	515	
750	Accured salaries	67	1,111	
760	Other payables	70	684	
765	Employee loans			
770	Other	282	282	
780	Total – check	<u>1,129</u>	<u>7,276</u>	
800	Total – check	<u>8,691</u>	<u>45,767</u>	

Revaluation check

Fixed asset movement	4,650
Accumulated Dep	<u>0</u>
Difference Net Assets	<u>4,650</u>
Statutory Fund movement	<u>4,650</u>

The accompanying notes to the financial statements are an integral part of this document.

519

REZEKNES BAKERY ENTERPRISE
Income Statement (Finansu Rezultanti)

Line Nos.	1992 <u>Revenues</u>	1992 <u>Costs</u>	1991 <u>Revenues</u>	1991 <u>Costs</u>
010 Revenue from goods sold	114,103			
020 Turnover tax		3,237		
030 Sales less tax - check	110,866		0	
040 Product and period costs		97,116		
050 Profit - check	13,750		0	
060 Other sales results	704	15		
070 Non-sales operations	49	1,459		
071 Investment Income				
080 Profit and loss totals	14,503	1,474	0	0
090 Net profit - check	13,029		0	
100 Non taxable income	312			
101 Value of stock sold	16,320			

Use of Profits Statement 1992
(Pelnas Izlietosana)

1992

200 Income tax expense	5,691	
210 To reserves		
220 To capital funds	6,604	
221 To the investment fund	1,911	221 is subset of 220
230 To dividends		
240 To previous year's losses		
250 Donations		
260 Other	734	
Uses of profits - check	<u>13,029</u>	

Use of Profits Statement 1991
(Pelnas Izlietosana)

1991

200 Income tax expense	
210 To reserves	
220 Production Development	
230 Social development	
240 Employee bonus/incentives	
250 Donations	
260 Other	
270 Other	
Uses of profits - check	<u>0</u>

The accompanying notes to the financial statements are an integral part of this document.

520

REZEKNES BAKERY ENTERPRISE

Comments On Financial Statement Input

- * Only 1992 Latvian financial statements were available for this enterprise. The beginning year balances of 1992 have been used as the December 31, 1991 balances with adjustment for the January 1, 1992 revaluation of fixed assets. As such, income statements for 1991 are not presented.

The accompanying notes to the financial statements are an integral part of this document.

Notes to Financial Statements - Enterprise Specific Rezekne Bakery Enterprise

Note 1 - Significant Accounting Principles

As stated in more detail in the general notes and summary, Rezekne Bakery Enterprise (Rezekne), like other Latvian enterprises, during 1992 managed its accounts and financial reporting according to Republic regulations and guidelines. As such, Rezekne did not employ a full accrual basis in recording assets and liabilities or in the recognition of income or realization of expenses during 1992 or 1991. The handling of accounts may be considered a modified cash basis with some accrual accounting in accordance with Latvian accounting practices and regulations in effect during the periods presented.

Fixed Assets are carried at historical cost and depreciated over the useful life (as prescribed by Latvian regulations) using the straight line method. However, fixed assets were revalued according to Latvian regulations on both January 1st of 1992 and 1993. The basis and coefficients employed in revaluation are discussed in more detail in the general notes to the financial statements.

Land (property) values were not recorded on enterprise financial statements in Latvia during any of the years presented.

A cash flow statement is not included in the financial statements presented, as the 1992 and 1991 Latvian accounts were not conducive to its preparation. Cash is held in Latvian currency (LVR), hard currencies (e.g. DM, US\$), and other currencies (e.g. Russian, Georgian), exchange gains and losses are included in net income.

Note 2 - Accounts Receivable

Accounts Receivable for Rezekne includes the following in thousands of LVR at December 31st:

Type of Accounts Receivable	1992	1991
Trade Accounts Receivable	4,370	99
Other Receivables	2,067	407
TOTAL	6,437	506

2/26

Rezekne did not record any allowance for bad debts to reduce the amount of the reported accounts receivable. According to management, they do not have any receivables outstanding for more than one month, nor are any considered uncollectible. Most sales are paid in cash, with the exception of enterprises which have bank accounts, in which case they will accept transfers. Under new regulations, Latvian enterprises are allowed to collect 5% in fines from debtors for late payments.

Note 3 - Inventories

Inventories appear to be accounted for on a first in first out (FIFO) basis. An allowance for loss or spoilage is not recorded by the enterprise, nor does the carrying amount of inventory necessarily reflect the net realizable value of the inventory.

Note 4 - Fixed Assets

Fixed assets are generally carried at historical cost, as previously noted, except for the revaluations which have occurred in 1992 and 1993. Depreciation is expensed and accumulated on a straight line basis using the asset category useful lives as prescribed by regulations (see general notes for examples). Typically, the useful life of an asset under Latvian regulations is significantly longer than that considered appropriate by Western standards.

The following table displays the gross book value of fixed assets, accumulated depreciation, and net book value at December 31, 1991, after revaluation at January 1, 1992, and at December 31, 1992 for Rezekne. Amounts are expressed as thousands of LVRs.

	12/31/91	1/1/92	12/31/92
Fixed Asset - Gross	n/a	5,882	7,507
Less: Accumulated Depreciation	n/a	3,328	3,555
Net Fixed Assets	1,236	2,554	3,952

In the fixed asset category as presented on the financial statements, apartment buildings are included. Under the privatization law, such buildings will be removed from the assets of the enterprise and privatized separately. Consequently, the net book value of assets presented in these financial statements may overstate the net book value of the assets actually to be privatized as the bakery enterprise.

Rezekne stated that they did own such assets, two apartment buildings (dwellings) that will be privatized separately, but which are included in the fixed assets presented in the financial statements.

Also see Note 8 regarding restitution claims.

Note 5 - Taxes

Rezekne is subject to various taxes as an enterprise under Latvian regulations. The major taxes and the basis of the taxes assessed are outlined below.

<u>Type of Tax</u>	<u>Tax Base</u>	<u>Percent of Base</u>
Turnover Tax	Sales	6
Profit/Income Tax	Profit	35
Charity Tax	Profit	10
Land/Property Tax	Profit	<2
Social Tax	Payroll	37

Note 6 - Credit Disclosures

Rezekne financial statements include only current types of payables, including taxes payable, trade payables to suppliers, accrued salaries, and other rents, etc. They do not represent to have any bank loans or long term debt, which is consistent with other Latvian enterprises, due to the banking system which currently does not extend such types of credit.

Note 7 - Equity Disclosures

Rezekne is currently a state enterprise. Equity on the balance sheet has been segregated to show separately the amount of equity which is the result of increases realized due to fixed asset revaluation at January 1, 1992, and the total amount of equity associated with capital, retained earnings, and perhaps previous revaluations.

Note 8 - Contingent Liabilities

As is the case with all Latvian enterprises involved in privatization, potential claims may exist in regard to restitution to the pre-1941 land or building owners. According to Rezekne management, no search of the Archives to determine if former private owners may exist has been performed. They believe that their sites are on land that was state owned prior to 1941. No claims have been submitted to date. No liability reserves for potential future claims have

been included in the financial statements.

Note 9 - Other Notes

As stated in the general notes to the financial statements, Latvia has been in a transitional environment. Rezekne's operations and therefore financial statements have been impacted by such pressures as high inflation, significant demand shifts due to price liberalization and lifting of subsidies, dramatic policy and regulation changes involved in the shift from socialism to capitalism, and fluctuating currency valuations. As such, the financial statements presented have significant limitations as to analytical value in comparing between time periods and between enterprises. The notes have merely presented and outlined the major factors and conditions underlying the financial statements which would influence their utility for users in making assessments of the enterprise's financial condition.

4 . GENERAL

Farm and Agribusiness Privatization in Latvia

March 12, 1993

Farm and Agribusiness Privatization in Latvia¹

All agricultural and agribusiness assets being privatized are (or were) owned by the Ministry of Agriculture (MOA). The MOA is also responsible for their privatization. When foreign investors are involved their plans must be approved by the Ministry of Economic Reform and by the Prime Minister. Latvia does not have a central privatization agency to conduct enterprise privatization activities.

As of February 1993, laws on land reform (November 1990 and June 1992), non-land collective farm asset privatization (June 1991), and milk processing plant privatization (April 15, 1992 and January 19, 1993), have been enacted. Target dates for additional privatization laws include:

- agricultural machinery services -- April 1993;
- meat processing plants -- April 1993;
- grain milling and grain market operations -- end of April 1993;
- restructuring the Latvijas Labibas grain monopoly -- April 1993;
- privatizing state owned bakeries -- April 1993;
- privatizing sugar beet and flax processing plants -- end of April 1993;
- handing over sugar and flax processing mills for operation by industry associations -- end of April 1993.

Existing legislation and legislation in process provide for Privatization Commissions (PCs) to be organized around each major economic unit being privatized -- a collective farm, a central milk processing plant, a meat processing plant, etc. A variant of this model is applied where several individual plant enterprises are already grouped into a functioning economic unit. This approach is used in the dairy industry. A single Privatization Commission may also be formed to privatize the bakery, feed mixing and flour milling sectors.

PC members typically include stakeholders (employees, managers, farmers, etc.) and local or district government officials. Technical advisors can be appointed as non-voting members. To date, individuals or groups representing outside investor interests have not been appointed to PCs. They can, however, make presentations and present privatization plans to the PC. Such persons cannot purchase assets in collective farms being privatized (unless special approval is granted by the stock

¹ Prepared by the USAID Agribusiness Privatization Project

company general meeting) and can only purchase minority holdings in central level milk processing plants during the formal privatization process.

PCs are charged with conducting diagnostic analysis, managing completion of plant inventories and asset valuation, drawing up privatization plans and handling all other details required to restructure, liquidate or transfer the unit to private sector owners. The PC usually ceases to exist when these tasks are completed and the foundation meeting of the new business entity has taken place.

The Ministry of Agriculture typically forms an ad hoc Industry Technical Working Group (TWG) to support the process. They develop appropriate rules and procedures needed to implement the law and have authority to adjudicate administrative issues outside the authority of the PC. The enabling legislation usually provides recourse to civil courts for other dispute resolution. The TWG chairperson is typically delegated control over assets being privatized and is authorized to transfer state owned assets to new owners. The TWG is disbanded when the industry privatization process is complete.

Land reform, collective farm privatization and milk processing privatization are all in the implementation stage. The first two are quite far along; implementation is just beginning for the latter. Results are summarized below.

A. Land Reform

Under the November 1990 law, all holders of agricultural land as of July 21, 1940, or their heirs, were eligible to reclaim land nationalized after that date. The law also included provisions for others with current use rights to file ownership claims. The closing date for filing claims was June 20, 1991. Records indicate that over 100,000 claims for private farms or other small rural land holdings were registered by individuals with land restitution rights. This is about 36 percent of all claims filed. Over 110,000 claims for farms (averaging 24 hectares) were filed, an additional 100,000 claims were filed for small subsidiary plots (6 hectares) and another 100,000 claims were filed for household plots averaging 2.4 hectares. Administrative records show that over 95 percent of all claims had been successfully processed by mid 1992. The intent of farm land privatization was to redistribute land corresponding to ownership patterns prevailing in 1940. Hence, no more than 50 hectares of arable land could be reclaimed under normal circumstances.

The first land law granted permanent use rights to eligible claimants. Authors of the legislation were concerned that land reclaimed by cash poor ethnic Latvians should not be immediately resold to others. Secondly, the legislative intent was that new

owners should actually work the land themselves before full ownership rights are conferred.

The second land law clarifies provisions under which successful claimants of restitution rights can receive title. It further sets out procedures by which current users and others without rights of restitution can purchase land. Ownership rights can be conferred beginning January 1, 1993. Lack of cadastral surveys and administrative land registration procedures hamper this process.

Prices for the purpose of initial state land sales represent productivity in rye production for land of identical or similar classification multiplied by the producer price for rye at the time the sale is made. Discounts up to 75 percent may be made available. Land classification and productivity figures have been maintained on all Latvian agricultural land throughout the period it was under the control of the former Soviet Union (FSU). Results from the 1988 survey are initially used to estimate productivity.

The above figures indicate that a quick redistribution of land to new owners has taken place. But, many new land holders have little, if any, experience as farmers. The law does not restrict land leasing, but new owners with limited interest in working the land themselves are hesitant to lease land to others. In part this is because of limited experience with leasing as a tenure form. In most cases, however, it seems that the psychological benefits associated with permanent possession of arable land, after more than 50 years of collective state ownership, preclude easy transfer of temporary use rights to non-owners even if the new owner is unable to utilize the land efficiently.

Many former collective farms have lost half or more of their arable land to the newly formed private farms. Arable land is often taken from around the buildings of a working dairy or other animal production unit causing the building to become quite worthless for continued use. (Privatization of buildings is accomplished under the non-land asset privatization law.) Markets in fodder have not yet developed to the point where farmers growing fodder crops for hay or silage are willing to sell these crops (or lease the land) to farmers owning cows but no land. Consequently, animal based production has declined rapidly on the new joint stock companies, but is not increasing as quickly as anticipated on the new private farms.

B. Collective Farm Privatization

Enabling legislation made current and former employees eligible to receive asset allocations after restitution claims of former owners were first determined. Allocations were based on

the length of service and wages received while working on the farm. Thus, the law contains a bias toward current workers.

The farm PC was elected by all employees eligible to receive assets. These employees form the general meeting which retained approval rights over decisions made by the PC executive committee. PC functions were to handle restitution claims, transfer social assets and general infrastructure (schools, hospitals, housing, roads etc.) to local governments, take inventory and value all remaining non-land assets, determine employee asset allocations (and distribute tradeable allocation vouchers) and transform the unit into a joint stock company. Assets allocated to employees were valued using a depreciated book value approach. Before completing its work, the PC chaired the foundation meeting of the new joint stock company. At that meeting a new executive committee was elected. It took responsibility for selling assets to new owners and for operating the farm. The above process was completed for almost 550 collective and state farms by the end of 1992. The process of selling off assets is a continuous one.

Rapid formation of PC's and subsequent formation of new executive committees for the joint stock companies effectively broke up the former industrial discipline. Under the new company charters most new managers are beholden to the general meeting for approval of many operating decisions. This management/worker interface is typical of industrial worker management norms developed in the FSU. It limits management discretion in making day to day operational decisions and leads to a less than optimum business environment.

The law encourages workers to claim physical assets rather than retain capital shares in an operating unit. This conforms to the goal of promoting the rapid breakup of collective farms. Legislation requires that assets be auctioned off to individuals holding vouchers. Other individuals or groups can not participate in the auctions without prior approval from the general meeting. Individual dairy and swine units, vegetable processing units and farm machinery are being successfully privatized using employee vouchers.

The strategy was designed so that individuals receiving land could rent equipment from the new stock companies or from farmer privatized farm machinery service centers. This has not happened, to date, in any meaningful sense. The pending law on privatizing agricultural machinery services is designed to address this issue. However, anecdotal evidence suggests that many employees are cannibalizing equipment parts to make machines unusable, hoping to purchase them at a low price, repair them and then resell at a profit. Acquisition of farm machinery to operate the new private farms thus remains problematic.

In summary, collective farm privatization has proceeded quickly. As planned, most former collective farms were rapidly transformed into private ownership structures. Privatization processes were designed to destroy existing industrial discipline. When combined with rapid increases in purchased inputs such as fuel and fertilizer, most large farming units became rapidly unprofitable. By design, the joint stock organizational form is only temporary. This further limits their potential to reemerge as viable economic units. The original Government goal was to achieve "natural" privatization consisting of a large number of small farming units.

The process of spinning off smaller units to private farmers will continue for the next several years. During this period total agricultural production (both grain and animal products) can be expected to decline while a new product mix equilibrium is being established. Although rapid farm breakup into small private farming units was the intended goal, experience to date suggests that most workers are not able to effectively gain control of sufficient assets to form economically viable alternative farming units. Moreover, many do not have the entrepreneurial or management capability to operate commercially in a market economy.

C. Milk Processing Plant Privatization

The April 15 legislation allocated all milk processing plant assets in some 130 small and medium sized processing plants (satellite creameries and milkeries) to farmers. To claim these assets, farmers must organize into producer cooperative associations. The April 15th legislation called for enactment of additional legislation to address "privatization" in the remaining larger (central) processing plants. This legislation was enacted on January 19, 1993. Plants privatized under this legislation will adopt a private sector ownership structure other than a cooperative association. Joint stock companies appear to be the most likely form.

The government had two major goals in mind when drafting the milk processing legislation. First, majority asset ownership in the privatized industry should reside with milk producers. Second, privatization of milk processing plants should promote formation of a federated structure of local, regional and national level producer cooperative associations. The law requires farmers to organize in local level associations to claim assets in small creameries and collecting stations. Unions of associations are to be formed to claim assets of milkeries. Finally, federations of unions are to be formed to purchase assets of larger central processing plants. The process is designed to give producer associations majority asset control in these plants.

Collective use rights to productive assets are granted to associations claiming creameries and milkeries transferred free of charge under the April 15 legislation. Asset "personification", eg. share allocation to individual producer association members, takes place in January 1994 and January 1995. This provision is designed to prevent new asset holders from quickly reselling "free" assets at a profit. Government reserves the right of first refusal to repurchase these assets if the new business fails within the first three years of operation. In contrast to plants transformed under "personification", ownership titles are transferred immediately for plants transformed under "privatization" provisions of the January 19 legislation.

For both "privatization" and "personification" options producer asset acquisition quotas are determined from milk shipped during 1991 and 1992. Producers organized into associations can claim their capital shares in plants to which they shipped milk during the referenced period.

As of early March 1993, more than 50 producer associations had been formed. The MOA has organized 18 PC's to manage the privatization of central processing plants and satellite plants which are not claimed by farmers. Legislation provides that farmers make up the majority of PC membership. Moreover, farmers are given an initial priority allocation to purchase at least 70 percent of the plant asset value. Employees are granted allocations to no more than 10 percent and outside groups or individuals to no more than 20 percent. The state will retain unsold capital shares.

Similar to other agricultural privatization legislation assets are valued using a depreciated book value approach. The original value of assets purchased prior to 1991 are expanded by a factor of 10, and assets purchased in 1991 by a factor of 3, before applying depreciation factors. Farmers can receive up to 75 percent discount in purchasing allocated shares. Employees receive a 25 percent discount. Payment can be deferred for up to five years.

Two offerings of capital shares are made for each unit being privatized. Each offering has a one month deadline. After the second offering the foundation meeting of the new company is held. The Charter of the new company must contain a clause regarding the disposition of remaining shares held by the state that were not transferred to the private sector.

The law makes no provisions for liquidations, but PC's will most likely have to address this issue. Major industry and plant restructuring can be expected during 1993 as only limited restructuring occurred during the past 50 years. Many smaller creameries and milkeries are not economically viable and may not be claimed by farmers. If left unclaimed, these plants revert

back to the central plant structure under which they were previously organized. There is also a possibility that some central plants may be liquidated or merged into a common ownership and management structure during the process.

The law envisages that privatization will be completed before the end of 1993. Given the complexity of the tasks involved this schedule may have to be extended. As of early March, two central plants have almost completed the privatization process and at least three others were proceeding smoothly. In most cases however, the existing plant management is just beginning to realize they no longer control the decision making process. Similarly, farmers are not yet aware of their new powers and responsibilities. The participant nature of the PC can provide the basis for discussion and negotiation needed to formalize future ownership and management roles.

The Latvian dairy industry is relatively small. Between 1990 and 1992 milk production declined from about 1.9 million tons to just over 1 million tons. To date, there has been no major foreign investor interest in buying plant assets. However, the process selected by the Latvian government is not well suited to asset purchase by outside investors during the formal privatization process.

New western based foreign markets have been identified in recent months. They invariably require higher quality products than are now available. Foreign firms have recently expressed interest in investing in new plant and equipment for export production of casein and powdered milk once enterprises have been privatized and new leadership emerges. Additional expressions of interest may surface during PC deliberations over the next few months. In several cases these potential joint ventures may become part of privatization plans developed by PCs.

5. MONTHLY AID REPORTS

DATE: August 3, 1992

FAX NO. 703-908-1649

FROM: Nils Meingailis, Riga, Latvia
FAX NO. 358 - 49 - 348966
RE: Reports for June and July

JUNE

In an effort to provide the consulting team with data and relevant information on the dairy industry in Latvia, I tried to contact as many people as possible. In general we found virtually all of them supportive of our project. Having met with many of these people in my previous trips to Latvia, I found them especially forthcoming in light of the "non-profit" nature of the project. The following are among the many people I met with in June.

Guy-Jean Abel, Economist and Consultant. Mr. Abel is working on behalf of the European Community's PHARE program and has an office in the Ministry of Agriculture just as we do. We worked out an arrangement whereby we would keep one another informed of problems encountered and provide one another with sources of information.

Iveta Sers, Deputy Director, Ministry of Foreign Trade, Department of Western Countries. Ms. Sers provides the team with the most recent agreements signed between the Republic of Latvia and Western Countries relating to agricultural imports and exports. This has helped us determine the potential market for dairy products both here and in the West.

Arvils Sautins, Consultant, Economics Commission, Latvian Parliament. Mr. Sautins has been providing us with legislation concerning agriculture and introduced me to Marianna Berzins, Director of Industrial Statistics at the Statistics Committee. They have since provided us with all of the statistics Conrad and I have requested regarding production, employment and prices in the agricultural industry. I arranged to spend about 3-4 hours a week at the statistics committee translating statistics and entering them into my laptop whenever it might be necessary. In June we compiled agricultural production and import and export statistics through 1991.

Elena Dubra, Professor of Economics, University of Latvia. I made an arrangement with Ms. Dubra whereby University of Latvia graduate students would volunteer to do research on our behalf when classes resume in September.

Martin Sesks, President, Latvian Dairy Committee. Mr. Sesks is in charge of revitalizing the dairy associations that existed during Latvia's independence between 1920-1940. He has proved

invaluable in our subsequent trips to dairy plants throughout the republic - he seems to be on a first-name basis with everyone in the dairy industry.

Inese Birzniece, Consultant to the Latvian Parliament and American Bar Association Liaison. Ms. Birzniece lets us know which laws have been passed and which have been translated into English so that we don't overlap our work.

Georgy Kneller, Director, LAGAP - a recently-established private company that facilitates barter arrangements between Latvian agricultural enterprises and their counterparts in the former republics of the Soviet Union. It was interesting to learn from Mr. Kneller that the impasse in trade relations between Russia and Latvia at the state level has resulted in direct enterprise-to-enterprise contacts between the republics. They are optimistic about Latvia's future export potential once gas prices are de-controlled in Russia as they are in Latvia (i.e. given a level playing field, Latvia has a marked comparative advantage in many sectors of the agricultural industry). Mr. Kneller has promised to keep us abreast of market possibilities in the East for those Latvian enterprises we will be involved in privatizing.

The list of people within the Ministry of Agriculture with whom we work is too long to mention here. The most prominent of those are Voldemars Atkacuns, Director, and Ilze Martinsons, Assistant Director of the Department of Reform within the Ministry. They have provided us with our offices and serve as our channel to the Minister of Agriculture, Dainis Gegers.

TRIPS

In June, we took two, one-day trips to milk processing plants in the regions of Valmiera and Jelgava. The former is the most modern and viable plant, the latter is relatively old and problematic one. Throughout June we were led to believe that the Ministry wanted us to use Jelgava, the least viable enterprise, as our model for privatization. Apparently, the Ministry believed that privatization might be a saving grace for the plant; it also turns out that Mr. Atkacuns, our main Ministry contact, is from the area.

The plant in Valmiera has Finnish processing and packaging equipment and seemed to be well on its way to surviving; the satellites of this plant, however, were in poor shape and probably could not survive on a stand-alone basis. The directors of these satellites voiced concern over being privatized first, i.e. having to leave the central plant in Valmiera from whom they receive all of their supplies. The Ministry also steered us away from using this plant as a model because it was atypical.

My visit to the Jelgava plant with Vince Morabito (Conrad had already left for Bangladesh at the time) led us to believe that if

this was a typical plant, the industry was in for a tough time. The lack of sanitary conditions and news that the plant had a dysentery infection in their milk (hundreds of people became ill) less than a year ago, confirmed our belief that the plant was inviable. After a number of discussions with the Ministry, we were able to convince them that the first privatization should be successful ones for both political and economic reasons.

LAWS

We prepared comments on the draft food-processing law and the land reform law which will govern the privatization of the dairy processing plants. The comments were distributed to the Minister and to those drafting the legislation.

JULY

I spent most of my first week setting up the office (renting office equipment, insuring it, installing an alarm, etc.). I also began to look for administrative assistants we could use in the next phase. Upon returning, I found that our comments on the Latvian legislation were well-received, and that changes we suggested have been incorporated in the draft. The processing law is expected to be passed in mid-September. However, in an effort to hasten the process, we have been told that the Ministry of Agriculture will be requesting for a decree by the Council of Ministers allowing us to proceed earlier.

TRIPS

In July we spent more time travelling in an effort to visit most of the processing plants in the Latvian dairy industry by the beginning of August. We visited some 14 processing plants throughout the Western region of the country and visited 3 more in the northeast. On August 5 & 6 we will visit plants in the southeastern region of the country thereby more or less completing our overview of the dairy processing industry. During these trips we found some potentially viable plants that should be used for our pilot privatization. Of particular interest to us was a dry milk (powdered) processing plant that is currently exporting 50% of its production to Holland, Germany and Switzerland. Also, we found a dairy processing plant which was actively seeking markets in the former USSR.

LAWS

We are working on translating and understanding a number of laws which govern privatization. On July 10 and 17, the Latvian government passed laws that govern the valuation of property to be privatized, the order for transforming state enterprises to share companies, amendments to the tax laws, and new laws on the privatization of agricultural land. We are in the process of reading and commenting on the new draft processing law in an effort

5/21

to establish what, given the myriad of laws governing privatization, is the exact procedure one has to follow in order to privatize. It appears that neither the enterprise managers, nor the authors of the laws, are entirely clear about the situation.

We are also following the introduction of a new mandatory accounting system for companies which will be privatized. From what we have heard, it will be modelled after the Danish or Norwegian accounting systems.

MEETINGS

Most of our meetings in July were with the directors of the various plants we visited. They have been providing us with data concerning their operations and pseudo business plans they have developed. We have sent questionnaires throughout the industry in an effort to collect data in a standardized format.

We met with a Mr. Almaguer, head of the AID mission to Europe, who appeared to be pleased with our work to date. Apparently the Minister of Agriculture and Mr. Atkacuns, our Ministry contact, spoke highly of us in their meeting with Mr. Almaguer. There has been no further mention of the wide-scale evaluation that the Minister had brought up in a meeting Vince Morabito and I had with him in June. This might be of particular interest to Bob Rourke, since there apparently was some discussion of expanding this project in order to do these valuations. We have not yet received the list of properties to be sold off - I'll try to get the list before I leave next Wednesday.

We still have information coming in from the list of people I mentioned in the June report. We have arranged to rent three more rooms on the 18th floor of the building for the project. We have met with the lawyer I suggested for the project, Filip Klavins, and have found him to be very knowledgeable of the legal framework within which corporations can be established in Latvia. He is waiting for word from the Coopers Washington office regarding his potential role as the project lawyer.

All in all, we continue to gain a better understanding of the industry by compiling statistics, visiting plants, interviewing plant directors and economists, and following the legislative process.

I look forward to hearing from you tomorrow (Tuesday). You can call any time after 10 AM your time, I'll take the phone home with me so you can call me later in the day if necessary.

Sincerely,


Nils Melngailis

LATVIA COUNTRY BRIEFING
June 29, 1992¹

This summary is based on field experience in Latvia from May 14 through June 19, 1992.

1. Latvian approach to privatization: A decentralized approach is followed. The Ministry of Economic Reform provides oversight, individual line ministries are responsible for implementation. Privatization Commissions are appointed with responsibility over a designated enterprise or industry sub-sector
2. Farm land privatization: Private use rights to land have been assigned to individuals, at no cost, as of June 1991. Distribution is based on two principles: a) restitution to former owners (prior to 1940) or their heirs, and b) accumulated "sweat equity" (based on labor earnings on the collective or state farms since their formation). Legislation is being developed to transfer free and clear ownership titles in the near future. Under this process, land ownership patterns will be similar to those prevailing in 1940. Most new farms have between 15 and 50 ha. of crop land. 50 ha. of cultivatable land is the maximum distributed under the privatization process.
3. Non-land farm asset privatization: All non-land farm assets for each collective and state farm have been valued. Share certificates have been issued to current and former employees (sweat equity principles) and to former asset owners (restitution of former property rights). Machinery have been grouped into semi-economic units (tractor, plow, harvesting equipment etc.) and sold to individual or group holders of share certificates. Share holders are encouraged to sell or swap shares, thus developing an informal market.
4. Breakup of collective and state farms: All collective and state farms are given transitional joint stock company status. They can rent or lease land previously distributed to individuals but are prohibited by law from owning land. This provides an incentive for individual private farm land and farm ownership to develop. It is estimated that some 40,000 private farms existed by mid 1992. It is expected that about 60,000 will exist by the end of 1992 and up to 100,000 after 1993.
5. Legislation to privatize processing and agro-service industries: Sub-sector legislation to privatize agro-processing and agro-service industries is moving through Parliament. The agro-processing law is in its third reading with mid July as the target date for passage. The agro-service legislation has been through it's first reading. The C&L/Chemonics team is working with Latvian professionals in the Agrarian Economics Institute and the Academy of Sciences responsible for drafting these laws and have provided input. The basic decentralized approach

¹ Prepared by C. Fritsch and N. Melngailis

followed for privatizing collective and state farms is being followed. Once enacted, the legislation provides the basis within which enterprise privatization takes place.

6. Status of dairy processing industry: The dairy processing industry will be the first agro-industry to be privatized. The C&L /Chemonics team has begun initial analysis of the ten sub-sector groupings slated to be privatized. It is expected that the initial sector analysis will be completed by the end of September 1992. In general, the industry structure has changed little since the mid 1960's. Since nationalization in the 1940s, there have been few, if any, plant consolidations, and little, if any, work force consolidation. Consequently, equipment is mostly old, the industry is inefficient and has considerable excess employment. Some central plants can be transformed into reasonably efficient private sector operations but many will have to be closed, and staff laid off if a competitive industry is to be established. Short term returns to investment are quite low in this industry suggesting minimal interest from foreign investors. There are political factions which strongly oppose major foreign investment, citing the fact that the industry has for many years been the major national earner of foreign currency.
7. Price distortions from market liberalization: Price distortions from market liberalization are quite severe, affecting both farmers and wage earners. Between the first quarter of 1991 and the first quarter of 1992, average wage monthly earnings rose about 3.3 times while producer prices for dairy products rose about 11 times. Basic grains rose about 4 times. Oil and gas products, and farm machinery are close to world level prices. They increased more than 22 times over the period.
8. Deteriorating terms of trade for agricultural exports: The major market for dairy products has been the former Soviet Union and now the Russian state. Under prevailing barter arrangements the value of Latvian dairy products traded with Russia has been reduced by half since the first quarter of 1991 as Russia charges world prices for petroleum products exported. Surpluses, subsidy policies and product dumping practices followed by Western countries makes Latvian dairy products non-competitive in western markets.
9. Collapse of state banking and trading systems: Centralized state trading and banking mechanisms have collapsed and private sector trading and banking institutions have not yet been established. Consequently, funds from state trading stores selling dairy products are not being returned to the state banking system and processing firms lack alternative mechanisms to collect moneys owed them. As a result, farmers have not being paid since May for their products sold through the state trading network.
10. Short term problems faced by Latvian agriculture: Latvia has moved more quickly than any eastern European country in effectively privatizing farm land and collective farms. Markets have been liberalized and privatization of specific agro-industry sub-sectors is imminent. Price

disequilibria prevails as former stable (but economically irrational) price levels are set free and a new set of price equilibria, based on free market principles, is not yet established. Western banking and corporate legal institutions are not yet in place as substitutes for the previous set of socialist institutions. The following problems need to be addressed:

- lack of short and long term credit availability to accommodate the fast pace of farm privatizations;
- deteriorating terms of trade with Russia and inability to compete in western markets with traditional agricultural exports;
- rapid increase in costs of imported farm inputs;
- strong farmer demand for government subsidies to make up losses from breakdown in state trading system and rapid price increases in purchased inputs
- grain shortages -- due to breakup of former trading patterns -- may reduce availability for dairy and meat industries as human population needs are met first.

**STATUS REPORT
LATVIA AGRIBUSINESS PRIVATIZATION PROJECT
JULY 1992**

Both advisors were on-site most of the period. N. Melngailis returned July 1 and C. Fritsch returned July 9. Work continued on deliverables contained in the present workplan. New work was initiated to identify dairy processing plants for privatization. Criteria for ranking plants by privatization potential were developed.

The following subsectors were identified as MOA priority areas for project assistance: (1) dairy processing, (2) meat processing, (3) grain milling, and (4) farm machinery and equipment services.

1. The original law on privatizing agricultural processing enterprises was not enacted before Parliament recessed in July. A new law has been prepared for introduction at the next session beginning in mid August. This has been reviewed by the team and comments have been prepared.
2. The MOA agribusiness privatization strategy is to obtain a decree from the Council of Ministers authorizing privatization of several model dairy processing plants. This activity is expected to be on-going while the revised law is being discussed by Parliament. Experience gained during the model privatization phase is to be included in the new law.
3. The ministry has identified some 65 regional and local plants to be privatized in the first phase. An additional 10 large city plants are to be privatized in the second phase.
4. Field trips were made to fourteen city, regional and local milk and cream processing plants. Plants were visited to identify potential sites to be included in the model privatizations.
5. Initial discussions were held with farmers, farmer organizations and MOA staff to address workplan objectives to: (a) determine terms and conditions to form dairy producer societies, and (b) determine economic relationships between dairy producers societies and state owned central processing companies. This activity is progressing according to workplan schedule. It provides guidance for developing local level agricultural producer associations which are targeted by government to become part owners of assets in privatized dairy processing plants.
6. A report developing guidelines for management and control of state enterprises was completed in accordance with the workplan.
7. Because of the heavy emphasis on privatizing dairy processing plants, government has not yet submitted legislation to guide privatization of agricultural service enterprises. As a result, project activities relating to privatizing agricultural services have been delayed.

STATUS REPORT
LATVIA AGRIBUSINESS PRIVATIZATION PROJECT
AUGUST 1992

C. Fritsch was on site the complete month. N. Melngailis was away from site August 12 to 25. V. Morabito, Chemonics Director for Central and Eastern Europe was on-site from August 10 through August 15. He conducted a supervisory visit and assisted in developing the draft workplan for the new Delivery Order No. 9. Preparation of the new work plan is a deliverable on the existing Delivery Order No. 4.

August activities were concentrated heavily on completing remaining workplan deliverables due on August 31. They included developing analysis and recommendations on: a) general terms and conditions of farm privatization and development of a model to form dairy producers associations, b) the economic relationship between dairy producers societies and state owned central dairy processing companies, c) GOL plans and legislation for cooperatively owned agricultural service enterprises, and d) phase II of collective and state farm privatization activities.

The MOA requested that item c be postponed until later in the Fall as the heavy emphasis on privatizing the dairy producing industry resulted in slippage of the planned time table for developing legislation and plans for privatizing enterprises in the agricultural services subsector. Analysis and recommendations on the remaining deliverables were completed. An executive summary of a paper on the Current Status of Collective and State Farm Privatization and Models for Dairy Producers Associations in Latvia is attached to this report.

Privatizing dairy processing enterprises is unique from other agribusiness enterprises in that there is strong pressure from Parliament to restructure them into the private sector giving producers associations majority asset ownership. This accounts for the heavy emphasis in the current workplan for analysis of farm privatization, models for producers associations and the economic relationships between associations and central processing plants. Government policy is to privatize dairy processing plants in two phases: the first phase (targeting regional and local plants) is likely to start in October. The second phase (targeting large city plants) is likely to start in early December or January. Under Latvian law Privatization Commissions, composed primarily of Stakeholders, are responsible for all substantive decisions regarding privatization of firms within their jurisdiction. The team expects to complete, by early September, a short list of screening firms for ranking by a dairy industry specialist.

Because of the unique complexities involved in preparing the dairy industry and individual enterprises for privatization, a model privatization plan was also developed for use by Latvians responsible for drafting enabling legislation. Parliament returned from summer recess in mid-August. By the end of the reporting period pressures for action to pass enabling legislation mounted, with Latvian technicians using recommendations provided by the team.

Current Status of Collective and State Farm Privatization and Models for Dairy Producers Associations in Latvia¹

Executive Summary

This paper addresses Implementation Tasks IV A., VI B. and IV C. of the Latvia Agro-Industry Privatization Project (Delivery Order No. 4). Section A reviews major privatization effects on collective and state farms. Section B develops alternative models for producers cooperatives to support privatization of dairy processing plants. Section C discusses the economic relationship between dairy producers associations and state owned regional and central dairy processing companies.

A. The Status of Collective and State Farm Privatization in Latvia

Latvia chose to privatize its collective and state farms using a spontaneous privatization approach. The long run goal was to break up collective and state farms into smaller and more efficient units with minimal interference from the state. State and collective farms were transformed into joint stock companies. Many rural Latvians consider this to be a temporary ownership form. The operational idea guiding the privatization process seems to be that in all cases the existing and newly formed small scale farms will be more efficient than the new joint stock companies restructured to take advantage of the emerging market economy. This concept should be reevaluated using objective farm economics criteria.

1. The broad policy goal of farm privatization should be to achieve efficient economic units through restructuring of former collective and state farms and the commercial growth of small scale farms. To achieve this goal:
 - Farm management research is needed to identify optimum farm sizes under alternative technology and pricing options. This information can form the basis for educational programs for government officials, Agricultural Advisory Services (AAS) staff and farmers so that the on-going farm privatization process will result in economically sized commercial farming units.
 - The AAS should be expanded and possibility for providing appropriate business management skills for both small scale and large scale farming enterprises should be expanded. JSC managers also require improved personnel management skills. The broad goal of the AAS should be to serve as a bridge between small and large scale farmers rather than to further divide them.
2. Land laws should be amended, if required, and procedures and educational services developed to encourage new land owners to lease land to JSCs and other commercial

¹ Prepared by the USAID Latvia Agro-industry Privatization Project, 3 September 1992.

farmers rather than keep land in sub-optimal agricultural uses. Progressive land taxes should be considered as a policy instrument to achieve improved agricultural land use.

3. To promote interfirm competition and a market economy, widely disseminated producer, wholesale and retail market prices are needed. Public sector data collection and dissemination programs should be developed for this purpose. Donor support, including provision of computers, should be secured to implement such a program.

B. Models for Dairy Producers Associations in Latvia

In Latvia, farmers cooperatives are important business entities because there are no other private sector supply and marketing enterprises available. However, if farmers cooperatives simply inherit the existing inefficient state dairy processing system, the cost of restructuring the industry will become the responsibility of producers -- unless of course the state continues to subsidize excess production at prices above those that would prevail in a market system.

Unlike most western countries which used subsidies to promote self sufficiency, Latvia dairy producers have already achieved this status. Latvia's needs are to rapidly create an efficient production and processing industry that can respond to existing domestic and export demand. The major policy consideration is how to recapture a major share of eastern markets lost over the past few years, supplemented by new niche markets in selected western countries.

1. The ultimate goal of privatization is to improve enterprise and industry efficiency. Fairness considerations suggest that asset ownership be divided free of charge, among producers and employees. Competitive considerations suggest that neither cooperatives nor employees should gain absolute control over the industry through free asset distribution. After free share distribution is completed, remaining assets may be sold, preferably at auction, to establish a market value for shares distributed free.
2. Full cooperative ownership of all dairy processing plants is likely to restrict necessary industry restructuring required to create an efficient dairy processing industry.
3. At regional and central levels government should promote joint stock company structures including producers, employees and management.
4. Government should minimize it's share of assets retained in privatized enterprises. The goal should be to transfer full asset ownership to the private sector at the time enterprises are restructured. Transferring all state enterprises to cooperatives with no regard for efficiency may be simply setting up another monopoly enterprise while shifting the cost of restructuring to producers.
5. Liquidation of inefficient plants should be addressed directly by Privatization Commissions. Deferring this outcome to newly privatized firms will place a potentially unmanageable financial burden on producers who are already facing a highly unfavorable cost and return situation.

6. To minimize negative political reactions, foreign investors should be brought into ownership only after assets have been distributed or sold to new Latvian owners. Their investments will expand enterprise equity capital.
7. Government should minimize the share of assets retained in privatized enterprises. The goal should be to transfer full asset ownership to the private sector at the time enterprises are restructured.

STATUS REPORT
LATVIA AGRIBUSINESS PRIVATIZATION PROJECT
SEPTEMBER 1992

C. Fritsch and N. Melngailis were on site the complete month. Mr. Joe Kagan, former CEO of Dannon Yogurt Company was on site from September 17 to conduct an industry survey of shortlisted dairy processing plants slated for privatization with project assistance. He will remain in Latvia until October 5.

All deliverables under Delivery Order #4 were completed on time and the final report is completed in draft form. At the request of the Ministry of Agriculture the team is continuing to provide analysis and comments on the agricultural processing and service laws which are still being discussed in the Parliament.

The team is continuing work on the analysis of industry level tax, price, credit and economic policies affecting privatization of subsectors selected to receive project assistance. In addition, nine processing plants were shortlisted for review by Mr. Kagan. He will provide enterprise rankings and recommendations on one central and one regional plant which, in his opinion, have the best economic potential to be privatized on a pilot basis. His recommendations will serve as input for determining the first plant to be privatized using project resources. It is expected that a decision on starting the pilot privatization in the dairy subsector will be made in mid October in conjunction with the Ministry of Agriculture and the Project Managers from Coopers and Lybrand and from Chemonics International who will be in Latvia at that time.

Initial sub sector analysis activities were started on the universe of meat processing plants being considered in the selection of a pilot plant to be privatized. Based on our experience with the dairy industry, it is expected that these industry preparation activities will take at least three months to complete. During this time the team will address questions about privatization that have been raised by industry leaders and complete technical analysis needed to bring the meat processing industry to the level of receptivity now experienced in the dairy subsector. In addition to the required technical analyses recurrent individual and group discussions with ministry and industry leaders and site visits to plants with highest potential for successful privatization are carried out as needed. These activities provide additional understanding of the industry and the potential privatization sites and serve to develop rapport and trust with industry and ministry leaders.

During the reporting period, two additional administrative and clerical assistants were hired. Both are fluent in English and can serve as translators or interpreters. The new staff will reduce the administrative and clerical staff load now carried out by the two permanent technical staff members. At the end of the month, the Ministry of Agriculture assigned two additional permanent offices to the project, but at least one more is required.

LATVIA STATUS REPORT
LATVIA AGRIBUSINESS PRIVATIZATION PROJECT
OCTOBER 1992

C. Fritsch and N. Melngailis were on site the complete month. Joe Kagan was on site from September 17 until October 5 to conduct a survey of shortlisted dairy plants. His conclusions and recommendations have been forwarded to the appropriate Latvian government officials.

At the request of the Ministry of Agriculture the team continued to provide analysis and comments on the agricultural processing and service laws which are still being discussed in the Parliament. The dairy processing law will be presented to Parliament in early November and the service law is in the final stages of the drafting process. The Ministry has unofficially concurred with Joe Kagan's choice of the top central and top satellite plant being those which the privatization team will work on. The team has begun a more detailed analysis of the Tukums satellite processing plant and the central plant in Valmiera to lay the groundwork for the accountant who will be restructuring the accounting systems of these plants in mid November.

The privatization of the Tukums plant has been chosen as the focus of a training program within the Ministry. Economists and accountants from some of the larger dairy processing plants, in addition to Ministry personnel responsible for privatization, will attend an intensive 3 week seminar to be held at the Ministry and on-site at Tukums processing plant. Topics will include micro and macro economic theory, accounting principles, valuation, marketing, ownership structures, privatization, and business plan development. The Tukums plant will be used as a case study to provide a tangible model for the managers of the other plants.

The team also initiated studies of the meat and grain sectors. As a result of an initial economic appraisal and discussions with EC Phare consultants and Ministry officials, it has become clear that: a) the Ministry would prefer that the team concentrate on the grain industry after dairy, and b) the bulk of the meat industry work be left to the EC consultants. The more viable meat processing plants have been slated for privatization beginning in 1994 and are more or less outside the scope of the current work order. This does not present a significant change to the workplan, rather a reordering of priority industries. The team is also pursuing an opportunity to replace the meat sector with the flax industry; one that might be more conducive to attracting foreign investment than traditional agricultural sectors.

In October, the Ministry provided the project two more rooms and the remainder of the office equipment has been installed. Materials are being prepared for the training program and preliminary data has been collected on the grain industry. The team hopes to have an industry specialist arrive in mid to late November to conduct a survey of enterprises that may be privatized in the grain industry.

5/85

STATUS REPORT
LATVIA AGRIBUSINESS PRIVATIZATION PROJECT
NOVEMBER 1992

Conrad Fritsch and Nils Melngailis were on hand for the entire month. Benita Pulins, a CPA from Coopers & Lybrand's Salt Lake City office arrived on November 18 to assist the team in constructing standardized financial statements of the dairy processing plants to be privatized. Ms. Pulins will work with the team in Riga until December 10.

November activities were concentrated mostly on developing a framework for privatizing the Tukums dairy processing plant (identified by Joe Kagan, the dairy specialist, as the best candidate among the plants to be privatized). This involved compiling financial data and analyzing the statutes of the Cooperative Association which is in the process of receiving ownership of the state-owned assets of the plant. At the request of the Ministry, and in an effort to maximize the benefit of the team's work in privatization, a training program was organized which included the use of the Tukums processing plant as a case study. The accountants and economists from other processing plants have been participating in the training sessions which have concentrated mainly on transforming the accounting systems of the plants.

In October, the Parliament of the Republic of Latvia passed legislation introducing a new accounting law which is based on the 4th directive of the European Community and modelled largely after the accounting law in Denmark. All Latvian enterprises are required to begin using the new accounting law on January 1, 1993. Ms. Pulins has been working primarily on transforming the accounting systems of the Tukums and Valmiera processing plants and has provided a framework for other plant accountants to work on their own. Managerial accounting and asset valuation methods were introduced to the trainees who are to begin working on writing privatization plans for their enterprises in December and January.

Considering the relatively advanced stages of privatization legislation in the dairy sector and the priorities set by the Ministry, the team has been asked to double its efforts in the dairy and grain sectors until such a time that legislation allows further action in the meat and service sectors. The team is planning to work on the privatization of at least two dairy processing plants and provide the Ministry with a privatization plan for the Valmiera central dairy processing system which encompasses one central and eleven satellite plants.

Activities planned for December and January include assisting the privatization commission of each of the dairy processing plants and to conduct asset valuations. A preliminary screening of the grain industry is being conducted in anticipation of the arrival of a grain industry specialist in January or February. Ministry personnel will be trained throughout the process of privatization in an effort to leave a core of consultants on the termination of the project.

549

**December/January Report
Latvia Agribusiness Privatization Project**

DECEMBER

Conrad Fritsch and Nils Melngailis were in Riga until December 19. Most of the time was spent working on the dairy processing privatization legislation, collecting data from dairy plants for business plans, and conducting an initial survey of the situation in the grain industry. Early in the month, the Ministry of Agriculture requested that the team assist in the development of the grain program. The Prime Minister had issued a decree in November liquidating the grain monopoly "Latvijas Labiba" and the Ministry had to develop a strategy before Christmas. The team worked extensively with deputy Prime Minister Andris Skele and the author of grain legislation Andris Miglavs and suggested a timeframe of four months to pass restructuring and privatization legislation. It was learned in January that most of the suggestions were accepted.

JANUARY

Conrad Fritsch, Bruce Carrie, Nils Melngailis, and Si Matthies, the grain specialist, arrived in Riga in mid-January. Of the three grain proposals submitted by foreign consultants, the version we submitted seemed the most realistic in the eyes of the Ministry and the World Bank. As a result, the IBRD supported the team to do the groundwork for the funding that was being made available for the break-up of Latvijas Labiba monopoly.

The team began to survey a number of enterprises in the grain sector in an effort to develop a more detailed plan for the break up of the monopoly. Data was collected on the debt structures of the enterprises and estimates were made on costs of production throughout the sector, from grain elevators, to flour and feed mills, to bakeries. Conrad Fritsch and Si Matthies worked primarily on the grain enterprises and the macro review, while Nils Melngailis and Bruce Carrie gathered and analyzed financial data and began to estimate the broader characteristics of the capital market in Latvia. The dairy processing plant privatization law was passed in early February and the team planned to assist enterprises in implementing the law.

January Report

Our work in Riga resumed in the second week of January following the holidays. Most of my time was spent providing the orientation for Bruce Carrie and Si Matthies, assisting the World Bank mission to the Ministry of Agriculture, negotiating expanded/extended work with the Ministry, and conducting research on the grain industry for Mr. Matthies.

We decided that it would be best for Bruce to spend most of his time working with Si and Conrad on the analysis of the grain industry as long as Mr. Matthies was here. We spent a great deal of time with Hoonae Kim, team leader of the WB mission, as well as Boudoin de Marken and Ambassador Silins in an effort coordinate our project with the WB and to gain support for an expansion of our project.

Prior to the holidays, the Ministry asked ALC, the EC consultants, and our team to come up with suggestions for dismantling the Latvian grain monopoly. Upon our return to Latvia the First Deputy Minister Mr. Skele said that he thought our proposal was the most acceptable of the three he received and would support our team for project funding. In an operational meeting between the World Bank, the Ministry of Agriculture, and the Ministry of Finance, a decision was made to support USAID funding for an expansion of the project and letters of support will be sent to USAID from both Agriculture and Finance ministers. Ms. Kim also secured a letter from Prime Minister Godmanis to the directors of the World Bank stating that these privatization and restructuring projects are a priority for the Latvian economy. Last Thursday, Ms. Kim met with Ambassador Silins and came away believing that we shouldn't have a problem getting the funding. I'm not certain how much experience the Ambassador has regarding AID procedures. In any case, the Ambassador told me he'd be sending a letter to D.C. next week.

de Marken has spoken to Michael Brooks about this a number of times and got a positive response from Peter Orr, second or third in line after Almaguer at the USAID mission. We are working on the grain proposal, including LEO estimates, over the weekend and should have something for you by Wednesday (we'd like to give the Ministry a chance to comment before we send it on to USAID). Ms. Kim will return to Washington on February 7 and go to meet people at AID sometime during the week of the 7th to talk about the project.

We have been working closely with those Ministry privatization people responsible for selling enterprises outside our current sectors (the project I described to Brooks while we were in D.C.). This would be a separate project involving more investment banking and finance work than our current one. We'll visit some of the plants this week so that we can get a better idea as far as staffing, budget, timeframe, etc. We should have a draft by Feb. 8th. According to Ms. Kim, The World Bank might be interested in tying in with this proposal as well.

551

The grain sector report by Si Matthies is going to provide the basis for the expanded work and should be part of the proposal to USAID. Si Matthies will be here until Feb. 4. Upon his departure the team will concentrate more heavily on our work in the dairy privatizations and try to get the Tukums business plan, statutes, etc. done by the end of the month. Brucc has been familiarizing himself with the Latvian Accounting system and corporate legislation. The dairy processing privatization law was finally passed by parliament last week which will enable us to proceed more quickly in this sector. Many of our suggestions were included in the law.

552-

LATVIA AGRIBUSINESS PRIVATIZATION FEBRUARY-MARCH REPORT

The dairy industry privatization law came into effect on February 1. This completes the first phase of privatizing this industry. The second phase, during which most individual enterprises will be formally privatized, will continue until September 1993. The law transfers majority asset control in state owned dairy plants to farmers organized into producer associations. During February and March, continuing advice on farmer and employee organization strategies was given to five central and regional plants. The preparation of business plans is underway for up to three plants targeted for project assistance. The need for formal asset valuation and preparation of tender documents for sale of plants to be privatized is not required as the law pre-identifies the ownership structure for each plant. Most assets are transferred free of charge.

The team completed the first of two industry analyses in early February on the Latvijas Labiba grain complex. The report included a draft strategy for restructuring and privatizing the feed mill, flour mill and bakery subsectors. The strategy is being discussed and refined in association with responsible government officials. The team, assisted by a Latvian-American lawyer, is interacting on a regular basis with individuals and groups preparing the grain marketing and privatization laws.

Additional data is being collected and analyzed to measure economic performance of the sector and to assist in restructuring the grain and bakery products quality and quantity control mechanisms and regulations. It is anticipated that privatization of firms in the bakers sub-sector may be started before national elections in June. However, privatization of flour and feed mills is not likely to start until after mid-year.

Additional short-term industry specialists and accountants are being recruited for April activities. The second grain industry diagnostic study is scheduled for completion in early May and initial assessment of individual bakeries will be started by mid-April. Additional work on transforming dairy sector accounts to conform with Western accounting standards is also anticipated in April. The team will continue to provide financial analysis to Tukums, Valmiera, Priekule and other dairy plants on an as-needed basis.

The MOA is considering setting up a central agency to oversee privatization of other state enterprises. The team had meetings with officials involved to discuss the proposed agency structure, the law under which it will operate and the assistance that could be provided to such an agency.

**AGRO-INDUSTRY PRIVATIZATION
IN LATVIA**

**FINAL REPORT
(VOLUME 3 OF 5)**

JULY 30, 1993

**REFERENCE CONTRACT NO.
EUR-0014-I-00-1058-00**

DELIVERY ORDER #9

APPENDIX: TRANSLATED DOCUMENTS

VOLUME 3 OF 5

Contents

- A. DOCUMENTS IN ENGLISH
 - A.1 Laws
 - A.2 Resolutions, Orders, Decrees
 - A.3 Tables, Charts, Schemes

The Resolution of the Council of Ministers Nr. 465
Riga November 6, 1992

Regulations for organizing auctions in several state enterprises immovable and movable assets.

1. These regulations (further in the text "Regulations") determines the order how auctions mentioned in the Law from December 12, 1990 "On State Enterprises" (with amendments of July 9, 1992) Article 11 selling different assets of state enterprises (except complete units) must be organized when selling the assets to different natural and legal entities (except state legal entities).

2. The auction is organized by Auction Task Force that is formed by order of the state enterprise manager. In the group following persons should be appointed: auctioner , accountant and recorder.

Organizing the auction for separate immovable assets the Auction Task Force can be confirmed only after written permission from the respective ministry and, (according to Regulations of the Council of Ministers of Latvia from June 19, 1992 No. 239 "On First Hand Purchase Rights of Local Municipalities"), written permission from local municipalities have been received. The ministry can request the enterprise to inform about the list of Auction Task Force group members.

3. The following auctions can be held:

- 1) open auction,
- 2) closed auction

4. The regulations for the auction are elaborated by members of the Auction Task Force group and confirmed by the state enterprise manager. If organization of separate immovable asset auction of the state enterprise occurs, the regulations must be coordinated with Audit Commission of the State enterprise.

5. The auction regulations has to state:

- 5.1. order of registration for auction participants,
 - 5.1.1. amount of registration fee and security deposit,
 - 5.1.2. documents necessary to register for the auction,
 - 5.1.3. pattern of registration certificate and procedure to enter data in the register;

5.2. the place and time of the auction;

5.3. kind of the auction;

5.4. the initial price of the sales object .

The initial price is determined by the Auction Task Force according to the Regulations on State and Municipal Property (Enterprise) and its Asset valuation (Resolution of Council of Ministers September 21, 1992 No. 397).

5.5 order how payment for the sold unit is to be paid, and order on sales - purchase agreement conclusion;

Auction Task Force group can make amendments to the auction regulations.

6. Auction Task Force not less than two weeks prior to auction announces about the auction in mass media the following information:
- 6.1. information on unit to be sold, its initial price;
 - 6.2. the address of the organizer of auction, phone number, office hours.
- Auction Task Force publishes or during preparatory stage gives the following information if requested:
- place and time of the auction;
 - the place of registration and time, auction regulations;
 - the place and time for unit survey;
 - other information on auction regulations.
- Auction Task Force registers the date when information on the auction is published (released) and the name of the mass media.
7. Registration of auction participants starts not less than 10 days prior to auction and finishes two hours before the auction begins. During registration process the participants can get information on the regulations and conditions of the auction.
8. Minutes are taken during the auction. The minutes by request has to be submitted to the state enterprise Audit Commission or the ministry. In the minutes of the auction the following has to be described: the name of the state enterprise, the name of the unit proposed for the auction, the place and time of the auction, initial auction price, the highest bidding price, information about asset buyer, conditions of payment and time.
- All documents of the auction have to be kept according to Laws and Regulations of the Republic of Latvia.
9. Participants of the auction who have not bid any asset can redeem their security deposit within a week.
10. If only one participant has registered for the auction the asset can be sold to him for agreed price.
11. If at the announced time only one participant has arrived the auction is postponed for two hours, then the auction is cancelled, and the auction manager announces that the auction has not taken place. If the only participant demands back his registration fee and security deposit the Auction Task Force has to redeem the money within one week. If the participant is not redeeming the security deposit and the fee he can register for repeated auction without paying registration fee and security deposit. Participants not attending the auction can redeem their security deposits but not registration fee.
12. The auction is announced cancelled :
- 12.1. if the information on the place and time of the auction has not been published in the mass media, or the auction has been announced violating these Regulations;
 - 12.2. if any of participants was denied an access to the auction or the bid has been refused without a reason;

- 12.3 if the agreement has been made to halt somebody from participating in the auction;
- 12.4. if the assets have been bought by person who has no rights to participate in the auction;
- 12.5. if the registration or auction takes place somewhere else than announced;
- 12.6 if the assets are sold before the announced time;
- 12.7. under conditions mentioned in Articles 10 and 11 of these Regulations.

The Decision on declaring the auction invalid is made by the Audit Commission of the state enterprise or the ministry and participants of the auction has to be acknowledged within a week.

13. If the auction agreement is declared invalid then the auction is declared invalid as well.

14. If the auction is declared invalid because of the Auction Task Force fault then all losses are covered by the state enterprise , but members of the Auction Task Force are responsible according to legislation.

Council of Ministers
Resolution No. 559
December 30, 1992, Riga

Competence of State Institutions in the Sphere of Accounting

Implementing the LR Laws "On Accounting" and "On Annual Reports of Enterprises", the LR Council of Ministers resolves:

1. To form a Methodical Council of Accounting which would include:

Council Chairman

V. Dziļuma - Birznieka business centre, the head of accounting department

Deputy Chairmen:

E. Vēvers - Institute of Agrarian Economics, the head of department

R. CernaĶs - LR Supreme Council Deputy

Council Members

J. Benze - Latvian University of Agriculture, Associate Professor

I. Briksne - State Committee of Statistics, Chief Economist

V. Dzene - Ministry of Agriculture, Chief Accountant

Z. Garance - Ministry of Industry and Energy, Chief Accountant

G. Kalniņa - Latvian University of Agriculture, Associate Professor

G. Majevska - Ministry of Finance, Deputy Head of Department

N. Millere - Chief State Tax Inspectorate, Chief Accountant

D. Papāns - Ministry of Justice, Chief Technician

J. Placis - Software House Riga, Programmer - economist

I. Ubagovskis - Ministry of Traffic, Chief Accountant

J. Vaikulis - University of Latvia, Lecturer

D. Vanags - State Institute for Managers and Technicians of National Economy,
Associate Professor

H. Zlatopolska - firm "Ventus", Chief Accountant

2. To approve the attached Regulations on Methodical Council of Accounting

3. To make the following amendments and additions to the Regulations of the LR Ministry of Finance (approved by the LR Council of Ministers Decree No. 369, December 20, 1991):

3. 1. to make the following wording for 7. 5. 1.:

559

2.2. vacates, provides comments and makes suggestions on draft Laws, draft Resolutions and Decrees by the Council of Ministers, and Regulations, Instructions and recommendations by state institutions concerning accounting and audits;

2.3. participates in the training of accountants capable of preparing balance sheets, and auditors for the development of Ministry of Education training programs and criteria for determining their professional training;

2.4. values forms used for general accounting and register and gives conclusions on them;

2.5. provides valuation on computer programs and data processing systems and gives recommendations on their application;

2.6. issues licences/warrants for the activity of the sworn auditors.

3. To carry out its activity, the Council cooperates with the Latvian Association of Accountants.

4. The Council has the right:

4.1. to receive draft laws from state institution, draft Resolutions and Decrees of the LR Council of Ministers, draft instructions and directions on the issues of accounting and auditing;

4.2. to hire other technicians to consider issues within their competence, to prepare conclusions and suggestions.

5. The Council includes 16 members: the chairman and two deputies, 13 Council members. The Chairman, his Deputies and members of the Council are assigned by the Council of Ministers. The Council elects a secretary from among themselves.

6. The Council meetings are called and presided over by the Council Chairman. During his absence they are called and presided over by one of his Deputies. The Council meetings are called on requirement, but at least once a month.

7. The Council is competent, if 2/3 of the Council members are present. The Council adopts a decision with the majority of vote by the Council members.

8. The Council operates according to its annual workplan which includes the individuals responsible for the implementation of specific actions, dates for implementation, the necessary resources and funding.

9. The organizational work is carried out and files are kept by two technicians assigned by the Minister of Finance upon recommendation of the Council Chairman. The Ministry of Finance provides funding for the maintenance of the technicians and projects approved by the Council within the limits of resources allotted; it is included in the estimate for the maintenance of the Ministry of Finance.

" 7.5.1. develops and after the approval of Methodical Council of Accounting confirms for all the enterprises, entrepreneurial companies, establishments and organizations regulations for keeping accounts, instructions and recommendations, and the necessary explanations on application";

3.2. supplement the first line of 7. 5. 2. after the word "determines" with words "the state and municipal government";

3.3. supplement subarticle 7.5.4. to the Regulations:

7.5.4. develops and approves the sample contents, procedure of development and dates of quarterly reports for enterprises, entrepreneurial companies and establishments."

4. Ministries (committees) organize training for accountants of the Ministry (Committee) and state enterprises supervised by the Ministry (Committee) when documents regulating accounting have been received.

5. Determine that Ministries can develop the necessary documents regulating accounting according to the peculiarities of a relevant branch and confirm them after they have been approved by the Ministry of Finance.

LR Council of Ministers
Chairman I. Goldmines

LR Minister of Finance
E. Siliņš

Regulations

Methodical Council for Accounting

1. Methodical Council for Accounting (called "Council" below) complies with the LR Law "On Accounting", other Laws of the LR and the current Regulations.

The Council operates within the system of Ministry of Finance.

2. According to the Law "On Accounting" the Council has the the following functions:

2.1. Manages the development of draft legislation, bills, regulations, instructions and recommendations necessary for accounting;

Draft 26/07/92
Transl. 27/04/92
Revised Draft 14/4/92
Transl. 16/4/92

LAW OF THE REPUBLIC OF LATVIA

On Transformation and Privatization of State Dairy Processing Enterprises

1. Terms used in the law

Agricultural product processing enterprise - an independent enterprise dealing with processing of milk, meat, flax, vegetables, sugar beet, potatoes and grain, and their preparation for sale.

State enterprise - an enterprise operating according to the Republic of Latvia Law 'On State Enterprise'.

Statutory company - in this law it stands for joint-stock companies, share companies, cooperative companies and limited liability companies.

Assets - in this law the part of assets in the ownership of various types of companies.

Share assignment - determination of shares for physical and legal persons in the common public property in which they are shareholders.

Privatization unit - state enterprise or assets owned by state in a joint-stock company.

Share assignment unit - State dairy collecting and processing enterprise transformed into dairy producers cooperative associations without compensation in accordance with the Latvian Republic Supreme Council on "Privatization of Dairy Collecting and Processing Enterprises".

II General Regulations

Article 1. Competence of the law

1.1. The law determines the procedure according to which

- state property in dairy processing enterprises shall be transformed and privatized;
- assets owned by the state must be privatized in joint-stock companies formed on the basis of these enterprises or separate production units;
- new forms of entrepreneurial activity are developed on the basis of the transformed state property;
- assets shall be transferred to dairy producers associations without compensation in accordance with the Resolution of

the Republic of Latvia Supreme-Council 'On Privatization of Dairy Collecting and Processing Enterprises'

1.2. According to this law, all state dairy processing enterprises not covered by the above Resolution of the Supreme Council of the Latvian Republic are intended for transformation and privatization; that is, state owned assets in entrepreneurial companies which have been formed on the basis of state dairy processing plants at the moment the law comes into effect, with the exception of units determined by the separate Resolution of the Supreme Council of the Latvian Republic.

Assets in enterprises included in the Resolution that are transferred to cooperatives shall be assigned.

Article 2. Legal basis for transformation and privatization of agricultural dairy processing enterprises

This Law serves as legal basis for transformation and privatization of APPE, as does the Republic of Latvia Laws 'On Procedure of Privatization of State and Municipal Property', 'On Privatization Commissions for Privatization of State and Municipal Property', 'On Transformation of State and Municipal Enterprises into Joint-stock Companies', "order of valuation of property for state and municipal enterprises", April 15, 1992 Resolution of the Supreme Council of the Latvian Republic "On privatization of state dairy collecting and processing enterprises" or other Republic of Latvia Laws on privatization, laws on specific forms of entrepreneurial activity to an extent that they do not conflict this Law.

III Privatization Procedure and Institutions

Article 3. Procedure of transformation and privatization

The process of transformation and privatization of state property in dairy processing enterprises has three steps.

3.1. Preparation of the unit for privatization

It includes:

- formation of privatization commissions;
- valuation of units determining basic capital of the statutory companies to be formed;
- development and approval of privatization schemes;

3.2. Transfer of ownership

It includes:

- preparation of draft charter and other founding documents needed to form the statutory company;
- signing for assets of the unit to be transformed;
- taking possession of the assets.

3. 3. Change in form of entrepreneurial activity

It includes:

- calling of the foundation meeting and approval of basic operational documents;
- registration of the new form of activity.
- transfer of all documents

Article 4. Functions of the administrative staff of the unit to be transformed and privatized

4. 1. The administrative staff of the unit to be privatized manages the operation of the unit; according to the normative documents it is responsible for the maintenance of property and represents it when dealing with the state and other physical or legal persons.

The responsibility and activity of the administrative staff of the state enterprise terminates when it is transformed into a joint-stock company and is registered in the Republic of Latvia Enterprise Register, and bilateral act of transfer of management is signed with the newly elected executive institution; it must be performed within 10 days from the registration of the company.

- 4.2. The obligation of the administrative staff is to provide the Privatization Commission with the necessary information during transformation and privatization.

Article 5. Privatization Commissions; their composition and procedure of formation

- 5.1. Privatization and transformation of a state dairy processing enterprise is organized and conducted by Privatization Commissions acting according to the Republic of Latvia Law 'On the Privatization Commissions of State and Municipal Property' issued on March 17, 1992.

5.2. The Privatization Commission includes :

- a MOA expert as authorized by the state; he is chairman of the Commission;
- the manager of the unit to be transformed;
- the manager of the accounting department of the unit;
- a representative of the trade union or non-management employees;
- a representative of the local government in the area the enterprise is situated ;
- not less than 6 representatives of the appropriate cooperative associations in the area of operation, or peasant agricultural associations if the former have not been set up. The representatives are elected at a conference of associations, farmers or other agricultural producers

situated in the area served by the unit to be transformed.
The calling of the conference is coordinated by the MUA;

- technical experts can be included in the Privatization Commission as necessary.

5.3. The Privatization Commissions are formed and approved by Latvian Republic MUA for each separate unit in cooperation with local government within one month from the day the law comes into effect.

Article 6. Functions of the Privatization Commission

During transformation and privatization the Privatization Commissions:

6.1. Value the property of the unit to be transformed according to Article 10 of this law, within two months from formation;

6.2. Prepare or organize a competition to prepare a transformation or privatization scheme according to Article 12 of this law, within two months from formulation, and submits it for approval to the Latvian republic Ministry of Agriculture. The scheme must be reviewed and a decision made on it within one month from it's submission.

6.3. After approval of the scheme, carry out the following implementation activities:

- prepare a founding prospectus according to Article (?) of this Law, within two weeks;
- prepare the draft charter and other required founding documents of the statutory company to be formed, within one month, according to Article 13 of this Law;
- open an account (sub account) in the bank for capital deposits;
- according to Article 20 of this Law organizes signing for the assets of the company, taking into consideration priorities determined by article (?) of this Law;
- receive payments for the signed assets;
- calls the foundation meeting of the company to be formed.

Article 7. Transformation meeting of the enterprise

7.1. Participants to the transformation meeting of the enterprise are natural and legal persons who, according to Article 20 of this law, have signed for the assets of the state enterprise to be transformed and privatized and have paid for them partly or in full, or persons authorized by them. Legal entities are represented at the meeting by persons authorized by them. Each participant of the meeting represents (himself or through proxies) not less than 0.5% of the basic capital of the company identified in the privatization scheme; at least 2 owners of assets from each

pagast in the area served by the unit to be transformed (privatized) have the right to participate in this meeting.

- 7.2. The meeting is competent if it is announced in district newspapers not less than 15 days before it takes place and if not less than 2/3 of the owners of assets are represented in the meeting, and if they represent not less than half of the companies basic capital.

If a meeting thus announced is not competent for the reason that there is no quorum, within a month another meeting must be called according to the same procedure and it is competent irrespective of quorum.

- 7.3. The following issues must be discussed in the meeting:

- 7.3.1. Report of the Privatization Commission on its work;
- 7.3.2. The draft charter prepared by the Privatization Commission is discussed and approved by the participants of the meeting. The decision is adopted by a simple majority of vote according to the assets owned;
- 7.3.3. Executive officers of the company are elected according to the procedure determined by the charter; and other issues concerning operation of the company.

Article 8. Functions of the Ministry of Agriculture

- 8.1. The Ministry of Agriculture is the coordinator of the dairy processing plant privatization and transformation process.

- 8.2. To carry out the process the Ministry:

- appoints, in the name of the state, a representative to the Privatization Committee of the unit. The ministry specialist becomes the Commission Chairman;
- defines the assets included in the state owned units to be privatized and provides justification for their inclusion;
- reviews, within one month after submission, the privatization scheme made for the Commission, and determines that it is not in violation of any provisions of this law; in the event that it is in violation of any said provisions it identifies such cases.

Article 9. Registration of the company

Apart from the application for company registration, the following documents must be submitted to register the statutory company newly formed as the result of transformation and privatization of a state dairy processing unit:

- the charter signed by members of the executive institutions, chairman of the meeting and secretary;

- the prospectus of the company, if it exists;
- a list of individuals having signed for the assets;
- a copy of the minutes from the foundation meeting.

With the moment of registration of the company the operation of the state enterprise terminates; the newly formed company is successor to its rights.

Article 10. Settlement of disputes

Complaints on the distribution of assets of the privatized unit, according to the procedure determined by this Law, are examined by the Privatization Commission. If no agreement is reached, at the request of the interested party, the dispute is reviewed at court.

IV DOCUMENTS FOR TRANSFORMATION AND PRIVATIZATION OF STATE DAIRY PROCESSING ENTERPRISES

Article 11. Procedure for valuation of property in the state dairy processing enterprises to be transformed and determination of basic capital

11.1. Property in the unit to be transformed and privatized is valued according to Article 6. of the Republic of Latvia Law 'On transforming of State and Municipal Enterprises into Joint-stock Companies (which implies valuation at nominal value) (it can be done according to LK Law 'On the Procedure of Valuation of State and Municipal Enterprises to be Privatized' which provides valuation according to world market prices as of October 1, 1992.

11.2. Value of the property in the enterprise thus determined forms the basic capital of the company; the sum total of the nominal value of assets constitute this value.

Article 12. Transformation and Privatization scheme

12.1. The transformation and privatization scheme includes:

- information about the unit to be transformed and privatized:
 - 1) location;
 - 2) information about the owners of the unit and their property before nationalization, except information about shareholders;
 - 3) information about physical and legal persons leasing the unit or its part, information about the lease contracts.
- inventory list of the enterprise including its determined value;
- characteristics and motivation of the expected form of entrepreneurial activity and structure of the company, property to be transferred to the enterprises;

- distribution of assets according to Article 14. of this Law;
- regulations concerning sale of assets (dates, advantages, means of payment) including assets to be reserved for former owners (except owners of shares) which have been developed according to the principles stipulated in Article (7) of this Law.
- list of obligations to be transferred according to status when the decision on transformation and privatization of the unit is adopted;
- dates of implementation for steps of privatization program.

Article 13. Prospectus of the unit to be privatized.

13.1 The prospectus shall be prepared for the state processing units to be transformed (privatized) when it is intended, in the transformation and privatization schemes, that state assets will be signed for and transferred to new owners.

13.2 The prospectus includes the following information:

13.2.1 name of the unit and structure capacity;

13.2.2 type of company, name, goals and objectives, and the location, address and phone number of the Privatization Committee;

13.2.3 amount of the initial capital, number of shares and nominal capital;

13.2.4 distribution of assets.

13.2.5 payments schedule for assets and discounts received;

13.2.6 the executive committee of the company and procedures for company formation

Article 14. Particulars to be included in the company charter.

14.1. During the privatization of the state processing enterprises the following can be formed:

- stock companies;
- share companies
- cooperative society (or union of these).

14.2. The charter of the entrepreneurial company shall be in compliance with law on the respective kind of the company, according to Article 16 of the Law "On transformation of state and municipal authority enterprises".

14.3. When forming a stock or share company the charter shall include:

14.3.1 the right of dairy producers to form cooperative companies into which shares purchased can be invested

14.3.2 Dairy producer cooperative associations formed in the area served by the transformed and privatized units can join freely with the company within two years from the moment of the formation of the statutory company, with full rights to invest property of the processing plant into the company provided that the processing plant was transferred to the association in accordance with the April 15 Resolution of the Latvian Supreme Council. In this case, the basic capital of the company and the value of the invested property and the assets are held by the dairy producers' association. After two years cooperatives may also petition the company but do not enjoy the same rights regarding asset transfer as during the first two years.

The charter can include additional approaches for obtaining asset ownership.

14.3.3 The Charter can include provisions to involve other local and foreign investors and formation of joint ventures.

V. CHANGING THE OWNERSHIP STRUCTURE

Article 15. Division of capital, and basic principles for its valuation in developing the privatization scheme

15.1. Division of capital is part of the privatization process. It determines the ownership rights of various groups in gaining asset ownership in processing enterprises being privatized.

15.2. When determining asset divisions the following owner groups have to be considered:

15.2.1. Former owners of the privatized units, whose property was illegally alienated;

Property of individuals which was illegally alienated in 1940 can be returned or restored by granting assets of equal value in privatized enterprises. Asset value is determined using the same procedures as was used to value the enterprise being valued;

15.2.2 state;

Up to 20 percent may remain as state property. The amount to be reserved for the state is determined by the Council of Ministers or its authorized representative;

*for potential
risk to foreign
investors on
depos*

15.2.3. Registered producers of the agricultural products, including the industry cooperative associations;

Producers of agricultural products must have the right to receive not less than 55% (after taking into account settled claims of persons addressed in article 15.2.1.)

*revenues &
90% privatization
funds to
develop
industry*

*55% - Will be ok for
producers to sell part to
foreign investors or attract other
investment*

Employees

15.2.4. Employees of the privatized enterprises:

Employees can receive not more than ¹⁰20% of the assets;

15.2.5. Other persons. - 25% discount - can be members of work
- can receive up to 15% of assets

Article 16. Distribution of capital among producers of dairy products.

Capital distribution is carried out in the following stages.

16.1. Dairy producers' cooperative associations without prior claims to milk collecting and primary processing units shall receive assets, without compensation, from plants whose assets were not distributed to associations with prior claims.

Assets are distributed based on the average asset value (distributed free of charge) per ton of milk produced by members of associations receiving assets under rights of restitution. (This average is calculated for all assets distributed to associations with prior claims.)

The remaining assets are available for public sale to dairy producers (according to article 16.)

16.2. Rights to assets for producers can be calculated using the last two year average production as the base for calculating asset/production ratios

16.3. Distribution of the capital among physical persons-producers is determined by the general pagast meeting.

When the cooperative association is formed at the pagast level the association can obtain capital shares of the enterprise within limits of the pagast's quota.

If there is no association in pagast or it does not want to obtain assets allocated to it, the rights to asset shares are distributed proportionally to land assets used or owned by the producers who are members of the dairy cooperative on the date the decision is passed.

Article 17.

There is no article 18

Article 19. Conditions for purchase of assets.

19.1. During the process of privatization asset shares can be purchased at discounts.-- when making the privatization scheme assets can be distributed:

19.1.1 To dairy producers:

- if they are not united in industry based cooperative associations - discounts up to 25% of the assets (share) nominal value.

50

- if they are members of the dairy products processing cooperative association - discounts up to 75 % of the asset (share) nominal value.

19.1.2 Employees of the unit to be privatized - discounts up to 25 % of the assets (assets can also be obtained for labor shares) *of use certificates*

19.2. For assets purchased beyond those proposed in the privatization scheme discounts are reduced

Article 20. Organization of the signing process.

20.1. Signing for asset shares of the privatized enterprise for the first stage shall be finished within three months after publishing the program.

20.2. Signed asset shares are to be paid according to the law " On stock enterprises" article 20.

20.3. If competitors have not signed for all shares, next signing steps have to be organized.

Asset shares not signed for are proposed to other groups of persons according to the amount of shares signed during the first stage.

Discounts are not available for additionally subscribed assets.

Article 21. Use of the funds obtained from asset sales

For all assets gained during the privatization process, except for labour shares:

- 40 % is transferred to the general industry development pool, and used for credits;
- 60 % is kept in a newly formed company development pool and used only for the construction and development of the company.

VI DETERMINATION OF SHARES REGAINED FROM THE STATE IN DAIRY COOPERATIVE ASSOCIATIONS AND GUARANTEES OF STABILITY FOR TRANSFORMING PROCESS.

(Share assignment)

Article 22. Determination of shares regained from the state in dairy cooperative associations.

In dairy cooperative associations who according to the resolution of Council of Ministers from April 15 "On privatization of milk processing enterprises" have the right to receive milk processing enterprises without remuneration the share determination has to be carried out in the following order:

personification of assets

by individuals

22.1. The value of shares received without compensation is determined by the ~~situation~~ *situation* on 01.07.93. - *Within 6 mos*
amount of assets to be given to each assoc. - depending on milk sold produced in last two years

22.2. According to situation on 01.01.94. shares are distributed to the company without remuneration.

22.3. Until conditions of 20.2. are enforced state property transferred to the cooperative society cannot be expropriated or otherwise lost. In case of the company is liquidated state property previously transferred to the company must be returned to the state.

Article 23. Guarantees for stability of the transformation process.

The company founded as a result of transforming the state processing enterprise shall reserve the first purchase rights to the state if it is liquidated during the first three years of business activities. The state can receive back its property compensating members of the company to the extent of their invested capital.

Draft, Sept. 2, 1992

Project

Law of the Republic of Latvia

on the Privatization of Property in Agroservice Enterprises

The law sets forth the regulations for transferring ownership of state property used and held by agroservice enterprises.

The primary goal of this law, in realizing the privatization of public property, is to develop a system protecting the interests of agricultural producers based on cooperative principles.

The law determines the rights of state and municipal governments, agricultural producers, employees of the enterprises and other natural persons and legal entities along with the procedures for acquiring or *konkretizēt* ownership rights to property in the use and tenure of agroservice enterprises.

Terms Used in the Law

Agroservice enterprise - specialized state and interfarm enterprises geographically and by organization separated from agricultural producers delivering services and products to agricultural producers.

State agroservice enterprise - an enterprise operating according to the Law "On State Enterprise".

Interfarm enterprise - legally and economically independent enterprises, set up before LR "Law on Entrepreneurial Activity" came into force by joining capital of different legal entities to carry out joint entrepreneurial activity; persons eligible to their rights, or new enterprises set up by them.

Founders of interfarm enterprise - agricultural producers (collective farms, state farms) which have invested their resources in the interfarm enterprise, and hereditors of property separated from these farms.

production unit of an agroservice enterprise capable of independent operation, incurring no harm to the structure it originally belonged to.

1

Privatization quota - a norm or maximum amount of capital that during privatization can be obtained by the particular person eligible to property.

I. General requirements

Article 1. Enterprises Intended for Privatization

1. Enterprises intended for privatization include:
 - 1) state agroservice enterprises separated geographically or by organization from agricultural producer enterprises, the main source of income of which is payment for services delivered or production sold to Agroindustry;
 - 2) various forms of entrepreneurial activity or enterprises (interfarm enterprises) set up on the basis of specialized interfarm construction and building industry enterprises delivering services to Agroindustry.
2. List of enterprises to be privatized according to steps is prepared by MOA and approved by LR CM.

Article 2. Phases of Property Privatization

Privatization of state property takes place in two phases:

- 1) In phase I, district agroservice enterprises are privatized; property in units indivisible by organization and technology separated from the central unit is privatized.
- 2) In phase II state level enterprises are privatized.

II. Procedures for Determining Property to be Privatized

Article 3. Valuation of Property to be Privatized

The value of the property to be privatized is determined for each indivisible unit and for the whole enterprise at the moment this law comes into effect according to the Republic of Latvia Law "On Order of Valuation for State and Municipal Property to Be

stipulations of the Republic of Latvia Law "On Privatization of Agricultural Enterprises and Collective Fisheries".

If the unit is sold by auction, the asset value, as determined above, becomes the reservation price.

Article 4. List of Units to be privatized

The list of units to be privatized is composed according to geographically and by organization indivisible units. Included are movable and immovable assets, cash flow funds and unfinished construction, where movables - the active part of assets and cash flow funds - are separated from real estate only if this does not interfere the economic viability of the real estate.

The list of units to be privatized is a supplement to the Privatization scheme compiled by the authors of Privatization Scheme and approved by Privatization Commission together with Privatization scheme.

III Privatization of Property in Joint Interfarm Enterprises

Article 5. Procedure for Property Privatization

1. Privatization Commission is formed to carry out privatization in an interfarm enterprise (Article 6); it is responsible for developing Regulations (Article 8)
2. The receivers of property rights in interfarm enterprises are:
 - 1) founders of the interfarm enterprise - agricultural enterprises and their successors;
 - 2) employees of the enterprise who have been employed by the enterprise for at least 5 years, or their heirs.

Former workers who have been employed by the enterprise for at least five years have equal rights to property as current employees if they:

- are retired from the enterprise;
- are currently pursuing studies on a scholarship;
- have been elected to a government post or promoted to an administrative position in an agroindustry enterprise or organization;
- are dismissed from work as the result of reduction of staff;
- are disabled from an accident suffered while at work in the enterprise (regardless of their length of service).

- natural persons or their heirs who have made a significant contribution to the development of the enterprise as approved by the body of employees.

3. When the interfarm enterprise becomes privatized, its assets are privatized according to the law or regulations on the privatization of property belonging to this particular legal entity.

4. When privatizing the property of interfarm enterprises:

1) the newly created value belonging to each founder is specified and divided proportionately according to investments made in the enterprise;

2) part of the newly created value is transferred to the employees; the general meeting of founders makes decision on its size; the procedure of transfer is covered by the approved regulations on the privatization of the enterprise.

3) part of the newly created assets can be sold by auction. Property to be sold by auction is valued according to LR Law "On the Order of Valuation for State and Municipal Property to be Privatized." (A.3) The asset value as determined above becomes the reservation price.

5. Property of interfarm enterprises (apartment houses, public and other facilities), handed over to the state or local governments free of charge, is considered to be interfarm property transferred in tenure of local governments.

State investments into interfarm enterprises are determined by subtracting the value of interfarm property handed over for use to the state from the amount of assets actually invested by the state; the value is determined at the moment of transfer.

6. If the founders of the interfarm enterprises have transformed them into entrepreneurial companies and, after the property of the enterprise has been identified, handed over part of the newly created value to the employees before adoption of this Law, the current proportion of the division of assets can be retained, if the decision is approved by the general meeting.

IV. Institution for Privatization and the Procedures

Article 6. Privatization Commissions

1. For the privatization of property in each state service enterprise Ministry of Agriculture of LR forms Privatization Commission within one month from the date that this law goes into effect.

Privatization Commission for joint interfarm enterprises are formed by the general meeting of founders within one month from the date that this law goes into effect.

For the privatization of separate units with a decision of the already formed Privatization Commission subcommissions can be set up.

2. Privatization Commissions are constituted by:

1) persons authorized by the Ministry of Agriculture;

2) persons representing the administrative staff of the enterprise;

3) persons representing agricultural producers authorized by district government;

4) persons representing banks providing credits to the processing enterprise if the enterprise has not covered its debts in the bank.

5) persons authorized by founders of interfarm enterprises (for the privatization of interfarm enterprises).

List of persons included in the Privatization Commission has to be published in the newspaper of the district in which the enterprise to be privatized is situated.

3. Privatization Commission according to the provisions of this Law acts in the name of the owners of assets and accounts for its activity in state enterprises to the Council of Ministers of LR or to an institution authorized by it, but in the transformed interfarm enterprises - to the general meeting of its founders.

The Privatization Commission makes decisions and acts independently to the extent that is limited by the provisions of this law or other normative bills binding for the Privatization Commission.

Privatization Commissions make decisions on the basis of collegial equality. They are competent to decide if not less than

5

half of the Commission members participate in the meeting. If the commission consists of three members all must participate.

Privatization Commission adopts resolutions with a majority

number of votes, the resolution is adopted in the version that was supported by the chairman; in case of his absence - deputy chairman.

Minutes have to be taken; if there is a disagreement on the contents of the resolution or on the order of its implementation the resolution is valid as it is formulated in the minutes of the meeting.

Member of the Privatization Commission who disagrees with the resolution has the right to add his alternative view by a letter attached to the minutes of the meeting.

The Commission is entitled to the right to determine the functions and duties of its members independently within the limits of its competence.

4. Responsibilities of the Privatization Commission:

1) to develop regulations to privatize property in the enterprise and submit them to the Ministry of Agriculture (in a state enterprise) or to the general meeting (in an interfarm enterprise) for approval;

to determine quotas in the indivisible units to be privatized;

- to develop procedure for determination of individual quotas; (*)

2) to ensure democracy and open distribution of information on the privatization process;

3) to review privatization schemes submitted by enterprises;

4) to provide report on the procedure of privatization to an institution designated by the LR Council of Ministers and Ministry of Agriculture;

4) to examine all claims regarding privatization, providing responses within two weeks;

5) to be responsible for losses incurred to the recipients of property because information concerning operational obligations was not provided to them.

5. Rights of Privatization Commission:

1) to demand required information from the administrative staff of the enterprise concerning operational obligations and the economic and financial state of the enterprise;

2) to involve technical experts in the work, if necessary;

indivisible units.

6. The work of the Privatization Commission is organized by its chairman, appointed by the Ministry of Agriculture (in a state enterprise) or elected by the meeting of founders (in an interfarm enterprise). He is responsible for the materials prepared by the Privatization Commission.

The chairman of the Privatization Commission has authority to annul a decision to stop implementation of the Privatization Commission decision; he must immediately notify the Commission members and individuals responsible for implementation, substantiating the illegality of the subject decision or that it will cause adverse consequences to the work of the Privatization Commission or to the privatization process of the national economy;

If the Privatization Commission within 3 days on a repeated review of the decision recognizes that the chairman's decision to stop the implementation is incorrect, it can take action to overturn the decision taken by the chairman.

7. The activity of the Privatization Commission, including remuneration of privatization Commission members, the invited experts and other expenses have to be financed by the state (in state enterprises); the sums allocated are determined by the Ministry of Agriculture. In interfarm enterprises they are financed by the founders, the allocations are determined by the general meeting of founders.

8. The Privatization Commission in state enterprises is reorganized or liquidated by an order of the Ministry of Agriculture according to the laws in effect but in interfarm enterprises - by a decision of the general meeting of founders.

The Privatization Commission is reorganized on the following occasions:

1) if the institution which has set up the Commission recognizes that the Commission staff is not able to fulfill the responsibilities assigned to it;

7

2) if in the activity of the Commission malevolent or covetous acts by its members are discovered.

The Privatization Commission is liquidated on the following occasions:

1) if the goal of the Privatization Commission is achieved;

2) if the institution which has set up the Privatization Commission recognizes that the goal of the Commission is not feasible.

The Privatization Commission, before it ceases to exist, reports to the institution which has formed it on the completed work.

The Management Board:

provides the Privatization Commission with requested conditions of work and all other necessary information;

develops and submits the privatization scheme for the unit to be privatized to the Privatization Commission;

directs the day-to-day operation of the enterprise and is responsible for all indivisible units until they are transferred or sold to successful claimants of property rights;

is responsible for the maintenance of state property being privatized until it is in the possession of the new owner;

is responsible for the losses if they are incurred to the recipients because information concerning operational obligations was not provided to them.

Article 8. Regulations governing privatization of property

1. Regulations for privatizing state property in an enterprise were developed for this purpose by the Privatization Commission of this enterprise and approved by Latvian Republic Ministry of Agriculture (for state enterprises) or the general assembly of farmers (for inter-farm enterprises).

Regulations should contain:

total value of property in the enterprise (conceptual price of the property);

information on the owners of the unit (enterprise) to be privatized, on the property owned by them in the unit before nationalization, except information on the owners of shares and stock;

contracts which claims must be made by legal owners, their heirs or persons entitled to property determined by the Law;

assets left under state (local government) ownership, their management, terms and ways of trading;

part of property transferred to pension trust; it cannot be less than determined by IR Council of Ministers;

part of assets to be sold for vouchers only; it cannot be less than determined by IR CM for this particular enterprise;

information on natural and legal persons leasing

and the lease contracts;

- division of property into indivisible units by organization and technology and specify the method of preparing inventory list for units to be privatized (Article 4);

- value of property to be privatized in the unit to be privatized;

- division of property into quotas according to the provisions of this Law;

- information on potential buyers - owners of quotas (according to provisions of Articles 10 and 11 of this Law);

- balance sheet of the previous year for the unit (enterprise);

- Privatization method (or several of them) according to the provisions of Article 2 of the Law "On the Order of Privatization for State and Municipal Enterprises";

Information on the approval of Regulations for Privatization and their availability must be published in district newspaper.

Article 9. Privatization scheme

1. Development of privatization scheme

9

1) privatization scheme is prepared by the management board of the enterprise to be privatized. Alternative privatization scheme can be prepared and submitted by any natural or legal person. Members of the Privatization Commission for the unit of property cannot develop the privatization scheme.

2) privatization scheme can be submitted within 3 months from the day when the information on approval of the privatization regulations for the enterprise was published in district newspaper. Privatization scheme is submitted to the privatization commission of the enterprise.

3) enterprise to be privatized and ministries have an obligation to give information necessary for the development of privatization scheme.

4) The privatization scheme should contain:

1) the name of ministry, committee, or the founders;

2) the name of unit (enterprise);

3) address of the unit;

4) total value of property in the enterprise (conceptual price of the property);

5) division of property into indivisible units by organization and technology, list of these units and

- 10) value, conceptual price of property;
- 11) value of property claimed by legal owners (except owners of shares and stock) or their heirs;
- 12) assets left under state (local government) ownership, their management, options for sale and dates;
- 13) part of assets allocated to pension trust;
- 14) assets sold for vouchers only;
- 15) division of property into quotas according to provisions of this law;
- 16) division of quotas among natural persons and legal entities according to the provisions of this law;
- 17) privatization method (or several of them);
- 18) means and ways of payment;
- 19) advantages for obtaining property;
- 20) information about potential buyers;

19

- 21) forms of entrepreneurial activity to be used for the privatized property;
- 22) changes concerning number of employees;
- 23) business plan;
- 24) suggested actions to improve business;
- 25) list of obligations transferred and additional obligations (credit, unemployment relief etc.);
- 26) implementation dates for privatization scheme according to steps;
- 27) comment on the distribution of remuneration if the privatization scheme is developed by more than one author;
- 28) Privatization scheme is approved by the Privatization Commission; the authors, a representative from the unit (enterprise) to be privatized and local government in the area of which the enterprise is located, participate in the meeting. The Privatization Commission approves the scheme or determines time frame for submitting the scheme within two months.

The Privatization Commission submits the approved scheme to IR MOA within 3 days. IR MOA has the right to stop the implementation of the scheme within a week; in this case it has to inform IR Ministry of Economic Reforms.

IR BRP has the right to cancel the scheme within 3 weeks.

alterations into the regulations on the privatization of property in the enterprise.

Article 10. Eligibility to Property Rights for State Property

1. According to the Regulations on property privatization in the enterprise the right to receive property being privatized is given to:

1) cooperative agricultural associations in the appropriate branch;

11

2) various forms of entrepreneurial activity formed by employees of the enterprise operating in accordance with the Law on that particular form of entrepreneurial activity if that sphere of operation was stipulated in its registration documents and and by its charter and is owned by the employees.

Forms of entrepreneurial activity participating in the privatization of unit (enterprise) can embrace all employees of the enterprise.

Former workers who have been employed by the enterprise for at least 5 years have equal rights to property as current employees if they:

- are retired from the enterprise;
- are currently pursuing studies on a scholarship;
- have been elected to a government post or promoted to an administrative position in an agroindustry enterprise or organization;
- are disabled from an accident suffered while at work in the enterprise (regardless of their term of service);
- other natural persons or their heirs who have made a significant contribution to the development of the enterprise as approved by:
- dismissed from work as the result of reduction of staff.

If these forms of entrepreneurial activity have signed lease agreements for the use of the unit being privatized or part of it at the moment when the Law goes into force they have priority rights over other entrepreneurial forms to obtain property in the unit being privatized.

3) local government or other natural or legal persons according to the legislation. In case property being privatized is not obtained by the above mentioned persons eligible to property rights;

4) in accordance with LR legislation natural or legal persons for the part of property sold by auction.

7) Property rights for the part remaining under state ownership are exercised by an individual authorized by a state institution.

Article 11. Privatization quotas

1. Assets of indivisible units are divided into quotas when privatizing the property of agricultural enterprises.

12

The quota is a norm or designated value representing the guaranteed maximum amount of capital available to recipients entering into ownership status.

Privatization quotas are calculated by the Privatization Commission according to the stipulations of this Law.

Article 12. Procedures for Determination of Privatization Quotas for State Enterprises

If the amount of services offered by unit indivisible by technology being privatized to agricultural producers in the district for the calendar year previous to the moment when the Law comes into effect is less than 50% of the services offered, the right to obtain this unit is given to entrepreneurial forms set up by employees of the enterprise.

If the amount of services offered by unit indivisible by technology being privatized to agricultural producers in the district is not less than 50% of the services offered by this unit, quota worth 50% of the total value of the assets for the unit is allocated to peasant agricultural associations linked by modes of operation with unit to be privatized, and quota worth 50% is allocated to the forms of entrepreneurial activity set up by employees of the unit.

Entrepreneurial forms set up by employees are those in which more than 50% of the basic capital is owned by employees of the enterprise or those with similar rights.

Quota allocated to peasant agricultural associations is divided for each peasant association in proportion with the amount of agricultural land owned by its members. If any of the associations declines the allocated quota, it is transferred to the forms of entrepreneurial activity.

Article 13. Procedures to Transfer Property Rights

1. Transfer of ownership rights to state property is by sale of assets (except in the case of illegally alienated property).

State property in an enterprise is considered privatized when all the indivisible units have been sold or delivered.

13

2. Privatizing property within the limits of determined quotas can be accomplished by granting advantages or special terms to receivers.

Article 14. Advantages for Receiving Property

On the recommendation of the Ministry of Agriculture the Latvia Republic Council of Ministers and the Latvian Republic State Bank can determine:

- 1) reasonable terms of purchase;
- 2) alternative credit arrangements.

The Privatization Commission is entitled to lease privatizable units with the right of future purchase, or can alternatively sell units under a delayed payment scheme. For such cases, the contract specifies the date up to which the profile of work in the enterprise must remain unchanged.

Article 15. Delivery of Property Units

1. Transfers of property to legal owners should be accompanied by a resolution from a state institution or court decision, and to new owners with a sales - purchase agreement.

2. Losses suffered by receivers of property because necessary information concerning obligations carried with the unit were not provided at the time of transfer can be recovered, through court action, from the persons responsible for withholding the information.

3. Property rights are transferred to successful claimants at the time the transfer agreement is signed, unless an alternate date is included in the document.

4. Proceeds from the sale of privatized state property must be deposited in the state Privatization Fund.

5. Further entrepreneurial activity with the received capital is determined by appropriate laws of Latvia Republic and normative bills in effect.

V. Guaranties in the Process of Privatization

Article 16. Assurance of Rights to Legal Owners and Their Heirs from Illegally Alienated Property

1. The Privatization Commission is required to restore inheritance rights to illegally alienated property in accordance

2. Disputes regarding illegally alienated property must be resolved through the courts.

Article 17. Procedure for Examination of Claims

1. To cover losses incurred to natural and legal persons claims resulting from illegal acts should be submitted to the Privatization Commission by letter. Such claims must be examined and acted upon within one month from the day it is received by the Privatization Commission.

2. If the claimant is not satisfied with the decision of the Privatization Commission he may file a court appeal.

3. Claims for acts committed while transferring property may be submitted to the Privatization Commission or the Ministry of Agriculture within a month from the day the transfer was concluded.

02.09.1992

On the list of dairy collecting and processing plants which can be transferred to dairy producers associations and companies during phase I.

In accordance with IR Council of Ministers Resolution from September 2, 1992:

1. IR Council of Ministers has approved a list of milk receiving stations and dairy processing plants which during phase I can be transferred into the ownership of renewed or newly formed producers associations and companies without compensation. At the time they are being transferred to producers associations they must be reorganized - separated from the central plant as independent units territorially and by technology.

2. To determine that the basis for transferring dairy plants mentioned in the list attached are:

2.1. for district dairy producers associations - formation of a network of pagast (or several pagasts) producers associations stipulated by the charter as the area of activity for the association;

2.2. proposals submitted by producers associations on the use of dairy plants during 2 or 3 years to ensure reception and processing of milk from the zone it provides services;

2.3. conformity of the charter with the Model Charter approved by IR Council of Ministers June 16, 1992

2.4. district agricultural department directors during one month organize informational meetings of producers and manufacturers to discuss the formation (or renewal) of dairy producers cooperative associations and transfer of processing plants to these associations.

District agricultural department director is responsible for the implementation of this order. (Article 2)

3. Implementation of this order is controlled by V. Atkains.

Minister	D. Gederis
The order is prepared by:	
Department of Agrarian Reform	I. Martinsone
Department of Cattle Production	A. Jakobsons
Coordinated with:	
Department of economics	L. Kala
Department of jurisdiction	A. Eiksne
Office	P. Ovdaks

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38.	Rīzoli krejotava	"	Gaiļiņos
39.	Loberīti krejotava	"	"
40.	Blāmes krejotava	"	"
41.	Kempis krejotava	"	"
42.	Trilīšas pienotava	"	"
43.	Īvelos krejotava	"	Trilīšas
44.	Ēņģos krejotava	"	"
45.	Galvas robe	"	"
46.	Ābeļu pienotava	"	"
47.	Jauktieņos krejotava	"	Alsvālni
48.	Kalnēmpis krejotava	"	"
49.	Ģaiļiņos pienotava	"	"
50.	Āpos krejotava	"	Ģaiļiņos
51.	Ēņģos krejotava	"	"
52.	Māļpos pienotava	"	"
53.	Beļās krejotava	"	Māļpos
54.	Āmas krejotava	"	"
55.	Jauktieņos krejotava	"	"
56.	Ģiņās krejotava	"	"
57.	Ģimbāni pienotava	"	"
58.	Ģūķos krejotava	"	Ģimbāni
59.	Ģadros krejotava	"	"
60.	Ģiņpos krejotava	"	"
61.	Galvanīzas robe	"	"
62.	Ģiņolīšu pienotava	Valsts Ģiņājas piens Kombināte	"
63.	Donīšas krejotava	"	Ģiņolīšu
64.	Valm pienotava	"	"
65.	Donīšas krejotava	"	"
66.	Ģirmīšas krejotava	"	Ģalsu
67.	Ģāles robe	"	"
68.	Kuldiņas pienotava	"	"
69.	Kābīles krejotava	"	Kuldiņas
70.	Ēdros krejotava	"	"
71.	Viļāni pienotava	Valsts Rūķiņos piens Kombināte	"
72.	Deiļoni krejotava	"	Viļāni
73.	Mallas pienotava	"	"
74.	Kamatas krejotava	"	Mallas
75.	Kruke krejotava	"	"
76.	Bārcālis krejotava	"	"
77.	Balvu pienotava	"	"
78.	Lardakalna krejotava	"	Balvu
79.	Ģilās krejotava	"	"
80.	Buģīti krejotava	"	"
81.	Viļakas pienotava	"	"
82.	Šiļbūni krejotava	"	Viļakas
83.	Ludzas pienotava	"	"
84.	Malnavas krejotava	"	Ludzas
85.	Konņpols krejotava	"	"
86.	Zilpos krejotava	"	"
87.	Jauktieņos	"	"

549

1	2	3	4
	plēnolava	"	
90.	Elēna kreiļotava	"	Jauris elēna
91.	Elēna kreiļotava	"	"
92.	Elēna kreiļotava	"	"
93.	Elēna kreiļotava	"	"
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125.	Elēna kreiļotava	"	"
126.	Elēna kreiļotava	"	"
127.	Elēna kreiļotava	"	"
128.	Elēna kreiļotava	"	"
129.	Elēna kreiļotava	"	"
130.	Elēna kreiļotava	"	"
131.	Elēna kreiļotava	"	"

1	2	3	4
132.	Āuškalnes krejotava	..	
133.	Zajnieku krejotava	..	
134.	Tukuma piena kombināts	Latvijas Republikas Lauksaimniecības ministrija	
135.	Jampilsa pienotava	Valsts Tukuma piena kombināts	
136.	Kandavas pienotava	..	
137.	Bauskas piena kombināts	Piena ražotāju sa- biedrība "Bauskas piens"	
138.	Stelpes pienotava	..	
139.	Leņķavas pienotava	..	
140.	Alskraukles pienotava	Kāju sabiedrība "Koknesis"	
141.	Rīteru krejotava	..	Alskraukles
142.	Krejotava "Rītes"	..	..
143.	Neretlas plētotava	..	
144.	Zāles cebs	..	Neretlas
145.	Saldus pienotava	Āgrāfirmas "Nīgrande"	
146.	Leņķes krejotava	..	Saldus
147.	Pampāļu krejotava	..	..
148.	Jānuvietas krejotava	..	..
149.	Holderes krejotava	..	..
150.	Līkumpēnu krejotava	..	..
151.	Lutriņu krejotava	..	..
152.	Ventpils pienotava	SIA "Ventpils"	
153.	Uāles cebs	..	Ventpils
154.	Užavas krejotava	..	..
155.	Popes krejotava	..	..
156.	Sakas krejotava	Valsts Alzputes sausā vājpiena ražotava	
157.	Skrundas krejotava	..	

Piezīme: sarakstā uzrādītajās ražotnēs ietilpst arī to zonā esošie stacionārie piena piegāšanas punkti.

THE REPUBLIC OF LATVIA
LAW

ON INDUSTRY AND BANKRUPTCY OF ENTERPRISES AND
ENTREPRENEURIAL COMPANIES.

Chapter I
General Regulations

Terms used in the law:

Insolvency - inability of the enterprise to pay its debts acknowledged by the owner of the enterprise or established by court in the order stipulated by this law.

Bankruptcy - a forceful expropriation or liquidation for the purpose of acquisition of resources to satisfy the lawful claims of creditors.

? Convalescence - activities aimed at the prevention of a possible bankruptcy of an insolvent enterprise, e.g. reorganization of the enterprise, change of structure of production or profits, loans, issue of warrants etc. performed by the owner or other natural person or legal entity.

Meeting of creditors - a form of joint activities of creditors of an insolvent bankrupt enterprise. If only one creditor attends to the insolvency case he alone performs the functions of the meeting of creditors.

Administrative body of creditors - a governing institution to control the enterprise for the purpose of satisfying of their property claims.

Competition for the property of the enterprise - in this law it means auction of the enterprise property .

Competition of the ? convalescence //san_cija// activities - according to Article 15 of this law - selection of the most effective program from the programs of a number of candidates.

Competition object - property of the enterprise subject to exempt in order or to satisfy the property claims of creditors.

Competition Board - an institution elected by the creditors to control the object of competition

Malevolent bankrupt - has the following indications:

- the debtor has not notified the court about the insolvency;
- the debtor has prevented the complete and impartial examination of the insolvency case: if he has hidden the accounts or other documents or material values, avoided to participate in the examination of insolvency case, presented forged liabilities;
- it has been established in the examination of the case that the debtor has deliberately made the enterprise insolvent in order to avoid paying debts or default (discharge liabilities).

Article 1. RELATIONS STIPULATED BY THIS LAW.

This law stipulates:

- 1) the order according to which an enterprise is considered, insolvent and the sequence of activities carried out to make the enterprise function, or the order

according to which an enterprise is considered bankrupt;

2) the order in which the creditors claims are satisfied.

With regard to banks, other credit institutions and insurance companies this law is applicable taking into consideration specific features stipulated in a special law.

Article 2. BASIS TO CONSIDER THE ENTERPRISE INSOLVENT.

The enterprise is considered insolvent, if it is not able to meet financial obligations of creditors in the dates fixed in contracts in the amount not less than 50 percent of the statutory fund for entrepreneurial activity furthermore creditor institutions refuse to grant credits and it is not possible to acquire resources by means of mortgage on the real estate of the enterprise, or if the enterprise is insolvent according to the conditions stipulated in Article 3 .

Article 3. INSOLVENCY INDICATIONS.

Insolvency is declared:

- 1) if the debtor in connection with the petition or irrespective of it acknowledges to court, one or more creditors that his property is not sufficient to cover refund of all his debts;
- 2) if in case of / exemption/ exaction it turns out that the property is not sufficient to cover all his debts. court acknowledges the petitions confirmed with documents to be valid. Creditors can bring petitions to court irrespective of the termination of the period of settlement of liabilities;
- 3) if the debtor having not settled orderly his obligations performs activities that cause real doubt about the possibility to recover the debt, e.g. if he is missing or alienates his property on a broad scale.

Article 4. JURISDICTION OF INSOLVENCY CASES.

Cases of insolvency are examined by court on the basis of the stipulations of this law. The court brings action against a private enterprise if the sum of the petition exceeds 1000 rubles, or an entrepreneurial company - 10 000 rubles.

Chapter II

ORDER IN WHICH THE ENTERPRISE IS DECLARED INSOLVENT.

Article 5. A CASE OF THE INSOLVENCY BROUGHT TO COURT.

The case can be presented to court either after application of the enterprise or creditors (group of creditors).

Article 6. PREPARATION OF CASES FOR COURTS.

If the court recognizes case valid to initiate the case the court immediately , simultaneously with routine procedures, completes the following actions:

- 1) warns the debtor:
 - a) that his obligations to inform the court in case he is going to change his personal or legal entity address,
 - b) that his not appearance in the court by invitation from Competition Board, auditor or administrator, or refusal to submit necessary explanations will not be considered as an obstacle for declaring him insolvent;
- 2) reports to credit institutions, that a case of insolvency has been brought to court, reports the amount of liabilities and requires for information about financial situation of the enterprise;
- 3) informs all known creditors and state // sanacija// institution that case of insolvency has been brought to court ;
- 4) appoints the auditor for preparing insolvency balance sheet for the enterprise, list of movable and immovable property , liabilities of the enterprise;
- 5) stops payments of liabilities for the last three months, that were not paid.

Article 7. DECLARING THE ENTERPRISE BANKRUPT OR INSOLVENT.

During investigation of the insolvency the court inspects:

- possibility to come to agreement between creditor and debtor;
- possibilities to start ? convalescence ??sanacija??;
- possibilities to establish administrative body of creditors.

Then the court makes a statement.

In case the court considers ? convalescence ??sanacija?? of the enterprise possible , it states duration of ? convalescence ??sanacija?? and stops the court actions for that period.

In case the court ascertains that the property of the enterprise is not sufficient for covering the costs of all announced and certified debts and there is no possibilities of agreement or ? convalescence??sanacija ?? of the enterprise ,or establishment of the administrative body of creditors then the enterprise is declared bankrupt and the auction of the enterprise property is announced.

In the sentence court can state the presence of malevolent bankruptcy.

Article 8. ANNOUNCEMENT OF INSOLVENCY AND ESTABLISHMENT OF ADMINISTRATIVE BODY OF CREDITORS.

The court makes announcements about insolvency or establishment of administrative body of creditors (article 11.-14.) in the official editions and local newspapers ,informs municipalities and the Enterprise register office that has registered the enterprise.

Claims of creditors should be submitted within three month from the time of announcement in the newspapers.

Article 9. Managing the enterprise prior to establishment of competition board or administrative body of creditors.

Prior to foundation of competition board or administrative body of creditors the property of the enterprise (in case of bankruptcy - only object of competition (article 19. and 20.) is administered by the administrator appointed by the court who is obliged to :

1. Administer the enterprise until the meeting of creditors takes place, not allowing to spoil, waste or dissipation the property of the enterprise ;
2. To inform all creditors of the enterprise and to appoint meeting of creditors not later than within two weeks since auction competition of the enterprise.
3. To proceed with preparation of balance sheet, that should include also statement of property of the enterprise - i.e. is it a common property and possibility to sell part of property without interrupting business activities.
4. ask for decision from state or municipal authorities on further steps concerning the property if the enterprise possesses, uses or administrants the property that according to legislation belongs to state or municipal authorities.

Administrator is responsible to the court and meeting of creditors. Administrator has rights to alienate the property before the announcement of creditors' meeting if the goal of his action is to satisfy the interests of creditors.

Article 10. MEETING OF CREDITORS.

The competence of meeting of creditors:

1. to study the report of appointed administrator about execution of his duties, confirm his appointment for further acting on behalf of creditors interests or request the court to appoint another administrator within two weeks;
2. Elect chairman of creditor meeting and board of competition that acts as deputy of administrator appointed by court. If the person is not selected from creditors his written consent is needed;
3. confirm the reports by administrator and board of competition about their role in administering the enterprise. In case there are malicious acts (ill-intended acts) the meeting reports to the court.

1. the goal of administration has been reached;
2. the meeting of creditors decides that the goal is unrealistic;
3. if debtor has acted maliciously against the interests of creditors.

If the goal of administration has not been reached the meeting of creditors can apply to court to start process on insolvency.

Chapter IV

CONVALESCENCE //sanacija// of enterprise.

Article 15. ACTIVITIES OF ? convalescence??//sanacijas// APPLICATION TO THE INSOLVENT ENTERPRISE.

If in the process of insolvency the agreement has not been reached and decision on establishing the administration of creditors has not been passed, the court asks for owners opinion about necessity or usefulness of //sanacija // .

The owner of the enterprise (state, municipality, private enterprise) in time mentioned by court are to announce his opinion and if the //sanacija// is chosen then submit program of //sanacija// to the court.

The owner can propose the announcement of competition for the //sanacijas// programme. In the competition the owner, employees of the enterprise, creditors, other enterprises or natural persons.

Term of competition - one month since publication of advertisement.

Within 10 days after competition the court decides about implementation of the //sanacijas// programme proposed by the owner or programme that has won the competition or rejects the proposed programme of //sanacija//.

The //sanacija// programme are to meet the demands of the creditors on the same conditions as the liquidation of the enterprise.

Article 16. PROCESS OF //sanacija//

Period of //sanacija// cannot last more than 18 months, for agricultural enterprises - two years.

The application requesting prolongation of the //sanacija// can be submitted by participants with approval from creditors for period of six months.

In a year from the beginning of //sanacija// amount not less than 40 % of creditor claim has to be covered .

Repayment of debt in case of //sanacija // is to be carried out the same way as in case of competition.

If these conditions are not observed court can decide about halting the //sanacija// if there is a request from creditors.

The implementation of //sanacija// procedure in state and municipal enterprises is determined by municipality or Council of Ministers.

Chapter V.

AGREEMENT IN CASE OF INSOLVENCY.

Article 17. Agreement peculiarities in case of insolvency.

The agreement in case of insolvency can be agreed upon any time prior to actual distribution of the enterprise property.

The agreement can be reached if not less than two thirds of creditors holding not less than three fourth of the debt agrees to that.

Article 18. Cases when agreement is not allowed.

Agreement is not allowed if there exist indications about malevolent bankrupt.

Agreement is not allowed in cases concerning claims of alimonies, taxes or other budget payments, claims by state insurance institutions concerning compulsory insurance.

If in the concluding agreement the demands of this article are not observed court does not approve the agreement.

Every creditor who is bound by the agreement has the right to request the court to cancel the part of agreement that directly effects him.

The agreement is not valid if it is concluded using any dependance on part of the other party in the interests of the first party.

Chapter VI

Procedure of competition for acquisition of an enterprise's property.

Article 19. Competition board.

Competition board under the guidance of an administrator acts with the part of an enterprise property designed for competition with the aim to repay creditors' claims. Competition board is responsible to court and meeting of creditors.

Competition Board takes over obligations of debtor arising from contracts with the staff of the enterprise.

The competition board has the right to proclaim invalid the transactions of the debtor concluded with third parties or to the benefit of third parties during the year preceding the insolvency announcement and that have incurred losses to its creditors.

Article 20. Administration of an enterprise if it has been impossible to elect the competition board.

If the number of creditors is less than three, court can appoint the administrator with duties of the competition board. Creditors have the right to request the court to change the appointed administrator.

Article 21. Property to constitute the competition scope.

The competition scope comprises all the property of an enterprise subject to recovery according to legislative acts and to the respective kind of entrepreneurial activity, including property that is added to the competition scope following claims made by its organizers and property that has failed to come at the disposal of the enterprise and regarding which there is a court decision in favour of the enterprise.

Signed but fully unpaid stocks belonging to stockholders of insolvent joint stock companies or other chartered companies or parts of these stocks shall be added to the competition scope and valued at their nominal value, levy of these amounts can not take place before the expiration of the time limit for full payment of stocks or shares as required by the charters of the respective company.

Article 22. Property not to constitute the competition scope.

The competition scope does not comprise:

1. Property of an enterprise not subject to recovery in accordance with the law;
2. revenues of the enterprise received at the time of the competition as a result of activities with property outside the competition scope;
3. property removed from the authority of the civil law.

Property to which civil law is applied with restrictions in accordance with the law can be included in the scope of competition on the basis of an instruction from a competent state authority.

Article 23. Transition of liabilities of an enterprise to the competition scope.

Liabilities of an enterprise are transferred to the competition scope if the competition board or the creditors' administration have not refused to execute them.

Delegation of a debtors' liabilities to the creditors does not free him from

his liability to settle his debts with property obtained as a result of competition concerning creditors whose claims have not been fully satisfied at the competition.

Third parties who have contracted with the debtor may request the court to fix a time limit for the competition board or the creditors' administration to make an announcement as to whether or not it agrees to perform under contracts made by the debtor.

All activity with property within the competition scope carried out by the debtor after an insolvency claim has been raised is to be declared void as regards the debtors' creditors, but being binding as regards the debtor and third parties.

Article 24. Claims of third parties and announcements regarding the scope of the competition.

Claims of third parties concerning omission of property from competition scope or announcements concerning objects belonging to the enterprise at the disposal of these three parties shall be submitted to court within three months since the day the enterprise has been declared insolvent.

Article 25. Registration of the creditors' claims.

Creditors' claims regarding property in the competition scope shall be submitted to the competition board within three months since the day the enterprise has been declared insolvent.

Before the registration of the claims the competition board verifies whether they formally meet the demands of legislative acts and arranges them in the order appointed by legislative acts.

All creditors of the enterprise are in right to get acquainted with the advanced claims.

Claims submitted after the appointed time limit shall be settled with property left over after settlement of all timely submitted claims.

Article 26. Examination of creditors' demands.

No less than two weeks after expiration of the time limit for submitting claims the competition board calls creditors to a meeting to examine presented claims.

The submitted claims are examined by creditors at the order of registration and solve the issue concerning settlement of each claim by vote.

If the presented claims are not declined by the meeting, they shall be considered recognized by the creditors and settled amicably from the property from the competition scope.

The recognized claims shall be written in a register, binding to all the participants of the competition and cannot be appealed.

The validity of the declined claims are to be examined by court on the basis of an application from a creditor having interest with the time limit for submission two weeks since the date the application has been declined.

Article 27. Right of vote of a creditor whose claim has been declined.

A creditor whose claim has been declined preserves his vote at the creditors' meeting till final settlement of the dispute at court.

Article 28. Distribution of the value of the competition scope.

Revenues from sells of competition scope after deduction of expenses for the bankruptcy procedures shall be distributed between the creditors following order appointed by legislative acts and on the basis of the decisions of the competition board authorized by the creditors' meeting.

Article 29. Termination of court action in a bankruptcy case.

Court action in a bankruptcy case is terminated by a decision of court.

Chapter VII

Protection of the debtors' , creditors' and other persons' rights in cases of insolvency.

Article 30. Procedures of appeal concerning the activities and decisions of enterprise administrators.

Claims concerning the activities and decisions of administrators, the competition board and the creditors' meeting shall be brought to court according to general procedures.

Submittal of an appeal claim does not stop the execution of the respective decision.

Chairman of the Supreme Council
of the Republic of Latvia

Secretary of the Supreme Council
of the Republic of Latvia

Draft: 28/07/92	Revised draft: 20/10/92
Transl: 2/09/92	Translation 21/10/92
Revised Draft: 14/9/92	Revised draft: 28/10/92
Translation: 16/9/92	Translation: 4/11/92
Revised Draft: 9/10/92	Revised draft: 1/12/93
Translation: 19/10/92	Translation: 3/2/93

LAW OF THE REPUBLIC OF LATVIA

**On Privatization of State Dairy
Processing Enterprises**

Terms used in the law

Dairy processing enterprise - an independent enterprise dealing with processing of milk produced by agricultural enterprises, preparation of dairy products for sale and their storage.

Company - in this law it stands for joint-stock companies, share companies, cooperative companies, as well as companies with limited liability.

Part or assets in the ownership of various types of companies (stock, shares, asset shares).

Individual share assignment - assignment of assets, which are transferred to the milk producers cooperative associations without any compensation, to the members of these associations.

Privatized unit - state dairy processing enterprise, group of such enterprises or former state dairy processing enterprise, which according to the decision or resolution of state administrative institution was transferred to other legal person by April 15, 1992.

Individually assigned unit - state milk collecting and processing enterprise, which is transferred to milk producers cooperative associations in accordance with the Republic of Latvia Supreme Council law of April 15, 1992 "On the Privatization of Milk Collecting and Processing Enterprises".

Suppliers of milk and its products - in this law units to be privatized according to this law which in 1991 and 1992 delivered milk and milk products to other units to be privatized according to this law.

I General Regulations

Article 1 Functioning and objectives of the law

According with chapters 2, 3 and 4 of this law the following units are intended to be privatized:

- 1) State enterprises mentioned in part 4 of the Republic of Latvia Supreme Council's resolution of April 15, 1992 "On the Privatization of Milk Collecting and Processing Enterprises";
- 2) all state dairy processing enterprises, which are not claimed by milk producers cooperative associations within two months from the moment this law comes into effect, fulfilling the Republic of Latvia Supreme Council resolution of April 15, 1992 "On the Privatization of Milk Collecting and Processing Enterprises" and which are not transferred to these milk producers cooperative associations within six months from the moment this law comes into effect because these companies haven't carried out all functions determined by the ownership transfer documents;
- 3) former state dairy processing enterprises, which according to the decisions or resolutions of state administrative institutions were transferred to other legal persons as of April 15, 1992, except those milk collecting and processing units which are determined by the Ministry of Agriculture, and, according to the resolution mentioned in this Article, transferred to milk producers cooperative associations without any compensation;

According to the conditions mentioned in Chapter 5 of this law the assets of those milk collecting and processing enterprises are individually assigned which according to the resolution mentioned in this Article are transferred to milk producers cooperative associations.

This law does not apply to those state enterprises defined by the Republic of Latvia Council of Ministers resolution, which are fulfilling the functions of state reserve storage. Council of Ministers shall adopt this resolution within two weeks from the moment this law comes into effect.

Article 2 Legal basis for privatization of dairy processing enterprises

This Law serves as the legal basis for privatization of state owned dairy processing plants, as does the

Republic of Latvia Supreme Council resolution of April 15, 1992 "On the privatization of milk collecting and processing enterprises". Questions connected with the privatization of dairy processing enterprises not covered by this Law or above mentioned resolution are resolved according to the other Republic of Latvia legislative bills.

II Privatization Procedure and Institutions

Article 3 Procedure of privatization

The process of dairy processing enterprises' privatization includes:

- 1) formation of privatization commissions -- within a month from the moment this law comes into effect;
- 2) establishment of milk producers cooperative associations in pagasts -- within two months from the moment this law comes into effect;
- 3) valuation of the unit to be privatized -- within six weeks after privatization commissions are approved;
- 4) development of privatization scheme -- within two months after privatization commissions are approved;
- 5) approval of privatization scheme -- within a month from the moment a scheme is handed in;
- 6) preparation of a draft prospectus of the company to be formed -- within two weeks after the privatization scheme is approved;
- 7) preparation of a draft charter and other necessary documents -- within two months after the privatization scheme is approved;
- 8) ^{signing} ~~assigning~~ for ^{shares} ~~assets~~ of the unit to be privatized -
- within two months after the assigning is announced;
- 9) taking possession of the assets -- in the terms determined by the privatization scheme;
- 10) calling of the foundation meeting -- within three months after the privatization scheme is approved;
- 11) registration of the company;
- 12) transfer of all documents -- not later than in two weeks from the day the company is registered.

privatized. The calling of the conference is coordinated by the MOA or the regional agriculture department.

The Privatization commission may involve experts in its work who have advisory rights.

To carry out separate functions the privatization commission may form sub-commissions.

The privatization commission of each unit to be privatized is approved by the MOA. It shall be done within a month from the moment this law comes into effect.

The chairman of the Privatization Commission shall ensure the process of privatization in accordance with regulations set up by this Law, and is responsible that it follows procedures determined by the legislation.

Information about the composition of the Privatization Commission shall be published in the press of that region in which the unit to be privatized operates.

Article 6 Functions of the Privatization Commission

Value the property of the unit to be privatized according to Article 16 of this law, within six weeks from the moment the Privatization Commission is approved.

Prepare or organize a competition to prepare a privatization scheme according to Article 13 of this law, within two months from the moment privatization commission is approved, and submits it for approval to the Latvian Republic Ministry of Agriculture.

After approval of the scheme, the Privatization Commission carries out implementation activities:

- 1) prepare, within two weeks, a founding prospectus for the company according to Article 14 of this Law;
- 2) within two weeks inform staff of the enterprise to be privatized, milk producers cooperative associations, pagasts located in the zone and others about the amount of asset shares distributed to them and existing conditions;
- 3) prepare, within two months, the draft charter and other required founding documents of the company to be formed, according to Article 15 of this Law;
- 4) open an account in the bank for capital deposits

**Article 4 Functions of the administrative staff
of the unit to be privatized in the
privatization process of this unit**

The administrative staff of the unit to be privatized manages the operation of the unit, according to the normative documents, it is responsible for the maintenance of property and represents it when dealing with the state and other physical or legal persons.

The administrative staff is responsible for providing the Privatization Commission with the necessary information during privatization and to cover the expenditures of privatization process.

The responsibility and activity of the administrative staff of the unit to be privatized terminates when the transfer act is signed with the newly elected executive institution. This must be done within two weeks from the day the company is registered.

**Article 5 Privatization Commissions, their
composition and procedure of formation**

Privatization process is organized and managed by Privatization Commissions acting according to this Law and the Republic of Latvia Law 'On the Privatization Commissions of State and Municipal Property' issued on March 17, 1992 Articles 7,8 and 9.

The Privatization Commission includes :

- 1) a MOA expert as authorized by the state; he is chairman of the Commission;
- 2) the manager of the unit to be privatized;
- 3) the manager of the accounting and economic department of the unit to be privatized;
- 4) a non-management representative elected at the meeting of employees of the unit to be privatized;
- 5) a representative of the local government territory of which is covered by the enterprise's to be privatized services;
- 6) not less than 6 representatives of the appropriate dairy producer cooperative associations in the area of plant operations, or representatives elected by pagast milk producers if the former have not been set up. Representatives are elected at a conference of the existing associations or milk producers meetings situated in the area served by the unit to be

privatization of dairy processing enterprises;

6) within a month after submission, considers and approves privatization schemes ensuring their conformity to this law; informs privatization commissions about unconformities found.

Article 8 Functions of pagasts in the process of dairy processing enterprises privatization.

If there is no milk producers cooperative association in a pagast or if the territory of a pagast is not covered by the operations of any milk producers cooperative association, the board of pagasts:

1) within 15 days from the moment this law comes into effect ensure the nomination of pagasts representatives to the enterprises' privatization commissions at pagasts meetings of milk producers and inform the regional agricultural department of nominees selected;

2) within two months from the moment this law comes into effect ensure the establishment of pagasts milk producers cooperative association.

Article 9 Privatization meeting

Eligible participants in privatization meeting are:

1) natural and legal persons who, according to Article 21 of this law, have signed for the assets of the enterprise to be privatized and have paid for them or persons authorized by them.

2) authorized representatives of those units to be privatized for which capital assets are reserved for milk supplied;

3) persons who according to privatization scheme retained their rights to the part of capital assets of the unit to be privatized or receive them without any compensation, or their authorized representatives;

Capital assets reserved for other units to be privatized for the milk supplied in the privatization meeting are represented by:

1) person authorized by the company, if the company is already established on the basis of the unit to be privatized;

2) person authorized by the privatization commission if the company is not established yet on the basis of the unit to be privatized.

and organizes payment process;

- 5) organize signing for the assets of the company, according to Article 20 and 21 of this Law;
- 6) call the foundation meeting of the company;

The Privatization Commission terminates its activities when the newly established company is registered at the Republic of Latvia Register of Enterprises and when document transfer statement is signed by the privatization commission and executive institution of the company. This statement shall be signed just after the signing of business transfer statement.

Article 7 Functions of the Ministry of Agriculture in the process of dairy processing enterprises privatization

The Ministry of Agriculture is the institution responsible for the privatization of dairy processing enterprises and is the organizer and coordinator of this process.

To ensure the process for privatizing dairy processing enterprises, the MOA:

- 1) appoints, in the name of the state, a representative to the Privatization Commission of the unit. This representative is a MOA specialist. He serves as the chairman of the Privatization Commission;
- 2) within a month from the moment this law comes into effect in the former state dairy processing enterprises which according to the decisions or resolutions of state administrative institutions were transferred to other legal persons by April 15, 1992 determines the asset share retained by these legal persons in accordance with the conditions mentioned in Article 17 point 3 of this law;
- 3) if necessary, within a month from the moment this law comes into effect prepares the justification for the capital assets retained by the state in the units to be privatized according to the capital assets distribution set up in Article 17 of this law and it is obligatory for the enterprise Privatization Commission;
- 4) coordinates the distribution of the capital of the companies to be formed among separate units to be privatized corresponding to the amount of mutually supplied milk according to the conditions mentioned in Articles 16 and 18 of this law;
- 5) considers questions of conflict connected with the

Each participant of the meeting shall represent (himself or through proxies) not less than 2% of the basic capital of the company identified in the privatization scheme. Each milk producers cooperative association has a right to participate at the privatization meeting if it has signed for the capital assets of the unit to be privatized and has paid for them in the procedure determined by the privatization scheme. If a person has signed for more than 2% of capital assets, it can send proportionally more authorized representatives.

The meeting is competent if it is announced in district newspapers not less than 15 days before it takes place and if the representation at such announced meeting corresponds with the founding conditions of statutory company envisaged by the privatization scheme. If privatization scheme envisages foundation of a cooperative company or their association, the meeting is competent if not less than a half of persons mentioned in the first part of this Article are represented.

If the announced meeting is not competent due to lack of a capital represented, within a month another meeting shall be called using the same procedure, which is competent if not less than a half of the basic capital is represented. This condition does not apply to cooperative companies and their associations.

Privatization meeting:

- 1) considers the report of the Privatization Commission on its work;
- 2) discusses and approves the draft charter of the company to be formed prepared by the Privatization Commission. Decision on that issue is adopted by a simple majority vote according to the assets owned. Establishing the cooperative company or their association, the decision on this issue is adopted in the procedure determined by the Republic of Latvia law of August 6, 1991 "On Cooperative companies";
- 3) elects management institutions of the company according to the procedure determined by the charter and decides about other issues concerning operation of the company.

Article 10 Registration of the company

The registration of the company formed on the basis of privatized dairy processing enterprise is carried out according to the procedure determined by the Republic of Latvia law of November 20, 1990 "On the registration

of state enterprises".

To register the company the following documents shall be submitted:

- 1) registration application;
- 2) charter signed by elected members of executive institutions of the company, chairman of the meeting and secretary;
- 3) list of capital assets owners;
- 4) a copy of the minutes of company's foundation meeting;
- 5) documents proving payments and investments concerning the foundation and registration of the company.

Article 11 Property and liabilities of the unit to be privatized

State enterprise ceases to exist at the moment when business transfer statement is signed, and its rights and liabilities are taken over by the company.

After the registration of the company and business transfer statement signing all property of the privatized unit to the company, except denationalized property and property which shall be returned to its legal owners, as well as dwelling houses and apartments which shall be taken over by the local governments and later privatized in accordance with a special law.

Company shall fulfil the liabilities of the privatized unit in the procedure determined by the Republic of Latvia legislation.

Article 12 Settlement of disputes

The Privatization Commission of the unit examines complaints on the conformity of assets distribution with this law, as well as questions of conflict connected with the privatization of the unit. If agreement is not reached the issues are reviewed by the Ministry of Agriculture. If agreement is not reached there, the question is considered in court after the request of person interested in that.

- 4) conditions, procedure and payment schedule for assets and discounts for share purchases;
- 5) type, name, location, objectives of operation of the company to be formed, address, phone number and time for visitors of the Privatization commission;
- 6) management structure of the company to be formed, and the procedures of its formation;

The prospectus of the unit to be formed must be published in a newspaper of that region.

Article 15 Charter of the company

Charter of the company to be formed shall include the requirements of this law and it shall be elaborated in accordance with the Republic of Latvia law on the chosen type of company. In the charter of the company the following shall be envisaged:

- 1) that the company is an open entity for milk producers cooperative associations;
- 2) One authorized representative of the MOA shall be included into the Board of the company, but in joint-stock companies also in the council of share-holders, it is not obligatory for him to be the member of this company, but has the same rights as the members of these institutions;
- 3) that all dairy producers cooperative company *ies* operating in the area served by the privatized unit have the right to invest in to the company the dairy processing enterprises owned by this cooperative company in the form of tangible investment within two years from the day the newly formed company is registered. In this case the basic capital of the company and number of asset shares shall be increased by the value of invested assets, granting these shares to the dairy producers cooperative association. Other forms of joining the company may be envisaged by the charter;
- 4) rights of dairy producers cooperative association to form the union of cooperative associations investing the capital shares of the privatized unit owned by the association. The association of the cooperative association becomes the member of the company;
- 5) possibilities for involving into the company other local and foreign investors or formation of various forms of joint ventures with them.

**III DOCUMENTS FOR PRIVATIZATION OF DAIRY PROCESSING
ENTERPRISES**

Article 13 Privatization scheme

The privatization scheme shall include:

- 1) name of the unit;
- 2) information about its location;
- 3) a balance sheet of the previous operational year of the unit, analysis and evaluation of its economic and financial operations during the last three years;
- 4) inventory list of the enterprise including its determined value;
- 5) characteristics and justification of the chosen type of the company, prospective business plan and structure;
- 6) distribution of assets according to Article 17 of this Law;
- 7) regulations concerning sale of assets (dates, discounts, means of payment) worked out in accordance with Articles 18, 19 and 20 of this law;
- 8) list of the obligations to be transferred to the company to be formed according to their status at the moment this law comes into effect;
- 9) implementation dates for the privatization scheme and its phases.

Prepared privatization scheme is approved by the Ministry of Agriculture, and only the Ministry has a right to make amendments in the approved privatization scheme.

**Article 14 Prospectus of the statutory company
to be formed**

The prospectus of the company to be formed shall include the following information:

- 1) name and structure of the unit to be privatized, its capacity;
- 2) amount of the basic capital, number of asset shares and their nominal value;
- 3) distribution of assets;

**IV THE PROCEDURE OF THE VALUATION AND PURCHASE
OF THE UNIT TO BE PRIVATIZED**

**Article 16 Valuation of the unit's to be privatized
assets and determination of company's
basic capital**

The unit to be privatized is valued in accordance with the conditions determined by the Republic of Latvia Supreme Council resolution of April 15, 1992 "On the Privatization of Dairy Collecting and Processing Enterprises". The value of assets to be denationalized and returned to their legal owners according to the Republic of Latvia laws, as well as the value of dwelling houses and apartments is not included into the determined value of the unit.

The sum of such determined value of the unit and capital shares owned in other units to be privatized according to Article 18 of this law forms the basic capital of company to be formed.

**Article 17 The distribution and determination of the
basic capital**

The distribution of the basic capital is a part of the privatization scheme and it determines which capital shares of the unit to be privatized may be obtained by various groups of persons.

The following groups of persons have the right to obtain the capital shares of the unit to privatized:

- 1) milk producers and milk and milk products suppliers - not less than 70% of the basic capital;
- 2) Employees of the units to be privatized - not more than 10% of the basic capital;
- 3) other persons, as well as for the redistribution of the assets of the unit to be privatized assets - not more than 20% of the basic capital.

Regarding those units transferred to other legal persons mentioned in Article 1, part 1, point 3 of this law, the MOA, within a month from the moment this law comes into effect determines the capital share to be retained by these persons corresponding to the assets these persons have invested valued in comparative prices, taking into consideration the use of profit gained from these units during the period of time that the unit was managed by the above mentioned legal persons. The other part of the basic capital in these units to be privatized is distributed according to the conditions determined by the part 2 of this Article.

Article 22 Use of the funds obtained

Funds obtained during the sale of the unit's ~~asset~~ shares shall be transferred to these companies owning assets in the unit to be privatized corresponding to the amount of assets they own in the unit to be privatized.

Other funds obtained during the sale of asset shares are transferred to the special production development fund of the company to be formed, which is used only for the reconstruction and development of company's production basis.

V INDIVIDUAL ASSIGNMENT OF SHARES REGAINED BY DAIRY COOPERATIVE ASSOCIATIONS AND GUARANTEES OF STABILITY FOR THE PRIVATIZATION PROCESS

Article 23 Distribution of assets regained by dairy cooperative associations without any compensation

If the serving area of the unit regained by the dairy cooperative associations without compensation according to the Republic of Latvia Supreme Council resolution of April 15, 1992 "On the Privatization of Milk Collecting and Processing Enterprises" covers the operational zones of several pagasts dairy cooperative associations, then the dairy cooperative association of these pagasts or the union of these associations shall be formed on the basis of this unit, determining asset distribution according to the conditions of Article 18 of this law.

Article 24 Individual assignment of assets regained by dairy cooperative associations without compensation

Dairy cooperative associations on the territory of which the dairy associations existed prior to the nationalization of 1940 and the former share-holders or they heirs have claimed for their shares in accordance with the conditions determined by this chapter and have proved validity of their claims, shall grant to these persons without compensation the same number of shares they owned in that dairy association before the nationalization of 1940. Losses caused by granting the shares without compensation and admitting the former share owners or their heir as the members of dairy cooperative associations, shall be covered by the revenues of company's activities.

Dairy cooperative associations which according with the mentioned resolution gained state dairy collecting and processing enterprises without compensation shall

**Article 18 Distribution of the basic capital
 among milk producers and milk and
 milk products suppliers**

Capital assets shall be distributed among milk producers and milk and milk products suppliers proportionally to the milk amount they have delivered for processing to the unit to be privatized during years 1991 and 1992. The mutual milk and milk products deliveries (converted into conceptual milk) among units to be privatized are erased and the amount of basic capital to be reserved is determined only considering the difference in the amount of mutual deliveries.

~~Asset~~ Shares of the unit to be privatized distributed to milk producers in the privatization scheme shall be divided among dairy producers cooperative associations according to the milk amount delivered by the producers of the pagasts served by these associations.

Asset shares distributed for milk and milk products supplies shall be included into the value of the basic capital.

**Article 19 Assets to be distributed to the
 employees of the dairy processing
 enterprise**

Asset distribution to employees of the unit to be privatized and the procedure of distribution is determined by the privatization commission in the privatization scheme.

The Privatization Commission may form a subcommission to implement the distribution.

Article 20 Conditions for purchase of assets

The following discount levels for purchasing asset shares (stocks) may be envisaged at the privatization scheme:

First level -- discounts up to 75% of the asset shares' nominal value - for milk producers cooperative associations which did not have milk collecting and initial processing enterprises transferred to them according to the Republic of Latvia Supreme Council resolution of April 15, 1992 "On the Privatization of Dairy collecting and Processing Enterprises".

6/13

Second level - discounts up to 50% of the asset shares' nominal value - for other milk producers cooperative associations.

Third level -- discounts up to 25% of the asset shares' nominal value - for the employees of the unit to be privatized.

Fourth level -- no discounts available - for other persons.

For assets purchased in excess of those proposed in the privatization scheme discounts are reduced by one step according to the part 1 of this Article.

In the privatization scheme the Privatization Commission may envisage the rights of milk producers cooperative associations to make payments for their asset shares in the period up to 5 years.

Article 21 Organization of the signing process

Signing for asset shares in the unit to be privatized shall be carried out in two phases.

The first phase of signing, as determined by the framework of asset shares distribution determined by the privatization scheme, shall be carried out within a month from the moment the prospectus of the company is published and the signing is announced.

The signed asset shares shall be paid off in the procedure determined by Article 20 of the Republic of Latvia law "On Stock Companies" irrespective of the company's type and considering the discounts determined by the approved privatization scheme. The signed asset shares may be paid off by using privatization certificates.

Asset shares not signed for during the first phase are offered to other subscribers of the same group during the second stage. The second phase shall not exceed one month.

Asset shares not signed for during the first two phases are retained by the state, and after the company begins its operation shall be sold according to the procedure determined in the company's charter in such amount that state does not keep more asset shares than it is envisaged by the privatization scheme.

individually assign the corresponding part of asset shares in two phases:

1) according to the situation on 01.01.94. individually assign a half of the state property assets transferred to the company without compensation. It is done by adding the mentioned asset value to the basic capital of the company and correspondingly increasing the number of shares or their nominal value. Basic capital shall include also those shares which are obtained after the formation of the company (its reestablishing) for milk produced according to the charter of the company, as well as those shares granted to the former members of dairy associations or their heir;

2) according to the situation on January 1, 1995 individually assigns the other part of state asset value transferred to the company without compensation in the procedure envisaged for the first phase of assignment.

State property transferred to the cooperative society without compensation cannot be expropriated during the period that assets are not individually assigned. In case the company is liquidated, whether voluntarily or involuntarily, state property previously transferred to the statutory company without compensation, or assets which have not been individually assigned, must be returned to the state.

**Article 25 Guarantees for stability of the
 privatization process**

If the company founded on the basis of the unit to be privatized in accordance with this law and the resolution mentioned in this chapter or the company which has received state dairy collecting and processing enterprise without compensation, terminates its activities during the first three years of business activities, provide to the state the first option to purchase, compensating the members of the company only to the extent of their invested capital.

Chairman,
Republic of Latvia
Supreme Council

Secretary,
Republic of Latvia
Supreme Council

Riga January 19, 1993

The Republic of Latvia Supreme Council
RESOLUTION

On the procedure in which the Republic of Latvia Law
"On the Privatization of State Dairy Processing
Enterprises" comes into effect

The Republic of Latvia Supreme Council decides:

To state that:

1. The Republic of Latvia Law "On the Privatization of State Dairy Processing Enterprises" comes into effect on February 1, 1993.
2. Within two weeks from the moment this law comes into effect the Republic of Latvia Council of Ministers shall cancel all those decisions and resolutions of state administrative institutions according to which state dairy processing enterprises were transferred to other legal persons as of April 15, 1993.
3. Within two weeks from the moment this law comes into effect the Republic of Latvia Ministry of Agriculture in accordance with the conditions determined by this law shall make a list of units to be privatized and shall regularly update this list.
4. To establish that from the moment the Republic of Latvia law "On the Privatization of Dairy Processing Enterprises" comes into effect the units to be privatized mentioned in the third part of chapter 1, Article 1 and their assets are ~~acquired~~ only by the procedure determined by this law.
5. The Republic of Latvia State Inspection shall supervise the fulfilment of Articles 2, 3 and 4 of this resolution.

The Republic of Latvia
Supreme Council Chairman

The Republic of Latvia
Supreme Council Secretary

Riga January 19, 1993

115

Draft

THE REPUBLIC OF LATVIA LAW

On the Republic of Latvia Grain Reserve Fund

CHAPTER 1 GENERAL REGULATIONS

Article 1

This law determines basic economic and legal regulations for the Republic of Latvia Grain reserve fund's establishment, storage and use, in order to meet the demand of the Republic of Latvia's residents for flour products independently from the total annual harvest in the country.

Article 2

The Republic of Latvia Grain reserve fund consists of a human consumption grain reserve fund, and grain-crops seeds reserve fund.

Article 3

The volume of the human consumption grain reserve fund shall be 300 thousand tons of grain, including rye - 140 thousand tons, wheat - 100 thousand tons, barley - 30 thousand tons, and oat - 30 thousand tons.

Article 4

The volume of the grain-crops seeds reserve fund shall be 5 thousand tons.

CHAPTER 2 THE PROCEDURE OF THE REPUBLIC OF LATVIA GRAIN RESERVE FUND FORMATION

Article 6

The grain reserve fund is formed by purchasing grain on a contract basis from all agricultural goods producers.

Article 7

The structure of the grain-crops seeds reserve fund is determined by the Republic of Latvia Ministry of Agriculture.

Article 8

The expenses of the Republic of Latvia grain reserve formation are covered from the Republic of Latvia state budget.

6/7

Article 9

State administrative institutions, in the procedure determined by the Republic of Latvia Council of Ministers, provide the organizations, direct compilers of Grain reserve fund, with the appropriate amount of exchange goods necessary for Grain reserve fund's formation, if grain is purchased out of the state.

CHAPTER 3 THE REPUBLIC OF LATVIA GRAIN RESERVE
FUND'S STORAGE AND USE

Article 10

Storage of the Republic of Latvia Grain reserve fund is ensured by the Republic of Latvia Ministry of Agriculture.

Article 11

The human consumption grain reserve fund may be used only with the permission of the Republic of Latvia Council of Ministers.

Article 12

The grain-crops seeds reserve fund may be used with the permission of the Republic of Latvia Council of Ministers or its authorized institution.

Chairman, Supreme Council
Republic of Latvia

Secretary, Supreme Council
Republic of Latvia

Riga, _____ 1991

615

EXCERPT

from the minutes of the Republic of Latvia Government meeting

Riga

Nr 21

May 8, 1991

Paragraph 8

On Measures Necessary to Ensure the Implementation of a National Program on Grain Production

1. To approve the submitted draft decision.

A.Kalnins, D.Gegers, J.Aboltins, E.Silins and R.Makare, by May 16 of this year, shall complete the development of a draft decision, taking into consideration comments, proposals and instructions mentioned at the meeting. To determine that the Ministry of Agriculture is responsible for the implementation of the program. To anticipate that the volume of work mentioned in Appendix 1 is determined as control calculations, but resources for its implementation shall be specified every year. In Article 6, to project the amount of lime materials necessary to cover the volume of orders. Specified in Articles 8 and 9.

2. To accept the submitted draft law "On the National Grain Reserve Fund".
Strike Article 9.

Submit the draft law to the Supreme Council of the Republic of Latvia.

3. //This article gives directions to the Ministry of Trade on the distribution of cars to grain producers. It does not apply to current circumstances.//
4. The Academy of Sciences together with the Ministry of Agriculture, by July 10 of this year, shall prepare and submit to the Council of Ministers proposals on the possible replacement of imported chemicals for plant protection with the ones produced in Latvia.

Deputy Chairman, Council of Ministers
Republic of Latvia

Minister of State,
Republic of Latvia

Draft
22/2/93

THE REPUBLIC OF LATVIA LAW

On Latvia's Grain Market and State Grain Reserve

Terms used in the law:

Grain - the interpretation of grain and grain products in this law.

Latvia's grain market - the entire range of relations among independent grain producers, cattle-breeding products producers, grain keepers and processors, bread producers and sellers, as well as consumers serving as independent economic units.

State grain consumption and production balance-sheet - the document which indicates the needs of various consumers for grain, including grain for human consumption, showing the structure, quality, and amount of this demand, and sources of its fulfilment, including grain import, as well as volume of grain production, its structure, quality, and use of grain, including export.

CHAPTER 1 GENERAL REGULATIONS

Article 1. Objectives of the Law

The objective of this law is to create preconditions for the establishment of Latvia's grain market and its operational capacity, promoting its fulfilment with Latvian domestic grain.

Article 2. Latvia's Grain Market and State Influence on It

2.1 Independent entrepreneurial organizations in Latvia's grain market, established on the basis of different forms of property and acting as independent economic units, are freely operating.

2.2 The role of the state in grain market regulation is to carry out activities for domestic grain market stabilization by using economic methods, and in the long run, to ensure the conformity between grain supply and demand.

2.3 The state influences the grain market by using the state grain reserve, state control over foreign trade (through the mediator institutions envisaged by the law and within the competence determined by them), as well as granting target subsidies, if necessary.

CHAPTER 2 INSTITUTIONS FOR LATVIA'S GRAIN MARKET REGULATION

Article 3. The Functions of the Republic of Latvia's Administrative Institutions in Latvia's Grain Market Regulation

3.1 The Republic of Latvia Supreme Council:

- annually determines the volume of Latvia's grain reserve, taking into account state budget possibilities to finance its purchase and storage;
- corresponding to state budget opportunities, if necessary, grants resources for the implementation of grain production target programs in the form of subsidies, credit discounts or otherwise.

3.2 The Republic of Latvia Council of Ministers:

- annually, by November 1, approves a year's balance-sheet of Latvia's grain production and consumption, including the permissible volume of foreign trade, as well as the minimal level of grain sale prices. Amendments to these documents may be made by the Council of Ministers according to the recommendation of Latvia State "Labības Birojs";
- At the recommendation of Latvia State "Labības Birojs", approves import and export customs taxes for grain on a quarterly basis.

3.3 The Republic of Latvia Ministry of Agriculture:

- develops Latvia's grain policy within the framework of general state agrarian policy;
- prepares proposals for grain production target programs;
- establishes Latvia State "Labības Birojs";
- approves regulations for foreign trade competition.

Article 4. Latvia State "Labības Birojs" and Its Functions in Influencing Latvia's Grain Market

4.1 Latvia State "Labības Birojs" is a non-profit state organization subordinated to the Ministry of Agriculture, which in accordance with this law and other legislative acts of the Republic of Latvia, implements grain policy determined by the state, and on behalf of the state operates with the state grain reserve, ensuring the high quality of routine turnover and maintenance.

4.2 The main objectives of Latvia State "Labibas Birojs" are:

- 1) to determine Latvia's demand for grain and its opportunities for fulfilment by using domestic grain for current and future periods;
- 2) to analyze and forecast the formation of Latvia's grain market prices, to determine the expenses needed for purchase and storage of the state grain reserve and to prepare recommendations to determine the level of these prices;
- 3) to regulate foreign trade in grain according to the procedure determined by the Republic of Latvia administrative institutions;
- 4) to manage the state grain reserve according to the procedure determined by the Republic of Latvia administrative institutions;
- 5) state grain inspection;
- 6) Latvia State "Labibas Birojs" may be in charge of other functions as specified by the Council of Ministers or in the procedure determined by it.

Article 5. Latvia State "Labibas Birojs" Administration

5.1 Latvia State "Labibas Birojs" is directed by the "Labibas Birojs" Council and the management appointed by it.

5.2 The "Labibas Birojs" Council consists of the Ministry of Agriculture's representatives and one representative from Ministry of Finance, Ministry of Defense, Latvian Farmers' association, Latvian Consumers' associations union, Latvian bread producers, Latvian Independent Trade Union association, as well as from the director of Latvia State "Labibas Birojs", appointed by the Ministry of Agriculture.

After the representatives of the above mentioned organizations are nominated, the Council is approved by the Ministry of Agriculture.

5.3 The Council is responsible for:

- compiling the annual balance-sheet of grain production and consumption, and submitting it for approval to the Council of Ministers;
- the control of state budget resources allotted for the formation of the state grain reserve and its storage;
- making decisions on the state grain reserve's sale and purchase in the procedure determined by the Republic of Latvia administrative institutions;
- foreign trade quota distribution;
- the supervision of the economic activities of "Labibas birojs" - approval of the report and business plan, including "Labibas birojs" management budget;

- the approval of the "Labibas birojs" management staff - at the recommendation of the director, as well as determining of salaries within the framework of the adopted management budget of the "Latvijas Birojs".

5.4 "Labibas Birojs" management

1) The activities of "Labibas Birojs" are managed by its director and the director's deputies. The number of deputies and their responsibilities is determined by the Council. The director of "Labibas Birojs" is also the supervisor of the "Labibas Birojs" state owned share.

2) "Labibas Birojs" management is responsible for the fulfilment of all other "Labibas Birojs" functions which are not the responsibility of "Labibas Birojs" Council.

Article 6. The Material Base of Latvia State "Labibas Birojs"

6.1 The expenses of Latvia State "Labibas Birojs" are completely covered by its income.

6.2. The income of Latvia State "Labibas Birojs" consists of:

- state budget assignments;
- out of budget resources.

CHAPTER 3 STATE GRAIN BALANCE AND FOREIGN TRADE

Article 7. State Grain Consumption and Production Balance

The state grain production and consumption balance-sheet is annually prepared by Latvia State "Labibas Birojs" by October 1; by November 1 it is approved by the Council of Ministers, concurrently determining the volume of grain import and export, as well as the minimal price level for grain sale guaranteed by the state.

Article 8. Organization of Foreign Trade in Grain

8.1 Grain may be imported and exported only with the permission of Latvia State "Labibas Birojs", within the framework of the grain consumption and production balance approved by the Council of Ministers. If the amount of grain to be sold exceeds 1,000 tons, then a competition to obtain the rights for foreign trade shall be organized in accordance with the regulations approved by the Ministry of Agriculture.

8.2 If, in a year's time, the volume of foreign trade exceeds the import-export volume approved by the Council of Ministers, Latvia State "Labibas Birojs" shall introduce the question on the amendments to the foreign trade volume.

Article 9. Protection of the Domestic Grain Market and Price Regulation

9.1 In foreign trade, only certificated grain import and export is allowed. Certificates shall identify the chemical and biological quality of the grain.

9.2 Grain and its products in foreign trade are taxed with import and export duties, in that way promoting the consumption and production balance. Customs tariffs are approved by the Council of Ministers once in a quarter following the proposal of Latvia State "Labibas Birojs" and Customs Tariffs Council.

9.3 Grain brought to the state for processing on the basis of concluded contracts is not taxed with import and export duties.

9.4 50% of resources obtained from import and export duties are used to cover the expenses of the state grain reserve's replenishment and storage.

CHAPTER 4 THE STATE GRAIN RESERVE

Article 10. Formation of the State Grain Reserve

10.1 The state grain reserve is formed to guarantee the permanent fulfilment of consumers' demand for grain, as well as to regulate the state grain market. The volume of the state grain reserve is annually determined by the Republic of Latvia Supreme Council.

10.2 Grain and grain products forming the state grain reserve is the property of the state. The purchase and storage of the state grain reserve is financed by the state budget. The volume of financing is determined by the Republic of Latvia Supreme Council during the approval of the state budget for a recurrent year.

10.3 Latvia State "Labibas Birojs" manages the state grain reserve in accordance with the procedure determined by this law and other legal acts.

Article 11. The Use of the State Grain Reserve

11.1 The state grain reserve is mainly used for the stabilization of the domestic grain market.

Latvia State "Labibas Birojs" may decide to sell from the state grain reserve, if necessary, but not exceeding 30% of the reserve's volume and for prices that ensure the renewing of the reserve at least in half a year's time.

Within the framework of its resources, Latvia State "Labibas Birojs" may additionally purchase grain in the domestic market, but not exceeding 30% of the reserve's total volume and for prices that ensure the sale of this grain without any losses in half a year's time after the grain is purchased.

Any deviation from the above mentioned regulations is allowed only with the Council of Ministers' permission.

11.2 The state grain reserve may be used in other cases as well, if so determined by the Council of Ministers resolution.

LAW
REPUBLIC OF LATVIA

**"ON STATE AND MUNICIPAL PROPERTY
PRIVATISATION FUNDS"**

This law further determines the order how state and municipal property privatisation funds (further Privatisation funds) must be formed and how their financing should accumulate and how these funds shall be managed and used.

The use and accumulation of the Privatisation fund that has been formed as a result of privatising state and municipality owned residential houses is stated in other normative bills of Latvia.

The use and accumulation of the Privatisation fund that has been formed as a result of privatising agricultural and fishing collective farms is stated by the Law of LR "On Privatisation of Agricultural Enterprises and Collective Fisheries " (Bulletin of the Supreme Council and Council of Ministers, 1991, Nr 31/32.)

Terms used in the law:

The State property Privatisation fund is a nonbudget fund formed by the Council of Ministers, where monetary amounts gained during the process of privatisation are transferred according to the procedure and order stipulated by this law. The manager of the Privatisation fund uses the assets according to the order specified by this law.

The Municipal Privatisation fund is formed by the municipality and is a nonbudget fund where the assets gained during Privatisation of state and municipal property, located on the respective municipality territory are transferred according to the order and procedure stipulated by this law. The manager of the privatisation fund uses the fund according to the order specified by laws of Latvia.

Programme for the use of the Privatisation fund is determined by the economic efficiency and data on specific project costs, terms, and conditions of their implementation specified in this law.

Private entrepreneur is a natural or legal entity , or group of such persons, that does not have state or municipal capital involved for carrying out entrepreneurial activities.

Private entrepreneurial activities are activities carried out by a private entrepreneur.

Article 1. Approval of Privatisation fund programmes and reports.

1. The programme and report for use of the State Privatisation fund specified by the Council of Ministers must be approved by the Supreme Council.

2. The programme and report for use of the municipal Privatisation fund must be approved by the highest authority of municipality.

Article 2. Sources of Privatisation fund financing.

1. The Privatisation fund is formed from the money gained as a result of the Privatisation of state and municipal property.

2. The State property Privatisation fund is formed by:

- 1) returns gained from the sale or lease with priority rights to purchase state property (enterprises, its branches, representing offices) movable and immovable assets, sale of the working capital or interest rates gained from money lent to private entrepreneurs, as well as state asset share (stocks, shares) sale (90 % of returns);
- 2) returns gained from the sale of municipal property (enterprises, its branches, representing offices) and municipality owned asset shares (stocks, shares) sale (20 % of returns);
- 3) all other income that has been gained during the privatisation process of state property (income from auctions etc.);
- 4) investments for special programmes and other payments that are made according to the laws of Latvia.

3. The municipal Privatisation fund is formed by returns gained during the privatisation process, except returns, that has to be transferred to the state property privatisation fund, as well as 5 % from the privatisation of the state enterprises on the territory of respective municipality, but in cities of the republic (all major cities approx. 25 in Latvia), except Riga, 10 % from privatisation of state enterprises on the territory of the respective city.

Article 3. Use of the Privatisation fund.

1. The returns of the state (municipal) property Privatisation fund are used:

- 1) to create special promotion programmes for production of specific products or services of private entrepreneurs;
- 2) to promote (credit) services meant for private entrepreneurs;
- 3) to secure the process of demonopolisation and sanation (process of recovery for bankrupt enterprises);
- 4) for remuneration of the state (municipal) Privatisation fund, invited experts and authors of the implemented privatisation projects;
- 5) for securing legal, organizational and informative ground for the state (municipal) property privatisation process;
- 6) for remuneration of state (municipal) representatives in private companies;
- 7) for education of persons unemployed as a result of privatisation.

2. The Supreme Council of Latvia approving the use programme of the Privatisation fund, can specify the amount of money used for other programmes.

3. The money of the Privatisation fund cannot be transferred to the state (municipal) budget.

Article 4. Manager of the Privatisation fund.

1. The manager of the Privatisation fund is the Ministry of Economic Reforms, their responsibilities include:

1) to develop the programme for use of the Privatisation fund, taking into account proposals by entrepreneurs and their unions, and proposals from ministries, as well as other proposals;

2) to be responsible for the use of the Privatisation fund according to this law and the programme approved by the supreme council;

3) to control and analyze the effectiveness of the use of the Privatisation fund.

2. The manager of the municipal Privatisation fund is appointed by the respective municipality.

3. The activities of the Privatisation fund manager are determined by regulations approved by the Council of Ministers for the state Privatisation fund and regulations for the municipal property Privatisation fund - by the municipal authority.

Article 5. The order of withdrawing money from the Privatisation fund.

The manager performs any payments from the state (municipal) Privatisation fund according to the order approved by the Council of Ministers (municipality) and within the framework of programmes approved by the Supreme Council (municipality).

Article 6. The openness, control and supervision of the Privatisation fund.

1. The programme for the usage of the state property Privatisation fund and annual report on income and expenses must be published in the newspaper appointed by the Council of Ministers.

2. The annual report of the municipality Privatisation fund must be sent to the Ministry of Economic Reforms and published in a newspaper appointed by the municipality.

3. Control over the appropriate payments into the Privatisation funds, as well as for use and allocation of fund resources must be secured by the Main State Financial Inspection within its authority.

4. General supervision over the Privatisation fund activities are carried out by administrative system in general order.

Article 7. Closing the Privatisation fund.

1. State property Privatisation fund is closed by the Council of Ministers.

2. The municipal property Privatisation fund is closed by the respective municipality.

3. The amounts that are not used by closing down the Privatisation fund are transferred to the state or municipal budget if the Supreme Council or the respective municipality have not stated otherwise.

Article 8. Liability for violating the law.

1. Persons responsible for violating the law must answer before the law.
2. The returns that, according to the procedure and order of the law must be transferred to the Privatisation fund, but have not been transferred, are levied by the Main State Finance Inspectorate in threefold amount in nondisputable order.

Chairman of the Supreme Council A.Gorbunovs
Secretary of the Supreme Council I.Daudišs

Law of the Republic of Latvia

On the transformation of state and state-owned enterprise into charter companies

Terms used in the law

A charter company is a joint stock company, company with limited liability or a share company.

A state charter company is a charter company, in which all of the capital (stock, shares) are owned by the state.

Article I General Terms

Paragraph 1. Operation of the law

This law determines the order in which:

- 1) the state and state owned enterprises may be transformed into state (state-owned) charter companies;
- 2) state stock companies to be privatized;
- 3) state and state-owned enterprises to be privatized, transforming them into charter companies.

Articles III and IV do not apply to state charter companies, state and state-owned enterprises, which are privatized not in accordance with the Law of the Republic of Latvia dated 16 June 1992 entitled "About the Order for Privatizing State and State-owned Property", but in accordance with other laws of the Republic of Latvia".

Paragraph 2. The Division and/or Consolidation of Enterprises which may be Transformed

In place of one enterprise, two or more charter companies may be formed. More than one enterprise may be joined into one charter company, if it does not conflict with the laws of the Republic of Latvia.

Paragraph 3. The Rights and Relationships of the Enterprise to be Transformed

The rights, obligations and relationships of the enterprise to be transformed are completely transferred to the newly-created charter company (companies).

Paragraph 4. State (state-owned) Property within Charter Companies

(Typo) state (state-owned) charter company capital shares are sold to physical or legal persons, those are state (state-owned)

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property.

Article II
The Transformation of State and State-Owned Enterprises into
State (state-owned) Charter Company

Paragraph 5. The Decision Regarding State (state-owned)
Enterprise Transformation

The decision regarding the transformation of state enterprises within one or more state charter companies is made by the ministry (committee) which oversees the enterprise to be transformed. It also confirms the charter company's charter and elects the governing institutions.

The decision regarding state-owned enterprise transformation into one or more state-owned charter companies is made by regional, city, city-region or pagast committee which oversee the state-owned enterprise to be transformed. It also confirms the charter company's charter and elects the governing institutions.

The functions within the general meeting of the state (state-owned) charter company participants (shareholders) are fulfilled by the person having a proxy (representative), who is elected in accordance with the 10 June 1991 law of the Republic of Latvia "About State and State-owned Property within Enterprise Companies".

A state (state-owned) share company may choose not to form a committee. In this case, the functions of the committee are fulfilled by a person who fulfills the functions of the general meeting.

The decision by the ministry (committee) or state-owned institution regarding the transformation of state (state-owned) charter companies may be published in the press.

Paragraph 6. The Determination of State (state-owned)
Institution Founding Capital (charter fund)

In transforming a state or state-owned enterprise to a state (state-owned) charter company, the size of the founding capital (charter fund) is determined by:

- 1) a calculation of the state or state-owned enterprise (assets). This includes:
 - foundation funds valued by the existing balance;
 - liquid assets valued at their actual purchase price;
 - the value of unfinished construction and materials;
 - cash
 - funds loaned to others;

- 2) funds, which must be paid back to creditors, in addition to long and short-term loans, are subtracted from the assets obtained. The founding capital (charter fund) may be determined in accordance with the 10 June 1991 law of the Republic of Latvia "About State and State-owned Property to be Privatized (enterprise) and the Order for Determining the

Value of its Property". The total nominal value of the capital shares must reflect the size of the founding capital (charter fund).

Paragraph 7. The Application of the Laws of the Republic of Latvia Regarding "Joint Stock Companies", "Companies with Limited Liability", and "Share Companies"

The following parts of the 5 December 1990 Law of the Republic of Latvia on Joint-Stock Companies, in addition to any other parts of the law which are in conflict with this law, do not apply to state and state-owned joint stock companies: paragraphs 10-15, the third point of the first part and the second part of Paragraph 16, paragraphs 17-22, the first part of paragraph 23, paragraphs 24-33, paragraph 44, paragraph 48, the second part of paragraph 52, paragraph 63, and the fourth part of paragraph 73.

The following parts of the 23 January 1991 Law of the Republic of Latvia "On Companies with Limited Liability", in addition to any parts of the Law which are in conflict with this law, do not apply to state and state-owned companies with limited liability: paragraphs 9-12, the second part of paragraph 13, paragraphs 14-17, 19 and 20, and the second part of paragraph 21.

Paragraph 8. The Registration of State (state-owned) Charter Companies

The following accompanies the registration application:

1) state (state-owned) charter company charter;

2) ministry (committee) or state-owned institution decision regarding state (state-owned) enterprise transformation into state (state-owned) charter company. Licenses, granted to the operations of State (state-owned) enterprises, are valid also for the operations of state (state-owned) charter companies.

Article III

Paragraph 9. The Basis for Privatizing State (state-owned) Charter Companies

The privatization of state (state-owned) charter companies can occur only in accordance with the law, which has been passed reflecting the 16 June 1992 law "On the Order of Privatizing State and State-owned Enterprises.

Paragraph 10. State (state-owned) Charter Fund Valuation

Those state (state-owned) charter companies that may be privatized can be valued only in accordance with the 10 June 1992 law "On the Order of Privatizing State and State-owned Enterprises and their Property".

Paragraph 11. The Sale of the Capital Shares of State (state-owned) Charter Companies

Prior to the sale of state (state-owned) capital shares to other physical or legal persons, the ministry (committee) or state-owned board determines the order of the sale in accordance with the passed privatization law and sales price. Shares may also be sold in the stock exchange or by opening bids on them.

Paragraph 12. The Status of, and Change in, the Governing Institutions

Upon the sale of the capital shares, which have been confirmed according to the privatization laws, to other physical or legal persons, the board of directors of the state (state-owned) charter company summons a meeting of the new owners of the capital shares to form the new governing institution and to resolve other questions in accordance with the relevant laws of the Republic of Latvia regarding charter companies. The State (state-owned) charter company loses its status as a state (state-owned) charter company at the moment when the changes are registered in the Enterprise Register of the Republic of Latvia, and operates in accordance with the relevant laws of the Republic of Latvia on charter companies.

The state (state-owned) charter company, following the merging with another company, loses its status, except in a case where two or more state (state-owned) charter companies are merged. The Council of Ministers of the Republic of Latvia, or relevant state-owned, determines who will govern the state (state-owned) property in the joint charter company.

Paragraph 13. The Application of the laws of the Republic of Latvia "On Joint-Stock Companies", "On Companies with Limited Liability", and "On Shareholding Companies"

In privatizing state and state-owned joint stock companies in accordance with the provisions in Article III of this law, the following provisions of the 5 December 1990 law "On Joint Stock Companies" applies: paragraph 17, the first, second and fourth parts of paragraph 18, paragraph 20, except for the second part, the first part of paragraph 32, paragraph 44 and 48, the second part of paragraph 52, paragraph 63, and the fourth part of paragraph 73.

In privatizing state and state-owned companies with limited liability in accordance with Article III of this law, paragraph 12 of the 23 January 1991 law "On Companies with Limited Liability" applies.

In Privatizing state and state-owned share companies in accordance with Article III of this law, paragraphs 14-19 of the 23 April 1991 law "On Shareholding Companies" applies.

Article IV

The Privatization of State and State-owned Enterprises: the their

Transformation into Charter Companies

Paragraph 14. The Basis for Transformation

State or state-owned enterprises are transformed into a charter company (companies) in accordance with the privatization law which has been passed regarding the 16 June 1992 law "On the Order of Valuating State and State-owned Enterprises to be Privatized".

Paragraph 15. The Valuation of Enterprises to be Transformed

The enterprise to be transformed is valued in accordance with the 10 June 1992 law "On the Order of Valuating the Property of State and State-owned Enterprises".

Paragraph 16. The Application of the laws of the Republic of Latvia "On Joint Stock Companies", "On Companies with Limited Liability" and "On Shareholding Companies"

The following provisions of the 5 December 1990 law of the Republic of Latvia "On Joint Stock Companies" do not apply to Joint stock companies formed in accordance with the provisions of Article IV of this law: paragraphs 10-15, point 3 of part one of paragraph 16, the third, fifth and sixth parts of paragraph 18, paragraph 19, the second part of paragraph 10, paragraphs 21 and 22, the first part of paragraph 23, paragraphs 24-31, the second part of paragraph 32 and paragraph 33. Other paragraphs not in conflict with this law apply.

The following provisions of the 23 January 1991 law of the Republic of Latvia "On Companies with Limited Liability" do not apply to companies with limited liability formed in accordance with the provisions of Article IV of this law: paragraphs 9-11, the second part of paragraph 13, paragraphs 14-17, 19, 20, and the second part of paragraph 21. Other paragraphs not in conflict with this law apply.

Paragraphs 10-12 of the 23 April 1991 Republic of Latvia law "On Shareholding Companies" do not apply to shareholding companies formed in accordance with Article IV of this law.

Paragraph 17. The Decision Concerning the Transformation of State (state-owned) Enterprises into Charter Companies

The ministry (committee) under whose governance the state (state-owned) enterprise is, or regional, city, city region, pagast committee, under whose governance the state-owned enterprise to be transformed is, makes a decision regarding state (state-owned) enterprise transformation into a charter company in accordance with the passed privatization law and fulfills the functions of the relevant charter company founders.

Paragraph 18. The Sale of Capital Shares and the Transfer of Ownership

The capital shares can be sold in accordance with the division of shares stipulated in the passed privatization project.

The transfer (signing over) of shares is organized in the order stipulated in the project.

If, as a result of a transfer, the buyers have not claimed all of the capital shares stipulated in the privatization project, the following may be determined:

- 1) the transfer may be annulled and the selling price can be lowered;
- 2) the amount of the capital shares of the state (state-owned) may be increased, while limiting or not limiting the number of votes for the capital shares of the state;

If, as a result of the transformation, the buyers have claimed more than the share of capital shares stipulated in the privatization project, the institution, which has accepted the privatization project, may determine the following:

- 1) to decrease the size of the capital shares remaining to the state (state-owned);
- 2) to decrease the proportional size of each of the buyer's capital shares;
- 3) increase the amount of the foundation fund, if the income from the purchase surpasses the price determined by the enterprise.

The capital shares designated for sale to employees of the state (state-owned) enterprise may not exceed 20 percent. If the shares of the employees are not voting shares, the capital shares designated for sale to the employees may exceed 20 percent. Total discounts may not exceed the amounts stipulated in the laws of the Republic of Latvia and those stipulated by the accepted privatization project.

Paragraph 19. The Order for Calling for a Shareholder's General Meeting

No later than two months following the transfer of shares, the ministry (committee) or state-owned board calls for a shareholder's general meeting. The shareholders must pay the amount designated in the accepted privatization project.

The general meeting of the shareholders, in accordance with the relevant law of the Republic of Latvia governing the particular form of charter company, makes decisions concerning confirmation of the statutes, the formation of company institutions, as well as other questions within the competence of the shareholders.

Paragraph 20. The Registration of the Charter Company

The charter company is registered in the Enterprise Register of the Republic of Latvia. The following must accompany a registry application:

- 1) the charter of the charter company;
- 2) the prospectus of the charter company, if one exists;
- 3) a protocol of the meeting of the shareholders.

RESOLUTION OF THE SUPREME COUNCIL
REPUBLIC OF LATVIA

On the order the Republic of Latvia Law
" On amendments in Law "On State Enterprises"
("Par valsts uzņemumu") from December 12.1990
takes effect.

The Sureme Council of the Republic of Latvia resolves:

1. To establish that directors of state enterprises
(general directors, managers) and employees who
supervises other employees and employees who have the right
to manage finances until August 15,1992 have to resign from
their position in other firms (except state firms) who have
contracts or other liabilities with the respective state
enterprise and to expropriate their share in that enterprise
or they have to resign from their position in state
enterprise.

2. To require the Council of Ministers of the Republic of
Latvia :

1) until August 1,1992 expropriate to ministries or
committees the enterprises that were supervised by the
Council of Ministers;

2) until August 15,1992 elaborate the regulations of payment
and incentives for the directors (general directors,
managers) of the enterprises and payment regulations for
other state enterprise employees;

3) until August 15,1992 elaborate and confirm regulations on
state enterprise audit and remuneration of the audit
commission;

4) until September 1, 1992 elaborate and adopt Regulations
on order of registering state immovable property lease
contracts;

5) until October 1,1992 adopt the order how state
enterprises have to submit reports on their activities;

6) until September 1, 1992 submit to the Supreme Council
proposals for amendments to other Laws that has to changed
due to the law "On State Enterprises " taking effect.

3. to require ministries and committees supervising state
enterprises :

1) until September 15,1992 liquidate all companies now
included within state enterprises or to sell state assets of
such companies in auction;

2) until October 1, 1992 to make necessary amendments in the
statutes of the state enterprises;

3) until October 1,1992 to dismiss directors
(generaldirectors, managers) of state enterprises who after
August 15,1992 are working and receiving income directly or
through third persons from companies (except state
enterprises) who are carrying out activities with respective
company;

4) until October 1,1992 to appoint chairmen of state audit
commissions.

4. To require Minister of Finance and State auditor until October 1,1992 to appoint members of state audit commission in accordance with law "On state Enterprises" from December 12,1990.

5. To require directors of state enterprises :

- 1) To transfer all payments from lease of whole enterprises or subsidiaries to state budget or state privatization fund after the law "On state enterprises" takes effect ;
- 2) to dismiss employees who supervises other employees and employees who have the right to manage finances from their position if they have contracts or other liabilities with other than state company after August 15,1992.

6. Enterprises and ministries and committees who supervises state enterprises until October 1,1992 are released from state fee paid to the Enterprise Register if their statutes are amended according to law "On state enterprises."

7. To state that since law "On state enterprises." takes effect ,regulations of July 31,1991 Nr.197,Nr.182-r, Nr. 230-r are no longer valid.

Chairman, Supreme Council
Republic of Latvia

A.Gorbunovs

Secretary, Supreme Council
Republic of Latvia

I.Daudiss

Riga, July 9, 1992

RESOLUTION OF THE SUPREME COUNCIL
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or they have to resign from their position in state
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2) until August 15,1992 elaborate the regulations of payment
and incentives for the directors (general directors,
managers) of the enterprises and payment regulations for
other state enterprise employees;

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Chairman, Supreme Council
Republic of Latvia

A.Gorbunovs

Secretary, Supreme Council
Republic of Latvia

I.Daudiss

Riga, July 9, 1992

THE REPUBLIC OF LATVIA
LAW
"ON STATE ENTERPRISES"

This law regulates the foundation, operation, reorganization and dissolution of enterprises owned by individual owners, where all physical assets belong to state, as well as applicability of the law on enterprise activity September 26, 1990 to these types of state enterprises.

Chapter I
General Regulations

Paragraph 1. The Concept of a State Enterprise

A state enterprise is an independent economic unit with the rights of a legal entity, which conducts economic activity utilizing allotted state properties.

Paragraph 2. Legislation concerning State Enterprise

The operations foundation, reorganisation and dissolution of state enterprises in the Republic of Latvia are regulated by this law, the Law on enterprise activity, the Civil Code, Labour Code, other laws of the Republic of Latvia, and by the statutes of the enterprises themselves.

Paragraph 3. Responsibilities of State Enterprises

Republic of Latvia state enterprises are liable for all their activities, with all of their assets. The state is not responsible for operations of state enterprises, except in those cases specified by law.

Chapter II
Regulations of the State Enterprises.

Regulations on the Foundation of State Enterprises

Paragraph 4. The foundation of state enterprises

State enterprises are founded with a decision of the Republic of Latvia Council of Ministers, appointing the Ministry or the Committee who will supervise the state enterprise (further - ministry).

Land, water resources, forests and other natural resources necessary for operation of the enterprises are allotted to the state enterprise according to regulations set by a state institution or the local government. The use of and payment for these resources is regulated by a state institution or

the local government, in whose jurisdiction these resources are located.

Paragraph 5. The Registration of State Enterprises

State enterprises, their affiliates and representatives are registered in accordance with the law "On the Register of Enterprises of the Republic of Latvia" (November 20, 1990).

Paragraph 6. The Statutes of State Enterprises

State enterprises operate according to their statutes. Statutes are approved and amendments are made by the Ministry.

State enterprise statutes must include:

- the name of the enterprise, its address and legal status;
- its realm of operations and goals;
- regulations regarding the management and administration enterprise;
- regulations regarding the division of profit;
- regulations regarding the reorganization and liquidation of the enterprise;
- the size of the statute fund;
- the order the depreciation fund is founded and procedures to use;
- other regulations specific to the enterprise, which are not in conflict with existing legislation, Regulations by the Council of Ministers and the Supreme Council.

Paragraph 7. The Structure of the State Enterprises

State enterprises can form departments, production units or divisions, other administrative structures, if envisaged by the statutes also to form, affiliates and representative offices.

Affiliates of state enterprises and representative offices in Latvia do not have the status of legal entities.

Chapter III

Assets of State Enterprises.

Paragraph 8. Assets of State Enterprises

The assets of the state enterprise are formed by the allotment of state assets granted to the enterprise: assets, cash, and other material assets.

The assets of state enterprise can be enlarged:

- with investments from state budget;
- with part of profits that are allocated to the enterprise use.

The assets (statutory fund) can be reduced only according to paragraph 11 of this law.

State enterprise uses its assets independently and without

any restrictions. Assets are managed by the ministry and state enterprise according to this law, statutes of the enterprise and resolutions by the Council of Ministers and Supreme Council.

Paragraph 9. State Enterprise Reserve (risk) Capital.

State enterprise reserve capital is formed by payment requirements of not less than 5% from annual profits and interest rate of this amount until it reaches the amount of 20 % of asset value (statutory fund). Reserve capital must be deposited on conditions that it can be used without any restrictions any time. Reserve capital can be used only for covering losses shown in the annual report.

Paragraph 10. Insuring assets of state enterprises

State enterprise assets must be insured for the total sum of their current value.

Paragraph 11. Use of the assets of state enterprises.

The state enterprise can sell immovable property for agreed price to state enterprises of the Republic of Latvia, state institutions and state organisations with the permission of the ministry only, if the ministry has not stated otherwise. For other legal and physical persons the immovable property, with the permission of the ministry, can be sold only in auctions inviting state enterprise audit commission to control the auction. Department or unit as a whole can be sold only in accordance with the privatisation project confirmed according to conditions in the law of June 16.06 1992 "On the Order of Privatisation of State and Municipal Property." or other regulations of Supreme Council and laws of the Republic of Latvia.

Movable property can be sold without the ministry permission for agreement price or in exchange with other Latvia state enterprises of the Republic of Latvia, state institutions and state organisations. To other legal and physical persons movable property can be sold in auctions only.

The auction is organized in order stated by the Council of Ministers. If the auction do not take place because there is only one buyer the property can be sold for agreement price. The results of the auction are not to be confirmed.

The working capital /apgrozāmie līdzekļi/ can be freely sold for a market price, exchanged or leased without permission from the ministry.

If the ministry has not stated otherwise the state enterprise can liquidate the damaged property or the property that cannot be sold without the permission from the ministry.

Paragraph 12. Order to lease State enterprise assets.

State enterprise can lease the movable and immovable property without ministry permission. Lease of ships can be performed with the ministry written permission only and lease price has to be confirmed by the ministry. Lease contract for department or production unit or the enterprise with the right to purchase can be concluded only in accordance with privatization project confirmed in compliance with the law of June 16.06 1992 "On the Order of Privatization of State and Municipal Property." or other regulations of Supreme Council and laws of the Republic of Latvia.

Immovable property lease contracts has to be registered in the ministry. The revenue received for the rent of whole department, unit or the whole enterprise for more than one year is paid to the state budget completely. Lease revenue for leasing department or production unit or the enterprise with the right to purchase is transferred to the state privatization fund.

Chapter IV.
Management of State enterprises.

Paragraph 13. The director of the state enterprise

The state enterprise is managed by a director (manager) appointed or released by the ministry. Director is responsible for the activities of the enterprise, its property, observance of rules and fulfilling the contracts.

In appointing this director, the minister or chairman of the committee signs a contract with him or her, delineating the directors rights, assignments and responsibilities, as well as his or her salary and provided for dismissal, taking into consideration guarantees provided for in existing legislation.

The state enterprise director is entitled to independently make decisions about all questions concerning the enterprise entrusted to him or her. The director acts on behalf of the enterprise, according to the enterprise, without needing further authorization. He or she:

- represents the interests of the enterprise to state and local governments and to other enterprises;
- founds and dissolves affiliates and representative offices;
- manages the material and financial assets of the enterprise;
- signs business and labour contracts;
- delegates authority;
- opens bank accounts of various types;
- approves s;

- issues decrees and instructions, which are mandatory for all workers in the enterprise;
- is responsible for the enterprise fulfilling its responsibilities in accordance with existing regulations on fire safety, accident safety, labour, health and environmental protection codes, and in accordance with the Republic of Latvia law "On enterprise activity" from 26.09.1990, and other regulations of the Supreme Council, the Council of Ministers and laws of the Republic of Latvia.

Paragraph 14. State Enterprise Audit Commission.

The audit commission is formed of three or five people to audit state enterprise.

The chairman is appointed and dismissed by minister or chairman of committee.

One member of the audit commission is appointed and dismissed by the state head auditor. Other members of the audit commission are appointed and dismissed by finance minister.

The chairman and members of the audit commission cannot be employees of the enterprise and cannot be relatives of the director, deputy directors and chief accountant.

The work of the audit commission is paid from the funds of the enterprise. Amount and order of remuneration is fixed by the Council of Ministers.

The meeting of the audit commissions has to make minutes of the meeting. Copies of minutes and audit protocols and considerations are to be submitted to the ministry or committee, responsible for enterprise and to State Audit Commission, State Tax Inspectorate, Ministry of Finance and director of the enterprise.

Chapter V.

State Enterprise activities.

Paragraph 15. The Rights of Operations for state enterprises.

The state enterprise has the right to engage in any type of business which is not contrary to existing law and corresponds to the enterprise statutes.

The state enterprise according to the law with written permission from the ministry may participate in entrepreneurial companies (buy securities) and non-profit organizations. Representative of the state company in that case has to be appointed and dismissed by the ministry in compliance with the law " On State and Municipal Property in

Entrepreneurial companies." June 10, 1992. Dividends for the state property is to transferred as state enterprise revenue.

State enterprise is allowed to sell securities.

Paragraph 16. The supply and services for state necessities.

Contracts on supply and services for the state needs can be signed and executed in compliance with laws of Latvia and Regulations of the Council of Ministers.

Paragraph 17. Employment in State Enterprises.

Employment in state enterprises is regulated by existing legislation of Latvia.

Directors of the state enterprise and managers of the state enterprise who have signature rights and employees who are in a specific position in the enterprise are not allowed to receive remuneration from contract services or directly or through third persons to participate in the activities of the enterprise (other than state enterprise) which have contracts or other liabilities with the state enterprise. The ban do not effect person who represents part of the state capital in the company or non-profit organisation where state enterprise participates and to persons who lease state enterprise.

Paragraph 18. Wages in state enterprises.

Wages and bonuses for directors and his deputies are regulated by the Council of Ministers and they depend on profits of the enterprise.

Wages for rest of employees of the state enterprises are stated by director in compliance with the laws of Latvia and resolutions of the Council of Ministers and Supreme Council.

Amount of minimum wage is fixed by the laws of Latvia and resolutions of the Council of Ministers and Supreme Council.

Paragraph 19. The activities of political parties and other social-political organizations

The interference of political parties or other social-political organizations in the work of state enterprises is not allowed.

Paragraph 20. Sales of production

The state enterprise sells products and various services in accordance with contracts, state orders, and independently, except in those cases regulated by the laws of the Republic of Latvia.

600

Paragraph 21. Prices and price formation

The state enterprise sells its production, services and other assets for prices and tariffs set by the enterprise, state order or contract, but in cases provided for in the laws of the Republic of Latvia or in decisions by the Council of Ministers, for official state prices. If the state enterprise violates state prices and tariffs, the illegally obtained profit is confiscated and turned over to the state budget. The state enterprise is, in addition, responsible for paying a penalty in accordance with regulations set forth by Republic of Latvia legislation.

Paragraph 22. Financial and relationships

State enterprise has the rights to obtain credits in the banks in compliance with the law "On Banks" from May 19, 1992. State enterprise may take obligations against the physical persons up to 10 % of enterprise statute fund. Director of the state enterprise has to submit the annual report or report on the request from the respective ministry on all types of accounts and activities carried out. State enterprises may open checking and other types of accounts in any bank within the Republic of Latvia for managing financial assets (including hard currency assets). The state enterprise is subject to taxes as set by the laws of the Republic of Latvia. All financial obligations of the state enterprise, including payments into the state budget and wage payments, are to be met in turn according to the respective deadline dates, unless the laws of the Republic of Latvia call for a different order.

Paragraph 23. State enterprise Profits.

Profits (in any currency), which are retained by the state enterprise after taxes, contract and other obligations provided for under republic laws and legislation, can be used according to the statutes of the enterprise and collective contracts. State enterprise may make donations, gifts or charity activities without permission from the ministry according to law "On profit tax" from December 20, 1990.

Paragraph 24. Accounting in the state enterprises and auditing of the state enterprise.

Director of the enterprise has to submit annual balance sheets and report on activities to the ministry together with the report from the audit commission as requires the regulations by the Council of Ministers. The books of the enterprise, annual report and other documents are subject to audit by the auditing commission. Audit commission has the right to audit all enterprise

activities and assets. The audits can be done by the request from the ministry, State auditor, state tax inspectorate, credit establishment or court.

Audits can be carried out not more than twice a year.

Paragraph 25. Shut down of the enterprise.

Enterprise may be shut down in case of breaking laws and regulations of Latvia in accordance with law "On order of liquidation of enterprises and organizations." from December 11, 1991.

Chapter VI.

The reorganization and dissolution of state enterprises

Paragraph 26. The reorganization of state enterprises

The decision on reorganisation is taken by the Council of Ministers or the Ministry.

The activities of the reorganised enterprise are determined by the Latvia laws, resolution of the Council of Ministers or Supreme Soviet.

Paragraph 27. The dissolution of state enterprises

State enterprises are dissolved in cases outlined in and according to regulations set forth in the "Law on enterprise activity" from September 26, 1990.

Chapter VII.

Liabilities for non-observance of the law and procedures of repaying losses.

Paragraph 28. Liabilities for non-observance of the law.

Abusers of the law are liable in compliance with Latvia laws.

Any assets obtained by the enterprise in order not envisaged in paragraph 11 has to be confiscated for the state without any remuneration.

Paragraph 29. Order of repaying the losses.

Physical and legal persons have to cover the losses done to the state enterprises, would be profits has to be included in the losses.

Disputes of reimbursement are to be considered by the court.

Chairman, Supreme Council
Republic of Latvia
Secretary, Supreme Council
Republic of Latvia

A.Gorbunovs

I.Daudiss

THE LAW OF THE REPUBLIC OF LATVIA
ON STATE AND MUNICIPAL PROPERTY PRIVATISATION
COMMISSIONS

Article 1 **General Regulations**

The law determines uniform operational principles for state and municipal property privatisation commissions that are established to exercise state and municipal property privatisation. State and municipal property privatisation commission (further in the text - privatisation commission) establishment and operations are determined by this legislation and other state and municipal property conversion normative acts.

Agriculture enterprise and fishery collective farm privatisation commission establishment and operations are determined by the Law of the Republic of Latvia *On the Privatisation of Agriculture Enterprises and Fishery Collective Farms*.

Article 2 **The Objective of the Establishment of Privatisation Commissions**

A separate privatisation commission shall be established for the privatisation of each state property unit.

Municipal property privatisation commissions are established as permanently functioning commissions for the privatisation of all privatisation units of the particular municipality. Commissions for the privatisation of separate privatisation units can also be established.

Article 3 **Motivation for the Establishment of Privatisation Commissions**

State enterprise privatisation commissions are established on the order of the Ministry of Economic Reform of the Republic of Latvia, also taking into account the proposals of the respective ministry.

Municipal property privatisation commissions are established by the highest decision-making body of the respective municipality.

Article 4 Approval of the Privatisation Commission Members

State asset privatisation commissions are formed from three up to nine persons, among them representatives from the respective ministry and the asset unit under privatisation, other experts and a representative of the trade union that represents the majority of the employees and a self-government representative, taking into account restrictions of Article 5 of this legislation.

The number of the municipal government privatisation commission members and the distribution of representatives are determined by the respective council, including representatives of the national economy, self-government and trade unions, as well as specialists, and takes into account the restrictions of Article 5 of this legislation. The Ministry of Economic reform shall be notified on the membership of the commission in accordance with the procedure set by the Council of Ministers of the Republic of Latvia.

Information of the members of the privatisation commission shall be published in the press.

The Ministry of Economic Reform of the Republic of Latvia adopts the list of proposed privatisation commission members submitted by the respective ministry or gives a substantiated disapproval within one week. Disputes over the membership of the privatisation commission are examined by the Council of Ministers of the Republic of Latvia.

Article 5 The Rights and Responsibilities of the Privatisation Commission Members in the Purchase of Assets

The chairperson of the privatisation commission, deputy chairman or a commission member shall not purchase assets of a privatisation unit that has been privatised while he/she is a commission member, or within two years from the time the unit has been privatised, irrespective of whether the privatisation unit controlled these assets during the privatisation commission functioning period. Such deals shall be considered invalid from the time of their conclusion and the activities of the respective commission members shall be reported to the investigative authorities, who shall investigate for any indication of wrong-doing.

Article 6 Restrictions Applied on Privatisation Commission Members

The chairperson, the deputy chairperson or a member of the privatisation commission shall neither claim the status of the owner or a co-owner of the state and municipal asset unit under privatisation nor be the first degree relative to such a claimant. As soon as the above mentioned conditions occur, the commission member him- or herself declares his/her resignation from the post of the commission member.

Article 7 Functions of the Privatisation Commission and the Distribution of Duties among its Members

The privatisation commission independently, as well as with the help of invited experts, manages the privatisation of the respective units in accordance with the legislative acts that regulate the procedure of privatisation of the national economy asset units.

The privatisation commission makes decisions and acts independently insofar as its activities are not determined by this law or other normative acts binding for the commission.

Privatisation commissions act collegially, and have the authority to make decisions if the meeting is attended by at least half of the commission members. If the commission is composed of three members the presence of all three at the meeting is compulsory.

The privatisation commission passes decisions with the majority of the commission member votes in an open ballot. If two alternative decisions receive an equal number of votes, the commission passes the option that is supported by the chairman, but if the chairperson is absent, the commission passes the option that is supported by the deputy chairperson. Decisions of the commission are recorded in the minutes, and if an argument over the content of a decision or the procedure of its implementation arises, the decision as it has been formulated in the minutes takes effect. A commission member who disagrees with the decision of the commission has the right to supplement the minutes with his opinion in written form.

The privatisation commission, within the range of its authority, independently distributes duties and functions among the commission members.

Article 8 The Rights of the Chairperson of the Privatisation Commission

The chairperson of the privatisation commission, in his/her absence, deputy chairperson of the privatisation commission, has the right to stop the implementation of the commission decision, immediately notifying members of the commission and those who are directly responsible for the implementation of the decision if he/she is able to prove that the respective decision of the commission is not legal or may negatively affect the activities of the commission or the privatisation of the national economy unit.

If the privatisation commission, within three days from stopping the decision, reviews it and decides that the chairperson's decision has not been objective, it passes a repeated final decision.

Article 9 The Procedure for Reviewing Disputes on the Privatisation Commission Activities

Disputes over the activities of state asset privatisation commissions for whom this law does not determine a different revision procedure, are reviewed by the institution that

has established the commission. Its decision can be appealed to the Council of Ministers of the Republic of Latvia, although appellation of the decision does not prevent its implementation.

Disputes over the activities of municipal asset privatisation commissions for whom this law does not determine a different revision procedure, are reviewed by the highest decision-making body of the respective municipality, and the decision is final.

Article 10 Financing the Activities of State Asset Privatisation Commissions

Activities of the privatisation commission, including payments to members of the commission and experts invited, as well as other expenses are covered from the asset unit privatisation revenue section which is determined by the Council of Ministers of the Republic of Latvia.

Members of the privatisation commission are not released from their regular occupation, and payments for their activities with the commission are made in accordance with the procedure determined by the Council of Ministers of the Republic of Latvia.

Article 11 Financing the Activities of the Municipal Asset Privatisation Commissions

The municipal property privatisation commission activities can be financed according to the procedure set by the municipal self-government. The municipal self-government can employ the state asset privatisation commission activity financing principles determined by this law, as well as establish the municipal asset privatisation fund.

Article 12 The Reorganisation or Liquidation of the Privatisation Commission

The reorganisation or liquidation of the state asset privatisation commission takes place on the order of the Ministry of Economic Reform of the Republic of Latvia.

Reorganisation or liquidation of the municipal asset privatisation commission takes place according to the decision of the municipal self-government, notifying, in accordance with the procedure determined by the Council of Ministers of the Republic of Latvia, the Ministry of Economic Reform of the Republic of Latvia.

The Privatisation commission shall be reorganised in the following cases:

- 1) If the authority that has established the respective privatisation commission admits that the commission in its present composition is not able to perform its duties;
- 2) If during the activities of the privatisation commission, malicious or avaricious activities of its members are discovered.

The privatisation commission shall be liquidated in the following cases:

- 1) If the aim of the privatisation commission establishment has been achieved;**
- 2) If the authority that established the respective privatisation commission concedes that the goal of the privatisation commission establishment is not feasible.**

Article 13 Supervision and Control over the Activities of the State and Municipal Asset Privatisation Commissions

General supervision of the activities of the privatisation commissions is carried out by the Ministry of Economic Reform and law-enforcement bodies in accordance with the general procedure.

**Chairman,
the Supreme Council of the Republic of Latvia**

Anatolijs Gorbunovs

**Secretary,
the Supreme Council of the Republic of Latvia**

Imants Daudišs

THE SUPREME COUNCIL OF THE REPUBLIC OF LATVIA

RESOLUTION

**On the Procedure in which the Law of the Republic of Latvia
On State and Municipal Asset Privatisation Commissions Takes Effect**

The Supreme Council of the Republic of Latvia resolves:

- 1) To determine that the Law of the Republic of Latvia *On State and Municipal Asset Privatisation Commissions* takes effect with from the time of its adoption;
- 2) To order that the Council of Ministers of the Republic of Latvia issues by March 31, 1992, the normative documents necessary for the establishment of privatisation commissions, beginning and ensuring their activities.

Chairman,
the Supreme Council of the Republic of Latvia

Anatolijs Gorbunovs

Secretary,
the Supreme Council of the Republic of Latvia

Imants Daudišs

**Regulations for organizing auctions in several state
enterprises immovable and movable assets.**

1. These regulations (further in the text "Regulations") determines the order how auctions mentioned in the Law from December 12, 1990 "On State Enterprises" (with amendments of July 9, 1992) Article 11 selling different assets of state enterprises (except complete units) must be organized when selling the assets to different natural and legal entities (except state legal entities).

2. The auction is organized by Auction Task Force that is formed by order of the state enterprise manager. In the group following persons should be appointed: auctioneer , accountant and recorder.

Organizing the auction for separate immovable assets the Auction Task Force can be confirmed only after written permission from the respective ministry and, (according to Regulations of the Council of Ministers of Latvia from June 19, 1992 No. 239 "On First Hand Purchase Rights of Local Municipalities"), written permission from local municipalities have been received. The ministry can request the enterprise to inform about the list of Auction Task Force group members.

3. The following auctions can be held:

- 1) open auction,
- 2) closed auction

4. The regulations for the auction are elaborated by members of the Auction Task Force group and confirmed by the state enterprise manager. If organization of separate immovable asset auction of the state enterprise occurs, the regulations must be coordinated with Audit Commission of the State enterprise.

5. The auction regulations has to state:

- 5.1. order of registration for auction participants,
 - 5.1.1. amount of registration fee and security deposit,
 - 5.1.2. documents necessary to register for the auction,
 - 5.1.3. pattern of registration certificate and procedure to enter data in the register;

5.2. the place and time of the auction;

5.3. kind of the auction;

5.4. the initial price of the sales object .

The initial price is determined by the Auction Task Force according to the Regulations on State and Municipal Property (Enterprise) and its Asset valuation (Resolution of Council of Ministers September 21, 1992 No. 397).

5.5 order how payment for the sold unit is to be paid, and order on sales - purchase agreement conclusion;

Auction Task Force group can make amendments to the auction regulations.

6. Auction Task Force not less than two weeks prior to auction announces about the auction in mass media the following information:

6.1. information on unit to be sold, its initial price;

6.2. the address of the organizer of auction, phone number, office hours.

Auction Task Force publishes or during preparatory stage gives the following information if requested:

- place and time of the auction;

- the place of registration and time, auction regulations;

- the place and time for unit survey;

- other information on auction regulations.

Auction Task Force registers the date when information on the auction is published (released) and the name of the mass media.

7. Registration of auction participants starts not less than 10 days prior to auction and finishes two hours before the auction begins. During registration process the participants can get information on the regulations and conditions of the auction.

8. Minutes are taken during the auction. The minutes by request has to be submitted to the state enterprise Audit Commission or the ministry. In the minutes of the auction the following has to be described: the name of the state enterprise, the name of the unit proposed for the auction, the place and time of the auction, initial auction price, the highest bidding price, information about asset buyer, conditions of payment and time.

All documents of the auction have to be kept according to Laws and Regulations of the Republic of Latvia.

9. Participants of the auction who have not bid any asset can redeem their security deposit within a week.

10. If only one participant has registered for the auction the asset can be sold to him for agreed price.

11. If at the announced time only one participant has arrived the auction is postponed for two hours, then the auction is cancelled, and the auction manager announces that the auction has not taken place. If the only participant demands back his registration fee and security deposit the Auction Task Force has to redeem the money within one week. If the participant is not redeeming the security deposit and the fee he can register for repeated auction without paying registration fee and security deposit. Participants not attending the auction can redeem their security deposits but not registration fee.

12. The auction is announced cancelled :

12.1. if the information on the place and time of the auction has not been published in the mass media, or the auction has been announced violating these Regulations;

12.2. if any of participants was denied an access to the auction or the bid has been refused without a reason;

- 12.3 if the agreement has been made to halt somebody from participating in the auction;
- 12.4. if the assets have been bought by person who has no rights to participate in the auction;
- 12.5. if the registration or auction takes place somewhere else than announced;
- 12.6 if the assets are sold before the announced time;
- 12.7. under conditions mentioned in Articles 10 and 11 of these Regulations.

The Decision on declaring the auction invalid is made by the Audit Commission of the state enterprise or the ministry and participants of the auction has to be acknowledged within a week.

13. If the auction agreement is declared invalid then the auction is declared invalid as well.

14. If the auction is declared invalid because of the Auction Task Force fault then all losses are covered by the state enterprise , but members of the Auction Task Force are responsible according to legislation.

Ratified by the Resolution
Of the Council of Ministers
of the Republic of Latvia

December 1992

Regulations
on the procedure of calculation of the long-term investment
depreciation.

The Regulations have been adopted in accordance with the 15th Article of the Law of the Republic of Latvia " On Accounting" stating the government's of the Republic of Latvia competence in the accounting problems.

The Regulations concern all enterprises, entrepreneur companies and non-prophet organizations (further referred as enterprise) registered at the Register of the Republic of Latvia irrespectively of the form of their entrepreneurship and property. Depreciation is not calculated for the budget organizations.

The Regulations are in effect from 1 January 1993.

1. Depreciation objects are the long-term investments of the enterprise- fixed assets and non-material investments (Except the fixed assets stated in the Article 2.)

Notions "fixed assets" and "non-material investments" correspond to their meaning in the Law of the Republic of Latvia "On the Enterprises Annual Account".

2. Depreciation does not concern the following fixed assets:
a) productive cattle,
b) library funds,
c) highways of common usage and buildings for organization of public services ,
d) fixed assets frozen in the generally accepted order.

3. Depreciation can be calculated for each inventory object or the whole group. Depreciation is calculated only for the objects which have been, the enterprise's property during the period of revision.

4. The enterprise independently chooses one of the generally accepted methods of calculation of depreciation. On the basis of the average maximal annual depreciation norms for the long-term investment objects stated in the Annex to the Regulations the enterprise states concrete depreciation norms, annual and individual for different types of objects. The chosen method of calculation of depreciation cannot be changed.

5. When calculating the depreciation the long-term investments should be evaluated according to the procedure stated in the Law "On the Enterprises Annual Account".

6. Depreciation can be calculated only since the day the object is put into operation. For the objects taken out of operation depreciation is calculated until the day they were in use.

7. Depreciation can be calculated only for the period not exceeding the limits of the generally stated period for the object's usage (stated by depreciation norms). When the generally stated period for the object's operation is over, calculation of the depreciation ceases.

8. In cases of stoppage or repairs the calculation of depreciation can be continued.

9. For those depreciation objects whose depreciation calculation has been started before 1 January, 1993, former depreciation norms should be preserved except the cases when it contradicts with the Regulation.

65/1

AVERAGE MAXIMAL ANNUAL DEPRECIATION NORMS FOR LONG-TERM INVESTMENT OBJECTS

Types and groups of the long-term / Average annual depreciation investments / maximal norm

I. Non- material investments	.....20
II. Fixed Asset:	
1. Buildings	
1.1. Buildings, edifices (except dwelling houses), except:	.....3
1.1.1. Polyethylene structures etc., movable and dismountable	.....20
1.1.2. Store houses for fruit and vegetables	.....10
1.2. Dwelling houses:	
1.2.1. with brick or wainscot walls, reinforced concrete frame	.....1,5
1.2.2. with wooden or mixed type walls	.....2
2. Constructions	
2.1. hydrotechnical constructions:	
2.1.1. reinforced concrete, concrete, stone; of iron, asbestos cement and plastic pipes	.....5
2.1.2. wooden	.....20
2.2. Constructions for transportation, communications etc. branches	.....10
2.3. Pipelines	.....20
2.4. Other constructions	.....20
3. Machines and equipments	
3.1. Turbine equipments, electric motors, dieselgenerators	.....10
3.2. Heat engineering, complex power machines, metal-cutting, forging-pressing, diamond processing, for submarine works, glass industry, woodworking, polygraphy, tractors (except for farming and timber industry)	.....15

3.3. Internal combustion engine, tractors for farming, technological equipment for rolling, pumps, compressors, air-conditioning and gass distillation, loading and un-loading (except those stated in sub-article 3.4.) farming, hydromechanization, road-building (except bitumen melting aggregates and bitumen kettle), holds for technological processes, metalurgy, chemical industry, gass industry, peat industry, cabel industry, paper and cellulose industry, technological equipment for food industry, milk and meat industry, communication equipments, trade and public catering, medical and microbiological industries, measuring, regulating and laboratory equipments (except those stated in sub-article 3.5), computing equipments, other specialized types of equipments	.....20
3.4. Tractors for timber industry, conveyors, loading, un-loading equipment, for concrete and decoration works, piling works, geological works, electro-technical and electronic industry, timber industry, light industry	.....25
3.5 Portable acid batteries, welding and cutting, sorting, under-ground and mountin works, building material industry, agriculture, automatization of underground production processes, measurement and regulation of temperature, sports	.....30
3.6 Bitumen melting aggregates, bitumen kettles	.....50
4. Means of Transport	
4.1. Railway's rolling stock	.....10
except:	
4.1.1. acid cisterns	.....20
4.2. Marine and river fleet	.....10
except:	
4.2.1. Fishing fleet	.....15
4.2.2. Motor boats, o r-boats	.....20
4.3. Technological equipment for railroad transport and fleet.	.....15
4.4. Rolling stock of the motor transport (Lories, trailers, cars, buses) and public service transport	.....20

4.5. Main pipeline transport	.....4
5. Tools	.....50
6. Production and management stock	.....30
7. Draught animals	.....15
8. Perennial plantations	.....30
9. Capital outlay of organization of land exploitation	.....15

LAW

"ON ANNUAL REPORTS IN ENTERPRISES"

Terms used in the law:

Management in this law means board or board of directors in the enterprises where these structures exist. In individual enterprises owner is considered as "management". In all other types of enterprises "management" is meant as a person that has authority to take decisions concerning everyday management.

A Parent company is a company which owns more than a 50% share in another company, or has a majority vote in another company.

A Daughter company (subsidiary) is a company where a parent company owns at least 50 % or where the parent company has a majority vote.

An affiliated company is a company where a (parent) company owns from 25% to 50% but where the (parent) company does not have a majority vote.

A concern is a group of companies which consists of the parent company and its subsidiaries. If one or several physical persons own separate individual companies, they do not form a concern.

CHAPTER 1

General Conditions

Article 1

(1) This law assigns (refers) to all companies registered at the Enterprise Register of the Republic of Latvia irrespective of form of entrepreneurial activity and ownership, non-profit organizations (further companies).

2) The law does not affect private farms and fisheries and one owner companies, whose annual income do not exceed 2000 minimum monthly salaries at the beginning of the reported year.

3) This law does not affect banks and other credit institutions, insurance companies the activities of which are determined by other legal bills.

4) Amount and submitting procedures of statistic reports are determined by the law "On Statistics".

Article 2

In the annual report monetary unit used of Latvia must be used. Annual report must be written in Latvian.

Article 3

1) Annual report has to cover period of 12 months. Newly established companies, and in cases when fiscal year of the company has been changed, the first annual report period can be shorter or longer but not to exceed 18 months.

2) Companies included into one concern shall have the similar report period.

Article 4

1) Annual report must include balance sheets, profit and losses calculation, appendix and report.

2) Annual report has to be compiled clearly and in compliance with the law.

3) Annual report has to give clear and true data on the company's assets, liabilities, financial state and profit or losses.

Article 5

1) Balance sheets has to be compiled, profit and loss calculations calculated according to sample forms provided in article 10 - 14. For calculation of profit and losses a company has the right to choose one of the samples.

2) Profit and loss samples in the next report year can be changed if there is justification for that, and if one and the same scheme is used at least in two consecutive years. The reason for change has to be explained in the notes.

3) During period of inflation Ministry of Finance has the right to demand unrevised quarterly reports that include balance sheet and calculation of profit and losses. Content, procedure for elaboration and terms for submitting of the quarterly report are determined by the Ministry of Finance.

Article 6

1) Assumptions mentioned in article 10-14 of the law has to be observed in the order demanded by the law. Entries with Arabic numbers are allowed to divide into smaller units if that is requested by specific features of the enterprise. Additionally new items can be introduced if the contents of these are not included in any existing entry.

2) Entries of Arabic numbers can be combined if the amounts are insignificant or combination of these can create more clear vision. Combined entries must be clarified in the appendix.

Article 7

1) In the annual report each balance sheet, calculations of profit and losses in the appendix of article 6 part (2) has to show respective amounts of the previous year. If the amounts are not comparative they must be explained in the annual report's appendix.

2) Balance sheets, entries of the profit and losses that do not have numbers (amounts) have to be shown only if in the previous year there has been reported amounts.

Article 8

Any recalculation and amendments of entries in the balance sheet is not allowed.

Article 9

1) If any resources or any liability applies to several entries, its connection with other entries has to be shown either below the entry in which it is included or in the appendix of the law if such clarification is necessary to understand annual report.

2) Stock and shares of the company and participation in other company's capital must be shown only in the entries mentioned for these purposes.

Chapter 2

Schemes for construction of the balance sheet, calculation of profit and losses

Article 10

Balance sheet accounts

Assets

Long term assets

I. Intangible assets

1. Costs for research work and development of the enterprise.
(Research and development)
2. Concessions, licenses, trade marks, patents and similar rights and assets.
3. Goodwill of the enterprise.
4. Payments on account for non-material investments.

II. Tangible (fixed assets)

1. Land, buildings, constructions and other long-term fixtures.
2. Plant and machinery.
3. Other fixtures and fittings, tools and equipment
4. Payments on account for tangible fixed assets and tangible fixed assets in course of construction.

III. Long term financial assets:

1. Participating interests in subsidiaries.
2. Loans to subsidiaries.
3. Participating interests in associated undertakings.
4. Loans to the associated undertakings.
5. Other securities and capital participations.
6. Other loans
7. Own shares or parts.
8. Loans to members of the company and the board.

Current Assets

I. Stocks

1. Raw materials and consumables
2. Work in progress
3. Finished goods and goods for resale
4. Work in progress for third parties
5. Payments on account for goods
6. Labour animals and production animals

II. Debtors:

1. Trade debtors (trade receivables)
2. Amounts owed by subsidiaries.
3. Amounts owed by associated undertakings.
4. Other debtors
5. Company capitals not paid up
6. Loans to members of the company and members of the management and the board.
7. Accruais

III. Securities and capital participation

1. Participating interests in subsidiaries
2. Own shares or parts.
3. Other securities and capital participation

IV. Cash funds

LIABILITIES

Equity capital:

1. Company capital
2. Share premium account
3. Reevaluation reserve
4. Reserves:
 - a) legal reserves
 - b) reserve for own shares or parts
 - c) reserves provided for by the articles of the Association
 - d) other reserves.
5. Profit or loss brought forward
 - a) brought forward from previous years
 - b) brought forward from profit and loss account for the current financial year

Provisions for liabilities and charges

1. Provisions for pensions and similar obligations
2. Provision for contingent tax
3. Other provisions

Creditors (short and long terms)

1. Debenture loans
2. Convertible loans
3. Credit institutions
4. Payments received on account of orders from customers
5. Suppliers of goods and services
6. Bills of exchange payable.
7. Amounts owed to subsidiaries.
8. Amounts owed to associated undertakings
9. Company tax
10. Other creditors, including tax and contributions to social security
11. Accruals
12. Dividend for the financial year.
13. Unpaid dividend for previous financial years

Article 11

Profit and losses calculation scheme in vertical form,
classified according to the period expenses.

1. Net turnover.
2. Variation in stocks of finished goods and in work in progress.
3. Work performed for own purposes and capitalized.
4. Other operating income.
5. Material costs:
 - a) raw materials and consumables
 - b) other external charges.
6. Staff costs:
 - a) wages and salaries;
 - b) pensions
 - c) other social security costs
7. Depreciation and write-off of
 - a) tangible and intangible fixed
 - b) current assets in excess of normal write-off
8. Other operating charges

9. Income from participating interests
10. Income from other capital participation, securities and loans, forming part of the fixed assets.
11. Other interest receivable and similar income.
12. Write off of financial fixed assets and of securities and capital participation held as current assets.
13. Interest paid and similar charges.
14. Profit or losses before extraordinary items and taxes
15. Extraordinary income.
16. Extraordinary charges
17. Extraordinary profit or loss before tax
18. Tax on profit or loss for the financial year.
19. Other taxes.
20. Profit or losses for financial year.

Article 12

Profit and losses form in vertical form,
classified according to method of turnover expenses.

1. Net turnover
 2. Production costs
 3. Gross profit or loss
 4. Sales costs.
 5. Administrative costs.
 6. Other income from business activities.
 7. Income from participation in the capital of subsidiaries and affiliated companies.
 8. Income from securities and loans forming long term investments.
 9. Other interest rate and similar income.
 10. Write off of long term financial investments, securities and short term participation value. (see Art.11. 12.)
 11. Interest rate payment and similar payments.
 12. Profit or losses before taxes and other entries.
 13. Unplanned income.
 14. Unplanned expenses.
 15. Unplanned profit or losses before taxes.
 16. Profit tax for reported year.
 17. Other taxes.
 18. Profit or losses for reported year.

Article 13

Expenses:

1. Reduction of unfinished production and inventory in stock.
2. Material costs:
 - a) costs of raw materials and side materials
 - b) other outside expenses
3. Expenses for the staff:
 - a) salaries;
 - b) pensions from company's resources;
 - c) other social security costs.
4. Asset write off
 - a) capital asset and nonmaterial asset use and depreciation;
 - b) working capital write off above usual level.
5. Other business activity costs.
6. Writing off of long term investments, and the value of short term securities.
7. Interest rate and similar payments.
8. Profit before outside entries and taxes.
9. Outside payments.
10. Profit tax for reported year.
11. Other taxes.
12. Profit for reported year.

INCOME:

1. Net turnover.
2. Increase of unfinished production and inventory in stock.
3. Capital investments for the enterprise.
4. Other income from enterprise business activities.
5. Income from participation in the capitals of subsidiaries and affiliated companies.
6. Income from other participation in capitals, securities and loans forming long term investments.
7. Other interest rate and similar income.
8. Losses before outside entries and taxes.
9. Outside income.
10. Losses in the reported year.

Article 14
Scheme for profit and loss calculation,
classified according to turnover payment method

Expenses:

1. Sold product costs.
2. Sale costs.
3. Administrative costs.
4. Long term investment, security and short term participation capital write off.
5. Interest rate payments and similar expenses.
6. Profit before outside entries and taxes.
7. Outside payments.
8. Profit tax for the reported year.
9. Other taxes.
10. Profit for the reported year.

Income:

1. Net turnover.
2. Other income of enterprise business activities.
3. Income from participation in the capitals of subsidiaries and affiliated companies..
4. Income from other participation in capitals, securities and loans forming long term investments.
5. Other interest rate and similar income.
6. Losses before outside entries and taxes.
7. Outside income.
9. Losses in the reported year.

Chapter 3

Special provisions for several entries

Article 15

Assets meant for long term use or invested in the long term assets are long term investments. Other capital is working capital.

Article 16

Each long term investment entry in the balance or appendix has to contain following information:

1. purchase price or production costs according to previous year balance;
2. increase, including improvements in the reported year,
3. initial value of liquidation in the reported year.
4. any switches from entry to entry during the report year,
5. revaluation in the reported year,
6. total amount revaluated until the date of the balance sheet, including entries specified in article 5,
7. depreciation and value write off in the reported year,
8. corrections for previous year depreciation and value write off, including the corrections in the depreciation and writing off of the liquidated resources and of those taken out of production;
9. total use and value depreciation until balance closing day, including items mentioned in article 7 and 8.

Article 17

1) expenses incurred before the date when balance is compiled but is relevant to next years shall be shown as expenses of the next periods on the asset side. Income receiver' before compiling balance, but relevant to next years shall be shown as income on the liability side.

2) expenses relevant to the current year but subjected to pay only in future years shall be shown as debt to creditors. Income relevant to the reported year but received after the date of compiling the balance has to be shown as debtors debt.

3) the amounts shown in article 17.1. and 17.2. has to be explained in the appendix.

Article 18

1) In the entry "Concessions, patents, licenses, trade marks and other rights " only the amounts actually paid for the use of intangibles has to be included.

2)Entry " non material assets /value/ of the enterprise "
includes:

non material assets of the enterprise that can be formed only purchasing the enterprise or leasing it to another enterprise.

This is the difference between the purchase price of the enterprise and the amount estimated for the participation and enterprise assets from which the liabilities are deducted.

2) Debts to be received later than one year after the reporting year shall be accounted for as long term debt and debtor shall be included in every entry indicated by Arabic letters.

3) Debts to be returned within one year are short term debts. Debts to be returned after more than one year are long term debts. Both are debts to creditors and must be entered separately in the every entry indicated by Arabic letters. Separately the total amount of long and short term debts shall be included.

4) Prepayments /advance payments/ of customers and buyers has to be included on the liability side in the appropriate entry. If there are liabilities or claims of the subsidiary against the parent company these entries has to be included in the balance sheet of the subsidiary separately.

Article 19.

1) In the entry " Accruals" only the amounts related to the reporting year or previous years covering the losses, debts, or expenses the amount of which is not precisely known, but the existence of these can be predicted, be included.

2) Accruals cannot exceed necessary amounts and these amounts has to be justified separately in the appendix.

Article 20.

The enterprise has the right not to show the advised distribution of profits or covering losses. Distribution of profit and covering losses determined by the general meeting has to be shown in the next year annual report.

Chapter 4.

Specific conditions in several entries in the calculation of profits and losses.

Article 21.

Net turnover is income from enterprise business activities, sales of the products and delivering services when sales and other deductions, as well as turnover, excise and other taxes are deducted that are directly connected with sales.

Article 22.

1) In the entry "costs of sold products " mentioned in the article 12 and 14 has to show costs included in business activities.

2) In the entry "costs of sold products" in the article 12 and 14 , "sales costs" and "administrative costs" should depreciation of used units and write off amounts must be included.

3) In the entries of article 11 to 14 separately has to be shown:

income from participation in the capital;

income from other participation in the capitals, securities and loans forming long term investments:

 other interest rate income and similar income;

 interest rate payments and similar expenses.

Separately the part of subsidiary has to be shown in the respective entries of income and expenses.

Article 23.

1) income and expenses that are not connected with the basic activities of the enterprise, as well as substantial income and expenses relevant to another reporting year has to be included in the entries "outside /unplanned/ income " and "outside/unplanned/ expenses."

2) Amounts of unplanned income and expenses has to be explained in the appendix except cases when the amounts are insignificant.

Article 24.

1) Enterprises that do not exceed two criteria mentioned in the second half of this article by the day of completing the balance may form calculation of profit and losses in the entry "gross profit before taxes" and "gross losses before taxes" combining :

 in the article 11 - entry 1-5

 in the article 12 - entry 1-3 and 6.

 in the article 13 - expense entry 1 and 2; and income entry 1-4;

 in the article 14 - expense entry 1 and 2; and income entry 1 and 2.

2) Criteria mentioned in the article 24.1. are:

 1) total of balance sheet - 1.5 million ECU (calculated in the official monetary unit of Latvia according to the exchange rate set by the Bank of Latvia);

 2) net turnover 3.5 million ECU (calculated in the official monetary unit of Latvia according to the exchange rate set by the Bank of Latvia);

3) average number of employees for the reporting year - 250.

3) In part 2) of this article total balance sheet is the amount shown in the article 10 as total of the assets. Average number of employees is calculated adding the number of employees at the last day of the month and dividing by the number of months in the year to be reported.

4) Possibility to use the discounts is not valid if the enterprise has exceeded two conditions mentioned in the article 24.2. 1-3 but only in case it has happened two following years.

Chapter 5.

Conditions of evaluation.

Article 25.

(1) Annual report entries has to be valuated according to following general principles:

1) it is accepted that the enterprise will continue its activities;

2) The same valuation methods as in the preceding year have to be used;

3) Valuation has to carefully prepared with the following conditions:

a) only the profits received by the day of completing the balance has to be included in the report;

b) all risky amounts and losses that occurred during the year to be reported or the previous years has to be taken into consideration, even if they were acknowledged during the period of completing the balance and completing the annual report;

c) all depreciation and value reduction has to be taken into account and must not be influenced by the profits or losses made in the reported year;

4) income and expenses related to reported year has to be taken into account notwithstanding the date of transaction;

5) asset and liability entries must be valuated separately,

6) each balance of the reported year must correspond to the previous year final balance.

(2) In exceptional cases the conditions of the report may not be observed. Each case not observed has to be justified in the appendix, explaining how it will influence the assets and liabilities, financial situation of the enterprise and financial results.

Article 26.

(1) Long term investments has to be valuated according to their initial value, i.e. purchase costs or production costs.

(2) Purchase costs are calculated adding costs that are applied to

purchased object until it starts functioning to the purchase price.

(3) Production costs are calculated summing raw material and other material costs and other expenses incurred with producing the product. In the costs also the indirect expenses can be added if these costs have occurred at the same time.

(4) The interest rate of the capital investment loan has to be included in the costs of the new unit. Interest rate included in the costs has to be shown in the appendix.

Article 27.

The purchase or production costs for long term investment, units the use period of which is limited has to be gradually depreciated during the expected use period. The costs for obtaining land property cannot be depreciated.

Article 28.

(1) If the value of the long term investment ?? for prolonged period is ?? lower than the value that is calculated in according to the conditions of article 26 and 27 then the respective units has to be valued lower.

(2) Long term financial investment value can be reduced, lowering the value at the day of compiling balance.

(3) Valuating according to article 28, part (1) and (2) can be stoped if there is no reason for that.

(4) Reduction of value according to the conditions of article 28, part (1), (2) and amendments of part (3) has to be justified and specified in a separate entry of the annual report appendix.

Article 29.

(1) Capital investments and long term financial investments the value of which is substantially higher that the value for which it is purchased or production price or its valuation in the previous year balance can be valued according to its value if it is stated that value increase is long term. Depreciation and reduction of the value every year has to be calculated according to respective year account balance value and with the same amounts shall be included in the calculation of profits and losses. The value of the land property cannot be higher then the value of their purchase costs.

(2) The increase of the value appearing in this process has to be accounted in the entry "Reserve for reevaluation of long term assets" in the part ""Own

capital". The reserve for value increase may be used only according to conditions expressed in the article 29 part (3),(4).

(3) Long term asset reevaluation reserve has to be decreased if the reevaluated unit is no longer used or is liquidated or there is no justification for value increase.

(4) Long term asset reevaluation cannot be distributed in dividends.

(5) Changes in the entry "Reserve for reevaluation of long term assets" has to be explained in the appendix. In the explanation the following must be included:

1) reevaluation reserve at the beginning of the year;

2) increase of the reevaluation reserves during the reported year;

3) amounts deducted from the reserve according to conditions of article 29. (3) stating the type of decrease;

4) amount of the reserve at the end of the year.

(6) applying article 29 (1) has to be explained in the amendment, mentioning respective balance entries and methods used for calculation. Data in the balance and appendix has to relate so that each asset entry could be explained according to article 21- 28 and conditions of the article 29 (1).

Article 30.

(1) Valuation of working capital has to be justified in accordance with costs of purchase or production costs.

(2) Purchase cost is calculated by summing the purchase price and expenses connected with the purchase.

(3) Production cost is calculated by summing the use of raw materials, basic materials and side materials correspondingly with the expenses and side expenses of the purchase which is directly connected with the production of the product to be valued.

Article 31

(1) Purchase or production costs of the reserves are determined as the average weighted price or using the method FIFO.

(2) If using the methods mentioned in the first part of this article a value is formed substantially differing from the market price on the date the report is elaborated, the difference in each separate reserve entry shall be explained in the appendix.

Article 32

(1) Working capital shall be valued in a way to ensure its valuation on the date the balance sheet is compiled by the self- cost or the lowest market prices.

(2) The inventory and raw material stock balance may be valued in accordance with the purchase or production costs or the lowest market price on the date the balance is compiled; the lowest valuation price shall be obligatory used. Valuation of the inventory and raw material stock balance shall not be higher than the market price.

Article 33

(1) Securities included into the working capital and subjected to fluctuations in the stock-exchange may be valued in accordance with the price in the stock-exchange on the date the balance sheet is compiled, without taking into consideration conditions determined by the Article 30 of this law.

(2) Implementing of the Article 32 and the first part of this article shall be reflected in the appendix.

Article 34

Expenses connected with the formation of the company and the increase of its capital shall be shown in the balance sheet, but must be written off within three years.

Article 35

(1) Expenses connected with the formation of non-material investments mentioned in the Article 10, part 1.1-3 of this law shall be written off over a five year period.

(2) The content of the purchased non-material investments shall be documentary justified, and purchase expenses can't be written off for expenditures immediately after the purchase is done.

Article 36

(1) If a sum of the loan to be paid back is larger than the received sum, the difference shall be shown in the balance sheet asset or appendix.

(2) This sum of difference shall be gradually written off as expenditures dividing it per years. It shall be completely written off not later then by the deadline the loan should be paid back.

Article 37

(1) The difference of debtors' and creditors' debts shall be shown in balance correspondingly with the justification documents and notes in book keeping registers, and they shall match the accounting data of debtors and creditors at the moment the balance is compiled.

In the cases of conflict the difference shall be shown in balance

correspondingly with the book keeping data. A reserve for bad debts shall be formed on the basis of profit. At the appendix of annual report the amount of bad debts shall be justified, as well as the justification referring to each debtor shall be given. If the debt is considered as non receivable bad debt, it shall be written off using reserves or included into losses.

(2) Savings for special purposes or events shall be shown in balance as the special liability entries in group "Savings".

(3) The capital of an enterprise shall be partially shown in the balance.

(4) All debts which repayment deadline comes into effect not sooner as after a year from the end of the corresponding reported year are considered as long-term debts. All the other debts are short-term debts.

(5) In short-term debts the following information shall be included in separate entries:

1) dividends or sums anticipated for company's owner or for the distribution among several owners;

2) sums considered as liabilities of the company in the next reported year;

3) any liabilities towards employees what concerns their salaries;

4) any taxes' and duties' debts of the company to state and self-government institutions.

Article 38

If the company has sold the stocks or shares for the sum larger then its nominal value, the difference shall be shown on the asset side of balance "Assets owned by the enterprise" - in a special entry "Increase of price for stock emission." If the stocks were sold for the sum less then the nominal value, the difference shall be shown as the negative number in the same entry.

Article 39

Independently from the conditions determined by Articles 26, 28 and 29 of this law, the parent company shall announce its participation in the capital assets of its subsidiary in the value which corresponds with the value indicated in the subsidiary's annual report, and shall consider the following conditions:

1) the method of valuation shall be explained in the separate appendix, indicating all subsidiaries covered by it. If the annual report indicates significant profit or losses of the subsidiary, this shall be mentioned in the appendix;

2) difference between the purchase price of participating capital and the corresponding share of this participating capital in subsidiary shall be separately reflected in the balance of the parent company or in the appendix;

3) the purchase price of participation share shall be increased or decreased in the balance by the profit or loss of subsidiary;

4) the total sum mentioned in Article 3 of this law shall be annually shown in profit and losses account using the separate entry with corresponding title;

5) accounted value of participation capital shall be decreased by the calculated sum of dividends of subsidiary.

CHAPTER 6

REGULATIONS ON THE CONTENT OF THE APPENDIX

Article 40

A special information envisaged for the appendix may be shown in footnotes under accounting entries it concerns, or in the permanent entries of the balance and account of profit and losses.

Article 41

Appendix shall include information about the methods used for the valuation of various entries in annual report, as well as about the methods used for calculating depreciation, value decrease and value writing off of long-term investments. If a sum in the annual report is converted from the foreign currency to the Republic of Latvia legal tender, this conversion shall be justified.

Article 42

(1) Appendix shall include the name and address of subsidiaries and affiliated companies. Each company shall indicate participation capital share, as well as the sum of subsidiary's capital and company's profit or losses correspondingly with the latest approved annual report. This information shall not be obligatory included if it is not significant for implementing the requirements determined by the 2nd point of Article 4 of this law.

(2) Information required by the first part of this article shall not be obligatory included if it can seriously harm the corresponding company. If the information is not included because of this reason, it shall be mentioned in the appendix.

(3) Profit and losses of subsidiary's capital are not indicated if the corresponding company doesn't issue its balance sheet and the participation at the company is less than 50% or if a subsidiary and its annual report is included into the report of the concern in correspondence with Article 56 of this law, or if the participation of the capital is evaluated in correspondence with the conditions determined by Article 39.

Article 43

If the company's capital consists of several kinds of stocks or shares, the number and nominal value of each stock or share kind shall be reflected in the report. Stock companies shall always indicate the number of stocks and their nominal value.

Article 44

If the company has received a loan which can be transferred into stocks, the sum of repayment, rate of change and deadline for the loan's conversion into the enterprise's capital shall be shown. If the loan is received for compulsory or other debt documents with the rights to receive interest rate, the sum of repayment and determined interest rate shall be indicated for each loan.

Article 45

(1) In each debt entry of the balance the information about the debts to be paid back in more than five years after the elaboration of the balance shall be included.

(2) If company's assets are mortgaged or used as collateral payment, it shall be indicated together with the volume of mortgage and the balance value of each mortgaged unit. Total liabilities of subsidiary and total liabilities of other companies of the concern shall be separately shown in the appendix.

(3) Old age pensions, pledges (warranty) and guarantees liabilities, the total volume of discounted exchanges and other financial liabilities not reflected in the balance sheet shall be indicated, because this information is important for defining the financial state. If the company has concluded rent or lease contracts important for its operations, the liabilities determined by these contracts shall be pointed out. Liabilities towards the parent company and subsidiaries shall be shown separately.

(4) Loans, mortgages or guarantees granted to the administration, board members or parent company's council members shall be shown separately for each category including the information on interest rates, most important conditions and sums to be paid back.

(5) Mortgages and loans, pledges (warranty) and guarantees granted to the participants of the company, except the parent company and participants of the parent company, shall be shown separately indicating the sums to be paid back. This Article doesn't affect the loans and pledges (warranty) which were granted to the employees of the company or its subsidiaries for purchasing stocks or shares.

Article 46

The latest official property tax valuation of land and buildings owned by the company shall be reflected.

Article 47

If the entry "Unfinished orders" includes the part of profit expected from the works which are not to be finished by the end of the reported year, it shall be shown together with the methods used for valuation.

Article 48

(1) Net turnover with divided types of operations and geographical markets shall be reflected, if these types of operation and markets are essentially differing one from other and from the common sale of enterprise's products and services.

(2) Regulations of this Article doesn't affect the companies which can apply of resumed profit and losses account in accordance with the conditions determined by Article 24.1. Other companies may skip this point if it makes an essential harm to the interests of the company. That shall be shown in the appendix.

Article 49

(1) The total sum of paid taxes in the reported year shall be shown.

(2) The impact of extra incomes or expenses (losses) to be taxed on the profit tax of the reported year shall be indicated.

(3) Received taxes discounts shall be shown in the appendix, by indicating each tax separately and mentioning the documents confirming the rights to receive these discounts.

Article 50

(1) Information about the average number of employees in the reported year shall be submitted. The personnel expenses shall be specified as it is required by Article 11.6 and 13.3 of this law.

(2) Members of the council, board and administration shall indicate the total sum of their salaries and incomes received for their operations at the company by dividing them to these separate groups. The same affects the social security deductions for these persons. Income of the board members shall be shown separately.

Article 51

(1) The following information shall be given about the stocks or shares owned by the company:

1) number of the stocks or shares and the total sum of the nominal value, as well as the total sum's ratio in the capital of the company;

2) the number of stocks or shares purchased or sold during the reported year, their nominal value and percentage ratio in the capital of the company, the total sum of buying and selling.

3) purpose for purchasing enterprise's stocks and shares in the reported year.

(2) Information mentioned in the first part of this Article shall be shown separately for stocks and shares acquired as a property and those acquired as a guarantee.

Article 52

(1) If during the reported year the subsidiary has purchased or sold the shares or stocks of the parent company, the parent company shall provide information about the nominal value of these stocks or shares and about their ratio in the capital of the parent company, as well as buying-selling sum.

(2) Information mentioned in the first part of this Article shall be shown separately for stocks and shares acquired as a property and those acquired as a guarantee.

Article 53

Changes in the total sum of the capital and its distribution shall be shown by comparing it with the balance of the previous year.

Article 54

(1) Companies which on the date the balance sheet is compiled don't exceed two standards mentioned in part (2) of this Article, in their annual accounts are not obliged to give information required by Articles 44, 45. (1) and (2), 49. (1) and (3) and 52. Still they shall reflect the part of the company's debts to be paid back at least five years after the balance sheet is compiled, and the total volume of company's mortgages.

(2) Standards mentioned in part (1) of this Article are as following:

1) the total sum of balance - 0.15 million ECU (converting it to the legal tender of the Republic of Latvia correspondingly with the rate determined by the Bank of Latvia);

2) net turnover - 0.3 million ECU (converting it to the legal tender of the Republic of Latvia correspondingly with the rate determined by the Bank of Latvia);

3) the average number of employees in the reported year - 25.

(3) If the concern or one of the concern's companies doesn't exceed two of the standards mentioned in part 2 of this Article, the first part of this Article doesn't affect such concern.

(4) The total sum of the balance mentioned in the second part of this Article is made by calculating all asset entries mentioned in Article 10 of this law. The average number of employees is determined by calculating the number of employees at the last day of every month of the reported year and by dividing it with the number of months in reported year.

(5) If the company on the date the balance sheet is compiled exceeds or ceases to exceed two standards of those mentioned in the part (2) of this Article, it affects the implementation of the conditions determined by the (1) part of this Article only in the case it repeats two consecutive reported years.

(6) The average number of employees through the year shall be reflected in the appendix.

CHAPTER 7

REPORT

Article 55

1. Report contains information on conditions, that are not included into the balance sheet, profit and loss calculations or appendixes, but is important to evaluate assets and liabilities of the company, its financial situation and financial results of the reporting year, except, when, due to specific circumstances, the information might be harmful to the company.

2. Report contains indications on:

- 2.1. any important events after the end of the reporting year;
- 2.2. predicted future development of the company;
- 2.3. research and development.

3. The board report or profit and loss calculation or balance sheet appendixes must contain suggestions on the use of company's profit or the cover of its loss.

4. The parent company report has to contain information on the general showings according to parts (1) and (2) of this article.

5. If administration of the company considers impossible to proceed without introducing special measures like writing off company's debts or additional capital investment, a detailed explanation on the matter has to be included into the report.

CHAPTER 8

Annual Report of the Concern

Article 56

Annual report of the concern contains annual reports of all the companies of the concern.

Article 57

The annual report of the concern contains balance sheet, profit and loss calculations and appendix. Annual report of the concern has to be signed with the same date as the parent company's annual report.

Article 58

1. According to Article (4) of the present legislation, annual report of the concern consists of the annual reports of the parent company and subsidiaries.
2. Annual report of the concern reflects all the annual profit or loss of the concern and the total amount of the assets of the concern. In calculations inner profit of the concern and dividends mutually paid off by enterprises of the concern are to be subtracted.
3. In the case of transfer of assets between companies of the concern, inner profit of the concern is the amount of profit, that is due to the parent company, unless assets have been transferred to a purchaser outside the concern or the recipient company inside the concern has written off or used the respective asset unit.

Article 59

Because of the competition, loss and profit calculations can be made according to Article 24.1. , if the day balance is compiled the concern does not exceed two criteria mentioned in Article 24.2. Conditions mentioned in Articles 24.3. and 24.4. remain in force.

Article 60

1. If the structure of the concern demands it, the annual report can be compiled in the form of board report. In that case reason for doing so has to be given in the appendix.
2. The concern board report has to present information on mutual debts and loans of the companies of the concern. The board report must reflect profit or loss of the parent company during the reporting year, as well as assets of the

company itself. The respective information shall be given on every subsidiary, if that concerns participation share of the parent company and if it has not been reflected in the annual report of the parent company, presenting evaluation according to Article 39. Annual financial results and total amount of the assets of the concern shall be additionally presented.

3. Calculating the sums mentioned in the last sentence of the second part of this article, the profit and dividends mutually paid by the companies of the concern shall be taken off. The conditions determined by the third part of Article 58 remain in force.

CHAPTER 9

SIGNING AND DRAWING UP OF THE COMPANY'S ANNUAL REPORT

Article 61

(1) The following things shall be reflected in the annual report:

the complete name and address of the company, as well as names and addresses of all subsidiaries and affiliated companies. A subsidiary shall show the name and address of the parent company in its report, as well as the percentage ratio of the parent company's share in the capital of the subsidiary;

for individual company - also the name and address of the owner;

for charter company - also information about the persons with full liability and members of managing institutions;

for all kind of statutory companies and other type enterprises - also the name, address and occupied post of all board and council members. This information shall include also the persons who left their posts within the reported year.

(2) The annual report is signed by:

in individual enterprises - by the owner,

in companies with full liability - persons with full liability,

in companies with limited liability:

in stock companies - chairman of the board, chairman of the council and executive director,

in other companies with limited liability - executive institutions or head of the company.

(3) If one of the persons being in charge for signing the annual report or the board report considers that it can't be approved or if he has any objections about which he wants to inform the participants, he shall point it out by a special note.

CHAPTER 10

AUDIT AND PUBLICATION OF THE ANNUAL AND THE BOARD REPORTS

Article 62

(1) All annual and board reports of the companies shall be obligatory subjected to the inspection of auditors. If the company corresponds with the two standards mentioned in the second part of Article 54 of this law, the inspection is done by the auditors commission of the company. If the company's data exceed two standards determined by the above mentioned article and its second part, the inspection is done by the certified auditor elected in accordance with the Republic of Latvia law "On stock companies". If the certified auditor hasn't inspected the annual report, the general meeting of stock holders has no authority to approve it.

(2) The annual and board reports of the concern are also subjected to the obligatory inspection of certified auditors.

(3) If the amendments to the annual or board report are made after the inspection, the auditor shall reinspect the amendments. The repeated inspection shall be mentioned in the auditor's report on the inspection of the annual report.

Article 63

(1) In order to clarify whether the book keeping correspond with the fundamental regulations of the book keeping the inspection of the annual report shall also include the inspection of book keeping. The inspection shall clear out whether the requirements of the law and enterprise's charter are observed. Inspecting the annual and board reports of the concern it shall be cleared out whether their data matches with the corresponding data of the companies of the concern, and particularly whether the information included into the annual and board report creates the right impression about the economic and financial state of the company or concern.

(2) The legal representatives of the company shall submit the annual report and the board report to the auditor just after they are worked out. The auditor shall have a possibility to inspect book keeping registers, entries and justification documents, as well as the volume of resources and debts, especially cash-box, securities' stocks and inventory.

(3) Auditor has a right to demand from the legal representatives of the company all information and explanations he needs for thorough inspection. If it is necessary he may demand this information also before he has received the annual report. If the auditor is inspecting the annual report and the board report of the concern, he has a right to request information from the parent company and subsidiaries.

(4) Neither the auditor nor his assistants are allowed to reveal the commercial secrets of the company they got to know during the audit

Article 64

(1) The auditor prepares a written report about the results of the inspection emphasizing whether the company's book-keeping, annual report, board report and correspondingly the concern's annual report and board report agrees with the standards determined by the legislation and whether the legal representatives of the company have presented the requested information and explanation.

(2) If after finishing the audit the auditor has no objections, he submits the following auditor's report:

"The book keeping (registers etc.) and the annual report corresponds with the standards determined by the legislation. According to the general principles of book-keeping the annual report gives a correct and clear impression about the enterprise's resources, liabilities and financial state at the end of the reported year, as well as about the profit and losses during the reported year. The board report of the company (concern) corresponds with the company's (concern's) annual report.

(Signature).

(3) The report signed by the auditor shall be attached to the annual report.

Article 65

(1) If the auditor has objections or explanations necessary to prevent the creation of wrong impression, he submits the auditor's report with a note reflecting these objections and explanations.

(2) If the auditor's objections are essential, he may refuse from submitting the report mentioned in the second part of Article 64. This written refusal and justification shall be approved by the auditor's signature.

Article 66

(1) Not later than a month after the annual report is approved and not later than four months after the end of the reported year the company or concern shall submit to the institutions of the Republic of Latvia State Financial inspection and State Statistic committee the copy of the annual report, board report and, if there is so, the auditor's report with the note when the annual report is approved. If the distribution of the profit or cover of the losses is not included into the annual report or the board report, the approved copy of the stock holders or company participants general meeting' protocol shall be submitted showing the distribution of the profit or cover of the losses.

(2) Companies which are affected by the Article 54 are not obliged to submit the board report. In this case the decision on the profit distribution or cover of losses shall be reflected in the annual report.

(3) The company which is observing the regulations determined by the Article 54 or by the second part of this Article shall attach to the submitted annual report the explanation signed by the company's board notifying that the regulations determined by the second, the third, the fourth and the fifth part of the Article 54 are followed. This explanation shall be approved by the company's auditor.

(4) Annual reports of the companies and concerns which are not affected by the Article 54 of this law are published by the Republic of Latvia State Financial inspection immediately after it is submitted.

(5) Companies and concerns whose operation volume exceeds the criteria determined by the second part of the Article 24 of this law are charged for publishing of the balance sheet and profit and losses calculations in the edition determined by the Republic of Latvia State Financial inspection.

(6) Annual reports and reports submitted to the Republic of Latvia State Financial inspection shall be accessible for public, so that anybody who has paid the state duty can get them.

Article 67

(1) If the complete company's annual report and report is published or if the annual report of the concern is published it shall be done in the form they were audited, together with the report of the auditor and a note, if there is one. If the auditor had any objections or if he refused to approve the report, this fact shall be mentioned explaining the reasons of refusal. If the proposals or decisions on the distribution of the profit or cover of the losses are not included into the corresponding entries of the balance sheet these proposals and decisions shall be published as well.

(2) If the annual report and other documents of the report are not published completely, it shall be clearly pointed out that this is a shortened version and that the complete annual report is available in the Republic of Latvia State Financial inspection. The report and note, if there is one, of the auditor shall not be included into the shortened publication, but it shall be clearly pointed out if the auditor has approved the annual report with objections or has refused to approve it.

Article 68

(1) An official of the Republic of Latvia State Financial committee may demand any information or documents necessary for deciding whether this law, taxes legislation and the charter of a company are observed.

(2) If the company doesn't submit the documents in accordance with the requirements determined by the Articles 66 and 67.1 of this law or do not provide the information or documents in accordance with the first part of this article, the Republic of Latvia State Financial Inspection fines the company in the procedure determined by the legislation.

Chairman of the Republic
of Latvia Supreme Council

Anatolijs Gorbunovs

Secretary of the Republic
of Latvia Supreme Council

Imants Daudiss

October 14, 1992, Riga

12/1 '93

The Republic of Latvia Supreme Council
RESOLUTION

On the procedure in which the Republic of Latvia Law "On the Privatization of State Dairy Processing Enterprises" comes into effect.

The Republic of Latvia Supreme Council has decided:

To state that:

1. The Republic of Latvia Law "On the Privatization of State Dairy Processing Enterprises" comes into effect on February 1, 1993.

2. Within two weeks from the moment this law comes into effect the Republic of Latvia Council of Ministers shall cancel all those decisions and resolutions of state administrative institutions according to which state dairy processing enterprises were transferred to other legal persons as of April 15, 1993.

3. Within two weeks from the moment this law comes into effect, the Republic of Latvia Ministry of Agriculture, in accordance with the conditions determined by this law, shall make a list of units to be privatized and shall regularly update this list.

4. To establish that from the moment the Republic of Latvia law "On the Privatization of Dairy Processing Enterprises" comes into effect the units to be privatized mentioned in the third part of Chapter 1, Article 1 and their assets are expropriated only by the procedure determined by this law.

5. The Republic of Latvia State Inspection shall supervise the fulfilment of Articles 2, 3 and 4 of this resolution.

The Republic of Latvia
Supreme Council Chairman

The Republic of Latvia
Supreme Council Secretary

Riga, January 19, 1993

LAW OF THE REPUBLIC OF LATVIA

On Privatization of State Dairy Processing Enterprises

Terms used in the law

Dairy processing enterprise - an independent enterprise dealing with processing of milk produced by agricultural enterprises, preparation of dairy products for sale and their storage.

Company - in this law it stands for joint-stock companies, share companies, cooperative companies, as well as companies with limited liability.

Assets - part of assets in the ownership of various types of companies (stock, shares, asset shares).

Individual share assignment - assignment of assets, which are transferred to the milk producers' cooperative associations without any compensation, to the members of these associations.

Privatized unit - state dairy processing enterprise, group of such enterprises or former state dairy processing enterprise, which according to the decision or resolution of state administrative institution, was transferred to other legal person by April 15, 1992.

Individually assigned unit - state milk collecting and processing enterprise, which is transferred to milk producers cooperative associations in accordance with the Republic of Latvia Supreme Council law of April 15, 1992 "On the Privatization of Milk Collecting and Processing Enterprises".

Suppliers of milk and its products - in this law units to be privatized according to this law which in 1991 and 1992 delivered milk and milk products to other units to be privatized according to this law.

I General Regulations

Article 1. Function and objectives of the law

According to chapters 2, 3 and 4 of this law, the following units are intended to be privatized:

- 1) State enterprises mentioned in Part 4 of the Republic of Latvia Supreme Council's resolution of April 15, 1992 "On the Privatization of Milk Collecting and Processing Enterprises";
- 2) All state dairy processing enterprises, which are not claimed by milk producers' cooperative associations within two months from the moment this law comes into effect, fulfilling the Republic of Latvia Supreme Council resolution of April 15, 1992 "On the Privatization of Milk Collecting and Processing Enterprises" and which are not transferred to these milk producers' cooperative associations within six months from the moment this law comes into effect because these companies have not carried out all functions determined by the ownership transfer documents;
- 3) Former state dairy processing enterprises, which according to the decisions or resolutions of state administrative institutions, were transferred to other legal persons as of April 15, 1992, except those milk collecting and processing units which are determined by the Ministry of Agriculture, and according to the resolution mentioned in this Article, transferred to milk producers' cooperative associations without any compensation;

According to the conditions mentioned in Chapter 5 of this law, the assets of the milk collecting and processing enterprises are individually assigned which, according to the resolution mentioned in this Article, are transferred to milk producers' cooperative associations.

This law does not apply to those state enterprises defined by the Republic of Latvia Council of Ministers resolution, which fulfil the functions of state reserve storage. The Council of Ministers shall adopt this resolution within two weeks from the moment this law comes into effect.

Article 2. The legal basis for privatization of dairy processing enterprises

This Law serves as the legal basis for privatization of state owned dairy processing plants, as does the Republic of Latvia Supreme Council resolution of April 15, 1992 "On the Privatization of Milk Collecting and Processing Enterprises". Questions connected with the privatization of dairy processing enterprises not covered by this Law or the above mentioned resolution are resolved according to the other Republic of Latvia legislative bills.

II Privatization Procedure and Institutions

Article 3. Procedure of privatization

The process of dairy processing enterprises' privatization includes:

- 1) the formation of privatization commissions -- within a month from the moment this law comes into effect;
- 2) the establishment of milk producers' cooperative associations within two months from the moment this law comes into effect;
- 3) the valuation of the unit to be privatized within six weeks after the privatization commissions are approved;
- 4) the development of a privatization scheme within two months after the privatization commissions are approved;
- 5) the approval of a privatization scheme within a month from the moment a scheme is submitted;
- 6) the preparation of a draft prospectus of the company to be formed within two weeks after the privatization scheme is approved;
- 7) the preparation of a draft charter and other necessary documents within two months after the privatization scheme is approved;
- 8) the assignment of assets to the unit to be privatized within two months after the assignment is announced;
- 9) the possession of the assets, in the terms determined by the privatization scheme;
- 10) the assembly of the foundation meeting within three months after the privatization scheme is approved;
- 11) the registration of the company;
- 12) the transfer of all documents, no later than two weeks from the day the company is registered.

**Article 4. Functions of the administrative staff
of the unit to be privatized in the
privatization process**

The administrative staff of the unit to be privatized manages the operation of the unit, according to the normative documents, and is responsible for the maintenance of property, and represents it when dealing with the state and other physical or legal persons.

The administrative staff is responsible for providing the Privatization Commission with the necessary information during privatization and to cover the expenditures of the privatization process.

The responsibility and activity of the administrative staff of the unit to be privatized terminates when the transfer act is signed with the newly elected executive institution. This must be done within two weeks from the day the company is registered.

**Article 5. Privatization Commissions, their
composition and formation procedure**

The privatization process is organized and managed by the Privatization Commission, in accordance with this Law and the Republic of Latvia Law 'On the Privatization Commissions of State and Municipal Property' issued on March 17, 1992 Articles 7,8 and 9.

The Privatization Commission is composed of:

- 1) A MOA expert authorized by the state; he/she is chairperson of the Commission;
- 2) The manager of the unit to be privatized;
- 3) The manager of the accounting and economic department of the unit to be privatized;
- 4) A non-management representative elected at the meeting of employees of the unit to be privatized;
- 5) A representative of the local government territory to which the services of the enterprise to be privatized pertains;
- 6) Not less than 6 representatives of the appropriate dairy producers' cooperative associations in the area of plant operations, or representatives elected by pagast milk producers if the former have not been set up. Representatives are elected at a conference of the existing associations or milk producers' meetings

situated in the area served by the unit to be privatized. The assembly of the conference is coordinated by the MOA or the regional agriculture department.

The Privatization Commission may involve experts in its work who have advisory rights.

To carry out separate functions, the privatization commission may form sub-commissions.

The privatization commission of each unit to be privatized is approved by the MOA. It shall be done within a month from the moment this law comes into effect.

The chairperson of the Privatization Commission shall ensure the process of privatization in accordance with regulations set up by this Law, and is responsible that it follows procedures determined by the legislation.

Information about the composition of the Privatization Commission shall be published in the press of that region in which the unit to be privatized operates.

Article 6. Functions of the Privatization Commission

To value the property of the unit to be privatized according to Article 16 of this law, within six weeks from the moment the Privatization Commission is approved.

To prepare or organize a competition to prepare a privatization scheme according to Article 13 of this law within two months from the moment Privatization Commission is approved, and submits it for approval to the Latvian Republic Ministry of Agriculture.

After approval of the scheme, the Privatization Commission carries out implementation activities:

- 1) To prepare, within two weeks, a founding prospectus for the company according to Article 14 of this Law;
- 2) Within two weeks, inform the staff of the enterprise to be privatized, milk producers' cooperative associations, the *pagasts* located in the zone, and others about the amount of asset shares distributed to them and existing conditions;
- 3) To prepare, within two months, the draft charter

and other required founding documents of the company to be formed, according to Article 15 of this Law;

- 4) To open an account in the bank for capital deposits and to organize the payment process;
- 5) To organize signing for the assets of the company, according to Article 20 and 21 of this Law;
- 6) To assemble the foundation meeting of the company.

The Privatization Commission terminates its activities when the newly established company is registered at the Republic of Latvia Register of Enterprises, and when the document transfer statement is signed by the Privatization Commission and executive institution of the company. This statement shall be signed just after the signing of the business transfer statement.

Article 7. Functions of the Ministry of Agriculture in the process of dairy processing enterprises privatization

The Ministry of Agriculture is the institution responsible for the privatization of dairy processing enterprises and is the organizer and coordinator of this process.

To ensure the process for privatizing dairy processing enterprises, the MOA:

- 1) Appoints, in the name of the state, a representative to the Privatization Commission of the unit. This representative is a MOA specialist. He serves as the chairman of the Privatization Commission;
- 2) Within a month from the moment this law comes into effect in the former state dairy processing enterprises which, according to the decisions or resolutions of state administrative institutions, were transferred to other legal persons by April 15, 1992, determines the asset share retained by these legal persons in accordance with the conditions mentioned in Article 17 point 3 of this Law;
- 3) If necessary, within a month from the moment this law comes into effect, prepares the justification for the capital assets retained by the state in the units to be privatized according to the capital assets distribution set up in Article 17 of this law, and is obligatory for the enterprise Privatization Commission;
- 4) Coordinates the distribution of the capital of the companies to be formed among separate units to be

privatized corresponding to the amount of mutually supplied milk according to the conditions mentioned in Articles 16 and 18 of this Law;

5) Considers questions of conflict connected with the privatization of dairy processing enterprises;

6) Within a month after submission, considers and approves privatization schemes, ensuring their conformity to this law; informs privatization commissions about any apparent inconsistencies.

Article 8. Functions of the pagasts in the process of the privatization of dairy processing enterprises.

If there is no milk producers' cooperative association in a pagast, or if the territory of a pagast is not covered by the operations of any milk producers' cooperative association, the board of the pagasts:

1) Within 15 days from the moment this law comes into effect, ensures the nomination of pagasts representatives to the enterprises' privatization commissions at pagasts meetings of milk producers and informs the regional agricultural department of nominees selected;

2) Within two months from the moment this law comes into effect, ensures the establishment of pagasts milk producers' cooperative association.

Article 9. Privatization meeting

Eligible participants in the privatization meeting are:

1) Natural and legal persons, or authorized persons who, according to Article 21 of this law, have signed and paid for the assets of the enterprise to be privatized;

2) Authorized representatives of those units to be privatized for which capital assets are reserved for milk supplied;

3) Persons, or their authorized representatives who, according to privatization scheme, retained their rights to the part of capital assets of the unit to be privatized, or receive them without any compensation;

Capital assets reserved for other units to be privatized for the milk supplied in the privatization meeting are represented by:

1) A person authorized by the company, if the company is already established on the basis of the unit to be privatized;

2) A person authorized by the privatization commission if the company is not yet established on the basis of the unit to be privatized.

Each participant (him- or herself, or through proxies) of the meeting shall represent not less than 2% of the basic capital of the company identified in the privatization scheme. Each milk producers' cooperative association has a right to participate at the privatization meeting if it has signed for the capital assets of the unit to be privatized and has paid for them in the procedure determined by the privatization scheme. If a person has signed for more than 2% of capital assets, it can send proportionally more authorized representatives.

The meeting is valid if it is announced in district newspapers not less than 15 days before it takes place and if the representation at such announced meeting corresponds with the founding conditions of the statutory company envisaged by the privatization scheme. If the privatization scheme envisages foundation of a cooperative company or their association, the meeting is valid if not less than half of the persons mentioned in the first part of this Article are represented.

If the announced meeting is not valid due to the lack of capital represented, another meeting shall be called within a month, using the same procedure, which is valid if not less than half of the basic capital is represented. This condition does not apply to cooperative companies and their associations.

The privatization meeting:

1) Considers the report of the Privatization Commission on its work;

2) Discusses and approves the draft charter of the company to be formed, prepared by the Privatization Commission. Decision on that issue is adopted by a simple majority vote according to the assets owned. Establishing the cooperative company or their association, the decision on this issue is adopted in the procedure determined by the Republic of Latvia law of August 6, 1991 "On Cooperative Companies";

3) Elects management institutions of the company according to the procedure determined by the charter and makes decisions on other issues concerning

operation of the company.

Article 10. Registration of the company

The registration of the company formed on the basis of privatized dairy processing enterprise is carried out according to the procedure determined by the Republic of Latvia Law of November 20, 1990 "On the Registration of State Enterprises".

To register the company, the following documents shall be submitted:

- 1) A registration application;
- 2) A charter signed by elected members of executive institutions of the company, the chairperson of the meeting, and a secretary;
- 3) A list of capital assets owners;
- 4) A copy of the minutes of the company's foundation meeting;
- 5) Documents proving payments and investments concerning the foundation and registration of the company.

Article 11. Property and liabilities of the unit to be privatized

The state enterprise ceases to exist at the moment when the business transfer statement is signed, and its rights and liabilities are taken over by the company.

After the registration of the company and business transfer statement signing all property of the privatized unit to the company, except denationalized property and property which shall be returned to its legal owners, as well as dwelling houses and apartments which shall be taken over by the local governments and later privatized in accordance with a special law.

The company shall fulfil the liabilities of the privatized unit in the procedure determined by the Republic of Latvia legislation.

Article 12. Settlement of disputes

The Privatization Commission of the unit examines complaints on the conformity of assets distribution with this law, as well as questions of conflict connected with the privatization of the unit. If agreement is not reached the issues are reviewed by the Ministry of Agriculture. If agreement is not reached

there, the question is considered in court at the request of the interested person.

III DOCUMENTS FOR PRIVATIZATION OF DAIRY PROCESSING ENTERPRISES

Article 13. Privatization scheme

The privatization scheme shall include:

- 1) The name of the unit;
- 2) Information pertaining to its location;
- 3) A balance sheet of the previous operational year of the unit, analysis and evaluation of its economic and financial operations during the last three years;
- 4) An inventory list of the enterprise including its determined value;
- 5) The characteristics and justification of the chosen type of the company, prospective business plan and structure;
- 6) Distribution of assets according to Article 17 of this Law;
- 7) Regulations concerning sale of assets (dates, discounts, means of payment) worked out in accordance with Articles 18, 19 and 20 of this Law;
- 8) A list of the obligations to be transferred to the company to be formed according to their status at the moment this Law comes into effect;
- 9) Implementation dates for the privatization scheme and its phases.

The prepared privatization scheme is approved by the Ministry of Agriculture, and only the Ministry has the right to make amendments in the approved privatization scheme.

Article 14. The prospectus of the statutory company to be formed

The prospectus of the company to be formed shall include the following information:

- 1) The name and structure of the unit to be privatized, its capacity;
- 2) The amount of the basic capital, number of asset shares and their nominal value;

- 3) The distribution of assets;
- 4) The conditions, procedure, and payment schedule for assets and discounts for share purchases;
- 5) The type, name, location, objectives of operation of the company to be formed, address, phone number, and reception hours of the Privatization commission;
- 6) The management structure of the company to be formed, and the procedures of its formation;

The prospectus of the unit to be formed must be published in a newspaper of that region.

Article 15. Charter of the company

The charter of the company to be formed shall include the requirements of this law, and it shall be elaborated in accordance with the Republic of Latvia Law on the chosen type of company. In the charter of the company, the following shall be envisaged:

- 1) That the company is an open entity for milk producers' cooperative associations;
- 2) One authorized representative of the MOA shall be included into the Board of the company, but in joint-stock companies also in the council of share-holders, it is not obligatory for him/her to be a member of this company, but has the same rights as the members of these institutions;
- 3) That all dairy producers' cooperative companies operating in the area served by the privatized unit have the right to invest into the company the dairy processing enterprises owned by this cooperative company in the form of tangible investment within two years from the day the newly formed company is registered. In this case the basic capital of the company and number of asset shares shall be increased by the value of invested assets, granting these shares to the dairy producers' cooperative association. Other forms of joining the company may be envisaged by the charter;
- 4) Rights of the dairy producers' cooperative association to form a union of cooperative associations investing the capital shares of the privatized unit owned by the association. The association of the cooperative association becomes a member of the company;
- 5) Opportunities to involve other local and foreign investors in the company or to form various types

of joint ventures with them.

IV THE PROCEDURE OF THE VALUATION AND PURCHASE OF THE UNIT TO BE PRIVATIZED

Article 16. Valuation of the assets of the unit to be privatized and the determination of the company's basic capital

The unit to be privatized is valued in accordance with the conditions determined by the Republic of Latvia Supreme Council resolution of April 15, 1992 "On the Privatization of Dairy Collecting and Processing Enterprises". The value of assets to be denationalized and returned to their legal owners according to the Republic of Latvia Laws, as well as the value of dwelling houses and apartments is not included into the determined value of the unit.

The sum of such determined value of the unit and capital shares owned in other units to be privatized according to Article 18 of this Law forms the basic capital of the company to be formed.

Article 17. The distribution and determination of the basic capital

The distribution of the basic capital is a part of the privatization scheme and determines which capital shares of the unit to be privatized may be obtained by various groups of persons.

The following groups of persons have the right to obtain the capital shares of the unit to be privatized:

- 1) Not less than 70% of the basic capital of milk producers, and milk and milk products suppliers;
- 2) Not more than 10% of the basic capital of the employees of the units to be privatized;
- 3) Not more than 20% of the basic capital of other persons, as well as for the redistribution of the assets of the assets of the unit to be privatized.

In the units mentioned in Article 1, Part 1, Section 3 of this Law transferred to other legal persons, the MOA, within a month from the time this Law comes into effect determines the capital share retained by these persons corresponding to the assets invested by these persons valued in the comparative prices, considering the use of profit gained from the units to be privatized in the period when the unit was managed by the above mentioned legal persons. The other part of the basic capital in these units to be privatized is

distributed according to the conditions determined by Part 2 of this Article.

Article 18. Distribution of basic capital among milk producers, and milk and milk products suppliers

Capital assets shall be distributed among milk producers, and milk and milk products suppliers proportionally to the amount of milk that they have delivered for processing to the unit to be privatized during years 1991 and 1992. The mutual deliveries of milk and milk products (converted into conceptual milk) among units to be privatized are deleted and the amount of basic capital to be reserved is determined only considering the difference in the amount of mutual deliveries.

Asset shares of the unit to be privatized distributed to milk producers in the privatization scheme shall be divided among dairy producers' cooperative associations according to the amount of milk delivered by the producers of the *pagasts* served by these associations.

Asset shares distributed for milk and milk products supplies shall be included into the value of the basic capital.

Article 19. Assets to be distributed to the employees of the dairy processing enterprise

Asset distribution to employees of the unit to be privatized and the procedure of distribution is determined by the Privatization Commission in the privatization scheme.

The Privatization Commission may form a subcommission to implement the distribution.

Article 20. Conditions for purchase of assets

The following discount levels for purchasing asset shares (stocks) may be envisaged at the privatization scheme:

The first level -- discounts up to 75% of the asset shares' nominal value - for milk producers cooperative associations which did not have a milk collecting and initial processing enterprises transferred to them according to the Republic of Latvia Supreme Council resolution of April 15, 1992 "On the Privatization of Dairy Collecting and Processing Enterprises".

The second level - discounts up to 50% of the asset shares' nominal value - for other milk producers' cooperative associations.

The third level - discounts up to 25% of the asset shares' nominal value for the employees of the unit to be privatized.

The fourth level - no discounts are available for other persons.

For assets purchased in excess of those proposed in the privatization scheme discounts are reduced by one step according to Part 1 of this Article.

In the privatization scheme, the Privatization Commission may envisage the rights of milk producers' cooperative associations to make payments for their asset shares for a period up to 5 years.

Article 21. Organization of the signing process

Signing for asset shares in the unit to be privatized shall be carried out in two phases.

The first phase of signing, as determined by the framework of asset shares distribution determined by the privatization scheme, shall be carried out within a month from the moment the prospectus of the company is published and the signing is announced.

The signed asset shares shall be paid off in the procedure determined by Article 20 of the Republic of Latvia Law "On Stock Companies" irrespective of the company's type and considering the discounts determined by the approved privatization scheme. The signed asset shares may be paid off by using privatization certificates.

Asset shares not signed for during the first phase are offered to other subscribers of the same group during the second stage. The second phase shall not exceed one month.

Asset shares not signed for during the first two phases are retained by the state, and after the company begins its operation shall be sold according to the procedure determined in the company's charter for an amount for which the state does not keep more asset shares than envisaged by the privatization scheme.

Article 22. Use of the funds obtained

Funds obtained during the sale of the unit's asset shares shall be transferred to other companies corresponding to the amount of assets they own in the unit to be privatized.

Other funds obtained during the sale of asset shares are transferred to the special production development fund of the company to be formed, which is used only for the reconstruction and development of company's production basis.

V INDIVIDUAL ASSIGNMENT OF SHARES REGAINED BY DAIRY COOPERATIVE ASSOCIATIONS AND GUARANTEES OF STABILITY FOR THE PRIVATIZATION PROCESS

Article 23. Distribution of assets regained by dairy cooperative associations without any compensation

If the service area of the unit regained by the dairy cooperative associations without compensation according to the Republic of Latvia Supreme Council resolution of April 15, 1992 "On the Privatization of Milk Collecting and Processing Enterprises" covers the operational zones of several pagasts dairy cooperative associations, then the dairy cooperative association of these pagasts or the union of these associations shall be formed on the basis of this unit, determining asset distribution according to the conditions of Article 18 of this law.

Article 24. Individual assignment of assets regained by dairy cooperative associations without compensation

Dairy cooperative associations on the territory of which the dairy associations existed prior to the nationalization of 1940 and the former share-holders or their heirs who have claimed for their shares in accordance with the conditions determined by this chapter and have proved validity of their claims, shall grant to these persons without compensation the same number of shares they owned in that dairy association before the nationalization of 1940. Losses caused by granting the shares without compensation and admitting the former share owners or their heir as the members of dairy cooperative associations, shall be covered by the revenues of company's activities.

Dairy cooperative associations which, according to the mentioned resolution gained state dairy collecting and processing enterprises without compensation shall individually assign the corresponding part of asset

shares in two phases:

1) According to the situation on 01.01.94., individually assign half of the state property assets transferred to the company without compensation. It is done by adding the mentioned asset value to the basic capital of the company and correspondingly increasing the number of shares or their nominal value. Basic capital shall include also those shares which are obtained after the formation of the company (its reestablishment) for milk produced according to the charter of the company, as well as those shares granted to the former members of dairy associations or their heir;

2) According to the situation on January 1, 1995, individually assigns the other part of state asset value transferred to the company without compensation in the procedure envisaged for the first phase of assignment.

State property transferred to the cooperative society without compensation cannot be expropriated during the period that assets are not individually assigned. In case the company is liquidated, whether voluntarily or involuntarily, state property previously transferred to the statutory company without compensation, or assets which have not been individually assigned, must be returned to the state.

Article 25. Guarantees for stability of the privatization process

If the company founded on the basis of the unit to be privatized in accordance with this law and the resolution mentioned in this chapter or the company which has received state dairy collecting and processing enterprise without compensation, terminates its activities during the first three years of business activities, it provides the state with the first option to purchase, compensating the members of the company only to the extent of their invested capital.

Chairman,
Republic of Latvia
Supreme Council

Secretary,
Republic of Latvia
Supreme Council

Riga, January 19, 1993

Draft
Submitted for the final reading
21/5/93

THE REPUBLIC OF LATVIA LAW ON THE PRIVATIZATION OF STATE OWNED BAKERIES

CHAPTER 1. GENERAL REGULATIONS

Article 1. Performance and Objectives of the Law

State owned bakeries shall be privatized in accordance with this law.

Article 2. Legal Base for the Privatization of State Owned Bakeries

This law and the Republic of Latvia law of June 10, 1992 "On the Evaluation Procedure of State and Local Governments Owned Units (Enterprises) and their Assets", the Republic of Latvia law of July 7, 1992 "On the Transformation of State and Local Government Owned Enterprises into Statutory Companies", the Republic of Latvia law of May 18, 1993 "On the Privatization of Meat Processing Enterprises" serve as the legal basis for the transformation and privatization of state owned bakeries. Issues connected with the privatization of bakeries and not discussed in these laws shall be considered in accordance with other legislative acts of the Republic of Latvia.

CHAPTER 2. PRIVATIZATION PROCEDURE

Article 3. Privatization Procedure

State owned bakeries shall be privatized following the procedure determined by the Republic of Latvia law of May 18, 1993 "On the Privatization of Meat Processing Enterprises" Articles 3-12, 14-18, observing the regulations of this law.

Article 4. Units to be Privatized

During the establishment process of state statutory companies, on the basis of already existing individual production units of state owned bakeries which shall be technologically and structurally separated, independent economic units are formed by the Privatization Commission and later privatized as separate units.

Article 5. Distribution of the Base Capital

The Privatization Commission determines the particular distribution of shares to the following groups of candidates, observing the following proportions:

- 1) pension fund -- 5-10% of shares;
- 2) employees -- 10-25% of shares;
- 3) a common share to other entrepreneurs -- 65-85%, of shares.

Chairman, Supreme Council
Republic of Latvia

Secretary, Supreme Council
Republic of Latvia

THE REPUBLIC OF LATVIA LAW

On Latvia's Grain Market and State Grain Reserve

Terms used in the law:

Grain - the interpretation of grain and grain products in this law.

Latvia's grain market - the entire range of relations among independent grain producers, cattle-breeding products producers, grain keepers and processors, bread producers and sellers, as well as consumers serving as independent economic units.

State grain consumption and production balance-sheet - the document which indicates the needs of various consumers for grain, including grain for human consumption, showing the structure, quality, and amount of this demand, and sources of its fulfilment, including grain import, as well as volume of grain production, its structure, quality, and use of grain, including export.

State grain reserve - state owned grain and seeds stocks which may be used only in the cases envisaged by the law to supply residents with grain and its products.

CHAPTER 1 GENERAL REGULATIONS

Article 1. Objectives of the Law

The objective of this law is to create preconditions for the establishment of Latvia's grain market and its operational capacity, promoting to the maximum extent its fulfilment with Latvian domestic grain and self-sufficiency in grain and its products, as well as ensuring the protection of consumer rights.

Article 2. Latvia's Grain Market and State Influence on It

1. Independent entrepreneurs acting as independent economic units are freely operating in Latvia's grain market, within the framework determined by this law and other the Republic of Latvia laws.
2. The role of the state in grain market regulation is to ensure Latvia's grain producers the possibility to sell the grain they have produced, as well as carry out activities for domestic grain market stabilization, and in the long run to ensure the conformity between grain supply and demand.

3. The state influences the grain market by using:
 - 1) state grain production and consumption balance;
 - 2) state grain reserve;
 - 3) state control over trade through the mediator institutions envisaged by the law and within the determined authority;
 - 4) production volume quotation and determination of state guaranteed grain sale prices;
 - 5) target subsidies;
 - 6) state inspection for grain quality.

CHAPTER 2 INSTITUTIONS FOR LATVIA'S GRAIN MARKET REGULATION

Article 3. The Functions of the Republic of Latvia's State Administrative Institutions in Implementing State Grain Policy in Market Regulation

- (1) The Republic of Latvia legislative institution carries out the following:
 - 1) annually determines the volume of state resources allocated to the State Grain Bureau for State Grain Reserve purchase and storage and to carry out the state functions, and determine its sources;
 - 2) corresponding to state budget opportunities, if necessary, grants resources for the implementation of grain production target programs in the form of subsidies, credit discounts or otherwise.
2. The Republic of Latvia Government:
 - 1) annually, by November 1, considers and approves a year's balance-sheet of Latvia's grain production and consumption, including the permissible volume of foreign trade, as well as the level of state guaranteed sale prices for grain. Amendments to these documents may be made by the Government according to the recommendation of the State Grain Bureau, but if amendments are proposed by another institution, then after the State Grain Bureau assessment is received;
 - 2) approves import and export customs taxes for grain at the recommendation of the State Grain Bureau, but if another institution has made a proposal, then after assessment by the State Grain Bureau is received;

- 3) following the regulations of this law and other the Republic of Latvia laws, elaborates and approves the law on the State Grain Reserve.

(3) **The Republic of Latvia Ministry of Agriculture:**

- 1) develops Latvia's grain policy within the framework of the general state agrarian policy;
- 2) prepares proposals for grain production target programs;
- 3) in accordance with this law establishes the Latvia State Grain Bureau;
- 4) in accordance with this law elaborates and approves regulations on:
 - a) trade in grain;
 - b) the creation, accumulation and use of resources needed for regional grain production regulation;
 - c) state grain inspection.

Article 4. The State Grain Bureau

- (1) The State Grain Bureau is a non-profit state organization subordinated to the Republic of Latvia Ministry of Agriculture, which in accordance with this law and other legislative acts of the Republic of Latvia implements grain policy determined by the state, and on behalf of the state operates with the State Grain Reserve, ensuring the high quality of routine turnover and maintenance.
- (2) To ensure the demand for domestic grown grain and to maintain stable grain prices, as well as to ensure the storage of grain surplus, the State Grain Bureau carries out the following:
 - 1) determines Latvia's demand for grain and its opportunities to fulfill this demand by using domestic grain for current and future periods;
 - 2) analyzes and forecasts the formation of Latvia's grain market prices, determines the expenses needed for the State Grain Reserve's purchase and storage and prepares recommendations to determine the level of these prices;
 - 3) regulates foreign trade in grain according to the procedure determined by the Republic of Latvia administrative institutions;
 - 4) ensures the quality of grain products and the protection of consumer interests;

- 5) organizes the purchasing and storage of the State Grain Reserve;
 - 6) organizes the work of the State Grain Inspection;
 - 7) may be in charge of other functions as specified by the Republic of Latvia Government or in the procedures determined by it.
- (3) The State Grain Bureau has the rights to:
- 1) in accordance with this law, operate with the State Grain Reserve and with the resources needed for its formation and for storage;
 - 2) issue licenses for grain import and export in Latvia, establishing competition, if necessary;
 - 3) advise the Republic of Latvia Government on making amendments in the annual balance-sheet of Latvia's grain production and consumption approved for the recurrent year, including the volume of foreign trade;
 - 4) propose amendments to grain import and export tariffs in the procedure determined by the law;
 - 5) carry out other functions determined by this law or by the Republic of Latvia Government associated with the grain market.
- (4) State grain inspection is acting as an independent institution in accordance with the regulations approved by the Republic of Latvia Ministry of Agriculture and it is structurally subordinated to the State Grain Bureau.

Article 5. State Grain Bureau Administration

- (1) The State Grain Bureau is directed by the State Grain Bureau Council and the management appointed by it.
- (2) The State Grain Bureau Council consists of the Ministry of Agriculture's representatives and one representative each from the Foreign Trade Ministry, the Ministry of Finance, the Ministry of Defense, Latvia's grain producers, the Latvian Joint Activities Central Association "Turība", the Latvian Independent Trade Union association, representatives of Latvian bread producers, as well as the director of the State Grain Bureau.

After the representatives of the above mentioned organizations are appointed, the Council is approved by the Republic of Latvia Government.

- (3) The State Grain Bureau Council is responsible for:
- 1) compiling the annual balance-sheet of grain production and consumption, and submitting it for approval to the Republic of Latvia Government;
 - 2) making decisions on the state grain reserve's sale and purchase, according to the procedure determined by the Republic of Latvia administrative institutions;
 - 3) distribution of foreign trade quotas;
 - 4) the control of state budget resources allotted for the formation of the State Grain Reserve and its storage;
 - 5) the supervision of the economic activities of State Grain Bureau-including approval of the business plan, and the management of budgets and reports;
 - 6) the approval of the State Grain Bureau management staff - at the recommendation of the director, as well the determination of salaries for these persons, within the framework of the adopted management budget of the State Grain Bureau.
- (4) The activities of the State Grain Bureau are managed by its director appointed by the Republic of Latvia Government. The director is also the supervisor of the state owned property managed by the State Grain Bureau.
- (5) State Grain Bureau management is responsible for the fulfilment of all other State Grain Bureau functions which are not the responsibility of the State Grain Bureau Council.

Article 6. The Material Base of the State Grain Bureau

The State Grain Bureau covers its expenses from the state budget resources allotted for the purchase and storage of the State Grain Reserve and for carrying out the functions determined by this law, as well as from the resources gained from its economic activities.

CHAPTER 3. STATE GRAIN BALANCE AND TRADE IN GRAIN

Article 7. State Grain Consumption and Production Balance and Trade in Grain

- (1) The state grain production and consumption balance-sheet is annually prepared by the State Grain Bureau by October 1; by November 1 it is approved by the Republic of Latvia Government, concurrently determining the volume of grain import and export.

- (2) Grain import may not exceed the volume and assortment needed to meet the demand which is not fulfilled by Latvian domestic production in the current year.

Article 8. Organization of Trade in Grain

- (1) All those entrepreneurs, whose registered operations include trade in grain and who are acting in accordance with this law and other the Republic of Latvia legal acts, may trade grain. Those grain traders who are selling the grain purchased from other persons shall be registered at the State Grain Bureau. While trading grain, the regulations approved by the Republic of Latvia Ministry of Agriculture basing on the requirements of this law and the Republic of Latvia law of October 28, 1992 "On the Protection of Consumers Interests" shall be observed.
- (2) Each grain trade operation is certified in accordance with the form determined by the Republic of Latvia Ministry of Agriculture. In the case of foreign trade a note on the settlement of customs duties shall be included. A purchaser and a seller shall keep this document for at least two years.
- (3) In the case of human consumption grain trade, the above mentioned document shall be supplemented with the certificate issued by the laboratory for grain quality examination showing the results of grain analysis. This analysis may be done by any laboratory which has received the permission of the State Grain Inspection.
- (4) In the case of foreign trade, this analysis shall be done by the State Grain Inspection.
- (5) The Grain seller shall transfer 3% of the sum involved in the business (that concerns any volume of grain, animal feed produced from the grain, flour and groat he has sold) to the fund of grain production regional equalization determined in Article 11 of this law. It is done following the procedure determined by the Ministry of Agriculture.

Article 9. Organization of Foreign Trade in Grain

- (1) Grain import and export volume is regulated by grain consumption and production balance-sheet and customs duties.
- (2) Licenses for import -- export operations are issued by the State Grain Bureau within the framework of grain consumption and production balance-sheet approved by the Republic of Latvia Government. If the volume of grain anticipated to be sold by an entrepreneur exceeds 1000 tons in a year, this entrepreneur shall participate in a competition for obtaining rights to foreign trade in grain organized in accordance with the regulations approved by the Republic of Latvia Ministry of Agriculture.

- (3) If the annual volume of foreign trade exceeds the import -- export operations volume approved by the Republic of Latvia Government, the State Grain Bureau may initiate changes in the volume of foreign trade in grain, if needed. These proposals are considered by the Republic of Latvia Government.

Article 10. General Regulations for Foreign Trade in Grain

- (1) Foreign trade in grain is carried out in accordance with the regulations approved by the Republic of Latvia Ministry of Agriculture.
- (2) In foreign trade, only certified grain import and export is allowed. Certificates shall identify the chemical and biological quality of the grain, as well as their technological characteristics. These certificates shall correspond with international standards.
- (3) Grain and its products in foreign trade are taxed with import and export duties, thereby promoting the consumption and production balance. Customs tariffs are approved by the Republic of Latvia Government following the proposal of the State Grain Bureau and Customs Tariffs Council.
- (4) If grain is brought to the state for processing on the basis of concluded contracts or as transit goods, it is levied with a security charge within the volume determined by the Republic of Latvia Government, which is paid back when these transit goods or finished products are brought out.
- (5) 50% of the resources obtained from customs duties shall be envisaged for budget assignments allotted for the implementation of grain production target programs.

Article 11. Regional Regulation of Grain Production

- (1) To ensure grain production in areas needed, as well as to equalize the different conditions for grain production, the Republic of Latvia Ministry of Agriculture establishes the fund of grain production regional equalization. The Republic of Latvia Ministry of Agriculture shall approve the regulations on its establishment and use. Payments from this fund to particular producers shall be done by the state agricultural department institution of the relevant region, in accordance with the regulations.
- (2) The grain production regional equalization fund is used in accordance with the regulations mentioned in this Article, determining the additional payments to grain producers for the areas used for grain and the areas actually harvested. Additional payment is determined for those grain cultures and sorts which are economically more useful in their specific region, and of a volume that allows the reduction of regional differences in the conditions of grain production.
- (3) Grain production regional equalization fund is made of allocations from the grain sale determined by Article 8 of this law and these resources shall be used only for grain production regional regulation.

CHAPTER 4 THE STATE GRAIN RESERVE

Article 12. Formation of the State Grain Reserve, Its Volume

(1) The State Grain Reserve is formed to guarantee the permanent fulfilment of consumers' demand for grain, as well as to regulate the state grain market. The State Grain Reserve nominal consists of:

- 1) human consumption grain reserve -- 250 thousand tons;
- 2) grain-crops seeds reserve -- 10 thousand tons.

The above mentioned volume of the state grain reserve shall be reached in five years, annually purchasing at least 20 percent of this volume. While this volume is not achieved, the Republic of Latvia legislative institution, while approving the annual state budget, annually determines the volume of resources needed to replenish the State Grain Reserve and their sources.

- (2) Grain forming the State Grain Reserve is the property of the state. The purchase and storage of the State Grain Reserve is financed from the state budget. The volume of financing and its sources is determined by the Republic of Latvia legislative institution, observing the volume of resources gained from the replenishing of already existing state grain reserve, during the approval of the state budget for a recurrent year.
- (3) The State Grain Bureau manages the State Grain Reserve and state resources allotted for its purchase and storage in accordance with the procedure determined by this law and other the Republic of Latvia legal acts.
- (4) The procedure and use of the State Grain Reserve for other grain products is determined by other the Republic of Latvia legal acts.

Article 13. The Use of the State Grain Reserve

- (1) The State Grain Reserve is used to guarantee consumers the provision of grain, and mainly for the stabilization of Latvian grain market.
- (2) If necessary, the State Grain Bureau Council may decide to sell from the State Grain Reserve, but not exceeding 30% of the reserve's nominal volume and for prices that ensure the renewing of the reserve at least in half a year's time.
- (3) Within the framework of its resources, the State Grain Bureau may additionally purchase grain in the domestic market, but not exceeding 30% of the reserve's nominal volume and for prices that ensure the sale of this grain without any losses in half a year's time after the grain is purchased, if the volume of State Grain Reserve determined by this law is exceeded. If prices on grain in Latvia's grain market fall down under the price level guaranteed by

the Republic of Latvia Government decision, the State Grain Bureau shall ensure the purchase of grain for the state grain reserve for the prices consistent with the guarantee price level.

- (4) Any deviation from the above mentioned regulations or the use of State Grain Reserve in the cases not envisaged by this law is allowed only with the Republic of Latvia Council of Ministers' permission.

Chairman, Supreme Council
Republic of Latvia

A.Gorbunovs

Secretary, Supreme Council
Republic of Latvia

I.Daudišs

Riga, May 18, 1993

**THE REPUBLIC OF LATVIA
SUPREME COUNCIL**

DECISION

**On the Procedure in which the Republic of Latvia Law "On Latvia's Grain
Market and State Grain reserve" Comes into Effect**

The Republic of Latvia Supreme Council decides:

1. To establish that the Republic of Latvia law "On Latvia's Grain market and State Grain Reserve" comes into effect at the moment it is published.
2. To enact the Republic of Latvia Government to ensure the elaboration and approval of regulations mentioned in Article 3 of this law, by August 1, 1993.

Chairman, Supreme Council
Republic of Latvia

A.Gorbunovs

Secretary, Supreme Council
Republic of Latvia

I.Daudišs

Riga, May 18, 1993

Draft
28.01.93.

(H/S) (H/S)

**Law of the Republic of Latvia
on Latvian grain market and
State grain reserve**

f

Terms used

Grain - in the context of the current Law, grain and grain products

Latvian grain market - a unified system, which comprises as independent economic units independent producers of grain, live-stock product producers, storers and processors of grain, bakers and sellers of bread, and consumers.

State grain consumption balance - a document containing data on the amount of grain necessary for consumption, including grain for bread, according to structure and quality, and sources available to satisfy the demand, including imports.

State grain production balance - a document determining the amount of grain to be produced, its kind (struktūra) and quality, and usage, including exports.

Section 1. General Regulations

Article 1. Goals of the Law

The goal of the Law is to create preconditions for the formation of the Latvian domestic grain market, facilitating local supplies.

(subsidising?)

Article 2. Latvian grain market

- 2.1. In the Latvian grain market entrepreneurial companies formed on the basis of different property forms operate freely as independent economic units.
- 2.2. Foreign trade is controlled by state institutions according to provisions of the current Law within the limits of their competence.

price is ...
which markets clear!

Article 3. State impact on the grain market

- 3.1. The state is assigned by economic methods to ensure a balance between grain supply and demand in the long run. *what does this mean.*
- 3.2. The state controls foreign trade, state grain reserves, and, if necessary, allocates subsidies for specific purposes.
- 3.3. The application of other means of influence not provided by the Law is inadmissible. ✓

Not the market!

Section 2. State grain balance and foreign trade

Article 4. State grain consumption and production balance

The state grain consumption and production balance submitted by the Latvian State LB is approved annually by February 1 by the Council of Ministers; it also determines the amount of grain imports and exports, as well as the base grain price level.

State fixes production level?

Article 5. Organization of foreign grain trade

- 5.1. Grain and grain products can be imported or exported ... (different forms of imports and exports) exclusively with the permission of LB and according to specific Laws.
- 5.2. The Latvian State LB is competent to give permissions for foreign grain trade within the limits of the grain production and consumption balances approved by the Council of Ministers. If the amount of grain to be sold exceeds 1 000 tons, a competition must be announced for the right to trade it overseas.
- 5.3. If the amount of foreign grain trade exceeds the import - export level approved by the Council of Ministers, Latvian State LB must raise the issue about change in the volume of foreign grain trade.

why? To get rid

Article 6. Protection of the domestic grain market and price adjustment

- 6.1. Foreign trade includes only certified imports and exports of grain; the certificate should contain the chemical and biological quality specifications of the grain to be sold.

- 6.2. Import and export duties are levied on grain and grain products for foreign trade; it would facilitate meeting requirements set out in the grain production and consumption balance. Customs tariffs are approved quarterly by the Council of Ministers upon recommendation from Latvian State LB and Council of Customs Tariffs. *why change so often. Difficult to plan. Use during duties if needed.*
- 6.3. Import and export duties are not levied on grain imported into the country for processing according to contracts. *? why not?*
- 6.4. 50% of the revenue from import and export duties is transferred to the Latvian State LB for the storage and increase of state reserves. *? why should funding be tied?*

Section 3. State grain reserve

Article 7. Formation of state reserve; amount

- 7.1. A state grain reserve is set up in order to ensure a regular supply of grain and grain products to consumers, as well as to regulate the state grain market. *price?*
- 7.2. Grain and grain products included in the state grain reserve is considered state property. The Latvian State LB manages it based on directives contained in the current Law, or other legislative bills passed according to it.
- 7.3. Purchase and storage of state grain reserves is financed from the state budget funds. *of c.t.*
- 7.4. The amount of grain included in the state reserve is determined annually by the LR Supreme Council within the limits of the resources of the approved state budget. *of c.t.*
- 7.5. The state grain reserve can be stored in state grain warehouses, or warehouses owned by other entrepreneurs. Contracts should be made including terms concerning maintenance of the reserve and covering of storage costs.

Article 8. Usage of the state grain reserve

- 8.1. The state grain reserve is used mainly to stabilize the domestic grain market.

If necessary, the Council of the Latvian State LB can adopt a decision to sell the state grain reserve, not exceeding, however, 30% of the reserve, for a price which would ensure opportunities for the renewal of the reserve within half a year. *(... this should depend on the absolute level of the reserve)*

Within the limits of its resources the Latvian State LB can purchase additional amounts of grain in the domestic market, not exceeding, however, 30% of the

reserve, for a price which would ensure that the grain is sold without loss within half a year from its purchase.

why six months?
Traders are unlikely to make money or break even
If know directives could set levels.

Deviations from the above mentioned terms are admissible only with the permission of the Council of Ministers.

- 8.2. The State grain reserve can be used in cases not envisaged in the Law based on a decision of the Council of Ministers.

Section 4. Latvian State LB

Article 9. Status and significance of LB

- 9.1. The Latvian State LB is a state non-profit organization implementing grain policies determined by the state; in the name of state it manages the state grain reserve, ensuring its regular renovation and good quality.
- 9.2. The Latvian State LB operates according to the provisions of the current Law, the LR Law "On Non-profit organizations", other legislative bills and its Charter.

Article 10. Assignments of the Latvian State LB

The Latvian State LB is assigned the following major tasks:

- 1) to determine grain requirements and ways to meet them in the long and short run;
- 2) to take care that there is a balanced demand for grain produced domestically; ! market's full
- 3) to determine the amount of grain imports and exports, adjust them according to directives determined by the LR management institutions, and to organize a competition for foreign grain trade;
- 4) to set up and manage the state grain reserve according to directions determined by state management institutions;
- 5) to fulfil the functions of the State Central Laboratory for quality control;
- 6) state grain inspection;
- 7) to analyse and forecast grain market price formation in Latvia, determine costs for the purchase and maintenance of state grain reserve, develop recommendations for determination of price level; ?
for what purpose?

- 8) ?to place the state order for grain products in the enterprises;
- 9) to take care of grain seed supplies; *actually supply products?*
- 10) The Latvian State LB can be assigned other related functions by a Council of Ministers' Resolution.

Article 11. Management of the Latvian LB

- 11.1. The Latvian State LB is under the authority of the LR MOA.
- 11.2. The Latvian LB is run by a Council and board/management (direkcija)
- 11.3. The Council includes representatives from the MOA, Anti-monopoly Control, Ministry of Defence, Latvian Farmers' Federation, Union of Latvian Consumers' Associations, Bakeries, Latvian Free Trade Unions, and the Director of LB appointed by the above mentioned Council members.

The Council is approved by the MOA when the representatives of the institutions have been identified.

- 11.4. Only the Council is competent
 - to approve the grain balances to be submitted to the Council of Ministers;
 - to control the usage of state budget resources;
 - to pass decisions on the sale or purchase of the state grain reserve according to the procedure determined by the LR State Management Institutions;
 - to assign quotas for foreign trade;
 - to appoint or dismiss the Director of the LB, to approve the staff of the LB Management upon recommendation of the Director, and determine their salary;
 - to adopt decisions on the opening of the LB branches/subsidiaries and agencies;
 - to supervise the economic activity of the LB - approve the workplan, including the LB Management Budget and Report;

11.5. Management of the LB

- 11.5.1. The LB is run by a Director and Deputies, who are appointed by the Council;

their number and competence are determined by the Council. The Director of the LB is the manager of the state property in the LB.

11.5.2. The Management of LB is competent to fulfil other duties of the State LB which are not included in the competence of the LB Council.

Draft
22/2/93 ✓

Draft of 14 April 93.

THE REPUBLIC OF LATVIA LAW

On Latvia's Grain Market and State Grain Reserve

Terms used in the law:

Grain - the interpretation of grain and grain products in this law.

Latvia's grain market - the entire range of relations among independent grain producers, cattle-breeding products producers, grain keepers and processors, bread producers and sellers, as well as consumers serving as independent economic units.

State grain consumption and production balance-sheet - the document which indicates the needs of various consumers for grain, including grain for human consumption, showing the structure, quality, and amount of this demand, and sources of its fulfilment, including grain import, as well as volume of grain production, its structure, quality, and use of grain, including export.

CHAPTER 1 GENERAL REGULATIONS

Article 1. Objectives of the Law

The objective of this law is to create preconditions for the establishment of Latvia's grain market and its operational capacity, promoting its fulfilment with Latvian domestic grain.

Article 2. Latvia's Grain Market and State Influence on It

1. Independent entrepreneurial organizations, established on the basis of different forms of property and acting as independent economic units, are freely operating in Latvia's grain market.
2. The role of the state in grain market regulation is to carry out activities for domestic grain market stabilization by using economic methods, and in the long run, to ensure the conformity between grain supply and demand.
3. The state influences the grain market by using:
 - state grain production and consumption balance; ?
 - state grain reserve;
 - state control over foreign trade through the mediator institutions envisaged by the law and within the competence determined for them;

- target subsidies;
- state inspection for grain quality. ?

CHAPTER 2 INSTITUTIONS FOR LATVIA'S GRAIN MARKET REGULATION

Article 3. The Functions of the Republic of Latvia's Administrative Institutions in Latvia's Grain Market Regulation

1. To regulate state grain market the Republic of Latvia legislative institution carries out the following:
 - annually determines the volume of state budget resources which shall be used for State grain reserve purchase and storage;
 - corresponding to state budget opportunities, if necessary, grants resources for the implementation of grain production target programs in the form of subsidies, credit discounts or otherwise.

2. The Republic of Latvia Council of Ministers:
 - annually, by November 1, considers and approves a year's balance-sheet of Latvia's grain production and consumption, including the permissible volume of foreign trade, as well as the level of state guaranteed sale prices for grain. Amendments to these documents may be made by the Council of Ministers according to the recommendation of Latvia State "Labibas Birojs";
 - at the recommendation of Latvia State "Labibas Birojs", approves import and export customs taxes for grain.

3. The Republic of Latvia Ministry of Agriculture:
 - develops Latvia's grain policy within the framework of the general state agrarian policy;
 - prepares proposals for grain production target programs;
 - in accordance with this law establishes Latvia State "Labibas Birojs";
 - in accordance with this law elaborates and approves regulations of State Grain Reserve;
 - in accordance with this law elaborates and approves regulations for foreign trade in grain, as well as regulations for domestic trade;

- in order to regulate regional grain production, elaborates and approves regulations for the creation of resources, their accumulation and use.

Article 4. Latvia State "Labibas Birojs" and Its Functions in Influencing Latvia's Grain Market

1. Latvia State "Labibas Birojs" is a non-profit state organization, which in accordance with this law and other legislative acts of the Republic of Latvia, implements grain policy determined by the state, and on behalf of the state operates with the State Grain Reserve, ensuring the high quality of routine turnover and maintenance.
2. To ensure the balanced demand for the domestic grown grain, to maintain stable grain prices, as well as ensure the storage of grain surplus, Latvia State "Labibas Birojs" carries out the following:
 - 1) ^{determines} determines Latvia's demand for grain and its opportunities for fulfilment by using domestic grain for current and future periods;
 - 2) analyzes and forecasts the formation of Latvia's grain market prices, determines the expenses needed for the State Grain Reserve's purchase and storage and prepares recommendations to determine the level of these prices;
 - 3) regulates foreign trade in grain according to the procedure determined by the Republic of Latvia administrative institutions;
 - 4) the State Grain Reserve's purchase and storage;
 - 5) state grain inspection;
 - 6) Latvia State "Labibas Birojs" may be in charge of other functions as specified by the Council of Ministers or in the procedure determined by it.
3. Latvia State "Labibas Birojs" has the rights to:
 - 1) in accordance with this law operate with the State Grain Reserve and with the resources needed for its formation and storage;
 - 2) issue licenses for grain import and export in Latvia, organizing a competition, if necessary;
 - 3) consider disputes on the quality of grain and its products;
 - 4) suggest to the Republic of Latvia Council of Ministers on making amendments in the annual balance-sheet of Latvia's grain production

and consumption approved for the recurrent year, including the volume of foreign trade;

- 5) propose amendments in grain import and export tariffs;
- 6) carry out other functions determined by this law or the Republic of Latvia Council of Ministers, as well as those associated with the grain market.

Article 5. Latvia State "Labibas Birojs" Administration

1. Latvia State "Labibas Birojs" is directed by the "Labibas Birojs" Council and the management appointed by it.
2. The "Labibas Birojs" Council consists of the Ministry of Agriculture's representatives and one representative from Ministry of Finance, Ministry of Defense, Latvia's grain producers, Latvian Consumers' associations union, Latvian bread producers, Latvian Independent Trade Union association, as well as the director of Latvia State "Labibas Birojs", approved by the other members of the Council following the suggestion of the Ministry of Agriculture and approved by the Republic of Latvia Council of Ministers.

After the representatives of the above mentioned organizations are nominated, the Council is approved by the Republic of Latvia Council of Ministers (Ministry of Agriculture).

3. The Council is responsible for:
 - compiling the annual balance-sheet of grain production and consumption, and submitting it for approval to the Council of Ministers;
 - the control of state budget resources allotted for the formation of the State Grain Reserve and its storage;
 - making decisions on the state grain reserve's sale and purchase in the procedure determined by the Republic of Latvia administrative institutions;
 - foreign trade quota distribution;
 - the supervision of the economic activities of "Labibas birojs" - approval of the report and business plan, including "Labibas birojs" management budget;
 - the approval of the "Labibas birojs" management staff - at the recommendation of the director, as well as determining of salaries for these persons within the framework of the adopted management budget of the "Latvijas Birojs".

4. "Labibas Birojs" management

- 1) The activities of "Labibas Birojs" are managed by its director. The director of "Labibas Birojs" is also the supervisor of the "Labibas Birojs" state owned share.
- 2) "Labibas Birojs" management is responsible for the fulfilment of all other "Labibas Birojs" functions which are not the responsibility of "Labibas Birojs" Council.

Article 6. The Material Base of Latvia State "Labibas Birojs"

1. Latvia State "Labibas Birojs" covers its expenses from the state budget resources allotted for the purchase and storage of the State Grain Reserve and for carrying out the functions determined by this law, as well as using the resources gained from its economic activities (out of budget resources)

CHAPTER 3 STATE GRAIN BALANCE AND TRADE IN GRAIN

Article 7. State Grain Consumption and Production Balance

The state grain production and consumption balance-sheet is annually prepared by Latvia State "Labibas Birojs" by October 1; by November 1 it is approved by the Council of Ministers, concurrently determining the volume of grain import and export, as well as the minimal price level for grain sale guaranteed by the state.

Article 8. General Regulations for Trade in Grain

1. All those entrepreneurs, whose registered operations include trade in grain and who are acting in accordance with this law and other the Republic of Latvia legal acts, may trade grain. While trading grain they shall observe the regulations, which are approved by the Republic of Latvia Ministry of Agriculture basing on the requirements of this law.
2. Each grain trade operation is certified in accordance with the form determined by the Republic of Latvia Ministry of Agriculture. Concurrently with the other information needed this document shall indicate the legal address of both parts, type of product to be sold, place of production, volume of products to be sold, key indicators of their quality and value of a deal. In the case of foreign trade a note on the settlement of customs duties shall be included. A purchaser and a seller shall keep this document at least for one year.
3. In the case of human consumption grain trade, the above mentioned document shall be supplemented with the certificate issued by the laboratory for grain quality examination showing the results of grain analysis. These analysis may be done by any relevant laboratory, which has received the permission of Latvia State Grain Inspection.

4. In the case of foreign trade, these analysis shall be done by the State Grain Inspection.
5. Grain seller shall transfer 3% of the sum involved into the business (that concerns any volume of grain sold) to the fund of grain production regional equalization. It is done following the procedure determined by the Ministry of Agriculture.

Article 9. Organization of Foreign Trade in Grain

1. Grain import and export policy is regulated by grain consumption and production balance-sheet and import -- export duties.
2. Licenses for import -- export operations are issued by Latvia State "Labibas Birojs" within the framework of grain consumption and production balance-sheet approved by the Council of Ministers. If the volume of grain to be sold exceeds 1000 tons, a competition for obtaining rights to foreign trade shall be organized in accordance with the regulations approved by the Ministry of Agriculture.
3. If the annual volume of foreign trade exceeds the import -- export operations volume approved by the Republic of Latvia Council of Ministers, Latvia State "Labibas Birojs" may initiate changes in the volume of foreign trade in grain, if needed. These proposals are considered by the Council of Ministers.

Article 10. General Regulations for Foreign Trade in Grain and Price Regulation

1. Foreign trade in grain is carried out in accordance with the regulations approved by the Republic of Latvia Ministry of Agriculture.
2. In foreign trade, only certified grain import and export is allowed. Certificates shall identify the chemical and biological quality of the grain, as well as their technological characteristics.
3. Grain and its products in foreign trade are taxed with import and export duties, in that way promoting the consumption and production balance. Customs tariffs are approved by the Council of Ministers following the proposal of Latvia State "Labibas Birojs" and Customs Tariffs Council.
4. If grain is brought to the state for processing on the basis of concluded contracts, afterwards exporting the finished products, the import duty they have paid shall be returned.
5. 50% of resources obtained from import and export duties are used to cover the expenses of the State Grain Reserve's replenishment up to the volume determined by this law and its storage. The other part shall be used for budget assignments allotted for the implementation of grain production target programs.

Article 11. Regional Regulation of Grain Production

1. To ensure grain production on the areas needed, as well as to equalize the different conditions for grain production, the Republic of Latvia Ministry of Agriculture, in accordance with the grain production target program, establishes the fund of grain production regional equalization. The use of this fund is approved by separate regulations.
2. Grain production regional equalization fund is used in accordance with the above mentioned regulations, determining the additional payments to grain producers for the area under grain. Additional payment is determined for those grain cultures and sorts, growing up of which is economically more useful in the particular region, and within a volume allowing to reduce regional differences to the maximum extent.
3. Grain production regional equalization fund is made of allocations from the grain sale determined by Article 10 of this law and these resources shall be used only for grain production regional regulation.
4. Payments from this fund to particular producers are carried out by the specialists of regional state agricultural department in accordance with the requirements of the regulations and correspondingly to the grain volume actually produced from the sowed grain.

CHAPTER 4 THE STATE GRAIN RESERVE

Article 10. Formation of the State Grain Reserve, Its Volume

1. The State Grain Reserve is formed to guarantee the permanent fulfilment of consumers' demand for grain, as well as to regulate the state grain market. The volume of the state grain reserve is 560 thousand tons which include:
 - human consumption grain reserve -- 250 thousand tons;
 - animal consumption grain reserve -- 300 thousand tons;
 - seed grain reserve -- 10 thousand tons.

To fulfil this volume the Republic of Latvia Supreme Council, while approving the annual state budget, annually determines the volume of grain needed to replenish the State grain reserve.

2. Grain and grain products forming the State Grain Reserve is the property of the state. The purchase and storage of the State Grain Reserve is financed from the state budget. The volume of financing is determined by the Republic of Latvia Supreme Council during the approval of the state budget for a recurrent year.

3. Latvia State "Labibas Birojs" manages the State Grain Reserve and state resources allotted for its purchase and storage in accordance with the procedure determined by this law and other legal acts.

Article 13. The Use of the State Grain Reserve

1. The State Grain Reserve is mainly used for the stabilization of the domestic grain market.
2. If necessary, Latvia State "Labibas Birojs" Council may decide to sell from the State Grain Reserve, but not exceeding 30% of the reserve's volume and for prices that ensure the renewing of the reserve at least in half a year's time.
3. Within the framework of its resources, Latvia State "Labibas Birojs" may additionally purchase grain in the domestic market, but not exceeding 30% of the reserve's total volume and for prices that ensure the sale of this grain without any losses in half a year's time after the grain is purchased, if the volume of State Grain Reserve determined by this law is exceeded.
4. Any deviation from the above mentioned regulations or the use of State Grain Reserve in the cases not envisaged by this law is allowed only with the Republic of Latvia Council of Ministers' permission.

not possible

This draft law is prepared by Cooperation and administration sector, Latvia State Institute of Agrarian Economy. Team leader and responsible person -- scientific researcher Andris Miglavs, phone -- 553370.

137

THE REPUBLIC OF LATVIA LAW

"On the Privatization of State Owned Meat Processing Enterprises"

Terms used in the law:

Meat processing enterprise -- an independent enterprise (entrepreneurial company), which processes livestock and poultry produced in agricultural enterprises into meat and its products, stores these products, prepares them for sale and sells.

Unit to be privatized -- state meat processing enterprise, state joint-stock company formed on its basis or state capital share in other entrepreneurial companies formed on the basis of meat processing enterprises.

Article 1 **Activities and Objectives of the Law**

According to this law, the following shall be privatized:

- 1) state meat processing enterprises;
- 2) state joint-stock companies formed on the basis of state meat processing enterprises;
- 3) state owned capital share in entrepreneurial companies which are established on the basis of meat processing enterprises.

Article 2 **The Legal Base for the Privatization of Meat Processing Enterprises**

The legal base for the privatization of state meat processing enterprises is this law, as well as the Republic of Latvia law of June 10, 1992 "On the Evaluation Procedure of State and Local Government Owned Units (Enterprises) and their Property to be Privatized", and the Republic of Latvia law of July 7, 1992 "On the Transformation of State and Local Government Owned Enterprises into Statutory Companies". Issues concerning the privatization of meat processing enterprises and which are not included in the laws mentioned above shall be managed in accordance with other legislative acts of the Republic of Latvia.

State owned capital share in the entrepreneurial companies established on the basis of meat processing enterprises is privatized in accordance with the privatization project approved by the Ministry of Agriculture.

Article 3 **Meat Processing Enterprise's Privatization Procedure**

Privatization process of meat processing enterprise includes:

1) the establishment and approval of the Privatization Commission of meat processing enterprises -- in accordance with Article 5 of this law, within a month from the time this law comes into effect;

2) the evaluation or reevaluation of the unit to be privatized -- in accordance with Article 10 of this law, within two months from the time the Privatization Commission is approved;

3) the transformation of state meat processing enterprise into a state joint-stock company -- in accordance with the Republic of Latvia law of July 7, 1992 "On the Transformation of State and Local Government Owned Enterprises into Statutory Companies" and the requirements determined by this law, within three months from the time the Privatization Commission is approved;

4) the development and approval of the regulations for privatization competition -- in accordance with Article 15 of this law - within two months from the time a state joint-stock company is registered;

5) the implementation of privatization competition -- in accordance with Articles 15 and 16 of this law, within five months after the competition regulations are announced;

6) the calling of the share-holders meeting - within a month from the time the shares envisaged for the sale are sold;

7) the alteration of the legal status of a state joint-stock company, within a month after the share-holders meeting is held;

8) the transfer of documents, within a month from the time the legal status of a joint-stock company is changed.

Article 4. The Agricultural Ministry's Functions in the Privatization of Meat Processing Enterprises

The Ministry of Agriculture is a state administrative institution which is responsible for the privatization of meat processing enterprises, and by which this process is organized and coordinated.

To ensure the privatization of meat processing enterprises, the Ministry of Agriculture carries out the following:

1) establishes the Privatization Commission for each particular meat processing enterprise (henceforth - Privatization Commission);

2) if necessary, within a month from the time this law comes into effect, approves the capital share retained by the state within the distribution framework determined by Article 11 of this law; this capital share shall be observed by the Privatization Commission of the unit;

- 3) approves competition regulations for the privatization of each particular unit;
- 4) approves privatization projects for state owned capital shares in companies established on the basis of meat processing enterprises;
- 5) considers disputes on the privatization of meat processing enterprises.

Article 5. Privatization Commission

Privatization of meat processing enterprises is organized and conducted by the Privatization Commission, consisting of 9 members and acting in accordance with this law, as well as in accordance with the Republic of Latvia law of March 17, 1992 "On the Privatization Commissions of State and Local Government Owned Enterprises" Articles 5, 6, 7, 8, 9, 10, 12 and 13.

Within a month from the moment this law comes into effect, the Ministry of Agriculture forms and approves the Privatization Commission.

The Privatization Commission consists of:

- 1) The Ministry of Agriculture's specialist as an authorized representative of the state. This individual is the Chairman of the Commission;
- 2) Other persons.

The Privatization Commission may use experts in its work; they enjoy advisory rights.

To resolve separate questions, the Privatization Commission may form sub-commissions.

The Chairperson of the Privatization Commission ensures that privatization is carried out in accordance with the requirements of this law, and he/she is officially responsible for that in the procedure determined by the legislative acts.

The membership of the Privatization Commission shall be published in at least one national newspaper.

The Privatization Commission is reorganized or liquidated by the Ministry of Agriculture in cases envisaged by the Republic of Latvia law of March 17, 1992 "On State and Local Government Owned Property Privatization Commissions" Article 12.

Article 6. The Functions of the Privatization Commission

Privatization Commission carries out the following:

1) ensures the evaluation or reevaluation of the unit to be privatized in accordance with Article 10 of this law;

2) organizes and conducts the transformation of state meat processing enterprises into state joint-stock companies, as well as makes necessary amendments in the documents of already registered state joint-stock companies and carries out their registration. Before joint-stock companies and amendments are registered at the Register of Enterprises, their documents shall be approved by the Privatization Commission;

3) organizes and conducts the development of regulations for the unit's privatization competition in accordance with Article 15 of this law and submits them for approval to the Ministry of Agriculture;

4) after the regulations for the unit's privatization competition are approved, the Privatization Commission announces the competition in accordance with Article 15 of this law;

5) carries out a unit's privatization competition in accordance with Article 16 of this law;

6) sells shares of a state joint-stock company;

7) organizes a share-holders meeting, in accordance with Article 8 of this law;

8) elaborates and submits to the Ministry of Agriculture privatization projects for state owned shares in entrepreneurial companies established on the basis of meat processing enterprises.

Article 7 Functions of the Management of the Unit to be Privatized

The management of the unit to be privatized continues to manage economic activities of the unit, is responsible for the maintenance of unit's property, and represents the unit in relations with the state, other physical and legal entities.

The management is obliged to provide the Privatization Commission with all information needed, performs all tasks given by the Privatization Commission and those needed to prepare the unit for the privatization, as well as covers all expenses of privatization process.

Responsibilities of a state meat processing enterprise's management terminate at the moment when the management and the executive institution of a new state joint-stock company, established on the basis of this enterprise, sign transfer documents. It shall be done within a month from the moment the state joint-stock company is registered.

Responsibilities of the state joint-stock company's management terminate at the moment when the management and the executive institution of the company elected at the share-holders meeting sign documents transfer act. It shall be done within a month from the moment the company is registered.

Article 8. Meeting of Shareholders

The participants of a meeting are persons who, in accordance with the regulations of this law, own shares of the company.

A meeting is called by the Privatization Commission, in accordance with the Republic of Latvia law of May 18, 1993 "On Joint-Stock Companies" and the company's charter, within a month after the shares envisaged for the sale are sold.

The following issues are discussed at the shareholders meeting:

- 1) a report of the Privatization Commission on its activities;
- 2) a report of the state joint-stock company' management on its activities;
- 3) charter or amendments to the charter shall be considered and approved;
- 4) company's management shall be elected following the procedure determined by the charter;
- 5) other issues connected with the activities of the company.

Article 9. Assets and Liabilities of the Unit to be Privatized

The activities of a state meat processing enterprise terminate at the time that the documents transfer act is signed by the management of this state enterprise and the executive institution of a registered state joint-stock company formed on the basis of this enterprise. The registered company takes over the rights and liabilities of the state enterprise.

From the time the documents transfer act is signed, the state joint-stock company takes over all assets of the privatized unit, except those assets which shall be denationalized and transferred to the legal owners, as well as dwelling houses and apartments, which shall be handed over to the local governments and afterwards privatized in accordance with a special law.

Article 10. Evaluation of the Unit to be Privatized

A unit to be privatized is evaluated in accordance with the Republic of Latvia law of June 10, 1992 "On the Evaluation of State and Local Government Owned Assets (Enterprises)". The value of assets to be denationalized and transferred to their legal owners, as well as the value of assets handed over to the local governments is not included in the value of the unit, according to the Republic of Latvia legislation.

If a state joint-stock company was established before this law came into effect and unit's evaluation does not correspond to the requirements of the law mentioned in this Article, the Privatization Commission organizes another evaluation of the unit.

Article 11. The Base Capital of the State Joint-stock Company and its Distribution

The base capital of a state joint-stock company consists of the unit's value determined in accordance with the regulations of Article 10 of this law.

The number of shares, their nominal value and particular distribution in each unit to be privatized is determined by the Privatization Commission. The distribution of base capital (share distribution) indicates how many shares of the unit to be privatized may be purchased by various groups of persons, observing the following proportion:

- 1) employees of the enterprise -- up to 10% of shares, which shall be sold in the procedure determined by Article 12 of this law;
- 2) producers of agricultural products (in meat and its products storage enterprises - to other meat processing enterprises) -- 20-40% of shares, which shall be sold in the procedure determined by Article 13 of this law;
- 3) other persons -- 51-70% of shares, to be sold in the procedure determined by Article 14 of this law.

Share amount envisaged for other persons shall be reduced by the share amount reserved for the state, which is approved by the Ministry of Agriculture.

If a company's shares are not sold in the procedure and terms determined by the Privatization Commission and within the framework of share distribution, the Privatization Commission may determine another procedure for share sale.

Article 12 Share Sale to Employees

Employees' shares are sold to the employees of a joint-stock company. Rights and responsibilities of these shareholders are determined by the Republic of Latvia law "On Joint-Stock Companies" and the company's charter.

The distribution of shares among particular persons is determined by the regulations approved by the Privatization Commission. To implement the distribution, the Privatization Commission may form a sub-commission.

The Privatization Commission may determine discounts for employees' shares for up to 25% from their nominal value. Employees may purchase shares also by using certificates.

Terms for employees' shares sale are determined by the Privatization Commission in the regulations for privatization competition.

Article 13 Share Sale to the Producers of Agricultural Products

In accordance with this Article, shares may be purchased by the persons who have ownership or permanent use rights over the land used in agriculture within the zone served by the unit to be privatized determined by the Privatization Commission in the regulations for privatization competition.

The Privatization Commission approves the number of shares to be sold per one unit of land used in agriculture within the zone served by the unit to be privatized and announces the place, regulations and terms of their sale, which is at least one month from the time it is announced. After the regulations for privatization competition are approved, the Privatization Commission shall announce them in the local newspapers of those regions, which are covered by the unit's services.

Shares to the producers of agricultural products are sold for their nominal value. Privatization Commission may determine discounts - up to 25% of shares nominal value. A debt of the unit to be privatized to the shares purchaser may be considered as the payment for purchased shares, if the shares purchaser gives his written agreement. Shares may be paid off also by using certificates. When purchasing shares, a potential purchaser shall have the opportunity to obtain the information on the distribution of shares, envisaged by the regulations of the joint-stock company's privatization competition, and the company's charter or its project. Shares may be paid off within a year from the last day of the determined shares sale term, in accordance with the requirements of the Republic of Latvia law of May 18, 1993 "On Joint-Stock Companies".

If shares are not sold within the determined period of time, the Privatization Commission may determine another procedure for their sale.

Joint-stock companies formed on the basis of meat and its products storage enterprises shall observe the following particulars:

- 1) shares may be purchased by other meat processing enterprises, which during 1992 used the services of the respective meat and its products storage enterprise;
- 2) the Privatization Commission approves the number of shares to be sold per one unit of services.

Article 14 Share Sale to Other Persons

Shares reserved for other persons shall be sold in competition and as an undividable packet. A competition shall be organized in accordance with the regulations of Articles 15 and 16 of this law. The eligible participants are physical and legal entities or their groups formed on the basis of mutual agreement (henceforth -- potential purchasers). This agreement shall indicate the rights, responsibilities and liabilities of group's participants, and a person authorized by them.

Potential purchasers shall purchase shares in the procedure determined by the competition. If the first payment is not made according to the terms, a purchaser shall pay a fine determined by the regulations of the competition. In this case, the Privatization Commission offers the purchase rights to the next potential purchaser according to the competition, or announces a new competition, either maintaining the same regulations or changing them. Shares may be purchased also by certificates.

If a potential purchaser has made the first payment, but does not fulfil other requirements of the competition until the share packet is completely paid off, the state may sell this packet to other persons. The potential purchaser gets back his/her actual investments from the resources gained from the sale of the packet. In case the resources gained from the packet sale are not enough to make this repayment, the sum paid back to the potential purchaser shall be proportionally reduced.

A potential purchaser may not expropriate shares until they are completely paid off.

Article 15 Regulations for the Privatization Competition

Regulations for the privatization competition are developed by the Privatization Commission and submitted for approval to the Ministry of Agriculture within a month after the state joint-stock company is registered. Regulations for the privatization competition shall include the conditions for shares purchase and the following information about the unit to be privatized:

- 1) name of the unit;
- 2) location of the unit;
- 3) information on persons who are renting this unit or a part of it, as well as information on respective lease contracts;
- 4) the balance-sheet of the previous year, as well as an analysis of economic and financial activities and the valuation of three previous years of the operation of the unit;
- 5) the charter of the state joint-stock company;
- 6) distribution of the base capital, determined in accordance with Article 11 of this law;
- 7) a list of liabilities of the state joint-stock company at the moment the competition is announced;
- 8) payment terms for other persons, which do not exceed three years and which are not changeable;

9) the first payment for other persons, which is at least 15% of the share packet's nominal value and which shall be paid within two months from the moment the results of competition are announced;

10) minimum guarantees for the use of the units to be privatized, the maintenance of its operational fields and production volume;

11) minimum guarantees for the maintenance of employment;

12) investment guarantees;

13) environmental protection guarantees;

14) other regulations and warrants.

Regulations of privatization competition for each particular unit are approved by the Ministry of Agriculture, within a month from the moment they are submitted.

After the competition regulations are approved, the Privatization Commission announces a competition in at least one national newspaper, publicizing the possibilities to obtain the information on competition regulations, as well as information needed for the development of a competition plan.

Article 16 Implementation of the Competition

Eligible participants of the competition are persons or groups of persons mentioned in Article 14 of this law, if they, within four months after the competition is announced, have submitted to the Privatization Commission the following documents:

1) an application;

2) a competition plan;

3) a mutual agreement, if a participant represents more than one physical or legal person.

A competition plan shall contain the information on projected implementation of share purchase regulations determined by the Privatization Commission. Any other information may be included, if the authors consider it an essential argument.

Within a month after the date for submitting privatization competition documents has passed, the Privatization Commission evaluates the competition plans and determines their correspondence to the regulations of the competition. The Privatization Commission announces one or more winners of the competition.

If more than one applicant is announced as a winner, the Privatization Commission shall organize the share packet's auction for these candidates. In this case, the Privatization Commission has the right to set up a handicap (priority index)

for the candidates who submitted the most perspective competition plan, but it shall not exceed 20%.

If no competition plans are submitted within the determined terms, or if the submitted plans do not correspond to the regulations of the competition, the Privatization Commission may change share purchase regulations, including share purchase price, and announces a new competition in the procedure determined by this law.

Article 17 Use of Resources Gained from the Share Sale

Resources gained for the share sale are used to pay off the debts of the unit to be privatized to the suppliers of agricultural products. The remaining resources are distributed as follows:

- 1) 50% are transferred to the state privatization fund;
- 2) 50% are transferred to the production development fund of the joint-stock company and are used for the replenishment of the company's material technical supplies and current assets.

Article 18. Settlement of Disputes

Disputes on the correspondence of capital distribution to the requirements of this law, as well as other disputes connected with the privatization of meat processing enterprises, are considered by the Privatization Commission. A decision of the Privatization Commission may be reviewed by the Ministry of Agriculture, and the decision of the Ministry of Agriculture, at the request of the interested persons may be appealed in court.

Chairman, Supreme Council
Republic of Latvia

A.Gorbunovs

Secretary, Supreme Council
Republic of Latvia

I.Daudišs

Riga, May 18, 1993

THE REPUBLIC OF LATVIA LAW

"On the Privatization of State Owned Assets in Meat Processing Enterprises"

Terms used in the law:

Meat processing enterprise -- an independent enterprise (entrepreneurial company), which processes livestock and poultry produced in agricultural enterprises into meat and its products, stores these products, prepares them for sale and sells, or which deals with the storage of meat and its products, preparation for sale and sale.

Companies -- in this law, the interpretation of joint-stock companies.

Unit to be privatized -- meat processing or storage state enterprise, state joint-stock company, state share in other statutory companies, as well as the former state enterprises which, according to Government decisions or regulations, are transferred to other legal entities.

CHAPTER 1 GENERAL REGULATIONS

Article 1 Activities and Objectives of the Law

According to this law, the following shall be privatized:

- 1) state meat processing enterprises;
- 2) state owned capital share in entrepreneurial companies which are established on the basis of state meat processing enterprises;
- 3) former state enterprises which, according to Government decisions or regulations, are transferred to other legal entities.

Article 2 The Legal Base for the Privatization of Meat Processing Enterprises

The legal base for the privatization of state meat processing enterprises is this law, as well as the laws "On the Evaluation Procedure of State and Local Government Owned Units (Enterprises) and their Property to be Privatized", and "On the Transformation of State and Local Government Owned Enterprises into Statutory Companies". Issues concerning the privatization of meat processing enterprises and which are not included in the laws mentioned above shall be managed in accordance with other legislative acts of the Republic of Latvia.

CHAPTER 2 PRIVATIZATION PROCEDURE AND INSTITUTIONS

Article 3 Privatization Procedure

1. Privatization process of meat processing enterprises includes:

- 1) The establishment and approval of the National Privatization Commission of Meat Processing Enterprises -- in accordance with Article 5 of this law, within a month from the time this law comes into effect;
- 2) Evaluation or reevaluation of the unit to be privatized -- in accordance with Article 11 of this law, within two months from the time the Privatization Commission is approved;
- 3) Transformation of state meat processing enterprises into state joint-stock companies -- in accordance with the Republic of Latvia law "On the Transformation of State and Local Government Owned Enterprises into Statutory Companies" and the requirements determined by this law, within three months from the time the Privatization Commission is approved;
- 4) Development and approval of the regulations for privatization competition -- in accordance with Article 16 of this law after the valuation (or reevaluation) is done and within a month from the time a state joint-stock company is registered;
- 5) Carrying out of privatization competition -- in accordance with Articles 16 and 17 of this law, within three months after the competition regulations are announced, if at least one participant has applied for the competition;
- 6) Purchase of shares -- within the terms determined by the competition;
- 7) Changing the legal status of a state joint-stock company -- within a month after at least 51% of shares are sold;
- 8) Transferring of documents -- within a month from the time the amendments to the company's documents are registered.

Article 4 The Agricultural Ministry's Functions in the Privatization of Meat Processing Enterprises

1. The Ministry of Agriculture is a state administrative institution which is responsible for the privatization of meat processing enterprises, and by which this process is organized and co-ordinated.
2. To ensure the privatization of meat processing enterprises, the Ministry of Agriculture carries out the following:

- 1) Establishes the National Privatization Commission of Meat Processing Enterprises, henceforth "Privatization Commission";
- 2) If necessary, within a month from the time this law comes into effect, approves the capital share retained by the state within the distribution framework determined by Article 12 of this law; this capital share shall be observed by the Privatization Commission of the unit;
- 3) Considers disputes on the privatization of meat processing enterprises.

Article 5 The Privatization Commission, its Membership, Establishment and the Procedure of Restructuring or Liquidation

1. Privatization of meat processing enterprises is organized and conducted by the Privatization Commission, consisting of 9 members and acting in accordance with this law, as well as in accordance with the Republic of Latvia law of March 17, 1992, "On the Privatization Commissions of State and Local Government Owned Enterprises" Articles 5, 6, 7, 8, 9, 10, 12 and 13.
2. Within a month from the moment this law comes into effect, the Ministry of Agriculture forms and approves the Privatization Commission and notifies the Ministry of Economic Reform;
3. The Privatization Commission consists of:
 - 1) The Agricultural Ministry's specialist as an authorized representative of the state; This individual is the Chairman of the commission;
 - 2) Other persons.
4. The Privatization Commission may use experts in its work; they enjoy advisory rights.
5. To resolve separate questions, the Privatization Commission may form sub-commissions.
6. The Chairperson of the Privatization Commission ensures that privatization is carried out in accordance with the requirements of this law, and he/she is officially responsible for that in the procedure determined by the legislative acts.
7. The membership of the Privatization Commission shall be published in the national newspaper.
8. The Privatization Commission is reorganized or liquidated by the Ministry of Agriculture in cases envisaged by the Republic of Latvia law "On State and Local Government Owned Property Privatization Commissions" Article 12. The MOA informs the Ministry of Economic Reform regarding this.

74

Article 6 The Functions of the Privatization Commission

1. Within two months from the time the Privatization Commission is approved, it ensures the evaluation or reevaluation of the unit to be privatized in accordance with Article 11 of this law.
2. Simultaneously, it organizes and conducts the transformation of state meat processing enterprises into state joint-stock companies, as well as makes necessary amendments in the documents of already registered state joint-stock companies and carries out their registration. Before joint-stock companies and amendments are registered at the Register of Enterprises, their documents shall be approved by the Privatization Commission.
3. The Privatization Commission organizes and conducts the development of regulations for the unit's privatization competition in accordance with Article ... of this law and approves these regulations.
4. After the regulations for unit's privatization competition are approved, the Privatization Commission announces the competition in accordance with Article 16 of this law.
5. Carries out a unit's privatization competition in accordance with Article 17 of this law.
6. Directs the management of the unit to be privatized to sell state owned shares of the joint-stock company correspondingly with the results of the competition.

Article 7 Functions of the Management of the Unit to be Privatized

1. The management of the unit to be privatized continues to manage economic activities of the unit in accordance with the normative documents regulating these activities, is responsible for the maintenance of unit's property, and represents the unit in relations with the state, and other physical and legal entities.
2. The management is obliged to provide the Privatization Commission with all information needed, it carries out the preparation of the unit for the privatization as determined by the Privatization commission, as well as covers all expenses of privatization process.
3. Responsibilities of a state meat processing enterprise's management terminate at the moment when the executive institution of a new state joint-stock company, established on the basis of the enterprise, signs transfer documents. It shall be done within a month from the moment the company is registered. Responsibilities of the state joint-stock company's management terminate from the time that it transfers documents to the executive institution of a joint-stock company, which is elected after the legal status of this joint-stock company is changed. This is done according to the procedure determined by Article 8 of this law. It shall be done within a month from the moment the company is registered.

4. The management of the unit to be privatized implements the following activities to privatize the unit:

1) Ensures the registration of a state joint-stock company according to the procedure determined by the legislation;

2) Opens a bank account for shares' payments and organizes the procedure of these payments;

3) Organizes the sale of shares, in accordance with Articles 12-18 of this law;

4) Within a month after at least 51% of shares are sold, organizes the meeting of shareholders in the procedure determined by Article 8 of this law.

Article 8 Meeting of Shareholders

1. The participants of a meeting are physical and legal entities who, in accordance with the regulations of this law, own shares of the company.

2. A meeting is called by the management of the state joint-stock company, in accordance with the Republic of Latvia law "On Joint-stock Companies" and the company's charter.

3. A meeting is held in accordance with the Republic of Latvia law "On Joint-stock Companies" and the company's charter.

4. The following issues are discussed at the shareholders meeting:

1) a report of the Privatization Commission on its activities;

2) a report of the management of the unit to be privatized on its activities while carrying out the privatization;

3) the election of company's management following the procedure determined by the charter;

4) other issues connected with the activities of the company.

Article 9 Assets and Liabilities of the Unit to be Privatized

1. The activities of a state meat processing enterprise terminate at the time that the documents transfer act is signed by the management of this state enterprise and the executive institution of a registered state joint-stock company formed on the basis of this enterprise; the registered company takes over the rights and liabilities of the state enterprise.

2. When the company is registered, from the time the documents transfer act is signed, it takes over all assets of the privatized unit, except those assets which shall be

denationalized and transferred to the legal owners, as well as dwelling houses and apartments, which shall be handed over to the local governments and afterwards privatized in accordance with a special law.

3. The new owners shall fulfil the liabilities of the unit to be privatized in the procedure determined by the Republic of Latvia legislation.

Article 10 Settlement of Disputes

Claims on the correspondence of share distribution to this law, as well as claims concerning other issues of the privatization of the unit are considered by the Privatization Commission. If an agreement is not made, these claims are considered by the Ministry of Agriculture. If an agreement is not made there as well, the issue is considered at the court.

CHAPTER III EVALUATION OF THE UNIT TO BE PRIVATIZED, THE PROCEDURE OF SHARE PURCHASE AND PRIVATIZATION DOCUMENTS

Article 11 Evaluation of the Unit to be Privatized

1. A unit to be privatized is evaluated in accordance with the Republic of Latvia law "On the Evaluation of State and Local Government Owned Assets (Enterprises)". The value of dwelling houses and apartments which have been denationalized and handed over to their legal owners is not included in the value of assets, according to the Republic of Latvia legislation.

2. If a state joint-stock company was established before this law came into effect and the Privatization Commission does not agree with the former evaluation of the enterprise it, in accordance with the law mentioned in this Article, organizes the reevaluation. The newly determined value forms the base capital of this state joint-stock company.

Article 12 The Base Capital of the State Joint-stock Company and its Distribution

1. The base capital of a state joint-stock company consists of the unit's value determined in accordance with the regulations of Article 11 of this law.

2. The number of shares and their nominal value is determined by the Privatization Commission. The distribution of base capital (share distribution) indicates how many shares of the unit to be privatized may be purchased by various groups of persons.

3. The Privatization Commission determines the distribution of share purchase rights to the following groups of candidates, observing the framework determined by this Article:

- pension fund -- not less than 5% of shares;

- employees of the enterprise -- up to 10% of shares, which shall be sold in the procedure determined by Article 13 of this law;

- producers of agricultural products, but in the case of refrigeration facilities - other meat processing enterprises -- 20-33% of shares, which shall be sold in the procedure determined by Article 14 of this law;

- other persons -- 51-60% of shares, to be sold in the procedure determined by Article 15 of this law.

4. If company's shares are not sold in the procedure and terms determined by the Privatization Commission and within the framework of share distribution, the Privatization Commission may determine another procedure for share sale.

Article 13 Procedure for Share Sale to Employees

1. Employees' shares are sold to employees. Rights and responsibilities of these shareholders are determined by the Republic of Latvia law "On Joint-stock Companies" and the company's charter.

2. The distribution of shares among particular persons is determined by the regulations approved by the Privatization Commission. To implement the distribution, the Privatization Commission may form a sub-commission.

3. The Privatization Commission may determine discounts for employees' shares for up to 25% from their nominal value, and determine that shares may be purchased by using certificates.

4. Terms and means of payment for personnels' share sale are determined by the Privatization Commission.

Article 14 Procedure of Share Sale to the Producers of Agricultural Products

1. In accordance with this Article, shares may be purchased by physical and legal entities who have ownership or permanent use rights over the land used in agriculture within the zone served by the unit to be privatized determined by the Privatization Commission.

2. The Privatization Commission approves the number of shares to be sold per one unit of land used in agriculture within the zone served by the unit to be privatized and announces the place, regulations, including means of payment, and terms of their sale, which is at least one month from the time it is announced. This announcement shall be published in the local newspapers of those regions, which are covered by the unit's services.

3. These shares are sold for their nominal value. Discounts, proportional to the debts of the unit to be privatized to the potential shareholders at the time of purchase, shall be envisaged. The debt is cancelled by giving these discounts. When purchasing

shares, a potential purchaser shall have a possibility to obtain the information on the distribution of shares and the company's charter.

4. If shares reserved in this way are not sold within the determined period of time, the Privatization Commission may determine another procedure for their sale.

5. Joint-stock companies formed on the basis of state refrigeration facilities shall observe the following particulars while selling shares in accordance with the regulations of this Article:

1) Shares may be purchased by other meat processing enterprises, which during 1992 used the services of the respective refrigeration facility;

2) The Privatization Commission approves the number of shares to be sold in accordance with the regulations of this Article per one unit of services.

Article 15 Procedure of Share Sale to Other Persons

1. Shares reserved for other persons shall be sold in competition and as an undividable packet. A competition shall be organized in accordance with the regulations of Articles 16 and 17 of this law. The eligible participants are physical and legal entities or their groups formed on the basis of mutual agreement (henceforth -- potential purchasers). This agreement shall indicate the rights, responsibilities and liabilities of group's participants, and a person authorized by them.

2. Potential purchasers shall purchase shares in the procedure determined by the competition. If the first payment is not made according to the terms, a purchaser shall pay a fine determined by the regulations of the competition. In this case, the Privatization Commission offers the purchase rights to the next potential purchaser according to the competition, or announces a new competition, either maintaining the same regulations or changing them.

3. If a potential purchaser has made the first payment, but does not fulfil other requirements of the competition until the share packet is completely paid off, the state may sell this packet to other persons. The potential purchaser gets back his/her actual investments from the resources gained from the sale of the packet. In case the resources gained from the packet sale are not enough to make this repayment, the sum paid back to the potential purchaser shall be proportionally reduced.

4. A potential purchaser may not expropriate shares until they are completely paid off.

Article 16 Development and Announcement of Regulations for the Privatization Competition

1. Regulations for the privatization competition are developed by the Privatization Commission, and they shall include the following:

1) Information on the unit to be privatized:

a) The name of the unit;

b) The location of the unit;

c) Information on physical and legal entities who are renting this unit or a part of it, as well as information on lease contracts;

d) The balance-sheet of the previous year, as well as an analysis of economic and financial activities and the valuation of three previous years of the operation of the unit;

e) An inventory list of the unit showing the determined value of the enterprise and its assets;

f) The charter of the unit to be privatized;

g) Distribution of the base capital, determined in accordance with Article 12 of this law;

h) A list of liabilities taken over by the company to be formed at the time this law comes into effect;

2) Share purchase regulations:

a) Terms for share sale, which do not exceed three years. Share purchase terms determined by the regulations for the competition may not be changed;

b) The volume of the first payment, which is 15% of the share packet's nominal value and which shall be paid within two months from the moment the results of competition are announced;

c) Means of payment;

d) Regulations (warrants) for assets use and goods production;

e) Regulations (warrants) for the maintenance of employment, requirements of the personnel policy of a potential purchaser;

f) Investment guarantees;

g) Environmental protection measures needed;

h) Other regulations (warrants).

3) Dates for submitting competition plans, at least two months from the time the competition is announced.

2. Resources gained during the privatization process are used as follows:

1) for paying off the debts of the enterprise to the suppliers of agricultural products;

2) the rest of resources shall be divided as follows:

- 50% are transferred to the state privatization fund;

- 50% are transferred to the production development fund of the company and are used for the development of the company's material technical supplies and current assets.

Article 19 Prospectus of the Company

1. The Privatization Commission organizes and conducts the development and publishing of the prospectus of the unit to be privatized.

2. The prospectus of the company shall contain the following:

1) The name and structure of the unit to be privatized, its capacity;

2) The volume of the base capital, number of capital shares and their nominal value;

3) The distribution of the base capital;

4) Capital share purchase regulations, procedure and dates, as well as discounts;

5) The type name, objectives, and location of the company, the Privatization Commission's address, phone and reception hours;

6) The company's management structure and its formation.

3. Within two weeks after the distribution of state joint-stock company's shares and approval of their purchase regulations, the prospectus of the company shall be published in the local press of that region in which the share purchasers are located, determined by the share distribution.

Article 20 The Charter of the Company

The Charter of the company shall correspond to the Republic of Latvia law "On Joint-stock Companies".

Chairman, Supreme Council
Republic of Latvia
Secretary, Supreme Council
Republic of Latvia

REPUBLIC OF LATVIA COUNCIL OF MINISTERS

Resolution nr. 562

Riga

December 30, 1992

**ON THE PROCEDURE OF PRIVATIZATION SCHEMES' APPROVAL,
CHANGE AND ADDITION**

In accordance with the Republic of Latvia Supreme Council resolution of June 17, 1992 " On the procedure in which the Republic of Latvia law " On the Privatization Procedure of State and Local Government Owned Units (Enterprises)" comes into effect" the Republic of Latvia Council of Ministers enacts:

1. To approve the enclosed Regulations of the procedure in which privatization schemes are approved, changed and additioned.
2. Establish that Ministries (committees) may work out more specified instruction of the concepts mentioned in Article 1 of these Regulations what concerns the approval, change and addition of privatization schemes. This instruction shall be available for all persons submitting privatization schemes.
3. Establish that local government may work out more specified procedure of local government owned unit's (enterprise's) privatization scheme approval, change and addition in the chapter determining the activities of local government institutions in accordance with the concepts mentioned in Article 1 of the regulations.
4. To approve the enclosed Procedure in which the persons elaborating schemes receive information on the unit (enterprise).
5. Approve the enclosed examples of State (local government) owned unit's (enterprise's) privatization scheme and Information list of the unit (enterprise) to be privatized.

6. Recommend to the persons elaborating privatization schemes use the enclosed methodology for writing a business plan included into the privatization scheme.

7. Establish that the sample of State (local government) unit's (enterprise's) privatization scheme is not valid for the state unit's (enterprise's) privatization schemes submitted before the moment this resolution comes into effect, and Article 6 of the resolution is not applied to these schemes.

8. The resolution shall be published at the official edition of the Republic of Latvia Supreme Council and Council of Ministers "AP MP", expenditures connected with the publishing are covered from the state property privatization fund.

Republic of Latvia
Council of Ministers,
Chairman

Ivars Godmanis

Republic of Latvia
Minister of State

Janis Dinevics

THE REPUBLIC OF LATVIA MINISTRY OF AGRICULTURE

ORDER

February 25, 1993

Nr.70

Riga

On the Implementation of the MOA's
Functions Determined by
the Republic of Latvia Law
"On the Privatization of Dairy
Processing Plants"

To ensure the implementation of Article 7 of the Republic of Latvia law "On the Privatization of Dairy Processing Plants" and Article 3 of the Republic of Latvia Supreme Council Resolution on the enforcing of this law,

IT IS ORDERED:

1. To carry out the privatization of dairy processing plants in accordance with the list of units to be privatized (Appendix 1).

Amendments to the list of units to be privatized shall be submitted for approval by the cattle-breeding products department (Kleinbergs) and Agrarian reform department (Atkačūns) just after the term set by Article 1.1.2. of the law has expired.

2. To form a commission (Appendix 2) to determine state reserve keeping enterprises (units) temporarily not to be privatized and capital shares retained by the state.

3. That a commission mentioned in Article 2 of this order shall:

3.1 Prepare, in one week, and submit to the Council of Ministers a list of state enterprises which keep state reserves and are not subjected to privatization;

3.2. Prepare, in two weeks, in accordance with the law's "On the Privatization of Dairy Processing Plants" Article 7.2.3., a list of capital shares retained by the state showing their ratio in the units to be privatized.

4. The economic department (S. Čulkstene) within a week shall determine the capital share owned by the state and submit it for approval in accordance with the regulations set by Article 17.3 of the law for those former dairy processing enterprises which as of April 15, 1992 by the instruction or decision of state administrative institutions were transferred to the share company "Koknese", Bauskas region's "Bauskas Piens", and the "Ventspils Pienotava", a company with limited liability. The newly produced value shall be taken into consideration.

5. By March 1, 1993 the cattle-breeding products department (G. Kleinbergs) together with the Agrarian reform department (V. Atkačūns), taking into consideration recommendations of Agricultural departments (boards), shall form Privatization commissions.

6. The agricultural departments (boards) shall:

6.1. Coordinate milk producers' meetings, organize the nomination of candidates for Privatization commissions, as well as the establishment of *pagasts* dairy producers' cooperative associations;

6.2. Submit, in two weeks, to Cattle-breeding products department, the information on the nominated representatives envisaged by Article 5.2.5 of the law;

6.3. After the Privatization commissions are formed, publish the information on their membership in the local press.

7. Management of the units to be privatized:

(The general director of the Riga dairy *kombinat* M. Rāva, general director of Valmiera dairy *kombinat* K. Škoba, general director of Rezeknes dairy *kombinat* P. Upenieks, director of Daugavpils dairy *kombinat* K. Bogdanovs, director of Jelgava dairy *kombinat* A. Skutāns, director of Kraslava dry skimmed milk plant M. Marozovs, director of Aizpute dry skimmed milk plant L. Zariņš, director of Preiļi cheese plant V. Solovjovs, director of Cesvaine butter-cheese plant A. Škoba, director of Liepāja dairy *kombinat* A. Saldovers, director of Jēkabpils dairy *kombinat* L. Minakovska, chairman of the share company "Koknese" A. Paulāns, head of Bauskas region's "Bauskas Piens" A. Tiesnesis, chairman of "Ventspils Pienotava", a company with limited liability, Ī. Magurovs, director of Valmiera state butter-cheese depot J. Ozols, director of Jēkabpils state butter-cheese depot N. Nikulenko, director of Rezekne state refrigeration facility J. Pavlov)

7.1. Shall ensure the implementation of Article 4 of the law;

7.2. Shall submit, by February 24, 1993, together with Agricultural departments (boards), a list of candidates for privatization commissions to the MOA.

8. Shall develop the procedure in which privatization projects of enterprises (units) are submitted and approved:

8.1. The elaborated privatization projects shall be submitted to the MOA working group to prepare dairy collecting and processing enterprises for privatization;

8.2. Prior to the approval of privatization projects, they shall be coordinated with the cattle-breeding products department (G. Kleinbergs), the economic department (S. Čulkstene), the agrarian reform department (V. Atkačūns) and the legal department (A. Elksne).

9. The implementation of this order is controlled by the First Deputy Minister A. Šķēle.

Dainis Gēģers, Minister

The order is submitted by:

V. Atkačūns, Agrarian Reform Department

G. Kleinbergs, Cattle-Breeding Products Department

Coordinated with:

S. Čulkstene, Economic Department

A. Elksne, Legal Department

A. Ruskulis, Secretary of the Ministry

Melbārdis, 327977

Appendix 1

To the Republic of Latvia MOA's
Order Nr. 70 of February 25, 1993

List of Dairy Processing Enterprises (*Kombinats*) to be Privatized

1. Riga State Dairy *Kombinat*
2. Valmiera State Dairy *Kombinat*
3. Liepaja State Dairy *Kombinat*
4. Rezekne State Canned Milk *Kombinat*
5. Daugavpils State dairy *Kombinat*
6. Jelgava State Dairy *Kombinat*
7. Kraslava State Dry Skimmed Milk Plant
8. Aizpute State Dry Skimmed Milk Plant
9. Preili State Cheese Plant
10. Cesvaine State Butter-Cheese Plant
11. Ventspils Milkery
12. Bauska *Kombinat*
13. Aizkraukle Milkery
14. Nereta Milkery
15. Jekabpils Dairy *Kombinat*
16. Valmiera State Butter-Cheese Depot
17. Rezekne State Refrigeration Facility
18. Jekabpils State Butter-Cheese Depot

Appendix 2

To the Republic of Latvia MOA's
Order Nr. 70 of February 25, 1993

The MOA Commission for Determining Capital Shares Retained by the State

- | | |
|---------------|---|
| A. Šķēle | - First Deputy Minister, Chairman of the Commission |
| G. Kleinbergs | - Head of the Cattle-Breeding Products Department |
| A. Jākobsons | - Division Head, Cattle-Breeding Products
Department |
| D. Melbārdis | - Chief Specialist, Agrarian Reform Department |
| A. Elksne | - Head, Legal Department |
| V. Labuckas | - Chief Specialist, Economic Department |
| A. Bondars | - Division Head, Latvian Institute of Agrarian
Economy |
| A. Miglavs | - Scientific Researcher, Latvian Institute of Agrarian
Economy |

THE REPUBLIC OF LATVIA COUNCIL OF MINISTERS
RESOLUTION NO.537

Riga, December 18, 1992

**On the United States of America and the Republic of Latvia Agreement On the
Supply of Agriculture Products under the Food and Progress Act**

The Republic of Latvia Council of Ministers resolves:

- 1) to accept the United States of America government grant of 200 000 fodder corn grain.
- 2) to specify the text of the United States of America and the Republic of Latvia Agreement *On the Supply of Agriculture Products under the Food and Progress Act* and to take all the measures to ensure the reception of the corn grain grant.
- 3) to authorise the Republic of Latvia minister of agriculture Dainis Ģēģers to sign the agreement in the name of the Republic of Latvia, if signing of the agreement takes place in the Republic of Latvia; to authorise the Republic of Latvia ambassador to the United States of America Dr. Anatols Dinbergs to sign the agreement in the name of the Republic of Latvia, if signing of the agreement takes place in the United States of America.
- 4) the Republic of Latvia ambassador to the United States of America Dr. Anatols Dinbergs shall authorise one of the USA firms to organise the transportation of the corn granted by the United States of America to Latvia.

Chairman,
the Republic of Latvia Council of Ministers

Ivars Godmanis

Minister of Agriculture,
the Republic of Latvia

Dainis Ģēģers

Ministry of Agriculture

DECREE

November 5, 1992

280

Riga

On the transfer of the Tukums State
Dairy Processing Plant to the
Tukums Cooperative Association

In fulfilling the Republic of Latvia Supreme Council April 15, 1992 resolution "On the Privatization of Dairy Collecting Stations and Processing Plants" and based upon the Tukums Cooperative Association, which was registered on June 3, 1992 with application Nr. 920300176, hereby decree the following:

1. To reorganize the company "Tukums State Dairy Kombinat" by transferring the Central Dairy Kombinat in Tukums, and the Jaunpils and Kandavas milkeries as territorially and technologically independent producing units in the Tukums Dairy Cooperative Association.

2. To form a transfer Committee made up of the following:

J. Prančs - Regional Director of the Tukums Agriculture Department, Chairman of the Committee

J. Pļavāns - Director, State Tukums Dairy Kombinat

R. Prauliņa - Chief Accountant, State Tukums Dairy Kombinat

L. Kukša - Chief Accountant, Tukums Dairy Cooperative Association

J. Skvarnovičš - Chairman of the Board, Tukums Dairy Cooperative Association

I. Belinska - Commercial Director, Tukums Dairy Cooperative Association

3. The transfer Committee:

3.1 will write and sign an Act of Transfer as stipulated in the procedures of the Ministry of Agriculture Decree number 178;

3.2 will submit confirmed transfer documents to the Ministry of Agriculture by November 20, 1992;

3.3 will settle accounts with workers as stipulated by the DLK norms.

4. To arrange for the removal of the dairy kombinat from the Register of Enterprises.

5. To assign the cattle administration (director, G. Kleinbergs) to control the state capital until the privatization of the agricultural production processing enterprise.

6. To assign the management of the fulfilment of the decree to the First Deputy
Ministry A. Sķēle.

(signed by all)

Minister

D. Ģeģers

The Decree is submitted by:

Livestock Production Administration

G. Kleinbergs

Agrarian Reform Administration

I. Martinsone

Concurred by:

Ist Deputy Minister

A. Sķēle

Economic Administration

S. Čūlkstene

legal Administration

A. Elksne

Minister's Secretary

A. Ruskulis

Melbardis 327977

Jākabsons 327451

**Property Transfer
ACT**

**regarding the transfer of ownership of the dairy collecting and processing
plant to the Tukums Dairy Cooperative Association**

Tukums

November 13, 1992

We, the undersigned, Jānis Pļavans, Dairy Kombinat representative, and Jānis Skvarnovičus, representative of the Dairy Cooperative Association, agree to the following:

1. The Tukums Dairy processing plant, in accordance with the Supreme Council Resolution of April 15, 1992 "On the Privatization of Dairy Collecting and Processing Enterprises" transfers, without compensation, the Tukums Dairy Kombinat Center, the Jaunpils Milkery and the Kandavas Milkery, to the Tukums Dairy Cooperative Association.

The Address of the Tukums Dairy Kombinat: 7. Jelgava Street, Tukums, transferred value 89,973.2 thousand rubles, therein base funds of 6,493.9 thousand rubles.

The Inventory list is attached.

2. The parties to this agreement have no material or other claims.
3. The property(assets) has not been frozen and is not burdened with debts.
4. The Tukums Dairy Cooperative Society assumes responsibility for securing the transferred state capital and rational use of it until such a time, when the law on agricultural production processing enterprise privatization.
5. There are two copies of this agreement; one for each party.

Coordinated:

Director, Tukums Dairy Kombinat

(signed)

Tukums Dairy
Cooperative Association
(signed)

**INVENTORY LIST OF
THE DAIRY COLLECTING AND PROCESSING PLANT
TUKUMA DAIRY PROCESSING KOMBINAT**

Nr.	Name of the unit	Value of balance remains (th. rubles) in the prices of 1992	Value determined by experts (th.rbl.)
1.	Production units, including technological equipment at	3870.6 1798.8	
	- Tukuma milkery	1584.4	
	- Jaunpils milkery	22.9	
	- Kandavas milkery	191.5	
2.	Service units, including technological equipment at	1508.1 1.0	
	- Tukuma milkery	-	
	- Jaunpils milkery	-	
	- Kandavas milkery	1.0	
3.	Social sector, including technological equipment	- -	
4.	Apartemnts sector, including	812.1	
	- Tukuma milkery	624.6	
	- Jaunpils milkery	127.6	
	- Kandavas milkery	59.9	
5.	Movables (vehicles), including	303.1	
	- Tukuma milkery	250.3	
	- Jaunpils milkery	34.9	
	- Kandavas milkery -	17.9	

Director of Tukuma dairy processing kombinat

(J.Pļavāns)

Chief accountant

(R.Praulīņa)

THE REPUBLIC OF LATVIA MINISTRY OF AGRICULTURE

Riga, Dec. 12, 1992

ORDER No 326
ON LIQUIDATION OF CONCERN *LATVIJAS LABĪBA*

As the Republic of Latvia Council of Ministers November 9, 1992 Decision No 471 *On Situation in Bread and Other Grain Product Supply* stops // the activities of executive bodies of the concern *Latvijas labība*, we order, that:

1. A liquidation commission of the concern *Latvijas labība* shall be established. The following persons shall be included into the commission:

Arnis Bērziņš - chairman of the commission, vice-president of the concern *Latvijas labība*

Jānis Ādamsons - deputy-chairman of the commission, state representative authorised by the Ministry of Agriculture

I. Barmina - chief accountant of *Latvijas labība*

R. Makare - concern *Latvijas labība* chief specialist on grain reserve and co-operation with farmers

A. Trifonovs - head of the State Grain Inspection

I. Melberga - concern *Latvijas labība* leading specialist on bread production

N. Rundēns - concern *Latvijas labība* leading specialist on mechanics, energetics and heating systems

N. Petraša - concern *Latvijas labība* chief specialist on flour production

L. Sevastjanova - concern *Latvijas labība* chief economist

Z. Staris - vice-president of *Latvijas labība*, head of the finance and economy service

I. Grabko - chief specialist on flour and groats sales, concern *Latvijas labība*

G. Kleinbergs - head of the Animal-farming Product Board, Ministry of Agriculture

I. Kalniņa - chief specialist, Board of Lawyers, Ministry of Agriculture

Ā. Prodniece - chief specialist, Ministry of Agriculture

M. Grigalis - head of the Land-farming Board, Ministry of Agriculture

(2) The commission shall:

2.1. close bank accounts of *Latvijas labība*, work out budget for the operating period of the commission and after January 1, 1993 open an account where money of the concern is transferred to,

2.2. ensure short-term coordination of un-interrupted bread and other grain product production, until new organizing structures are established;

2.3. continue with fulfilling// of the economic obligations of the concern;

2.4. notify employees of the concern on the perspective dismissal connected with liquidation of the concern and shall settle accounts with the employees in accordance with the law.

2.5. submit files of the concern to the Archive and seals of the concern to the Interior Service of the Police Department;

2.6. transfer within a week to the new grain purchase and processing coordinating bodies state assets presently under the authority of the Ministry of Agriculture and the respective economic rights and liabilities;

2.7. announce liquidation of the concern in the media; compile a balance sheet for the operating period of the liquidation commission;

2.8. complete all operations by March 1, 1993.

3. During the operating period of the commission:

3.1. Arnis Bērziņš has the authority of the first signature on the banking documents concerning immediate management; Jānis Ādamsons has the authority of the first signature on state asset management issues;

3.2. Linda Barmina has the authority of the second signature on banking documents;

4. We preserve the control over the implementation of the present order.

Minister

D. Čerģers

The order has been submitted by:

Agrarian reform board

I. Martinsone

In coordination with:

First Deputy Minister

A. Šķēle

Deputy minister

J. Ādamsons

Board of Lawyers

A. Elksne

Secretary of the Ministry

Ā. Ruskulis

Vice president of the concern

Latvijas labība

A. Bērziņš

The Republic of Latvia
Minister of Agriculture

D. Gegeris

04/03/93

DAIRY PRODUCERS ASSOCIATION "BAUSKAS PIENS"

No. 177
02.03.93.

To: The LR Council of Ministers Chairman I. Godmanis

Copies to: The LR Minister of Agriculture D. Gegeris

Bauska District Agriculture Department Director G. Liepa

.....

in connection with Article 2 of the LR Supreme Council Resolution dated 19/01/93 "On the Order of How the Law On the Privatization of Dairy Processing Plants" takes effect.

According to the LSSR State Agroindustry Committee Resolution No 599, dated 11.10.86., the Bauska Dairy Processing Plant was handed over to the agrofirma - collective farm "Uzvara" as a low value state enterprise; it had the status of a subsidiary without a seal and bank account. The value of assets was 4,468 rubles, and their depreciation was 58.1%. It required tremendous effort to maintain the dairy *combinat* as a unit on a self-supporting basis and, after three years of unsuccessful entrepreneurial activity, establish itself as an independent unit against the monopoly of the collective farm for dairy processing in the district.

According to the LSSR State Agroindustry Committee Order No.43 dated 05/03/90, the Reorganization Commission had to draw up documentation on the separation of the plant from the agrofirma, forming a state enterprise. Since the documentation was delayed until June 25, 1990, district dairy producers and processors founded the dairy producers' association to which, according to the LR CM decree No. 5-r dated May 23, 1990, as an exception, Bauska Dairy *Combinat* was handed over free of charge.

It is our opinion that during the course of these three years we have justified the confidence of the Council of Ministers:

- Two years ago, "Bauskas Piens" was registered in the Enterprise Register as a limited liability company with 70% basic capital to the producers, 20 % to the employees, and 10% to service organizations.

- We did not assign individually the fixed assets of the *combinat*, thus enabling them to be individually assigned only when the dairy producers privatization process is stabilized, not before 1994.

- We did not bother the government of Latvia with our problems concerning milk collecting and processing, settling payments milk suppliers within a month's time.

On the basis of the above mentioned, we request that the Council of Ministers not cancel the Decree No. 5-r dated may 23, 1990, and gives permission to make amendments gradually, according to the LR laws and based on our three years' experience, to the Charter of "Bauskas Piens " Ltd., or change the form of entrepreneurial activity according to the wishes of the dairy producers.

Supplemented is the list of "Bauskas Piens" processing plants.

Board Chairman

A. Tiesnesis

A. Dicmanis,
24655

Supplement to No. 177 dated 02/03/93

Description of "Bauskas Piens" processing plants.

- The Bauska dairy processing plant (milkery) - specializes in whole milk products. It was built 1923, and reconstructed in 1967. Current buildings and equipment are worn out. In 1988, the load bearing wall of the main building broke down, which has since been restored; production was not interrupted. However, it is a temporary solution. Currently, a new plant for the production of whole milk products and dry skimmed milk has been started. 54.4% of milk produced in Bauska district has been received in 1992.

- The Iecava dairy processing plant - specializes in soft cheese. It was built in 1939 and has never been reconstructed. Only repairs have been performed. 15.7% of milk produced in Bauska district has been received in 1992.

- The Stelpe dairy processing plant specializes in butter production. It was built in 1939, and reconstructed in 1969. The buildings and equipment are suitable for the production of butter and are able to stand competition. 29.9% of milk produced in Bauska district has been received in 1992. In addition, the Iecava plant has supplied 801.4 tons, and the Bauska plant 2321.0 tons of sweet cream. The total amount of milk used for butter production in Stelpe constitutes 85% of milk produced in the Bauska district.

General Director of "Bauskas Piens"

A. Dicmanis

THE REPUBLIC OF LATVIA MINISTRY OF AGRICULTURE

Riga, Dec. 12, 1992

ORDER No 326

ON LIQUIDATION OF CONCERN *LATVIJAS LABĪBA*

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1. A liquidation commission of the concern *Latvijas labība* shall be established. The following persons shall be included into the commission:

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Ā. Prodniece - chief specialist, Ministry of Agriculture

M. Grigalis - head of the Land-farming Board, Ministry of Agriculture

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2.1. close bank accounts of *Latvijas labība*, work out budget for the operating period of the commission and after January 1, 1993 open an account where money of the concern is transferred to,

2.2. ensure short-term coordination of un-interrupted bread and other grain product production, until new organizing structures are established;

2.3. continue with fulfilling// of the economic obligations of the concern;

2.4. notify employees of the concern on the perspective dismissal connected with liquidation of the concern and shall settle accounts with the employees in accordance with the law.

2.5. submit files of the concern to the Archive and seals of the concern to the Interior Service of the Police Department;

2.6. transfer within a week to the new grain purchase and processing coordinating bodies state assets presently under the authority of the Ministry of Agriculture and the respective economic rights and liabilities;

2.7. announce liquidation of the concern in the media; compile a balance sheet for the operating period of the liquidation commission;

2.8. complete all operations by March 1, 1993.

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3.1. Arnis Bērziņš has the authority of the first signature on the banking documents concerning immediate management; Jānis Ādamsons has the authority of the first signature on state asset management issues;

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4. We preserve the control over the implementation of the present order.

Minister

D. Čēģers

The order has been submitted by:
Agrarian reform board

I. Martinsone

In coordination with:

First Deputy Minister
Deputy minister
Board of Lawyers
Secretary of the Ministry
Vice-president of the concern
Latvijas labība

A. Šķēle
J. Ādamsons
A. Elksne
Ā. Ruskulis

A. Bērziņš

INFORMATION ON IMPLEMENTATION OF COUNCIL OF
MINISTERS NOVEMBER 20 RESOLUTION

ON STATE ENTERPRISE PRIVATISATION PROJECT
DEVELOPMENT AND ADOPTION

ARTICLE 14

1. To take into account information presented by ministers.
2. Ministers shall submit to the Council of Ministers reports on the situation in state enterprise privatisation project development and adoption by December 30 this year and shall take measures to speed the privatisation process of these enterprises.
3. Normunds Luste shall arrange privatisation training courses for privatisation commission members from ministries and local governments.
4. To Minister of Agriculture Dainis Ģeģers:
 - 4.1. State enterprise *Labibas birojs* shall be established by February 1, 1993 and draft laws *On Grain Market* and *On Grain Processing Enterprise Privatisation* submitted to the Council of Ministers.
 - 4.2. Evaluation of concern *Latvijas labiba* enterprises shall be completed and arrangements for grain processing state enterprise privatisation shall be made by March 1, 1993.

Chairman,
the Republic of Latvia Council of Ministers

Ivars Godmanis

INFORMATION ON IMPLEMENTATION OF COUNCIL OF
MINISTERS NOVEMBER 20 RESOLUTION

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Chairman,
the Republic of Latvia Council of Ministers

Ivars Godmanis

Riga, November 9, 1992

DECREE No. 471

ON THE SITUATION IN BREAD AND OTHER GRAIN PRODUCT SUPPLY

Acquainted with the MOA and State Control information on the activities of the concern *Latvijas labība* and the situation in bread and other human consumption grain product supply, the Council of Ministers decides:

(1) The gradual bread price increase implemented by MOA and induced by energy price, grain purchase price and other resource price growth does not conflict with the legislation.

(2) Bread Wholesale Price Regulation Fund has ensured gradualness of bread price increase corresponding to the level of production expenses and their estimated growth, as well as uninterrupted bread and other grain product supply to inhabitants of Riga and other parts of Latvia.

(3) To approve the transfer of the assets from re-pricing of grain and grain products in grain and grain processing enterprises to the increase of statutory funds of these enterprises.

(4) As operations of the concern *Latvijas labība* does not comply with the Republic of Latvia Law On Entrepreneurial Activities and its operations-- bread baking and other grain product production and sales-- carry distinct features of monopoly activities, as well as because functions of the managers of the concern *Latvijas labība* are incompatible with private entrepreneurship, the Ministry of Agriculture shall:

4.1. Stop functioning of the executive bodies of the concern *Latvijas labība* on Dec 31, 1992.

4.2. Take the state assets of the executive bodies of the concern *Latvijas labība* under MOA tenure (to appoint temporary governor of the state assets);

4.3. To submit to the Council of Ministers of the Republic of Latvia suggestions on the establishment of a new structure to perform state duties in grain and grain

product market to coordinate grain purchase and processing and to be the legal successor to the concern *Latvijas labība*.

(5) The Republic of Latvia Monopoly Activity Supervision Committee shall ensure control over groundedness of bread and other grain product pricing in bakery product enterprises of the country in accordance with the legislation.

(6) MOA in cooperation with the Ministry of Justice shall apprise managers' of the concern *Latvijas labība* degree of responsibility for violations discovered by the Republic of Latvia State Control, and if necessary, bring the case to the court.

(7) Mr Šķēle, First Deputy Minister of Agriculture, shall inform the Supreme Council Commissions involved and media on the present Resolution.

(8) The Resolution takes effect with the date it is signed.

Chairman,
The Council of Ministers
of the Republic of Latvia

Ivars Godmanis

Minister of Agriculture
of the Republic of Latvia

Dainis Čēģers

THE REPUBLIC OF LATVIA COUNCIL OF MINISTERS
RESOLUTION NO.537

Riga, December 18, 1992

**On the United States of America and the Republic of Latvia Agreement On the
Supply of Agriculture Products under the Food and Progress Act**

The Republic of Latvia Council of Ministers resolves:

- 1) to accept the United States of America government grant of 200 000 fodder corn grain.
- 2) to specify the text of the United States of America and the Republic of Latvia Agreement *On the Supply of Agriculture Products under the Food and Progress Act* and to take all the measures to ensure the reception of the corn grain grant.
- 3) to authorise the Republic of Latvia minister of agriculture Dainis Čerģers to sign the agreement in the name of the Republic of Latvia, if signing of the agreement takes place in the Republic of Latvia; to authorise the Republic of Latvia ambassador to the United States of America Dr. Anatols Dinbergs to sign the agreement in the name of the Republic of Latvia, if signing of the agreement takes place in the United States of America.
- 4) the Republic of Latvia ambassador to the United States of America Dr. Anatols Dinbergs shall authorise one of the USA firms to organise the transportation of the corn granted by the United States of America to Latvia.

Chairman,
the Republic of Latvia Council of Ministers

Ivars Godmanis

Minister of Agriculture,
the Republic of Latvia

Dainis Čerģers

Approved by Environment Protection
Committee of the Republic of Latvia
Resolution No. 3, Nov. 29, 1991

WATER POLLUTION

Maximum Concentration in Open Reservoirs and Drainage System Exit Point

No	ingredient	category	MAC in water (mg/l)	effluent PM (mg/l)
1	suspendētās vielas	suspended substances	1	15
2	hlorīdi	chlorides	1	300
3	sulfāti	sulphates	1	100
4	BSP (21)	BOC***	2	3
5	KSP	ChOC****	2	15
6	nitrātu slāpeklis	nitrate nitrogen	2	9.1
7	nitritu slāpeklis	nitrite nitrogen	2	0.02
8	amonija slāpeklis	ammonium nitrogen	2	0.39
9	fosfāti	phosphates	2	0.25
10	SVAV (anjonaktīvās)	SSAS** (anion active)	2	0.1
11	SVAV (nejonogēnās)	SSAS** (non-ionogene)	2	0.1
12	dzelzs (kop.)	iron (total)	2	0.1
13	kaprolaktāms		2	0.01
14	taukvielas	fats	2	0.01
15	tanīns		2	10
16	lignosulfonskābe		2	1
17	furfurols		2	1
18	naftas produkti	oil products	3	0.05
19	fencils		3	0.001
20	fluorīdi	fluorides	3	0.75
21	metanols	methanol	3	0.1
22	formaldehīds		3	0.05
23	sulfīti	sulphites	3	1.9
24	tiosulfāti	thiosulphates	3	1.6
25	sulfīdi, sērūdeņradis	sulfides	3	0
26	aktīvais hlors	active chlorine	4	0
27	cianīdi	cyanides	4	0.05
28	akrilonitrils	acrylnitril	4	0.01
29	broms (3+)	bromine (3+)	4	0.005
30	broms (6+)	bromine (6+)	4	0.001
31	niķelis	nickel	4	0.01
32	kadmījs	cadmium	4	0.001
33	varš	copper	4	0.001
34	cinks	zinc	4	0.01
35	mangāns	manganese	4	0.01
36	svins	lead	4	0.03

- (*) **Pollution of lakes and small rivers with effluent containing this substance is prohibited**
- PM Pollution margin- concentration of the pollutant in effluent.**
If the pollution, at the point where the effluent exits the drainage systemt, exceeds the margin, the emitter pays increased nature tax.
- MAC Maximum allowed concentration. Marginal concentration of the respective substance in the water, it determines for what purposed the water can be used.**
 - ** **Synthetic surface-active substances (detergents) - sintētiskās virsmas-aktīvās vielas**
 - *** **biological oxygen consumption-bioloģiskais skābekļa patēriņš**
 - **** **chemical oxygen consumption- ķīmiskais skābekļa patēriņš**

The list can be expanded in accordance with the water protection requirements.

REPUBLIC OF LATVIA MINISTRY OF AGRICULTURE

1992 Report on Major Products /as of January 1,1993/

enterprise	estimate	in fact	fulfilled %	difference	in fact for the respective period last year	increase %	this year's difference from the respec- tive actual amount last year
Butter Production from State Resources (t)							
Riga Milk Plant	0	1682	***.*	1682	1609	104.5	73
Valmiera Milk Plant	0	6095	***.*	6095	7424	82.1	-1327
Liepāja Milk Plant	0	3854	***.*	3854	4825	79.8	-971
Rēzekne Canned Milk Plant	0	5075	***.*	5075	6224	81.5	-1149
Daugavpils Milk Plant	0	1225	***.*	1225	817	149.9	408
Jelgava Milk Plant	0	3447	***.*	3447	3825	89.4	-405
Krāslava Dry Skim Milk Plant	0	1868	***.*	1868	3006	62.1	-1138
Aizpute Dry Skim Milk Plant	0	1282	***.*	1282	2356	54.4	-1074
Jēkabpils Milk Plant	0	1024	***.*	1024	1397	73.3	-373
Preiļi Cheese Plant	0	1520	***.*	1520	2494	60.9	-974
Bauskas pienotava	0	2252	***.*	2252	2561	87.9	-309
Tukums Milk Plant	0	1269	***.*	1269	1765	71.9	-496
TOTAL	0	30593	***.*	30593	38330	79.8	-7737

REPUBLIC OF LATVIA MINISTRY OF AGRICULTURE
1992 Report on Major Products /as of January 1,1993/

enterprise	estimate	in fact	fulfilled %	difference	in fact for the respective period last year	increase %	this year's difference from the respec- tive actual amount last year
Fat Cheese Production (t)							
Riga Milk Plant	0	1139	***.*	1139	2190	52	-1051
Valmiera Milk Plant	0	4594	***.*	4594	6129	74.9	-1535
Liepāja Milk Plant	0	1003	***.*	1003	1198	83.7	-195
Rēzekne Canned Milk Plant	0	2590	***.*	2590	3202	80.8	-612
Daugavpils Milk Plant	0	888	***.*	888	2001	44.3	-1113
Jelgava Milk Plant	0	400	***.*	400	407	98.2	-7
Agrofīrma "Koknese"	0	313	***.*	313	539	56	-226
Jēkabpils Milk Plant	0	211	***.*	211	283	74.5	-72
Preiļi Cheese Plant	0	2183	***.*	2183	3647	59.8	-1464
Bauskas pienotava	0	496	***.*	496	686	72.3	-190
Tukums Milk Plant	0	431	***.*	431	422	102.1	9
Co-operative enterprise "Ventpils"	0	104	***.*	104	238	43.7	-134
Saldus dairy	0	302	***.*	302	341	88.5	-39
TOTAL	0	14654	***.*	14654	21283	68.8	-6629
Including Processed Cheese (t)							
Riga Milk Plant	0	762	***.*	762	1325	57.5	-563
Daugavpils Milk Plant	0	829	***.*	829	1687	49.1	-858
TOTAL	0	1591	***.*	1591	3012	52.8	-1621

REPUBLIC OF LATVIA MINISTRY OF AGRICULTURE
1992 Report on Major Products /as of January 1,1993/

enterprise	estimate	in fact	fulfilled %	difference	in fact for the respective period last year	increase %	this year's difference from the respec- tive actual amount last year
Whole-milk Products							
Riga Milk Plant	0	91135	****	91135	197187	46.2	-106052
Valmiera Milk Plant	0	29396	****	29396	54291	54.1	-24895
Liepāja Milk Plant	0	18391	****	18391	38898	47.2	-20507
Rēzekne Canned Milk Plant	0	10604	****	10604	32662	32.4	-22058
Daugavpils Milk Plant	0	12517	****	12517	39097	32	-26580
Jelgava Milk Plant	0	18526	****	18526	30205	61.3	-11679
Agriculture Firm "Koknese"	0	3567	****	3567	7605	46.9	-4038
Krāslava Dry Skim Milk Plant	0	104	****	104	497	20.9	-393
Jēkabpils Milk Plant	0	6394	****	6394	10051	63.6	-3657
Bauskas pienotava	0	4800	****	4800	12865	37.3	8065
Tukums Milk Plant	0	19770	****	19770	26699	74	-6929
Co-operative enterprise "Ventspils"	0	7085	****	7085	18699	37.8	-11614
Saldus Dairy	0	2898	****	2898	6738	43	-3840
TOTAL	0	225187	****	225187	475496	47.3	-250307
Canned Milk Production							
Rēzekne Canned Milk Plant	0	38608	****	38608	72088	53.5	-33480
TOTAL	0	38608	****	38608	72088	53.5	-33480

REPUBLIC OF LATVIA MINISTRY OF AGRICULTURE
1992 Report on Major Products /as of January 1,1993/

enterprise	estimate	in fact	fulfilled %	difference	in fact for the respective period last year	increase %	this year's difference from the respective actual amount last year
Dry Skim Milk, Whole Milk Substitute and Dry Weigh Production							
Rēzekne Canned Milk Plant	0	1042	*** *	1042	1225	85	-183
Daugavpils Milk Plant	0	103	*** *	103	145	71	-12
Agriculture Firm "Koknese"	0	157	*** *	157	242	64.8	-85
Krāslava Dry Skim Milk Plant	0	2200	*** *	2200	3013	73	-813
Aizpute Dry Skim Milk Plant	0	1955	*** *	1955	2540	76.9	-585
TOTAL	0	5457	*** *	5457	7165	76.1	-1708
Including Whole-milk Substitute Production (t)							
Krāslava Dry Skim Milk Plant					573	0	-573
TOTAL	0	0	*** *	0	573	0	-573
Dry Whole-milk and Ice-cream Mix Production (t)							
Aizpute Dry Skim Milk Plant	0	1043	*** *	1043	737	141.5	306
TOTAL	0	1043	*** *	1043	737	141.5	306
Ice-cream Production							
Rīga Milk Plant	0	3666	*** *	3666	5323	68.8	-1657
Valmiera Milk Plant	0	403	*** *	403	717	56.2	-314
Rēzekne Canned Milk Plant	0	532	*** *	532	730	72.8	-198
Daugavpils Milk Plant	0	458	*** *	458	1272	36	-814
Jēkabpils Milk Plant	0	84	*** *	84	346	24.2	-262
Co-operative Enterprise "Ventpils"	0	51	*** *	51	17	300	34
TOTAL	0	5194	*** *	5194	8405	61.8	-3211

REPUBLIC OF LATVIA MINISTRY OF AGRICULTURE
1992 Report on Major Products /as of January 1,1993/

enterprise	estimate	in fact	fulfilled %	difference	in fact for the respective period last year	increase %	this year's difference from the respec- tive actual amount last year
Skim Milk Production (t)							
Riga Milk Plant	0	9398	***.*	9398	5913	158.9	3485
Valmiera Milk Plant	0	22067	***.*	22067	17481	126.2	4586
Liepāja Milk Plant	0	16464	***.*	16464	26320	62.5	-9856
Rēzekne Canned Milk Plant	0	7154	***.*	7154	10146	70.5	-2992
Daugavpils Milk Plant	0	4616	***.*	4616	3744	123.2	872
Jelgava Milk Plant	0	11540	***.*	11540	13960	82.6	-2420
Agriculture firm "Koknese"	0	3501	***.*	3501	8551	409.4	2646
Jēkabpils Milk Plant	0	3868	***.*	3868	3090	125.1	778
Bauskas pienotava	0	4498	***.*	4498	4906	91.6	-408
Tukums Milk Plant	0	5637	***.*	5637	4150	135.8	1487
Co-operative enterprise "Ventspils"	0	3810	***.*	3810	3724	102.3	86
Saldus Dairy	0	458	***.*	458	767	59.7	-309
TOTAL	0	93011	***.*	93011	95056	97.8	-2045

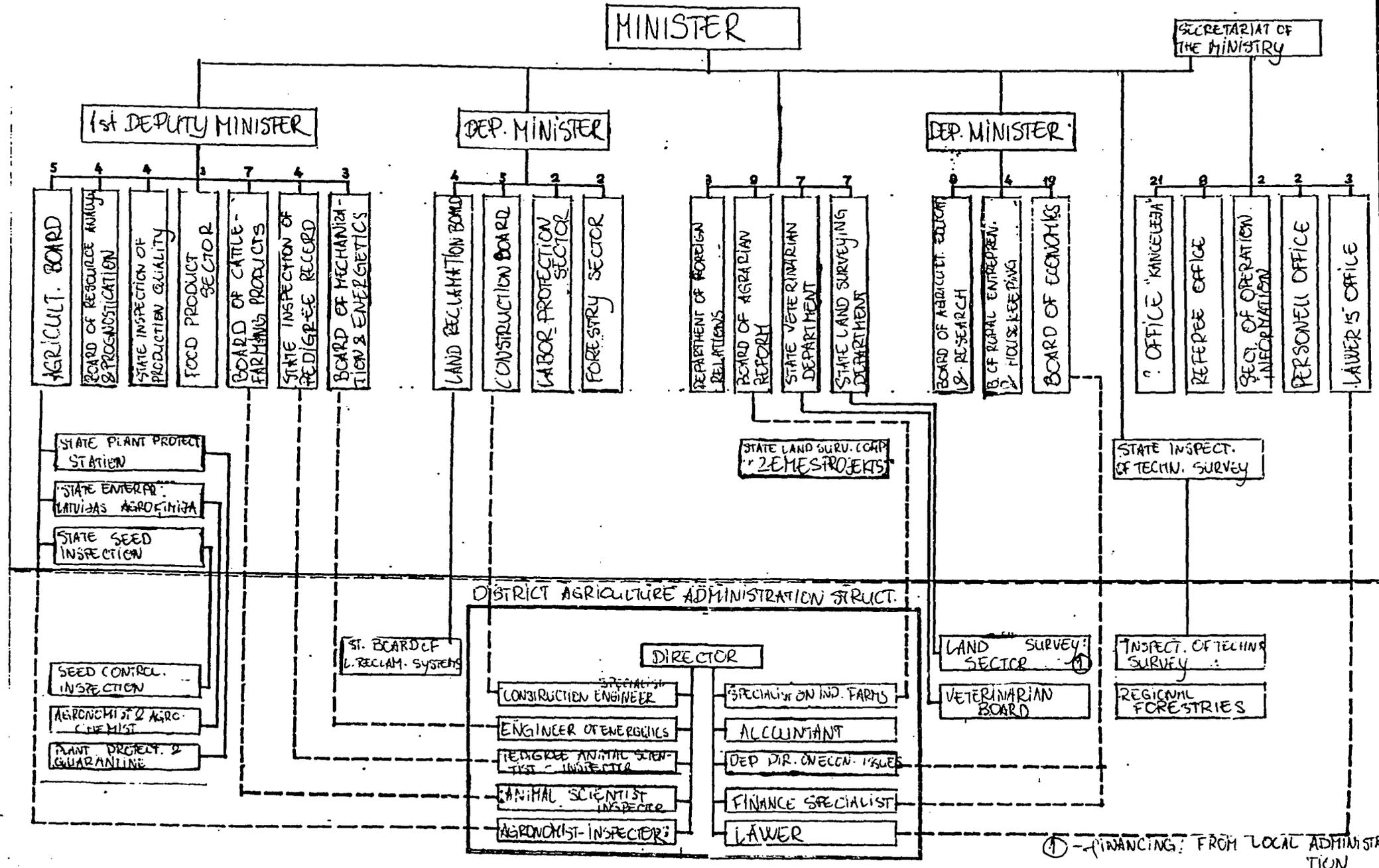
STATE AND LOCAL BUDGET REVENUES IN JULY-AUGUST 1992

	planned for 2nd half 1992	collected in Jul.-Aug.	% of planned for 2nd half 1992	% of total	
state budget revenues total	14576	5629.3*	39	32 **	100
profit tax	3970	1240.8		31	22
turnover tax	5000	1275		26	22.6
excise tax	1380	1010.2		73	17.9
residents' income tax	1735	433.4		25	7.7
payments on the use of state assets	590	292.1		50	5.2
revenues from duties	690	147.3		21	2.6
local budget revenues total	7670.2	3007.4		39	100
profit tax	1680	614.9		37	20.4
residents' income tax	2065.1	504.9		24	16.8
duties and other tax revenues	42	163.6		3.9 times	5.4
subsidies from state budget	3152.4	1408.7		45	46.8

* including a bank loan of rbl.954 mil.

** with and without the loan

MINISTRY OF AGRICULTURE & DISTRICT AGRICULTURE ADMINISTRATION STRUCTURE



① - FINANCING FROM LOCAL ADMINISTRATION

RUJIENA DAIRY PRODUCTS AND BY-PRODUCTS

	1st half 1992 t	July& August t	cost total thousand Rbl.	sales price, Jul.-Aug. Rbl./kg	profit 1st half 1992 thousand Rbl.
the Russian Cheese	54.2	64.5	5194.3	82	45.3
5% butterfat cheese	55.3	7.3	1170.2	46	582.5
ice-cream	160.7	140.4	3727.5	31	1799.5
2% butterfat milk	159.3	49.9	133.1	0.74	-21.9
ice-cream cakes	1.9	0.5	99.1	70	22.7
skim-milk	3142.6	1000.6	2377	1.	-359.2
weigh	1384.9	792.2	31.3	0.02	-5
raw casein	24.7	20	600.2	53	708.9
whole-milk to Riga			33.3		-0.8
total			13366		2772.7

RUJIENA DAIRY FINANCIAL RESULT ESTIMATES FOR 1993 (THOUSAND ROUBLES)

sales revenues	expenditure	profit
(1) 434787.5	385399	49388.5
(1) 406300.1	455909	49608.9

PAYROLL ACCOUNT AND 1993 PAY ESTIMATE FOR DAIRY EMPLOYEES

employees	average pay Aug/ thous. Rbl.	growth	
		1.14 times	1.8 times
75	4.2	Rbl.4.8 thous.	Rbl.7.58 thous.

RÚJIENA DAIRY MILK USE IN 1993 (TONNES)
I. WHOLEMILK

	milk needed to produce 1t of product	1st quarter		2nd quarter		3rd quarter		4th quarter		year 1993	
		produced	milk used	prod.	m. used	prod.	m. used	prod.	m. used	prod.	m. used
the Russian cheese	10.5	10	105	25	263	25	263	10	105	70	736
5% butterfat cheese	0.55	40	22	25	13.75	25	13.75	40	22	130	71.5
ice-cream & cakes	4	85+1	346	121.5	486	24	380	80+0.	322	384	1534

			7 473	763	657	449	2341.5
milk use, total			1147.8	1909	1860	1117	6034
milk for separation			1996	2950	3108	1890	9544
planned 3.5% b-fat milk purchase			1746.5	2581	2719.5	1654	8701
planned 4% b-fat milk purchase			375	278	591	324	1568
un-used 3.5% b-fat milk							

II. SKIM-MILK USE (TONNES)

	milk needed to produce 1t of product	1st quarter		2nd quarter		3rd quarter		4th quarter		year 1993	
		produced	milk used	prod.	m. used	prod.	m. used	prod.	m. used	prod.	m. used
the Russian cheese	2.8	10	28	25	70	25	70	10	28	70	196
5% cheese	12.02	40	480.8	25	300.5	25	300.5	40	480.8	130	1563
casein	16.2			35	567	30	486			65	1053

skim to dairy producers and 1% loss*			489.8	723	761.5	463	2436
skim total to be produced			998.6	1660.5	1618	972	5249.5
milk to be separated			1147.8	1909	1960	1117	6034
and 35% cream produced out of it			149.2	248.5	242	145.2	784
weigh processed as by-product**			509	517.8	517.8	508.6	2053

*dairy producers purchase skim-milk that equals 27% of the total milk amount they have brought to the dairy

** equals 80% of milk and skim-milk used for the production of cheese

VALMIERA DAIRY PRODUCTION COST AVERAGE

production cost entri	the Russian cheese			5% cheese			
	Jun-92	growth rate	Oct-92	Jun-92	growth rate	Oct-92	Jun-92
I. milk purchase and other raw materials	78.46	1.45	113.767	18.6	1.46	27.2	29.7
II. deliveries and transportation	5.259	1.45	7.625	1.3	1.38	1.8	3
III. consumables	3.2	1.19	3.8	2.8	1.18	3.3	1.5
IV. fuel	4.01	1.8	7.2	2.3	1.78	4.1	2.5
V. pay & addit. pay	2.2	1.14	2.5	1.9	1.37	2.6	0.5
VI. social tax (37%)	0.814	1.1	0.9	0.7	1.29	0.9	0.2
VII. equipment mainta- nance	3.157	1.49	4.7	2.8	1.5	4.2	1.2
VIII. general admini- strative costs	3.284	1.46	4.8	2.9	1.45	4.2	0.2
IX. non-administrative cos	0.61	1.15	0.7	0.2	1	0.2	
total	100.99	1.45	146	33.4	1.45	48.5	38.8
milk and other raw material part in the production cost	78%		78%	56%		56%	77%

VALMIERA DAIRY PRODUCTION COST AVERAGE (CONTINUED)

	production cost entri	skim-milk			cream			Jun-92
		Jun-92	growth rate	Oct-92	Jun-92	growth rate	Oct-92	
I.	milk purchase and other raw materials	1.3	1.54	2	56.8	1.41	80.3	0.02
II.	deliveries and transportation		-	-	5.6	1.29	7.2	
III.	consumables		-	-	0.4	1.5	0.6	
IV.	fuel		-	-		-		
V.	pay & addit. pay	0.005	1.2	0.006	0.6	1.83	1.1	0.012
VI.	social tax (37%)	0.002	1	0.002	0.5	0.71	0.7	0.004
VII.	equipment mainta- nan	0.007	1.43	0.1	0.6	1.5	0.7	0.015
VIII.	general admini- strative costs	0.007	1.29	0.009	0.5	1.5	0.7	0.017
IX.	non-administrative COS		-	-		-		
	total	1.315	1.69	2.06	65.3	1.4	91.3	0.068
	milk and other raw material part in the production cost	99%		97%	87%		88%	34%

792

VALMIERA DAIRY PRODUCTION COST AVERAGE (CONTINUED)

	production cost entri	whole-milk			Rujiena dairy average /ice-cream		
		Jun-92	growth rate	Oct-92	Jun-92	growth rate	Oct-1992
I.	milk purchase and other raw materials	7.3	1.41	10.3	37.64	1.41	52.97
II.	deliveries and transportation	1.6	1.43	2.3	1.2	1.83	2.2
III.	consumables	0.1	2	0.2	0.51	1.2	0.61
IV.	fuel	0.2	2	0.4	6.8	1.6	10.9
V.	pay & addit. pay	0.1	1	0.1	1.22	1.5	1.44
VI.	social tax (37%)	0.007	1.29	0.009	0.71	1.55	1.1
VII.	equipment mainta- nan	0.3	1.67	0.5	0.23	1.41	0.32
VIII.	general admini- strative costs	0.2	1.5	0.3	0.3	1.67	0.5
IX.	non-administrative cos	-	-	-	-	-	-
	total	9.9	1.41	14	48.64	1.45	70.55
	milk and other raw material part in the production cost	74%		74%	77%		75%

RUJIENA DAIRY 1993 MILK PURCHASE , GASOLINE PRICE AND RESOURCE PRICE PLANNED INCREASE AS COMPARED TO 1992 4TH QUARTER LEVEL

varinat No	raw milk purches price thousand Rbl./t	gasoline price thousand Rbl./t	resource price increase as compared to 4th quart. -92
1	20	70	30
2	20	70	60
3	30	70	30
4	20	70	50
5	20	70	60
6	20	70	60

79

PRODUCTION COST CALCULATION FOR BUTTER AND CHEESE PRODUCED
IN VALMIERA FROM RUJIENA CREAM AND UNPROCESSED MILK

time period	butter production (t)	processing cost thousand Rbl./t	cream prod. cost thousand Rbl.	cream amount (t)	process. cost thousand Rbl.	sales price th. Rbl.	sales revenues thousand Rbl.	profit thous.Rbl.
Jan-Mar	49	20	Variant 1 178.45	149.2	27505	625	30825	3240
			Variant 2 182.7		28219	635	31115	2896
Apr-Jun	82	20	Variant 1 258.5	248.5	65877	870	71940	5463
			Variant 2 262.7		66921	920	75440	8519
Jul-Dec	128	20	Variant 1 258.5	387.5	102651	870	111360	8709
			Variant 2 262.7		104277	920	117760	13483

time period	cheese production (t)	processing cost thousand Rbl./t	milk production cost thousand Rbl.	milk amount (t)	process. cost thousand Rbl.	sales price th. Rbl.	sales revenues thousand Rbl.	profit thous.Rbl.
Jan-Mar	28.2	27	Variant 1 27.3	761	10998	440	12408	1410
			Variant 2 28.4		11411	457	12887	1476
Apr-Jun	20.9	27	Variant 1 37.3	278	10933	575	12017	1084.5
			Variant 2 41.7		12156.6	620	12958	801
Jul-Dec	68.9	27	Variant 1 37.3	919	36159	575	39817.5	3498.5
			Variant 2 41.7		40802	620	42718	1916

Jan-Mar period

- Variant 1----- raw milk purchase price 20 Rbl/kg
resource price increase 30% (compared to Oct-Dec period 1992)
- Variant 2----- raw milk purchase price 20 Rbl/kg
resource price increase 60% (compared to Oct-Dec period 1992)

Apr-June and July- Dec. periods

- Variant 1----- raw milk purchase price 30 Rbl/kg
resource price increase 30% (compared to Oct-Dec period 1992)
- Variant 2----- raw milk purchase price 30 Rbl/kg
resource price increase 60% (compared to Oct-Dec period 1992)

Gasoline price is expected to remain at the level of 70 Rbl/l through year 1993

RUJIENA DAIRY
NECESSARY CREDIT RESOURCE CALCULATION FOR 1993
NECESSARY WORKING CAPITAL CALCULATION FOR 1993 (THOUSAND ROUBLES)

VARIANT 1 (30% RESOURCE PRICE INCREASE, GASOLINE PRICE 70 Rbl/l)

	Jan-Mar'93	Apr-June '93	July-Dec'93	1993
production expenditure	60209	119933	205257	385399
revenue	69398	134421.5	230968	434787.5
working capital needed	54820	107420	184440	346680
surplus (+)	14578	27001.5	46528	88107.5
deficit (-)	-	-	-	-

VARIANT 2 (60% RESOURCE PRICE INCREASE, GASOLINE PRICE 70 Rbl/l)

	Jan-Mar'93	Apr-June '93	July-Dec'93	1993
production expenditure	62509	124999.1	218792	406300.1
revenue	70213	142614	243082	455909
working capital needed	56870	111920	196440	365230
surplus (+)	13343	30699	46642	90679
deficit (-)	-	-	-	-

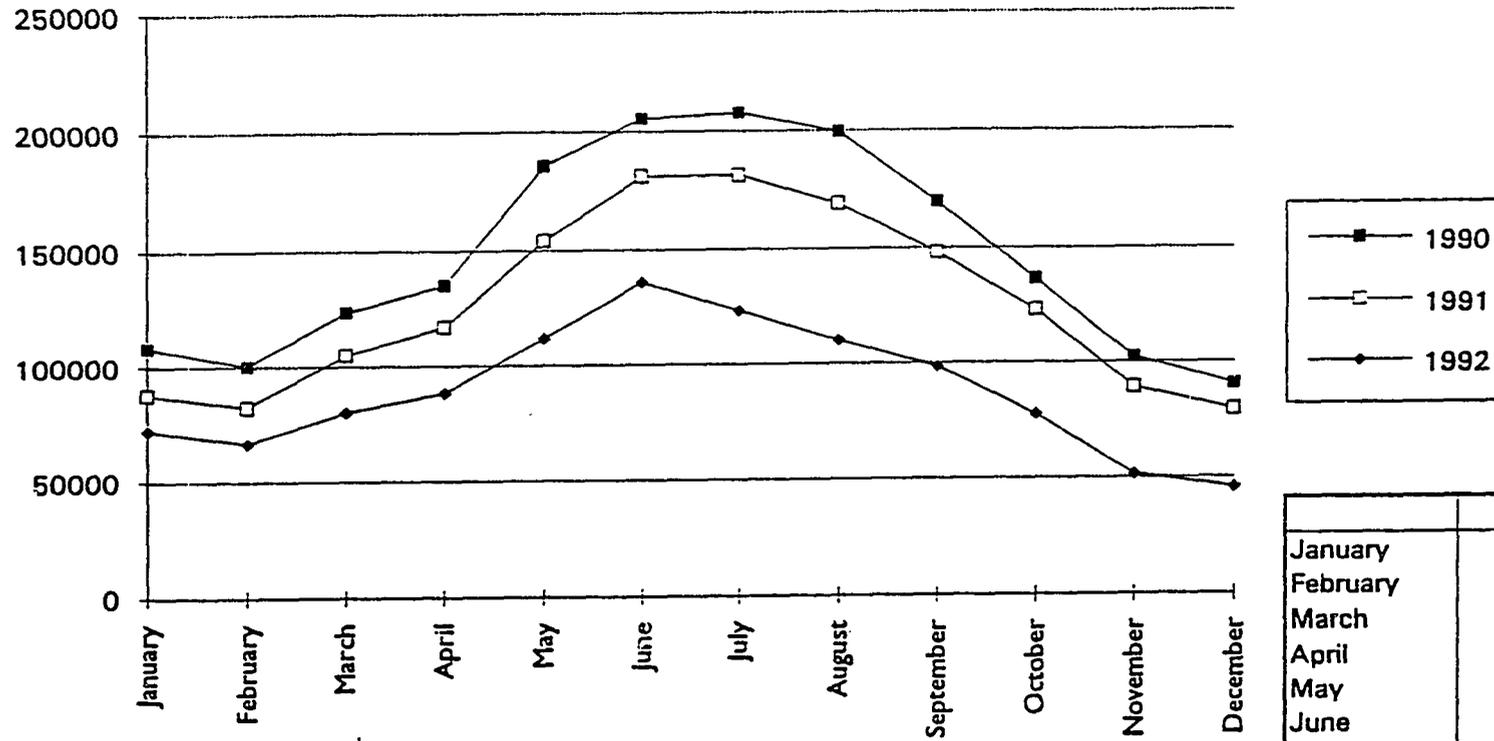
(000's of Latvian rubles)							100R/1\$	170R/1\$	
1. Assets and Investments			1.1.92	1.4.92	1.7.92	1.10.92	Jan US\$	Oct US\$	Variance
Assets		10	74499	74537	74742	75919	745	447	-40%
Non-material assets		20					0	0	
Capital investments and advances		30	9405	12669	16988	24697	94	145	54%
Machinery		35	1889	2178	2345	3275	19	19	2%
Long-term investmts.		40					0	0	
Use of Profit		50	21398	22652	49961	103192	214	607	184%
Payment to owners		65					0	0	
Payment for property		70					0	0	
Losses		80					0	0	
Total		90	107191	112036	144036	207083	1072	1218	14%
							0	0	0
2. Inventory and Expenses							0	0	0
Inventory		100	7005	22449	28330	76452	70	450	542%
Semi-finished goods		110	125	835	1648	4251	1	25	1900%
Inventory expenses		120					0	0	
Pre-paid expenses		130	2	736	690	1384	0	8	40606%
Finished production		140	19009	39185	135795	125609	190	739	289%
Goods		150	74	622	431	1642	1	10	1205%
Other inventory and expenses		160					0	0	
Total		170	26215	63827	166894	209338	262	1231	370%
							0	0	
3. Cash, A/R, and other assets							0	0	
Cash (in the plant)		200	2	17	110	905	0	5	
Bank account		210	392	2026	4053	3534	4	21	430%
Hard curr. account		220	14	29	749	789		5	
Other bank accounts		230	624	586	1266	1102	6	6	4%
Other funds		240	10	611	6809	7846	0	46	46053%
Short-term invest.		250					0	0	
Use of borrowed funds		270					0	0	
Accounts receivable:							0	0	
- goods&services		300	24338	124279	181680	254583	243	1498	515%
- exchange received		310					0	0	
- advances		320					0	0	
- state budget		325						0	
- with other debtors		330	54	170	120	1146	1	7	1148%
- loans to employees		340	44	53	36	32	0	0	-57%
Unpaid expenses		350					0	0	
Other assets		360	8662	1034			87	0	-100%
Total		370	34140	128805	194823	269937	341	1588	365%
Balance			167546	304668	505753	686358	1675	4037	141%

(000's of Latvian rubles)								
1. Liabilities	Code	1.1.92	1.4.92	1.7.92	1.10.92	Jan US\$	Oct US\$	Variance
Statute fund	400	31116	97511	96920	177104	311	1042	235%
(overpricing effect)	401	32233				322	0	-100%
Used assets	410	29567	30123	30734	31349	296	184	-38%
Used minor assets	420	1702	1762	1916	2110	17	12	-27%
Investment financing	430	10893	13809	18088	27077	109	159	46%
Property payments	440					0	0	
Special funds	450	10345	20982	30546	40325	103	237	129%
Future reserve	460	410	582	1104	812	4	5	16%
Depr. & maint.	470	6	467	531	2446	0	14	
Income next period	480					0	0	
Value of unsold gds.	490	5	12	6	37	0	0	
Repricing value	500					0	0	
Profit	510	21398	22652	49961	103192	214	607	184%
Total	520	137675	187900	229806	384452	1377	2261	64%
2. Credits and other loans								
Short-term credits	600	11579	49761	11141	5741	116	34	-71%
1-3 year credits	610					0	0	
Long-term credits	620					0	0	
Unpaid loans	630					0	0	
Short-term loans	640			70000		0	0	
Long-term loans	650					0	0	
Total	660	11579	49761	81141	5741	116	34	-71%
3. Accounts payable and other liab.								
Accounts payable:								
- for goods and serv.	700	13558	56525	165893	217789	136	1281	845%
- exchange forward	710					0	0	
- advances rcv'd.	720					0	0	
- to the budget	730	3077	7690	20655	24397	31	144	366%
- stabiliz. fund	735					0	0	
- insurance	740	535	538	1862	3714	5	22	308%
- salaries	750	731	1871	4702	5094	7	30	310%
- other creditors	760	391	383	1694	2471	4	15	272%
Loans to workers	765					0	0	
Other liabilities	770					0	0	
Total	780	18292	67007	194806	253465	183	1491	715%
Balance								
		167546	304668	505753	643658	1675	3786	126%

Income Statement		1992		
Vaimiera	Quarter:	1	2	3
Sales		287686	321998	161832
less COGS		265685	280887	140177
Gross profit		22001	41111	21655
Other income from sales		849		
Income from other sources			3529	1673
Other expenses		-198	3698	480
Other income/expenses		22652	48338	23808
Profit (Loss)		7001	40942	22848
Payment to budget (tax, 35%)		2406	18069	10213
Investment in:				
	development of production	4101	21069	11784
	social development	480	1730	805
	worker's incentive	14	74	46
Net profit		0	0	0

MILK PURCHASE, 1990-1992

Tons



	1990	1991	1992
January	108461	87552	72269
February	100226	82245	66816
March	123805	105006	80126
April	135338	117393	88048
May	185645	154076	111902
June	205363	181347	136128
July	208006	181729	123645
August	199482	169312	110416
September	170057	147960	98466
October	136637	123496	77646
November	102338	88964	51301
December	90311	79417	45749
TOTAL	1767153	1518494	1062518

MINERAL FERTILISER AND LIME APPLICATION FOR 1992 HARVEST

calculated as 100% active ingredient; ct

MINERAL FERTILISER APPLIED ON GRAIN SOWING

LIME APPLIED

district	grain sowing (ha)		fert. application ct/ha	fertiliser applied (ct)				area (ha)	amount (t)
	total	fertilised		total	N	P ₂ O ₅	K ₂ O		
Krāslava	19089	18672	2.87	53517	11755	14235	27527	597	3359
winter grain	8168	7889	2.41	18978	5133	4419	9426		
summer grain	10921	10783	3.20	34539	6622	9816	18101		
Kuldīga (grain & legumes)	11042	10889	2.51	27278	7395	7905	11978	309	1266
winter grain	80577	4842	2.27	10983	5029	2479	3475		
Valmiera	15758	15595	2.38	37084	9031	11620	16433	130	768
Rēzekne (grain & legumes)	22292	19583	2.50	48982	13141	14571	21270	631	3626
Jēkabpils (grain & legumes)	-	20674	2.46	50914	14012	14465	22437	938	4152
Aizkraukle	15193	12585	2.71	34089	8990	10448	14651	295	1237
Alūksne	8444	8213	0.75	6195	1294	4720	1651	166	803
Jelgava (grain & legumes)	23942	22198	2.67	59347	17926	14295	27126	-	-
Tukums	19686	17951	2.64	47431	11588	14251	21592	-	-
Rīga	12172	11859	2.82	33474	8944	9748	14782	489	1908

TOTAL: 181733 AVERAGE:2.55 ct/ha TOTAL:409294

THE REPUBLIC OF LATVIA CONCERN "LATVIJAS LABĪBA"
Flour, groats and Concentrated Feed Sales in 1991 and 1992 (thousand tonnes)

	Flour		Groats		Concentrated Feed					
	1991	1992	1991	1992	1991			1992		
					state resources	exchange	total	state resources	exchange	total
Jan-Mar	67.5	60.6	11.2	9.2	274	66.9	340.9	143.3	63.9	207.2
Apr-Jun	74.5	63.7	12.8	7.4	309.9	41.3	351.2	134.9	40.4	175.3
Jul-Sept	74	55.2	10.6	10.4	220.4	64	248.4	76.2	39.5	115.7
Oct-Nov	80.7	43.8	13	4.8	188.8	72.6	261.4	42.2	40.9	83.1
TOTAL	296.7	223.5	47.6	31.8	993.1	244.8	1237.9	369.6	184.7	581.3
+/-		-73.2		-15.8				-586.5	-60.1	-656.3

M. Penele
 Head, Department of Sales and State Resources

MINERAL FERTILISER AND LIME APPLICATION FOR 1992 HARVEST
calculated as 100% active ingredient; ct

MINERAL FERTILISER APPLIED ON GRAIN SOWING**LIME APPLIED**

district	grain sowing (ha)		fert. application ct/ha	fertiliser applied (ct)				area (ha)	amount	
	total	fertilised		total	N	P ₂ O ₅	K ₂ O		(t)	t/ha
Krāslava	19089	18672	2.87	53517	11755	14235	27527	597	3359	5.63
<i>winter grain</i>	8168	7889	2.41	18978	5133	4419	9426			
<i>summer grain</i>	10921	10783	3.20	34539	6622	9816	18101			
Kuldīga (grain & legumes)	11042	10889	2.51	27278	7395	7905	11978	309	1266	4.10
<i>winter grain</i>	80577	4842	2.27	10983	5029	2479	3475			
Valmiera	15758	15595	2.38	37084	9031	11620	16433	130	768	5.91
Rēzekne (grain & legumes)	22292	19583	2.50	48982	13141	14571	21270	631	3626	5.75
Jēkabpils (grain & legumes)	-	20674	2.46	50914	14012	14465	22437	938	4152	4.43
Aizkraukle	15193	12585	2.71	34089	8990	10448	14651	295	1237	4.19
Alūksne	8444	8213	0.75	6195	1294	4720	1651	166	803	4.84
Jelgava (grain & legumes)	23942	22198	2.67	59347	17926	14295	27126	-	-	-
Tukums	19686	17951	2.64	47431	11588	14251	21592	-	-	-
Rīga	12172	11859	2.82	33474	8944	9748	14782	489	1908	3.90
AVERAGE: 2.53 ct/ha										
TOTAL:	147618	137545		347397	90064	101793	157010	3555	17119	
								AVERAGE: 4.82		

NOTE: Krāslava winter and summer grain, Kuldīga winter grain and Jēkabpils district fertiliser application figures are not included in totals.

MINERAL FERTILISERS USED FOR GRAIN SOWINGS IN 1992
 (recalculated as 100% active ingredient- N, P₂O₅, K₂O; kg/ha)

district	average	min.-max. *
Aizkraukle	224	55 - 505
Aluksne	253	0 - 96 - 440
Balvi	-	-
Bauska	254	0 - 41 - 971
Cēsis	-	-
Daugavpils	-	-
Dobele	-	-
Gulbene	235	56-394
Jelgava	248	58 - 430
Jekabpils	173	93 - 361
Krāslava	280	127 - 688
Kuldīga	-	-
Liepāja	-	-
district	average	min.-max. *
Limbazi	202	0 - 551
Ludza	-	-
Madona	-	-
Ogre	170	14 - 458
Preiļi	-	-
Rēzekne	-	-
Rīga	275	71-675
Saldus	-	-
Talsi	-	-
Tukums	241	49 - 143
Valka	214	61 - 539
Valmiera	235	0 - 46 - 481
Ventspils	-	-

* figures show the highest and lowest fertilisation rates for separate farms in the respective district

**MINERAL FERTILISER BALANCE FOR COLLECTIVE FARMS, STATE FARMS, CHARTER COMPANIES
TRAINING FARMS AND INTER-FARM AGRICULTURE ENTERPRISES**
(tons, calculated as 100% active ingredients)

	calendar year 1988			calendar year 1989			clendar year 1991
	col. & state farms	other farms	training farms	col. & state farms	other farms	training farms	
mineral fertilisers applied:							
total (t)				467558	1891	2314	357536
kg per ha							244
of that- for next year's harvest				94348	286	514	65050
lime applied on (ha)	212329	227	771	188153	1038	365	102107
lime containing substances used	913060	1012	4163	894432	5117	3325	485383
gypsum applied on (ha)	277	-	-				
gypsum and g. containing substances used (t)	166	-	-				

**MINERAL FERTILISER APPLICATION IN COLLECTIVE AND STATE FARMS,
INTER-FARMS ENTERPRISES AND RESEARCH FARMS**
(calculated as 100% active ingredient, ct)

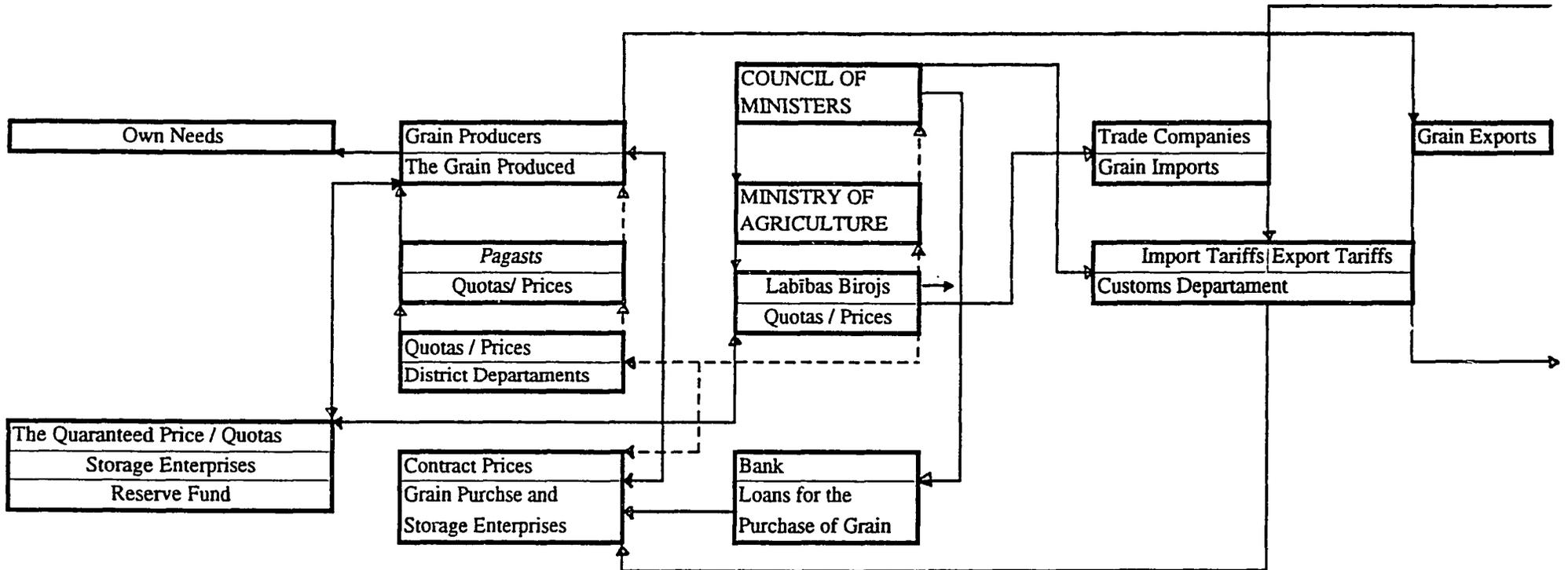
	for 1988 harvest		for 1990 harvest	
	grains	wheat	grains	wheat
fertiliser applied:				
<i>total</i>	1902535	342751	1771425	402019
<i>nitric</i>	600571	126605	485092	129029
<i>phosphorous</i>	545028	89818	529349	107363
<i>potash</i>	756936	126328	756984	165627
separate fertiliser type ratio (as % of the total amount), calculated from 100% active substance:				
<i>nitric</i>	32	37	27	32
<i>phosphorous</i>	29	26	30	43
<i>potash</i>	39	37	43	41
mineral fertiliser applied on (ha)	636059	103300	635124	132420
fertilised fields as % of all the particular crop fields	99.5	99.6	98.5	98.5
mineral fertiliser applied per ha	297.7	330.6	274.6	299



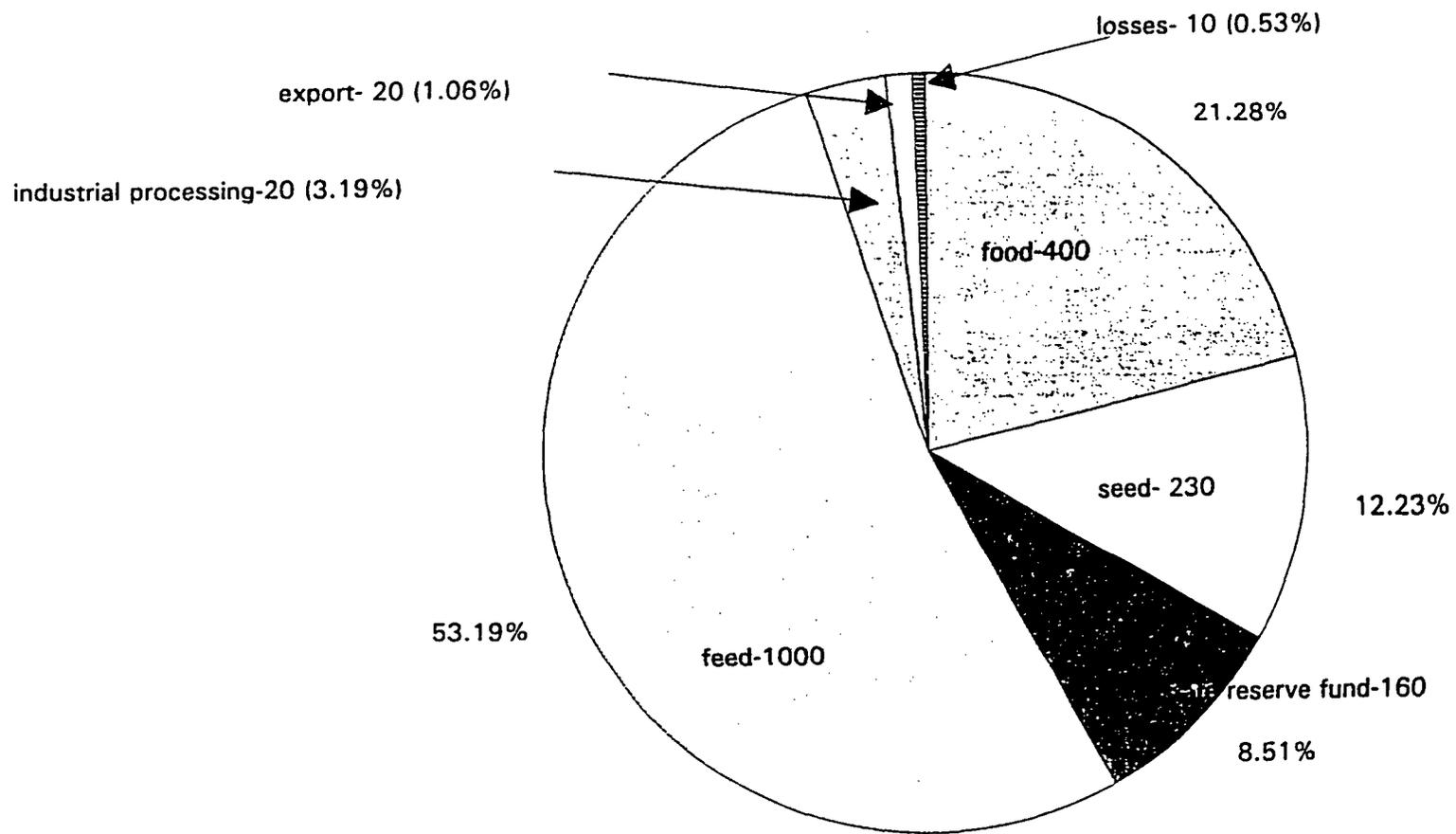
grain farming
figures

source: *Zemkopības pārvalde, MOA*

GRAIN MARKET

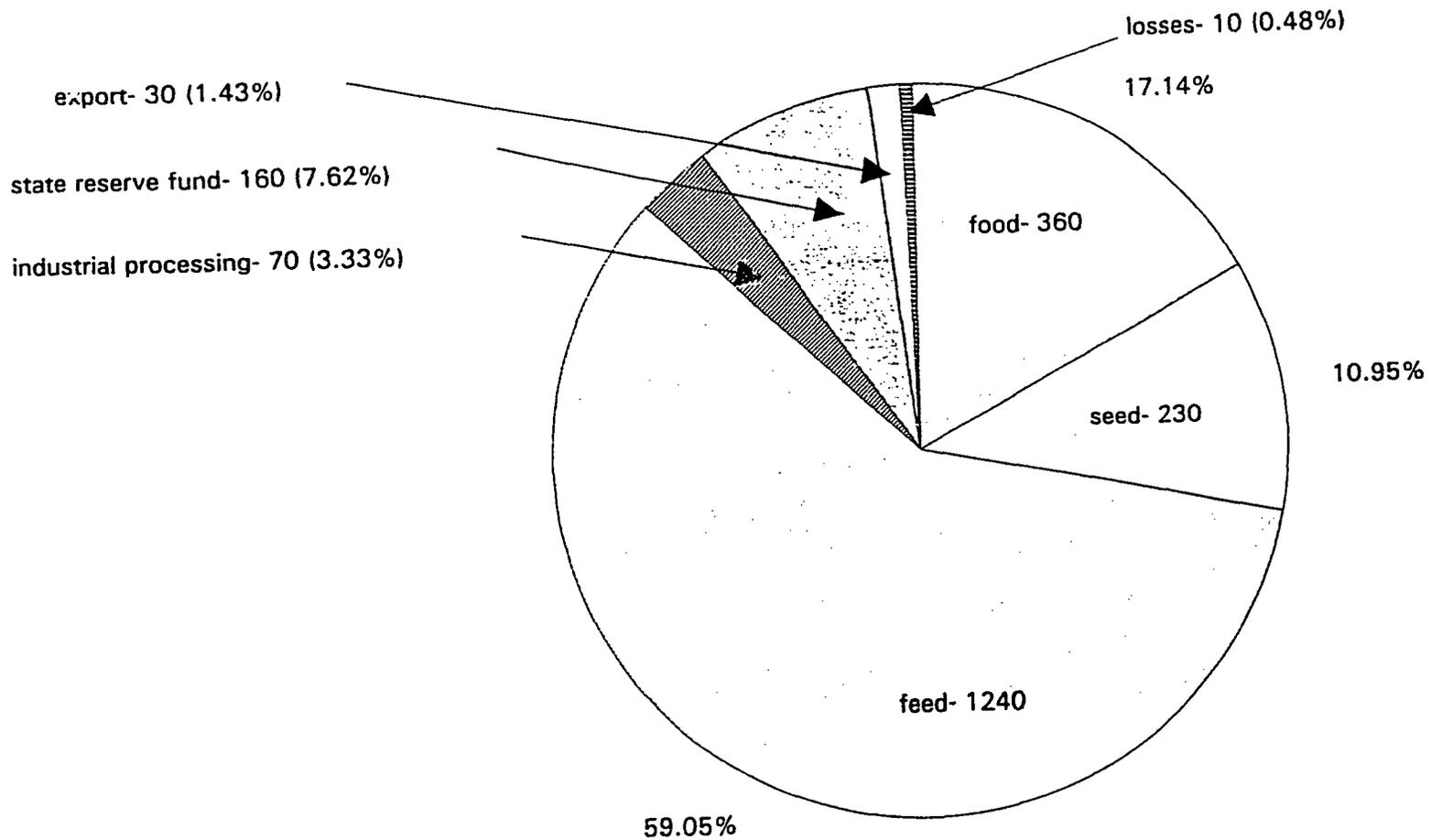


GRAIN NEED ESTIMATE FOR LATVIA IN 1993-1994 (minimum variant)- thous. tons



food- 400, seed- 230, state reserve fund- 160, feed- 1000, industrial processing- 60, export- 20, losses- 10, TOTAL- 1880

GRAIN NEED ESTIMATE FOR LATVIA IN 1993-1994 (medium variant)- thous. tons



food- 360, seed- 230, feed- 1240, industrial processing- 70, state reserve fund- 160, export- 30, losses- 10, TOTAL- 2100

100

OWN PRODUCTION AND IMPORTED GRAIN (THOUSAND TONS)

	1986	1987	1988	1989	1990	1991	1992	1993-1994
IMPORTED								
total	1372	1219	1129	1276	836	858	609	200
of that:								
food grain	452	405	348	364	396	286	332	100
feed grain	920	815	781	912	467	572	277	100
OWN PRODUCTION								
total	1501	1630	1142	1597	1622	1335	1170	1680
of that:								
food grain	no record	no record	no record	158	148	193	196	300
feed grain	870	1026	656	939	940	739	600	1000

AGRICULTURE LAND RECLAMATION AND MAINTENANCE

year	state budget investments* mil. rbl.	drained soil thous. ha	land reclamation construction maintenance (mil. rbl.)	completed work as %of the need in comparative prices
1985	104.1- (100%)	44.7	6.5	65
1990	71.1-(63%)	28.2	7.1	61
1992	257.3-(17%)	7.8	121.3	60
1993	247.6-(9%)	4.5	195.7	48

* the amount of work completed as % of 1985 level (in comparative prices) is shown in the brackets
 Note: state budget investments in actual prices

**THE CALCIFICATION EFFECT ON YIELD DURING THE ROTATION PERIOD
(1981-1986, average ct/ha)**

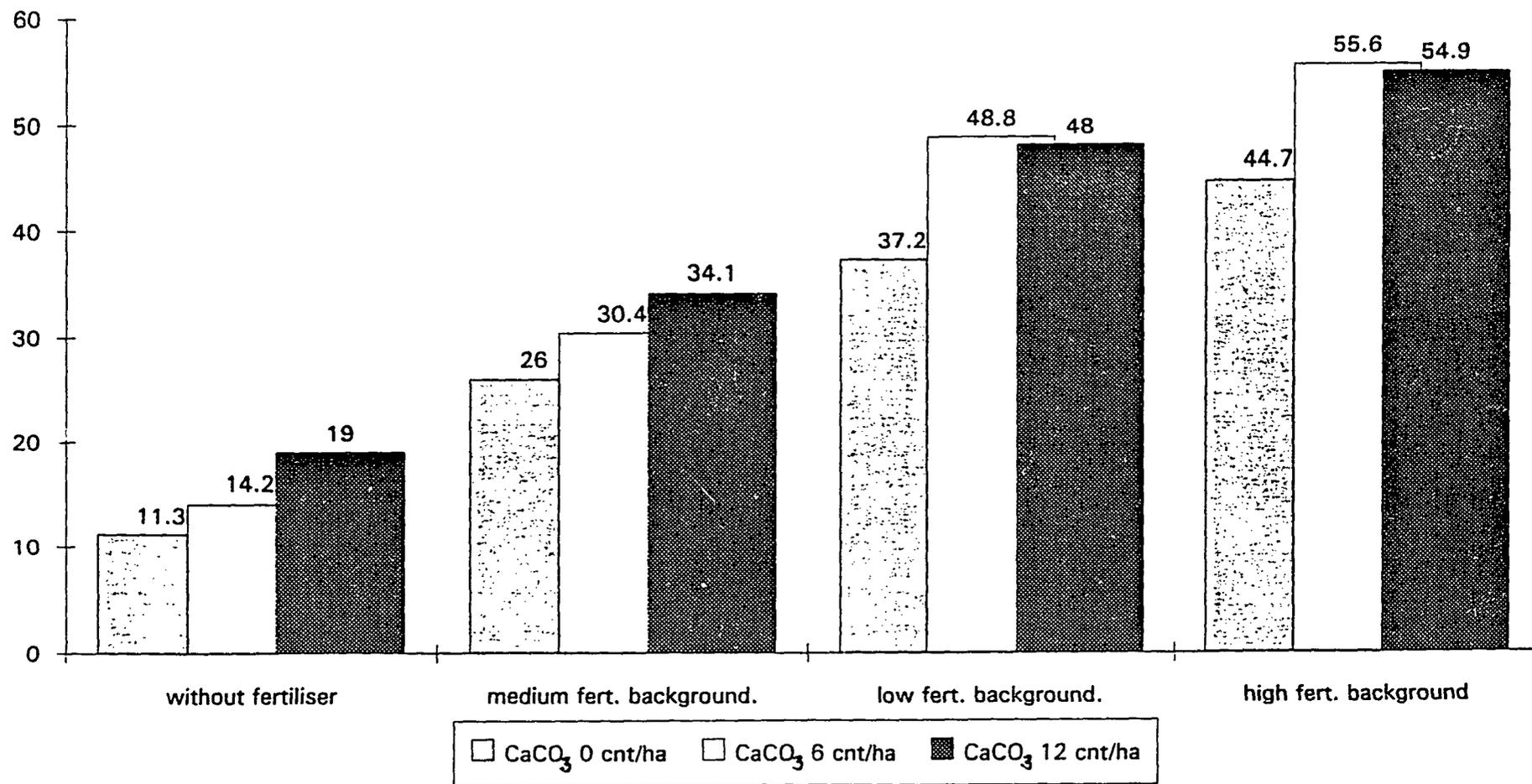
fertiliser background	CaCO t/ha	barley, rye (grain)		grassland (hay)	
		yield	yield increase	yield	yield increase
without fertiliser	0	11.3	-	24.8	-
	6	14.2	2.9	30.9	0.61
	12	19	7.7	39.5	14.1
low N P K	0	26	-	67.7	-
	6	30.4	4.4	70.9	3.2
	12	34.1	8.1	75	11.1
medium N P K	0	37.2	-	83.8	-
	6	48.8	11.6	97.5	13.7
	12	48	10.8	106	22.8
high N P K	0	44.7	-	108.3	-
	6	55.6	10.9	123.1	14.8
	12	54.9	10.2	118.2	9.9

BUDGET RESOURCES NEEDED FOR SOIL LIMING

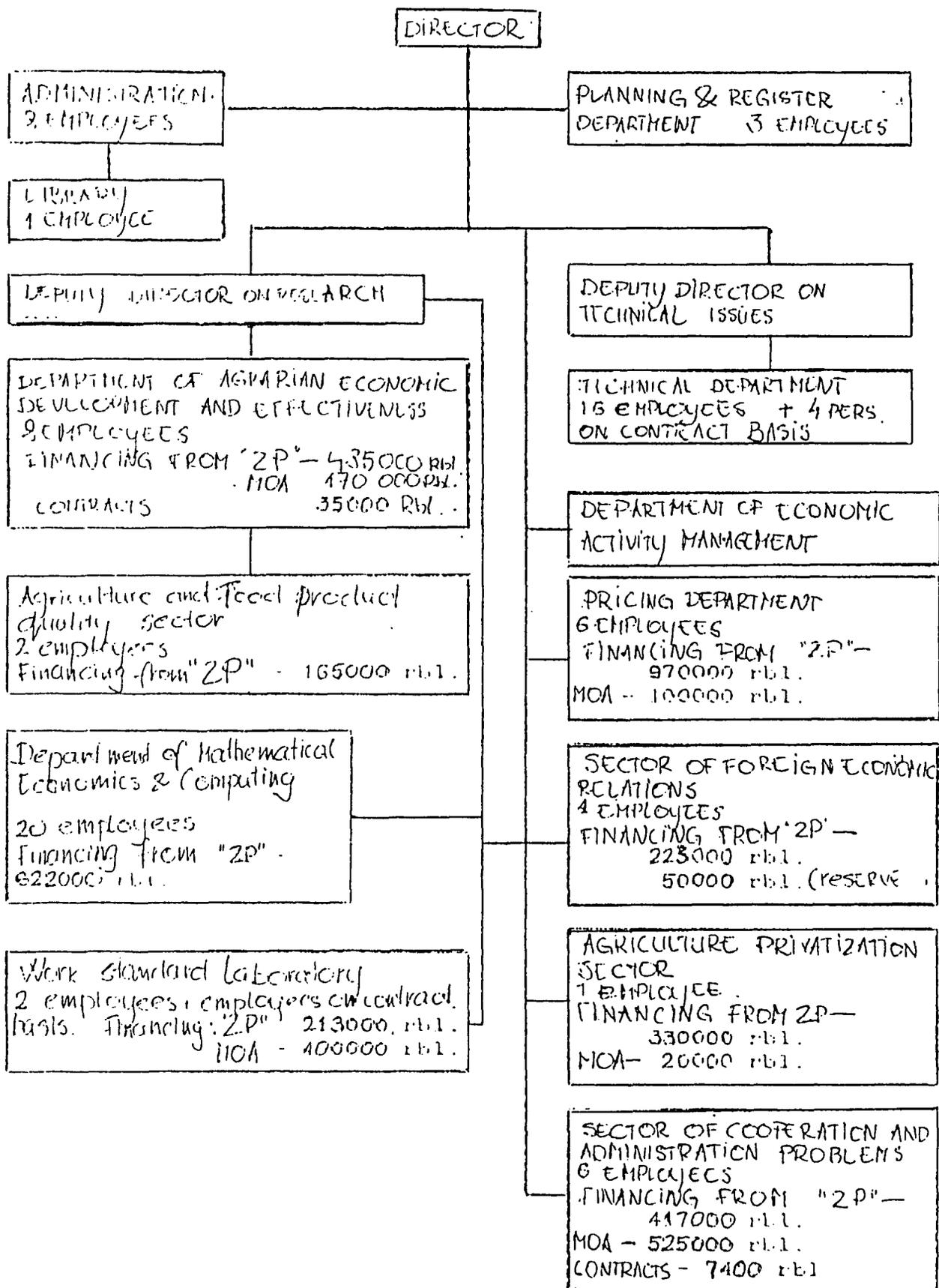
	liming area (thous. ha)	budget resources (mil. rbl.)
1985	213.4	13.5
1989	193.6	12.4
1990	149.2	24
1991	121.3	54
1992	29.2	91
1993 (in draft budget)	9	112.4
annual need	180-200	1800-3000

314

CALCIFICATION EFFECT ON RYE AND BARLEY YIELD (cnt/ha)

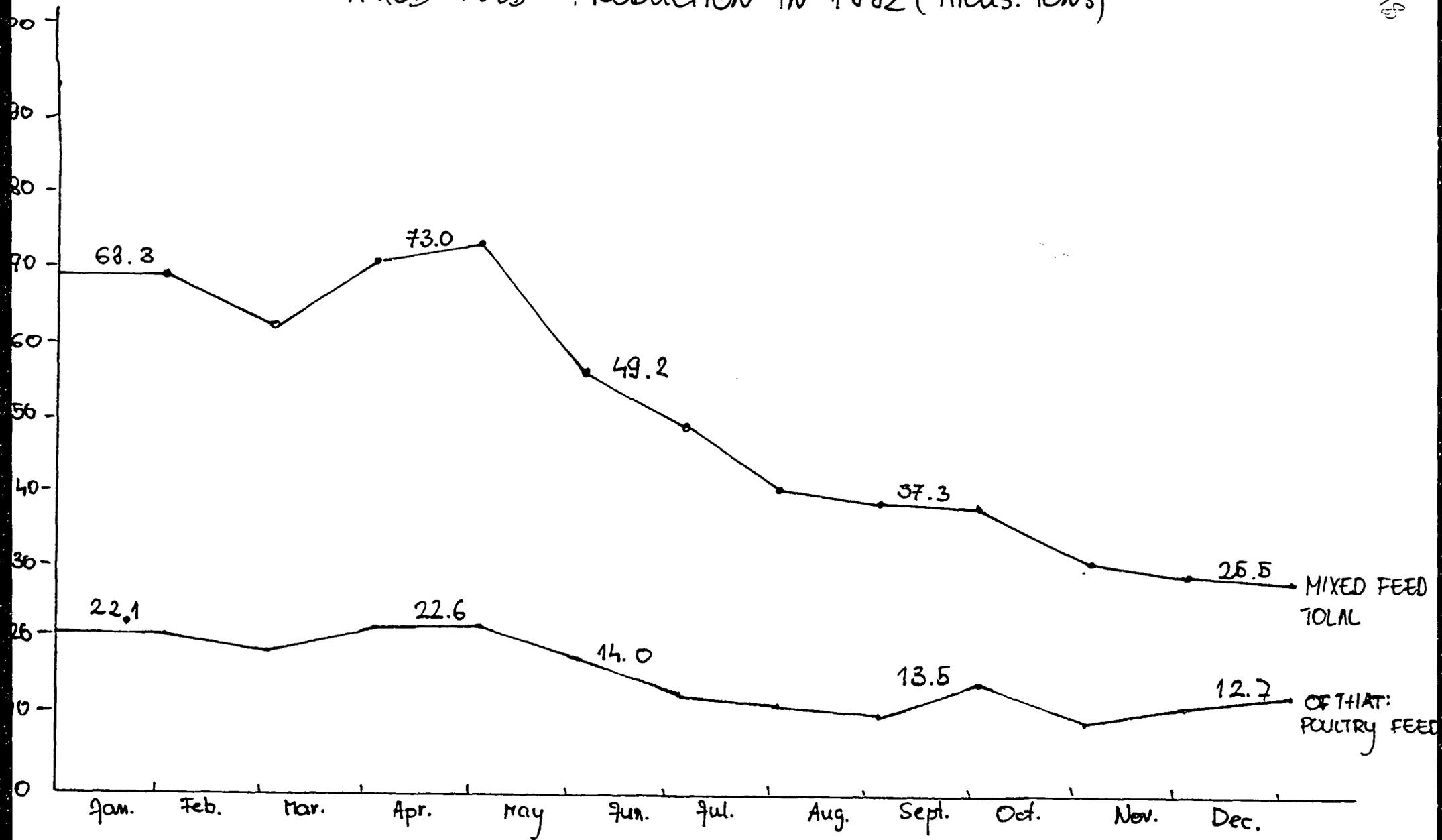


Latvia State Institute of Economics. Structure &
 Employees as for 2nd half of 1992. Financing

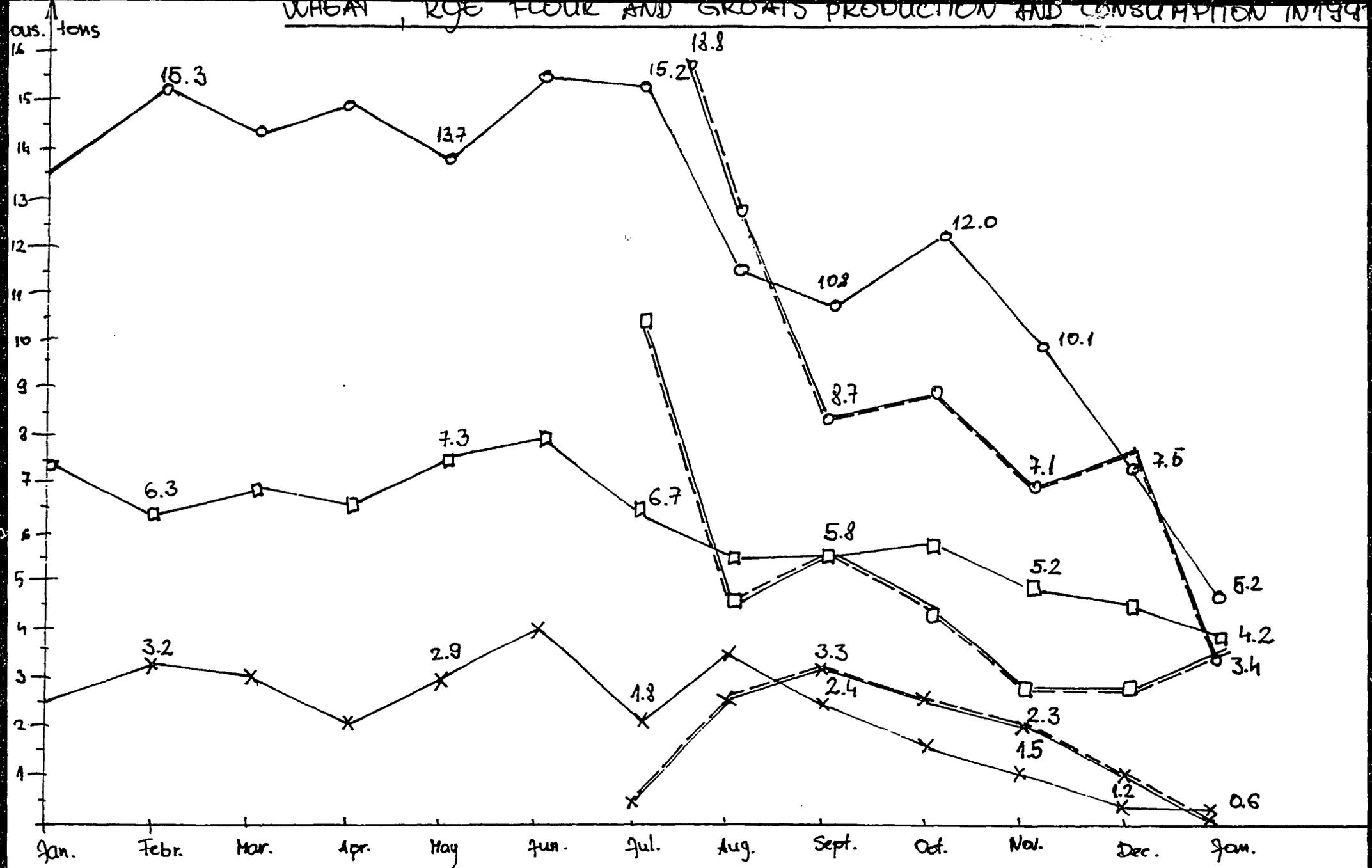


MIXED FEED PRODUCTION IN 1992 (THOUS. TONS)

2/18



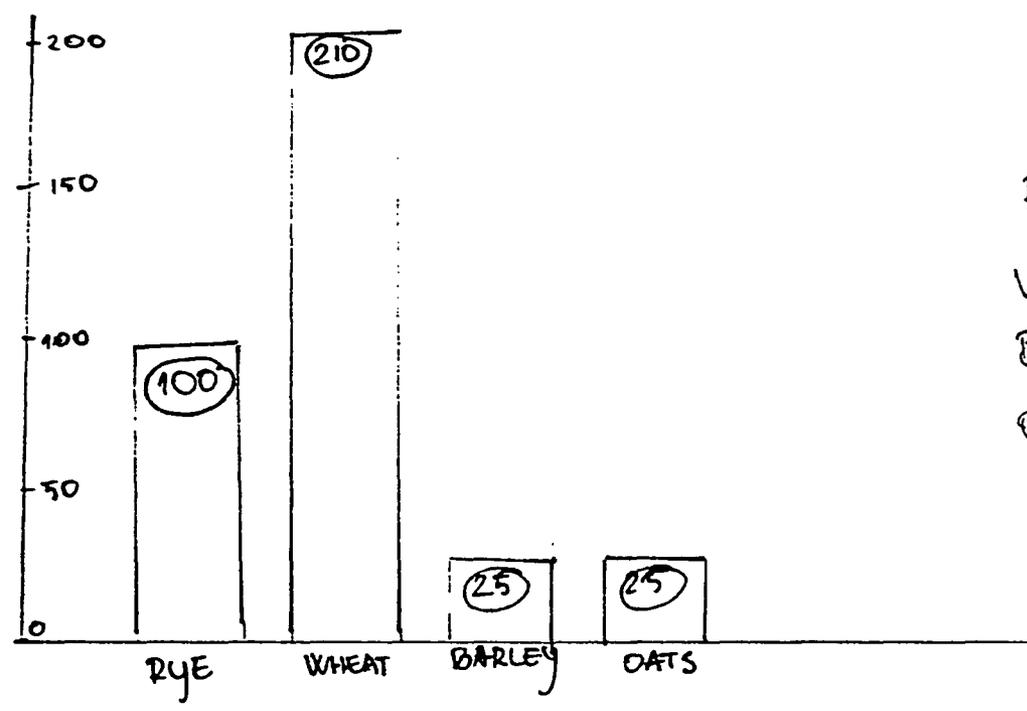
WHEAT, RYE FLOUR AND GROATS PRODUCTION AND CONSUMPTION IN 1998



Wheat FLOUR ○ — ○ } CONSUMPTION ○ — ○ } PRODUCTION
 RYE FLOUR □ — □ }
 GROATS × — × }

5/5

GRAIN NEED ESTIMATE FOR 1993



	NEED	SUPPLY	
		DOMESTIC	IMPORTED
RYE	100	100	-
WHEAT	210	110	100
BARLEY	25	25	-
OATS	25	25	-

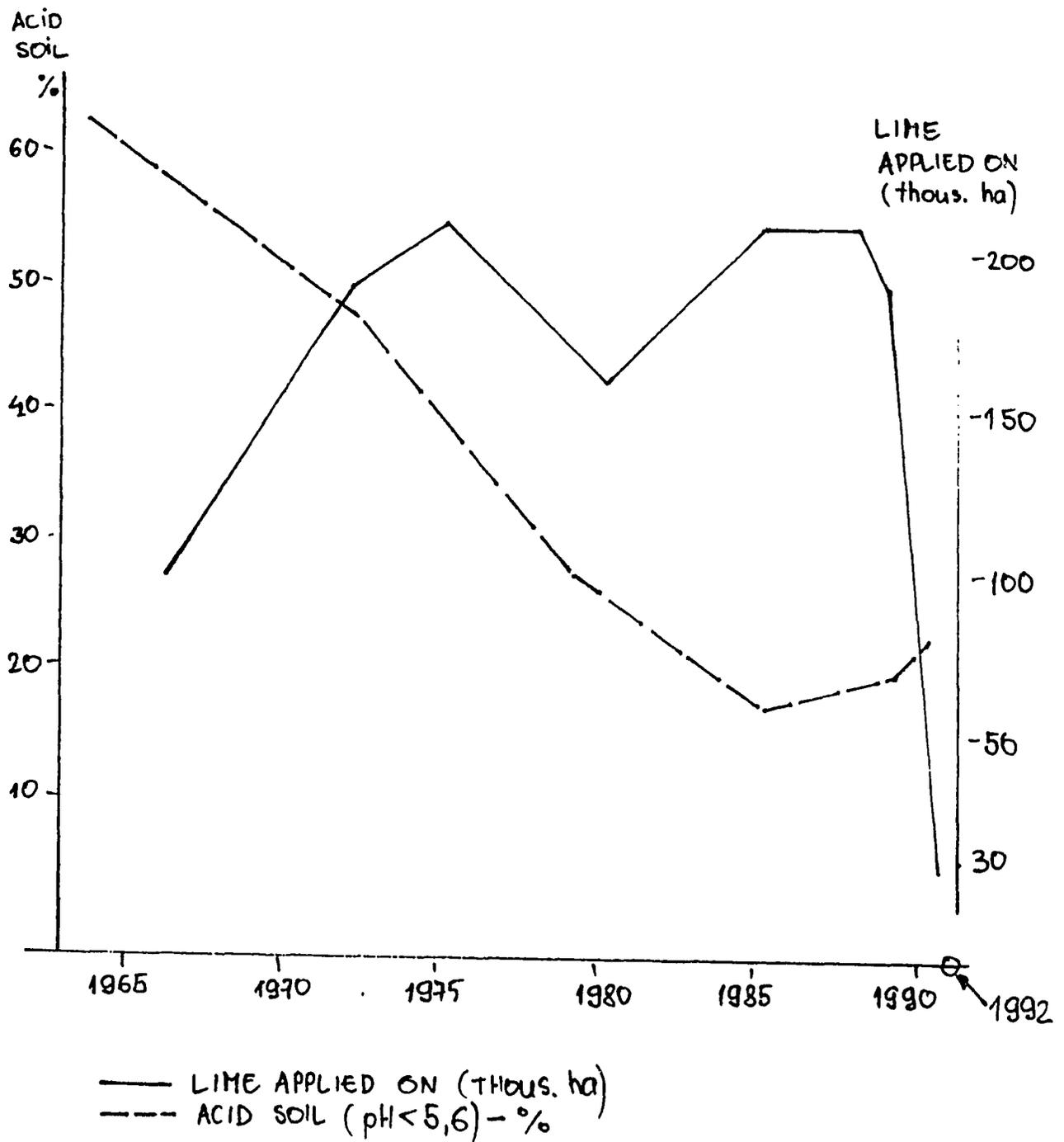
MEETING THE FOOD GRAIN NEED. ESTIMATE FROM FEB. 1, 1993 POINT OF VIEW

LEFT OVER Feb. 1, 1993			1993 NEED	Jan. need	year 1993										
STATE RESOURCES	"LATA"	TOTAL			Feb	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sept.			
WHEAT	25.6	54.1	79.7	210.0	16.0										
					↑ ACTUALLY USED IN JAN. - 6.0										
RYE	39.0	21.1	60.1	100.0	8.3										
					USED: 3.9										
BARLEY	8.4*	-	8.4	25.0	2.0										
					USED: 2.1										
OATS	2.2**	-	2.2	25.0	2.0										
					USED: 0.5										
FOOD GR. TOTAL	75.2	75.2	150.4	360.0	30.0										
FEED. GR. TOTAL	19.0	27.3	252	1000	640										

* SUPPLY FROM THE STATE GRAIN RESERVE FUND

26 thous. ± of grain are still left with farmers

LIME APPLICATION AND ACID SOIL IN LATVIA



SELECTION WORK PRODUCTIVITY, YEAR 1992

Varieties developed in Latvia

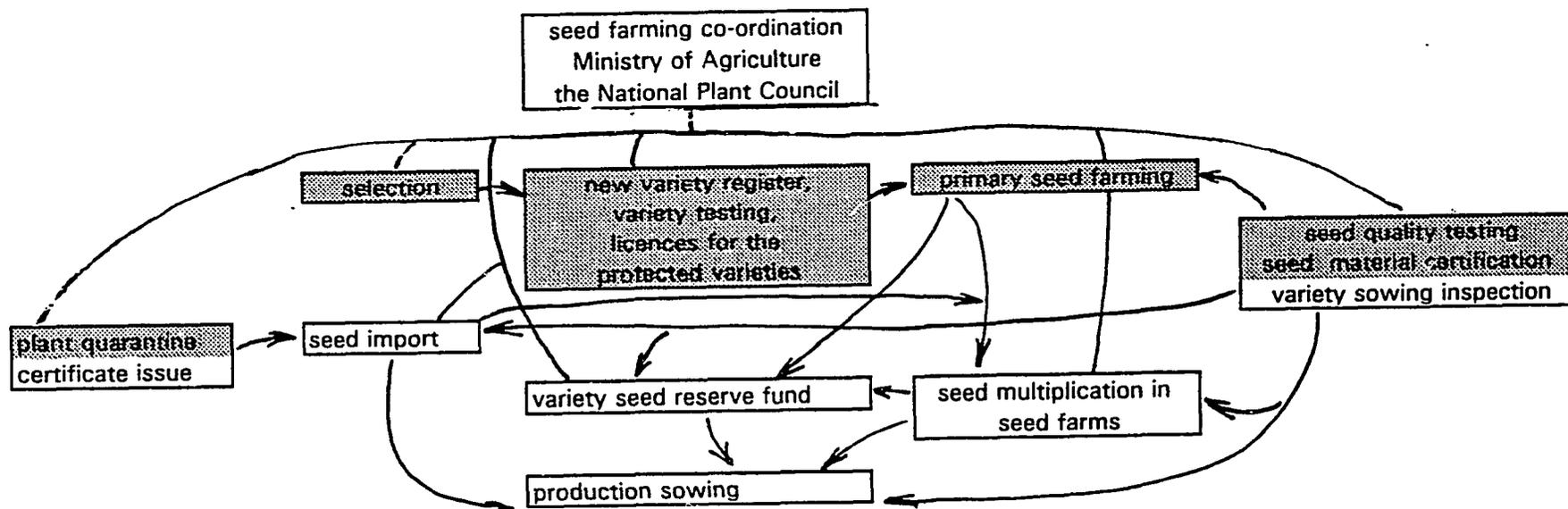
	variety	area thous. ha	50% of the additional harvest expressed as cash (mil. rbl.)	budget resources spent on seed farming
barley	<i>Abava, Linga Imula</i>	170	255	
oats	<i>Māra, Līva, Stendes dzeltenās</i>	8	18	
pies	<i>Stendes Nero, Rota, Vitra</i>	4	9	
winter wheat	<i>Krista</i>	1	1.5	
TOTAL		183	283.5	23.9

SEED QUALITY IMPORTANCE FOR GRAIN FARMING

seed quality	losses	
	seed, kg/ha	Rbl./ha
1st class	-	-
2nd class	22	33.9
unclassified (80% germinating pow	90	28.5

seed quality	germinating powe yield, ct/ha	
1st class	98%	33.9
2nd class	90%	28.5

SEED FARMING SYSTEM AND BUDGET RESOURCE USE IN YEAR 1992



budget resources are assigned to:

- selection and primary seed farming 4.7 mil. rbl.
- seed quality service 10.1 mil. rbl.
- variety comparing center 6.1 mil. rbl.
- plant quarantine 3 mil. rbl.
- TOTAL 23.9 mil. rbl.

own resources
 budget resources

BREAD AND GRAIN PRODUCT CONSUMPTION FOR 1993-1994 /variants/

PRODUCT	YEAR (thousand tonnes)		
	preferable variant	medium var.	minimum var.
rye flour	72 - 90	80 - 100	96 - 120
wheat flour	152 - 190	160 - 200	176 - 220
groats	25 - 33	25 - 33	25 - 33
oat flakes	5 - 7	5 - 7	5 - 7
pies and beans	10	10	10
rice	5	5	5
buckwheat	5	5	5
total	274 - 340	290 - 360	322 - 400

NOTE: the first part of the double figure shows the amount of the respective product, while the other figure gives the amount recalculated in grain

THE NATIONAL GRAIN RESERVE FUND

	Jan.1,1993	should be purchased					reserve
	reserve	1993	1994	1995	1996	1997	end 1997
human consumption grain	58	90	90	12	-	-	250
animal consumption grain	3	67	66	64	60	40	300
seed (elite class and first generation)	3	3	4	-	-	-	10
total	64	160	160	76	60	40	560

526

GRAIN PRODUCTION AND USE - 1993-1994 ESTIMATE

category	mesurement	preferred variant	medium var.	minimum var.
PRODUCTION AND IMPORT				
sowings under grain	thousand ha	730	730	730
of that:				
human consumption grain	thousand ha	170	190	220
animal consumption grain	thousand ha	560	540	510
yield per ha	cnt/ha	30	26	23
of that:				
human consumption grain	cnt/ha	32	28	24
animal consumption grain	cnt/ha	29	25	22.5
total yield	thousand tonnes	2180	1900	1680
of that:				
for human consumption	thousand tonnes	540	540	530
for animal consumption	thousand tonnes	1640	1360	1150
import	thousand tonnes	320	200	200
total	thousand tonnes	2500	2100	1880
USE				
seed	thousand tonnes	230	230	230
human consumption, total	thousand tonnes	340	360	400
of that:				
domestic production	thousand tonnes	240	260	300
industrial processing (beer, spirits, etc.)	thousand tonnes	80	60	40
animal consumption, total	thousand tonnes	1560	1240	1000
of that:				
domestic production	thousand tonnes	1340	1140	900
national reserve fund	thousand tonnes	160	160	160
export	thousand tonnes	40	40	40
storage losses	thousand tonnes	10	10	10
total	thousand tonnes	2500	2100	1880

GRAIN AND LEGUMES SOWINGS - YIELD ESTIMATE FOP 1997

category	measurement	favorable weather conditions	regular weather	unfavorable conditions
PRODUCTION AND IMPORT				
sowings	thousand ha	800	800	800
of that:				
human consumption grain	thousand ha	170	190	210
animal consumption grain	thousand ha	630	610	590
yield per ha	cnt/ha	31	27	23
of that:				
human consumption grain	cnt/ha	33	28	25
animal consumption grain	cnt/ha	30.8	26.7	22.3
total yield	thousand tonnes	2500	2160	1840
of that:				
for human consumption	thousand tonnes	560	530	525
for animal consumption	thousand tonnes	1940	1630	1315
import	thousand tonnes	125	125	125
total	thousand tonnes	2625	2285	1965
USE				
seed	thousand tonnes	240	240	240
human consumption, total	thousand tonnes	340	340	340
of that:				
domestic production	thousand tonnes	315	315	315
industrial processing (beer, spirits, etc.)	thousand tonnes	80	70	60
animal consumption, total	thousand tonnes	1875	1555	1255
of that:				
domestic production	thousand tonnes	1775	1455	1155
national reserve fund	thousand tonnes	40	40	40
export	thousand tonnes	40	30	20
storage losses	thousand tonnes	10	10	10
total	thousand tonnes	2656	2285	1965

GRAIN IMORT 1993-1997 (thousand tonnes)

year	human consumption	animal consumption	total
1992 actual situation	180	...	...
1993	100	100	200
1994	80	100	180
1995	60	100	160
1996	40	100	140
1997	25	100	125

321

MINERAL FERTILIZERS NEEDED FOR GRAIN PRODUCTION
 (active substance, thousand tonnes)

fertilizer type	1993-1994 - variants			1996-1997 - variants		
	minimum (specified in 1993)	medium	preferred	unfavorable condition	regular	favorable condit.
total	117	140	161	135	160	185
of that:						
nitrogenous	51	61	60	58	68	80
phosphorous	27	32	37	31	37	43
potash	39	47	55	46	55	62

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03/25

**GOVERNMENT LOANS FARMERS NEED TO PURCHASE
SEED IN SPRING 1993**

Summer crop sowings in individual farms would reach 160 thousand ha in 1993.
Seed needed: 160000 ha x 0.25 t = 40.0 thousand tonnes

SEED SUPPLY TO INDIVIDUAL FARMS:

	amount thousand tonnes	payment
seed for summer crops	40	
seed prepared by farmers themselves	10	
seed fund for farmers	5	exchange for grain
state seed resources	2	cash
selection, testing and training farms	2	cash
seed-growing farms	21	cash and exchange for grain

Farmers will have to purchase for cash about 63% of the seed they need.
Cash needed: 2500 t x 30000 Rbl/t = Rbl. 750 mil.
Rbl. 29 mil. loan granted.
Rbl. 721 mil. loan on favorable conditions needed.

**MINERAL FERTILIZER COST
1993 SPRING SOWING**

grain sowing	448 thousand ha
total expenditure on mineral fertilizers , including service and turnover tax (14100 Rbl./ha)	Rbl. 6.317 bil.
total expenditure on mineral fertilizers for winter crops (3810 Rbl./ha)	Rbl. 1.036 bil.
total	Rbl. 7.353 bil.

Rbl. 3.677 bil. (50%) short-term loan on favorable conditions needed.
Money needed early in the year, because payment in advance is demanded

**AGRO-INDUSTRY PRIVATIZATION
IN LATVIA**

**FINAL REPORT
(VOLUME 4 OF 5)**

JULY 30, 1993

**REFERENCE CONTRACT NO.
EUR-0014-I-00-1058-00**

DELIVERY ORDER #9

APPENDIX: TRANSLATED DOCUMENTS

VOLUME 4 OF 5

Contents

- A. DOCUMENTS IN ENGLISH (continued)
 - A.4 General Privatization Documents: Forms, Regulations, Recommendations
 - A.5 Privatization Documents for Specific Enterprises: Privatization Projects, Business Plans, Charters, etc.
 - A.6 News Summaries
 - A.7 Miscellaneous

Approved by
Republic of Latvia
Council of Ministers
Resolution nr. 562
December 30, 1992

**REGULATIONS ON THE PROCEDURE OF PRIVATIZATION SCHEMES'
APPROVAL, CHANGE AND ADDITION**

1 General regulations

1.1. These regulations determine the procedure in which privatization schemes of state and local government owned units (enterprises) worked out in accordance with the Republic of Latvia law of July 16, 1992 "On the Privatization Procedure of State and Local Government Owned Units (Enterprises)" are approved, changed and added.

1.2. Submitting and examining procedure for the privatization schemes of units (enterprises) envisaged for the sale at closed options competition or by selecting candidates on the basis of competition, is determined by other normative bills.

2 Submitting of privatization schemes

2.1. Privatization scheme elaborated in accordance with the data of unit's (enterprises) to be privatized information list and in the form approved by the Republic of Latvia Council of Ministers, is submitted by its authors to the Ministry (committee) or local government supervising this unit (enterprise).

2.2. After receiving the privatization scheme, Ministry (committee) or local government registers it at the special privatization schemes' registration journal, noting the date it was received, name of the unit (enterprise), person who submitted the privatization scheme, as well as the author (authors) and their official addresses.

3 Examining and approval of privatization schemes

540

3.1. If the unit (enterprise) is not included into the list of units (enterprises) to be privatized approved by the Republic of Latvia Council of Ministers or local government, the Ministry (committee) or local government examines the privatization scheme within a month from the day it was submitted.

Privatization schemes of the units (enterprises) included into the list of units (enterprises) to be privatized approved by the Republic of Latvia Council of Ministers or local government are examined by the Ministry (committee) or local government within a month from the moment the terms for submitting privatization schemes determined by the law terminate.

3.2. To value privatization schemes minister (chairman of the committee) or the board of local government establishes work groups for examining schemes and approves their heads. The head of a work group is responsible for observing these regulations.

Examining the privatization scheme of a unit (enterprise), officials of the Ministry (committee) or local government included into the privatization commission (if such is established) of the unit (enterprise) shall participate at the work group's meeting.

3.3. If several privatization schemes of one unit (enterprise) or its structural units are submitted in terms determined by the law, they shall be examined together.

If the structural units of one unit (enterprise) are privatized by using different methods or are sold to different groups of purchasers (purchasers), privatization scheme of the unit (enterprise) shall be examined and approved, as well as separate privatization schemes of structural units or scheme's implementing phases.

If state owned capital shares of the unit (enterprise) are envisaged to be sold to different groups of purchasers (purchasers), one privatization scheme is considered and approved.

3.4. If necessary a work group for examining schemes may demand the additional information from the author (authors) of the privatization scheme, as well as involve experts in evaluating of the privatization scheme.

3.5. Within a month from the moment the privatization scheme is started to be examined, the work group for examining schemes established by the Ministry (committee) arranges the meeting for examining privatization schemes to which the following are invited:

- head and other representatives of the state unit (enterprise) to be privatized;
- representatives of the local government on the territory of which the state unit (enterprise) to be privatized is located;
- authors of the privatization schemes examined;
- chairman and deputy chairman of the privatization commission (if such is established) of the state unit (enterprise).

Representative of the Republic of Latvia Council of Ministers Committee for supervising monopoly activities may participate whether invited by the work group or on his own initiative.

3.6. If the structural units (subsidiaries) of the state unit (enterprise) envisaged for privatization are located on the territory of several local governments, a representative of each local government is invited to participate at the meeting of privatization scheme's examining.

3.7. Within a month from the moment the examining of privatization scheme is started, the board of the local government supervising the local government owned unit (enterprise) to be privatized organizes privatization scheme's examining meeting to which the following are invited:

- members of the work group for examining privatization schemes;
- representatives of the local government owned unit (enterprise) to be privatized;
- authors of the privatization schemes examined;
- chairman and deputy chairman of the local government property privatization commission.

Representative of the Republic of Latvia Council of Ministers Committee for supervising monopoly activities may participate.

3.8. Invitations for participating at the privatization schemes' examining meeting shall be sent at least a week before the meeting (confirmation about its receipt shall be given).

3.9. If any of persons invited to the meeting can't participate due to valid reasons, he may in written form authorize another person to represent him at the privatization schemes' examining meeting or may send a written confirmation about the issues negotiated at the meeting.

3.10. Privatization schemes' examining meeting is held also in the case if any of the persons invited hasn't arrived (except the case if the person invited didn't arrive due to the fault of the Ministry (committee) or local government).

3.11. At the privatization schemes' examining meeting privatization schemes of several units (enterprises) may be evaluated.

3.12. Taking into consideration the content of privatization scheme, arguments mentioned at the meeting and conclusions of experts, the work group for schemes' examining with the simple majority of voices at opened voting adopts a decision on the approval or declining of the unit's (enterprise's) privatization scheme. This decision is signed by all its members and approved by the minister (chairman of committee).

Members of the work group have a right to express their objections against the adopted decision. These objections must be in the written form and enclosed to the adopted decision.

If the privatization scheme elaborated by a group of authors formed by the Ministry (committee) is examined, the conclusion of independent experts is necessary.

An independent expert in these regulations is any physical or legal person acknowledged by the privatizations scheme's examining work group as sufficiently skilled for making conclusions about the elaborated privatization scheme and who's

main work is not within the Ministry (committee) or local government which has formed this 'privatization schemes' examining work group.

3.13. Taking into consideration the content of the privatization scheme, arguments mentioned at the meeting and conclusions of experts, board of the local government adopts a decision on the approval or declining of local government owned unit's (enterprise's) privatization scheme. The decision is approved with the signatures of all board members.

3.14. The board of local government publishes the information on the approved privatization schemes of local government owned units (enterprises) at the local newspaper not earlier than three weeks and not later than six weeks from the moment the privatization scheme is approved.

3.15. Ministry (committee) or local government note the number of decision, date of decision's approval and content of the adopted decision at the privatization schemes' registration journal.

3.16. Privatization schemes' examining meetings and, if necessary, meeting of privatization schemes' examining work group are recorded.

3.17. Minutes of the meetings, conclusions of experts, a copy of the privatization scheme and a copy of the decision are kept by the Ministry (committee) or local government in a special file by the time the privatization scheme is implemented. After the privatization scheme is implemented the file is handed over to the archive in the procedure determined by the Republic of Latvia Council of Ministers.

3.18. Ministry (committee) or local government within 3 days submits the decision on the approval of unit's (enterprise's) privatization scheme and a copy of the privatization scheme to the Ministry of Economic Reforms. Ministry (committee) encloses to this decision a draft structure of state unit's (enterprise's) to be privatized privatization commission, if such commission is not established before.

3.19. Decision on the declining of the unit's (enterprise's) privatization scheme together with the conclusion showing the reasons of decline shall be presented in written form by the Ministry (committee) or the board (council) of local government

to the author (authors) of the privatization scheme within a work day from the moment decision is adopted.

3.20. Ministry of Economic Reforms registers privatization schemes submitted by the Ministry (committee), local government and authors of declined privatization schemes and conclusions of the Ministry (committee) or local government about them in the procedure determined by Article 2.2.

3.21. Ministry of Economic Reforms forms the work groups mentioned in Article 3.2. for examining the submitted privatization schemes. Meetings of work groups are recorded and office-work carried out in the procedure determined by Article 3.17.

3.22. Within two weeks from the moment of submitting the work group formed by the Ministry of Economic Reforms, asking advice of the Ministry (committee), local government and experts if needed, with the simple majority of votes at opened voting adopts a decision on the supporting of the privatization scheme approved by the Ministry (committee) or on stopping the decision adopted by the Ministry (committee), if the privatization scheme of state unit (enterprise) is submitted, or adopts a decision on the supporting of local government decision or on handing in the negative conclusion to the Republic of Latvia Council of Ministers, if the privatization scheme of local government owned unit (enterprise) is submitted.

Members of the work group have a right to make their objections against the adopted decision. This must be done in the written form. The objections are enclosed to the adopted decision.

The decision is arranged with the order of the Economic Reforms Minister.

3.23. Ministry of Economic Reforms registers the adopted decisions in the procedure determined by Article 3.15.

3.24. Ministry of Economic Reforms within 3 days sends a decision on the supporting of unit's (enterprise's) privatization scheme to the institution which has approved this privatization scheme.

Information about the approved privatization scheme of the unit (enterprise) is published at the press by the Ministry of Economic Reforms not later than four weeks after it is received.

3.25. A decision on stopping the decision adopted by the Ministry (committee) together with the conclusion showing the reasons of stopping shall be handed in by the Ministry of Economic Reforms to the Ministry (committee) which approved the privatization scheme, as well as sent to the administration of the state unit (enterprise) to be privatized, the local government on the territory of which state unit (enterprise) to be privatized is located, and to the authors of the privatization scheme within 3 days after the above mentioned decision is adopted.

3.26. Ministry (committee) considers the Economic Reforms Ministry's decision on stopping the decision adopted by the Ministry (committee) in the same procedure as the privatization schemes submitted by the authors.

3.27. A negative conclusion about the decision adopted by the local government together with the explanation about the reasons of such conclusion is submitted by the Ministry of Economic reforms to the Republic of Latvia Council of Ministers within 3 days after its adoption, as well as sent to the board of the local government.

3.28. If the privatization scheme of state unit (enterprise) is elaborated by the group of authors formed by the Economic Reform ministry, this scheme together with the conclusion of independent experts coordinated with the Ministry (committee) supervising this state unit (enterprise) shall be submitted for approval to the Republic of Latvia Council of Ministers.

3.29. Privatization schemes and conflicts associated with them are considered at the Republic of Latvia Council of Ministers by the privatization schemes' examining work group established by the Republic of Latvia Council of Ministers including the representatives of Foreign Affairs Ministry, Economic Reforms Ministry, Ministry of Finance, Ministry of Justice and Government administration. Decisions of the work group are //arranged-noformē// by the instruction of the Republic of Latvia Council of Ministers.

3.30. Articles 3.4. and 3.16. of this regulation are ascribed to the activities of privatization schemes' examining work group formed by the Chairman of the Republic of Latvia Council of Ministers, but Articles 2.2, 3.15 and 3.17 - to the activities to the Republic of Latvia Government administration.

4 Amendments and additions to the privatization scheme

4.1. Approved privatization scheme may be changed and additions to it may be done in the case if:

- implementing of privatization scheme with the former regulations is not possible;
- new facts came out which weren't known at the moment of privatization scheme's approval and which have an essential importance for the implementing of the privatization scheme or in the future operations of the privatized unit (enterprise);
- when approving the privatization scheme the Republic of Latvia laws, the Republic of Latvia Supreme Council or Republic of Latvia Council of Ministers resolutions were violated.

The approved privatization scheme may be changed if it is demanded in the written form by:

- the Republic of Latvia Supreme Council, the Republic of Latvia Council of Ministers or justice institutions;
- privatization commission of the unit (enterprise) or authors of the unit's (enterprise's) privatization scheme.

If changes in the unit's (enterprise's) privatizations scheme are demanded by the Republic of Latvia Supreme Council, the Republic of Latvia Council of Ministers or justice institutions, the implementing of this privatization scheme must be stopped by the moment the corresponding decision is adopted.

4.2. A request for making changes or additions to the privatization scheme must be substantiated.

4.3. A request for making changes or additions to the privatization scheme is examined by the institution which approved this privatization scheme.

4.4. A request is registered and examined by the corresponding institution in the same procedure as the privatization schemes submitted by the authors (Chapter 3).

4.5. Within two weeks from the moment the demand is received the corresponding institution adopts a decision on making changes and additions to the privatization scheme or hands in argumented refusal. The decision is //arranged - noformets// by the instruction of the minister (chairman of committee) or by the decision of the board of local government and is registered in the procedure determined by Article 3.15.

4.6. Changes and additions to the privatization scheme of the unit (enterprise) mustn't change the basic conceptions of the approved privatization scheme. In other case the permission of privatization scheme's authors must be received before adopting the decision or the decision on privatization scheme's approval shall be cancelled and within two months another privatization scheme of the unit (enterprise) shall be approved.

The following changes are considered as not corresponding to the basic conceptions (in these regulations):

- of the envisaged privatization method;
- of the forms of entrepreneurial activity to which the privatized unit is transferred;
- of envisaged means of payment.

4.7. Corresponding institution informs the privatization commission of the unit (enterprise), its administration and authors of the unit's (enterprise's) privatization scheme about the decision on making changes and additions to the privatization

scheme of the unit (enterprise) within two days from the moment the decision is adopted.

4.8. Within three days the Ministry (committee) or local government shall submit the decision on making changes and additions to the privatization scheme of the unit (enterprise) to the Ministry of Economic Reforms.

4.9. Authors of the unit's (enterprise's) privatization scheme, administration of the unit (enterprise) and other institutions which are not satisfied with the decision of the Ministry (committee) or local government on making changes and additions to the privatization scheme hand in their objections and proposals to the Ministry of Economic Reforms within a week from the moment the decision is adopted.

4.10. A work group formed by the Ministry of Economic Reforms within two weeks considers the decision of the Ministry (committee) or local government, enclosed motivation, claims of the other parties, if such exist, and adopts a decision on supporting or stopping the decision of the Ministry (committee) or local government. The decision is //arranged-noformēts// by the instruction of the Minister of Economic Reforms and is registered in the procedure determined by Article 3.15.

4.11. Within three days the Ministry of Economic Reforms sends its decision on supporting or stopping the decision of the Ministry (committee) to the Ministry (committee) which approved the privatization scheme of state unit (enterprise), to the privatization commission of this state unit (enterprise), to the authors of the privatization scheme and to the institutions which submitted to the Ministry of Economic Reforms their objections against the decision adopted by the Ministry (committee).

4.12. Within three days the Ministry of Economic Reforms submits its decision on stopping the decision of the local government to the Republic of Latvia Council of Ministers, as well as sends to the corresponding local government, authors of the local government owned unit's (enterprise's) privatizations scheme and institutions which submitted to the Ministry of Economic Reforms their objections against the decision adopted by the local government.

The decision on stopping the decision of the local government comes into effect after it is examined by the work group mentioned in Article 3.29 and after it is approved by the Republic of Latvia Council of Ministers instruction.

4.13. Information about the changes and additions made to the privatization scheme, not corresponding to the main conceptions of the privatization scheme and approved by the Ministry of Economic Reforms or the Republic of Latvia Council of Ministers are published by the Ministry of Economic Reforms within two weeks from the moment the decision of the Ministry (committee) or local government is received.

Information about the other changes and additions made to the privatization scheme is published by the privatization commission of the unit (enterprise), if it is decided as necessary by a decision of the commission.

4.14. Applications for making changes and additions to the privatization scheme submitted by the physical and legal persons not mentioned in these regulations, are examined and answer is given in the general procedure by the institution which approved the privatization scheme.

5 Responsibility of the persons examining privatization schemes

Members of the work groups mentioned in Articles 3.2, 3.21 and 3.29 of these regulations are responsible for observing the Republic of Latvia laws and the Republic of Latvia Supreme Council and Republic of Latvia Council of Ministers resolutions in the procedure determined by the Republic of Latvia law of June 16, 1992 "On the Privatization Procedure of State and Local Government Owned Units (Enterprises)". They are also responsible that information they have at their disposal is not used in the benefit of any author (authors) of privatization scheme.

Republic of Latvia
Minister of State

Janis Dinevics

Approved by
the Deputy Minister
of Agriculture A.Šķēle
April 27, 1993

REGULATIONS
on State Grain Inspection

Coordinated by:
Latvijas State Grain Birojs
A.Bērziņš
April, 1993

Riga

REGULATIONS on The State Grain Inspection

1. The State Grain Inspection is a government institution subordinated to the Ministry of Agriculture with a permanent balance and with the rights of a legal person.

Its activities will comply with the laws of the Republic of Latvia, government regulations and orders, orders and regulations of the Ministry of Agriculture as well as this regulation.

2. The State Grain Inspection carries out state control and supervision on how the quality and storage of state grain and seeds is provided. It performs quality control and issues quality licences for foreign grain and grain product trade.

3. The State Grain Inspection control functions refer to following types of resources and production: grain, grain seeds, flour, cracked grain, mixed feed concentrate, oil-cakes (rauši).

4. The tasks of State Grain Inspection are:

4.1. to monitor the correctness of compliance with the grain quality standards purchased for the State Grain Reserve;

4.2. to control the quality monitoring and storage of grain stored in enterprises of State Grain Reserve;

4.3. to perform the tasks of the Ministry of Agriculture and LB on the quantity of the State Grain Reserve and quality control, control of substantiation of losses and writing them off.

4.4. to perform grain and grain product quality inspection, issuing quality licences for export, import and transit operations.

4.5. to examine and make recommendations on grain and grain product quality for all legal persons and physical persons in case of disputes.

4.6. to perform services and contract work with physical and legal persons for the quality inspection of grain and grain products.

4.7. to provide methodological assistance to grain product laboratories and to participate in the licensing for adequate compliance with the quality measurements and usage of lab equipment.

5. The State Grain Inspection has the right:

5.1. to demand and obtain required information and explanations, become acquainted with the inventory documentation and the actual situation of storage on the enterprises operating with State Grain Reserve.

5.2. to require elimination of damages to product quality, grain, and grain product storage from authorized persons of the enterprise.

5.3. to prohibit the unloading of grain and grain products in the port of the Republic of Latvia and further transportation without quality control and issuing of a licence;

5.4. to review questions and make recommendations on the further use of non-conditioned grain that does not comply with the quality documents.

5.5. to determine the extent of discounts according to various stages of damage to grain and grain products.

5.6. to entitle grain and grain product laboratories to perform the quality determination of local and foreign trade, and control their services.

6. Activities of authorized persons of State Grain Inspection are regulated by instructions on work duties and responsibilities.

7. All activities of the officers of the State Grain Inspection concerning the interests of legal and physical persons can appeal to the arbitrary court according to the existing legislation.

The claim for arbitrary court does not stop the implementation of the adopted regulations until the decision is adopted by the higher institution.

8. The State Grain Inspection performs its activities within the network administration and financing conditions with the subordination of the lower rank of authorities to the higher rank of authorities.

9. The State Grain Inspection consists of:

9.1. personnel of the department;

9.2. A central republican laboratory that will perform grain quality control for state and privates sector grain and grain products.

9.3 regional inspectors;

9.4. Riga and Ventspils port grain and grain products' quality control and inspection stations, in which inspectors are hired on contract basis depends on the scope of work.

9.5. In addition to this, depending on the scope of work, extraordinary laboratories and inspection stations can be set up for grain and grain products' quality

control; they operate in accordance with regulations approved by the State Grain Inspection Director.

10. The State Grain Inspection receives funding and material resources from the state budget. Additional funding can be derived from services offered or work performed by contract.

11. Labour relations in the State Grain Inspection are covered by the LR Labour Code and regulations on the State Grain Inspection.

12. The State Grain Inspection is managed by the Director appointed or dismissed by the LR Minister of Agriculture on recommendation of the State LB. The State Grain Inspection Director is also the chief inspector of grain and grain products in Latvia.

13. The State Grain Inspection Director:

13.1. manages the work of the Inspection and is responsible for the fulfilment of assignments;

13.2. acts in the name of the Inspection without a special warrant, represents it in all institutions and organizations, manages the property and resources, makes contracts, issues warrants, opens accounts in the LR banks and other credit institutions.

13.3. determines the responsibilities and competence for the technicians and structural parts of the Inspection, approves regulations for units involved in grain and grain products' quality control and inspection; approves the staff of the State Grain Inspection;

13.4. according to the current legislation, determines the order of reporting, document circulation and filing;

13.5. submits documents to investigative institutions regarding making answerable natural and legal persons for non-compliance with the provisions of legislative bills, and if they have deliberately instigated the decline or damage of state grain reserve quality;

13.6. according to the LR Administrative Code, imposes fines on officers who have violated regulations regarding storage and inventory of grain and grain products.

14. The State Grain Inspection has its own seal with its name and special seals.

15. The State Grain Inspection is reorganized or liquidated with the LR MOA decision on recommendation of the State LB.

AGREED:

Agriculture Department

Stock-Farming Department

Agrarian Reform Department

M. Grigalis

G. Kleinbergs

I. Martinsone

**PRIVATIZATION SCHEME OF STATE (LOCAL GOVERNMENT) UNIT
(ENTERPRISE)**

1 Basic information about the unit

1.1. **Name of Ministry (committee, local government)**

1.2. **Full name of the enterprise (entrepreneurial company), showing the form of entrepreneurial activity**

1.3. **Unit to be privatized (fill in the case if separate structural unit, subsidiary, representative of the enterprise is envisaged for privatization)**

1.4. **Registration of the enterprise (entrepreneurial company) at the Republic of Latvia Register of Enterprises: nr. _____
date of registration _____**

1.5. **Legal address of the enterprise (entrepreneurial company), showing phone, telex, fax**

1.6. **Location place of the unit (fill in the case if separate structural unit, subsidiary, representative of the enterprise is envisaged for privatization)**

1.7. **Enterprise's (entrepreneurial company's) accounts in the banks:**

1.7.1. **Ruble accounts:**

(nr. of account, bank, address of the bank, bank code)

1.7.2. **Hard currency accounts:**

(nr. of account, bank, address of the bank, bank code)

1.8. **Basic capital (statutory fund) of the enterprise (entrepreneurial company) on _____ is _____ th.rbl.**

1.9. **Distribution of entrepreneurial company's capital:**

- capital share owned by the state _____%

- capital share owned by the legal persons (show concrete legal persons)

_____ %

- capital share owned by physical persons (in total) _____ %

including capital share owned by foreigners _____ %

1.10. Investments of the enterprise (entrepreneurial company) into the other entrepreneurial companies:

Name of the entrepreneurial company _____

Address _____

Registration nr. _____

Volume of investment _____ th. rbl. or
_____ thousand US\$

Ratio of investments in the basic capital _____ %

1.11. Main fields of activity determined by the charter (regulations) of the unit (enterprise, entrepreneurial company, its structural units, subsidiaries, representationaries, henceforth - "unit") to be privatized

1.12. Structural units of the enterprise (entrepreneurial company) in Latvia:

Name _____

Address _____

Field of activity _____

1.13. Subsidiaries of the enterprise (entrepreneurial company) abroad:

Name _____

State _____

Address _____

Legal status _____

Field of activity _____

1.14. Area covered by the unit _____ ha

1.15. Information about the owners of the unit, their property before the nationalization, volume of this property fixed in the post-war assets stock-taking statement (except information about stock and share owners).

1.16. Information about physical and legal persons leasing the unit or its part, as well as about lease contracts:

Nr.	Lease-holder (name, address)	Property leased*1	Terms of the lease contract
-----	---------------------------------	-------------------	-----------------------------

1.17. Unit's balance sheets of three previous years (enclose in Appendix)

2 Privatization of the unit

2.1. Method of privatization *2

If A, B, D - with or without selection of candidates,
if C - form of entrepreneurial activity _____

2.2. Inventory of the unit's property to be privatized (transferred)

2.3. Proposals for inviting specialized companies for organizing the auction (if case A)

2.4. Valuation of the unit

2.4.1. Proposals for involving experts _____

2.4.2. Estimate of the unit's determined price. Method for calculating the determined price _____

2.5. Conditions for unit's privatization (in the case of candidates selection - conditions of selection):

2.5.1. Property use regulations (guarantees) _____

2.5.2. Production regulations (guarantees) _____

2.5.3. Guarantees for maintaining work places, requests towards the staff policy of the purchaser _____

2.5.4. Guarantees for investments _____

2.5.5. Necessity for environment protection measures _____

2.5.6. Guarantees for fulfilling the mobilization objective, state and mobilization reserves' maintenance conditions _____

2.5.6. Other regulations (guarantees) _____

2.6. Capital shares of the entrepreneurial company:

2.6.1. Distribution of capital shares of the entrepreneurial company in the case C (total capital - 100%):

- capital share retained by the state (local government) _____%
- including - shares reserved for the former owners*3 _____%
- capital shares transferred to pension funds*3 _____%
- capital shares reserved for sale using certificates*3 _____%

- other shares retained by the state (local government)*3 _____%
- capital share sold only to the employees of the unit*4 _____%
 - capital shares sold to other physical and legal persons _____%
 - including capital share sold to foreign physical and legal persons*3 _____%

2.6.2. In the case C - stock (share) types and proportion in the stock (share) company _____

2.7. The procedure of entrepreneurial company's capital shares sale in the case C;
 The procedure of property purchase in the case D;
 The procedure of property sale in the case E _____

2.8. Information the possible purchasers (lease-holders)
 Name, second name (for physical persons) or full name (for legal persons)

Address _____
 (state, address, phone, telex, fax)

Number and date of registration at the local register for legal persons _____

Legal status _____
 (joint-stock company, company with limited liability etc.)

Main fields of activity _____

2.9. Means of payment, payment procedure and conditions

2.9.1. Envisaged means of payment, their proportion _____

2.9.2. Terms for carrying out the payment.

First payment _____

2.9.3. Discount envisaged for employees - owners of certificates
 _____ %

2.9.4. Cases when terms of payment may be prolonged (shortened)

2.9.5. Other conditions _____

2.10. Enumeration of unit's liabilities:

2.10.1. Liabilities to be taken over _____

2.10.2. Additional liabilities _____

2.10.3. Transfer of other liabilities _____

2.11. Privatization phases (description) and terms for implementing the scheme _____

3. Unit's operation after the privatization

3.1. Business plan of the unit (enclose in Appendix)

3.2. Reorganization plan of unit's production and administration structures (enclose in Appendix if it is not included into the business plan)

3.3. Proposals for restructuring measures needed _____

3.5. Procedure for supervising capital shares owned by the state, further forms and terms of sale _____

4. Agreement among the authors of the privatization scheme on the distribution of reward (enclose in Appendix with corresponding certification)

5. Date when the privatization scheme is prepared _____

Date when the privatization scheme is submitted _____

Requisites of scheme's author (authors)

Name, second name or name _____

Address _____

Phone, telex, fax _____

Passport data (for physical persons) or date and number of registration at the Republic of Latvia Register of Enterprises (for legal persons) _____

Number of account _____

*1 -- show only:

- whole enterprise;
- structural unit of the enterprise;
- buildings and constructions;
- conducting devices;
- machinery and equipment;
- vehicles;
- others (show)

*2 -- A - sell in the auction

B - sell in the competition of closed option

C - transfer into the entrepreneurial company (or sell capital shares owned by the entrepreneurial company)

D - lease with rights to buy up

E - liquidate the enterprise and separately sell its real estate and property

*3 -- show in percentage ratio towards the basic capital (statutory fund) of the entrepreneurial company

*4 -- show the capital shares envisaged for sale to the unit's employees by Latvian rubles

Note. If necessary each of the articles may be extended by including additional articles to the privatization scheme, writing in additional information important from the point of view of the authors, as well as skip the articles not adjustable to the concrete privatization method used at state unit (enterprise).

Republic of Latvia
Minster of State

Janis Dinevics

REGULATION ON THE VALUATION OF STATE AND LOCAL GOVERNMENT OWNED UNITS (ENTERPRISES) AND ASSETS

I. General regulation

1. A regulation on the valuation of state and local government owned units (enterprises) and assets determines a procedure in which state and local government units (enterprises), their structures and separate assets and real estate to be privatized are valued, the set price is determined and the results of the valuation are //fixed - noformēti//.
2. This regulation is used by the privatization commission of state and local government property while valuating the unit (enterprise), its structures or separate assets and real estate.
3. The entire tangible and intangible assets of a unit (enterprise) are valued and their price is determined considering:
 - the real existence and the actual state of the assets, which is determined in the process of stock-taking;
 - prices, which are in effect at the moment of valuation;
 - conclusions of experts.

II. Organization of a unit's (enterprise's) valuation

4. Valuation of a unit (enterprise) to be privatized is carried out by the privatization commission of state and local government property (henceforth - privatization commission).
5. Privatization commission in accordance with the Republic of Latvia law "On the privatization commissions of state and local government property":
 - checks the results of stock-taking organized by a unit (enterprise) and values the assets fixed in the stock-taking statements;
 - determines the set price of a unit (enterprise) in accordance with the market conditions and conclusions of experts.

III. Valuation of a unit (enterprise)

6. Valuating a unit (enterprise) the following shall be taken into consideration:
 - 6.1. assets: buildings, constructions, //pārvadu ierīces - drive devices//, machinery and equipment, computing technique, production and unproduction inventory, vehicles and other enterprise's property included into the category of assets;
 - 6.2. working capital:
 - goods and raw material stocks, //production stocks - ražošanas krājumi//, unfinished goods, finished production, goods which at the moment of valuation are in the way, less valuable and current assets and other material valuables;
 - other working capital: cash, money in bank accounts, securities, debts of debtors and other financial investments and assets, as well as //atlikums// from the special funds (production, social and material stimulating funds);
 - 6.3. units under construction;

6.5. other intangible components (name of a firm, label, authorities of judicial persons, rights to use inventions).

7. Privatizing the leased state unit (enterprise) it is valued like a production //kopums// and the state share is calculated by taking off the leaseholder profit invested into the enterprise from the total set price.

8. A unit (enterprise) shall be valued according to its assets value and amount of profit discount at the same time. If it is not profitable or if a unit (enterprise) is supposed to be privatized by selling assets and real estate separately, the value of the property according to the amount of profit discount is not determined.

9. Valuation of a unit (enterprise) according to its assets value includes the valuation of assets, working capital and buildings under construction:

9.1. assets are valued taking into consideration similar market prices, level of technical development, depreciation and actual possibilities of its use.

Totally depreciated assets are valued taking into consideration actual possibilities of their use;

9.2. working capital is valued:

goods and material stocks - according to the existing prices at the moment of valuation. Valuating less valuable and current assets the procedure determined by accounting is considered;

other working capital - according to the accounting records at the moment of valuation;

9.3. buildings under construction are valued and their relative price is determined taking into consideration the market prices of construction materials, changes in construction price tariffs, as well as the actual possibilities of its use.

After the valuation of a unit's (enterprise's) assets the privatization commission calculates the set price of the unit (enterprise) by multiplying the total value of enterprise's assets with correction coefficients determined by the privatization commission after it has valued peculiarities of the unit (enterprise) not exceeding:

sphere of activities and possible development - 0.9-1.1

power capacity and material capacity of production it produces - 0.8-1.0

financial state and profitability - 0.9-1.3

demand for the production (services) produced by the enterprise - 0.9-1.3

level of market's monopolization - 1.0-1.4

place of location and satisfactory infrastructure - 0.9-1.2

conclusions of experts (if there are so) about the construction costs of a similar unit (enterprise) - 1.0-1.6

conclusions of experts about the intangible components - 1.0-1.4

other factors influencing the value - 0.9-1.2.

11. A profitable unit (enterprise) shall be valued in accordance with the amount of profit discount as a united functioning economic complex.

A set price of the unit (enterprise) is determined by dividing 2-years average ^{of 2 years} profits anticipated by its business plan with the regular annual long-term (at least 5 years) deposit investment interest rate and multiplying by 100.

12. Privatization commission compares the set price of the unit (enterprise) obtained by using both methods and determines its final relative price.

IV. //noformēšana// of valuation results

13. Privatization commission according to the stock-taking data compiles assets, working capital and buildings under construction valuation statements and a statement of summarized set price (Append. 1,2,3 and 4) where it reflects the results of stock-taking and valuation.

14. Stock-taking documents, conclusions of experts (if there are so), calculations of the enterprise's profit discount amount and conclusion of the privatization commission about the correction coefficient are attached to the valuation statement.

ASSETS VALUATION STATEMENT

Privatization commission
 (names of commission members)
 carried out
 (name of the enterprise)
 assets stock-taking and valued its state on, 199...*

Inventory nr. of the unit	Name of the unit	Year it started operate	Beginning balance (th.rbl)	Actual deprec. %	Ending balance (th.rbl.)	Value in market prices(th.rbl.)
1	2	3	4	5	6	7
						8

In total:

Chairman,
 Stock-taking commission.....
 Commission members:
 1.
 2.
 3.

Chairman,
 Privatization commission.....
 Commission members:
 1.
 2.
 3.

* 1-7 are filled by the stock-taking commission
 8 is filled by the privatization commission

WORKING CAPITAL VALUATION STATEMENT

Privatization commission
 (names of commission members)
 carried out
 working capital stock-taking and valued its state on, 199...*

Name of the working capital group	Number	Total value (th.rbl.)
1	2	3
.....
.....

In total:

Chairman,
 Stock-taking commission
 Commission members:
 1.
 2.
 3.

Chairman,
 Privatization commission.....
 Commission members:
 1.
 2.
 3.

* Working capital valuation statement is compiled by the privatization commission.

5/06

THE BASIC PRINCIPLES AND IMPLEMENTATION PROCEDURE OF THE PRIVATIZATION OF STATE OWNED BAKERIES

I. Sector status

At the end of 1992, about 48% of the total bread produced in the country was by large state owned bakeries. Approximately the same amount of bread was produced by plants owned by the Latvian Consumers' Union; the remaining part was produced in plants owned by former collective farms or other entrepreneurial companies. In 1993, the number of newly formed bakeries has grown, as well as their contribution to the total amount of bread production. At the same time, the capacity of the existing state owned bakeries has not been utilized to maximum capacity. This pertains particularly to bakeries in Rezekne, Daugavpils and Jelgava.

By the end of 1992, the Latvian Republic (henceforth, "LR") concern "Latvijas Labība" partly controlled bread prices by determining limitations for some varieties of bread, as well as the average price for one portion of flour. When "Latvijas Labība's" operations terminated 1993, opportunities to determine prices in this manner ceased, and the price of bread was influenced by the competition among plants, as well as by factors determining grain price. Bread production, like other production sectors, has become an ordinary kind of entrepreneurial activity, where one of the primary goals of the entrepreneur is to make a profit; the previous priority, which was to provide bread to the residents of Latvia, ~~has~~ now becomes just a means of earning a profit. In the current situation, there is no reason to assume that further existence of state owned bakeries will ensure better bread and flour product supplies. Apart from this, experience shows that the existence of large bakeries not only increases efficiency of production but also creates problems under the conditions of increasing competition. The increasing number of bakeries attracting the capital of individuals willing to invest in this sector, formed alongside the existing ones, are evidence of this. In view of the fact that the capacity of bakeries is sufficient to provide bread to the residents of Latvia, a situation can be created where the sector suffers from bankruptcy caused by delayed restructuring.

In order to create a network of efficient enterprises, and to maintain their capacity of production under the management of qualified individuals, it would be advisable to start the privatization of bakeries immediately.

2. Peculiarities of bread production sector enterprises that should be taken into account during privatization.

2.1. The necessity to ensure rhythmical operation of the enterprises.

Bread production should be consistent; the necessary amount of bread should be produced daily. Every deviation creates a chain reaction in the demand for bread.

Although there are several bakeries in Riga which, though specialized, can partially substitute one another, state owned bakeries in other Latvian towns are the main bread suppliers for the region. If their operation ceases, it will

not cause crises in bread supplies, but initially will create certain problems concerning supplies, and later in their fight for the market, since its place will have been taken by other entrepreneurs.

2.2. Ensurance of price stability.

Previously 70% of bread production costs were constituted by flour price, but deductions to amortization funds for means of production constituted only a small part of the costs.

2.3. Technological underdevelopment

True? In most of the bakeries, means of production and technology are obsolete and suitable mainly for large scale conveyer systems. Fight for the bread market will necessitate the fundamental reconstruction of bakeries.

2.4. Strategic importance of the sector

If privatized immediately, bakeries cannot stop their operation even for a short time, for currently bread is one of the main victuals, and the capacity of the above mentioned new bakeries is not large enough to provide, for example, 30 tons of bread produced daily by "Ventspils Maiznieks". In addition to this, fluctuation of bread prices to a great extent influences prices of other victuals.

3. Basic principles for sector privatization

Taking all these factors into consideration, the following basic principles should be observed in the privatization of bakeries.

3.1. Reorganization of the existing enterprises by dividing them into a number of smaller units; formation of new production on the basis of indivisible by technology enterprises units which will be privatized in future as separate entities (units for privatization as in Chapter 4 of this paper).

3.2. On the basis of these enterprises or their parts, absolutely independent companies should be formed, and their activity will be determined exclusively by the LR Laws and competition.

Consolidation 3.3. / During the initial stage of enterprise privatization state joint stock companies should be formed. On the basis of state enterprises or their subsidiaries formed as the result of reorganization, state joint stock companies should be formed. During the process, valuation of the enterprises should be carried out; the price of shares will be determined according to it. If the enterprises have been transferred into the supervision/tenure of an entrepreneurial company, the enterprise should be revalued, and the actual investment of the company (the purchased property) into the enterprise should be determined.

3.4. Shares in these companies should be sold according to the privatization scheme (in this case, procedure of share sales), which determines distribution of shares and regulations on the sales of shares.

not clear
strengths
concept of
competition
tender.

Should come
from purchaser

3.5. Privatization projects in these cases are prepared by the Privatization Commission for the sector, appointed by the MOA. It also sells shares.

3.6. The privatization project should anticipate the possibility to sell shares to different groups of individuals - employees of the enterprises, pension trust, or other entrepreneurs.

OK

3.7. Distribution of shares should include control interest which would commission its holder to manage the company.

OK

3.8. Control interest is sold using a tender process according to regulations for the sale of shares prepared by the Privatization Commission; one of the main requirements for the aspirant is experience in bread production. His compulsion will be maintenance of a definite amount of bread sales, regularity and selection of product.

3.9. Shares will be sold on a long term credit; the purchaser is responsible for the compliance with the regulations for sale. Thus, the enterprise will be owned by the aspirant only in three (five) years, if the provisions included in the privatization project are complied with. Otherwise the purchase contract will be suspended and a new competition announced.

not clear
5 years to
start.

4. Units for privatization

Is this to do
with financing or
with the transfer of ownership?

The following state bakeries, including those leased to the newly formed entrepreneurial companies, are subject to privatization.

5 years ok for
lease too
long for transfer
of ownership
of 5.6

This sector includes:

1. State Firm (SF) "Druva":

- bakery No.1 - 113.5 tons /per day
- flour mill No.4 - 40.7 tons/per day
- macaroni plant - 11.5 thous. tons/ per year

2. Riga SF "Baltmaiznieks"

- bakery No.2 - 61.5 tons/per day
- bakery No.3 - 23.8 tons/per day
- Jūrmala bakery - 19.1 tons/per day

3. SF "Abra" bakery - 56.1 tons/per day

4. Ltd. company "Vidzemes maiznieks":

- bakery - 42.5 tons/per day
- baranka (ring-shaped roll) shop - 5.7 tons/per day

5. SF "Ventspils maiznieks" bakery - 30.2 tons/per day;

6. SF "Daugavpils maiznieks"

- bakery No.1 - 44.1 tons/per day
- bakery No.2 - 36.1 tons/per day
- baranka shop - 3.3 tons/per day

7. SF "Jelgavas maiznieks" bakery - 39.1 tons/per day;

8. SF "Liepajas maiznieks":

- bakery No.1 - 25.2 tons/per day
- bakery No.2 - 35.7 tons/per day

9. SF "Rezeknes maiznieks" bakery - 45 tons/per day

10. Entrepreneurial company "Aldona" Ltd. bakery - 30.5 tons/per day

11. Firm "Strategic" Ltd. Riga - rusk (dried bread) shop - 4.3 tons/per day

5. Privatization procedure

In order to implement the basic principles, bread production privatization should be carried out with the help of a separate law; the procedure would include:

5.1. The formation of the Privatization Commission;

It would be advisable to form one Privatization Commission for the sector; it would include impartial technicians who can prepare regulations for enterprise privatization.

and cost reduction criteria

5.2. The valuation of the unit for privatization;

Units for privatization should be valued according to the LR Law "On the Valuation of the State and Municipal Property (Enterprises)". The value thus determined, will create the basic capital for the joint stock company to be formed, and in the future will serve as the starting point for the preparation of regulations for the sale of the enterprise.

5.3. The formation of the state joint stock company;

State joint stock companies should be formed according to the LR Law "On the Transfer of the State and Municipal Property into Statutory Companies".

5.4. The distribution of shares;

The distribution of shares would include deductions to the Pension Trust 5 - 10%, to the employees - 15 - 30%, including sales for vouchers, and control interest of the company - 60 to 80 % of shares to be sold undivided according to the regulations for the competition.

5.4. Preparation and approval of the regulations for the competition;

Regulations for the competition cover mainly sale of control interest. Alongside with other regulations it would include obligations of the enterprise regarding the amount of sales, and terms of share purchase (dates, terms of payment, advantages related to resources invested in the reconstruction).

done
Keep flexible

5.5. Competition for privatization;

The competition is open. The beginning of the competition and opportunities to see the regulations should be announced in the press. Any natural person or legal entity willing to obtain control interest can participate in the competition. In order to claim the undivided control interest, the employees, or part of them, or other group of individuals have to form an entrepreneurial company, or establish a group by contract which should include mutual obligations and responsibility in the process of buying shares.

promote foreign ownership.

The term of the privatization competition is 2 or 3 months.

5.6. Purchase of shares;

Shares are bought on credit (deferred payment) for a term of 5 to 7 years with a strict schedule of payment. Only after the term has expired, the obligations determined for the purchaser of control interest concerning the use of the unit are terminated.

Any means of payment recognized by the state, including vouchers, can be used to purchase shares. Discounts can be determined for up to half of the resources invested by the new entrepreneur for the development of production.

This paper has been prepared by the Latvian State Institute of Agrarian Economy, Cooperation and Management Sector, 14 Strukturu Street, Riga.

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RECOMMENDATIONS FOR DAIRY PRODUCERS' ASSOCIATION OPERATION PLAN WRITING

The process of establishing the dairy producers' association has started in the Republic of Latvia. The economic conditions at the time of the commencement of operations are extremely difficult, therefore activities in the initial stages should be thorough and well thought out. To produce milk and milk products most effectively, dairy producers must cooperate. It must be taken into account that the existing dairy processing enterprises need to be reconstructed or (a considerable part of them) established anew. The equipment is depreciated by about 65% and it does not comply with the requirements needed for the production of quality products. Animal doctors and animal scientists as well as other kind of services provided to dairy producers, as well as the milk collecting system need to be changed. Therefore, at the stage when the dairy producers' association is established and begins its operations, when dairy collecting and processing enterprises are transferred into the ownership of dairy producers' association and turned into independent and profit-making dairy producers' association enterprises, the dairy producers' association operation (business) plan requires special attention. This will ensure the productive functioning of the association.

The Time Frame for the Development of a Business Plan

Because of the complex and unstable economic situation, the dairy producers' association business plan shall be written within the next two or three years. The operation plan and the results anticipated after the first year or less shall be worked out in greater detail, but for the remainder of the time only the major activities, their results and their influence on dairy producers and on the entire dairy producers' association shall be indicated. Thus, the plan consists of two parts- a detailed operation plan for the initial period and the major activities, intentions, and goal projections for more distant future. The second part can be more specified as the Association starts operating and its activities, the process and methods of their implementation, as well as the necessary resources can be formulated more precisely.

The Content and Structure of the Business Plan

(1)

The dairy producers' association business plan, first of all, describes the association-its members and tasks, the personnel and their ability to implement the tasks set by the association, to ensure the management of the association and services anticipated,

association capital and other resources, and the sphere of activity and management structure. It is important to determine and to describe the personnel skills, their ability to manage the operations of the association and the enterprise, and to establish a good relationship with association members and business partners.

It is also advisable to indicate what changes to the management system and the managers of the Association enterprise are intended in the distant future.

(2)

Secondly, the business plan shows the spheres of activity of the association and the ways these activities will influence milk producers' activities.

Now, in accordance with the Republic of Latvia Supreme Council April 15, 1992 Resolution *On Milk Collecting and Processing Enterprise Privatisation*, dairy producers' associations have the opportunity to transfer state milk collecting and processing enterprises to their ownership and to turn them into independently operated dairy producers' association enterprises. Special attention shall be paid to showing how would they function further and determining their technological and economic capability. It should be noted that the transfer of milk collecting and processing enterprises to the newly founded or re-established dairy producers' association free of charge is not an aim in itself, but rather a means to ensure higher milk and milk product production quality, to avoid ungrounded processing enterprise centralization and monopolization. To produce high-yielding and marketable product, it is important to ensure the gradual and effective development of the process, which will be based on world standard technology.

Therefore the dairy producers' association business plan must pay significant attention to the description of the state of the association milk collecting and processing enterprise affairs, operations and development perspective.

The following issues shall be outlined: the enterprise capacity, the condition of the equipment, the use of the equipment at present and in the future, the necessary modernization, material, and money resources required and its sources (own resources, loans, etc.). It is important to determine the amount of current assets that will be needed each month through the next year and how they will be obtained. Location of the enterprise is to be shown in relation to the sales areas, market, and clients. The plan shall describe, what products (and how much) are being produced at the present and will be produced in future (in one or two years) in the association enterprises. In what way will the product quality, production costs and sales (markets) change?

For the present moment, when the economic factors (prices, interest rates, wages) are changing very rapidly and are difficult to predict, calculations are to be made for three variants- minimum, average and maximum change of these factors.

If a sales network is to be established, then the volume of sales, profitability, as well as the manner in which it will be organized and controlled must be indicated.

It is important to ensure the uninterrupted functioning of the milk processing enterprise. Therefore, it should be described how an uninterrupted enterprise supply with raw materials, material and technical resources is to be carried out, how maintenance and renovation of the facilities and equipment is to take place. Will this be conducted independently, or will it be done cooperatively, with signed agreements?

The function of the enterprise is impossible without its personnel and workers. Therefore, the personnel structure, their pay and the projected changes in this respect must be indicated. Financial results characterise the enterprise operational results that, under the circumstances of the market economy, determine its operational ability. Therefore, the dairy producers' association operation plan must provide the quarterly expenditure and revenues for the immediate period and the annual revenues and expenditure for the future.

(3)

The dairy producers' association task is not only to ensure the effective function of the dairy processing enterprise, but also to provide dairy producers with services aimed at ensuring quality milk production and collecting on cooperative basis. Provision of services shall be based on a cost covering principle. Dairy producers' associations should analyse and reconsider how to solve the following problems:

1) Milk collecting. At this time, milk transport to the processing enterprises causes problems for many farmers and individual livestock farmers. Therefore, the plan shall present an analysis on the function of the milk collecting network, its accessibility, and anticipated improvements.

2) Milk production control and an animal doctor service system for farmers is just being established and is being restructured in order to ensure the establishment of a high quality, productive, and effective herd. The dairy producers' association operation plan shall therefore include information on the current status of this work, its cost, and the anticipated changes.

3) The material and technical supply of the producers. Milk producers, especially farmers, will decide on what kind of barn they will have (the amount of technical devices will they introduce), what equipment (food distributors, milkers, coolers, etc.), technical supplies, and sanitation materials will they introduce. Therefore, farmers will need additional help for the purchase of the existing farm equipment and other mechanism purchases, technical service, renovation, feed preparing, etc. The dairy producers' association shall analyse the situation and indicate in their operation plan how and what help they will provide to the producers, how the consultants will operate in their areas, and how the service system will operate there.

The dairy producers' association business plan and operations cannot remain unchanged. Together with the condition and situation changes, the operation plan and, more importantly, the operations of the association should change.

Cooperation and Management Problem Sector of the Latvia State Institute of Agrarian Economics will provide consultation on these issues:
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Riga, October 15, 1992

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Reviewed and approved by the Working Group for Milk Collecting and Processing Enterprise Privatisation Preparation, Ministry of Agriculture

October ,1992

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PRIVATIZATION OF DAIRY PROCESSING PLANTS

Methodical recommendations - comments

A. Miglavs. Latvian State Institute of Agrarian Economy

Introduction.

Perhaps in no other branch of agriculture product processing the producers have not been so dependent on processing and trading enterprises as it has been, and still is, in dairy processing. It is mainly for the reason that milk produced in agricultural enterprises is the sole raw material which in small quantity is to be sold to the consumers unprocessed. In addition to this, cows should be milked every day, and due to the concentration and specialization of production established during the previous decades, sales of milk have been confined to a limited area. This explains the fact that dairy processors have a large possibility to set their terms of sale for the milk producers.

Since milk cattle-breeding is one of the main branches of agricultural production in Latvia, the issue concerning the ownership of dairy processing plants to a certain extent becomes a political one. Apart from market, owners of dairy processing plants acquire additional means of influencing the income and living standard of country population.

For this reason in most of the countries in the world with market economy major part of the dairy processing plants is owned by milk producers, mostly by the cooperative associations formed by them. Prior to the transfer of dairy producers' cooperative property to state property in 1940, this was also the way the system was organized in the Republic of Latvia.

That is why over a period of time there have been discussions about the necessity to transfer dairy processing plants mainly to the ownership of milk producers. There had even been attempts to carry it out. These separate cases did not give, however, positive results due to the influence of the socialist food price fixing carried out by the state.

Only with the "liberation" of food prices and beginning of privatization economic preconditions were created for the transfer of dairy processing plants into the ownership of milk producers.

Still there exist contradictions. Transfer of ownership for the plants gives their owners not only the right to handle the products but also makes them responsible for the technical state of the plant, which actually is quite miserable, and for finding market to trade dairy products, since market has reduced considerably for several reasons, especially during the previous year.

This could be one of the reasons why during almost a year since the LR Supreme Council Resolution "On the privatization of milk receiving and processing plants" was passed in April 15, 1992, the formation of dairy producers associations and takeover of dairy processing plants has been slow.

Nevertheless, since the adoption of the Law "On the Privatization of Dairy Processing plants" January 19, 1993, the process of privatization of dairy processing plants enters its final decisive phase. Only by August 1, 1993, the milk producers are given opportunity to make a decision concerning their participation in the privatization of dairy processing plants.

Taking into account the fact that the above mentioned Law does not compel anybody to participate in privatization, but only gives the right to do so, a lot will depend on the understanding of dairy producers of privatization processes, possible options and motives of choice.

This paper is an attempt to present the essence of dairy industry privatization process, laying stress on specific features if compared to the privatization of other units of national economy, as well as to indicate the possible place and actions of dairy producers in these processes.

This paper is not a detailed action plan. However, it may help the members of Privatization Commissions in their work, or any individual interested in the privatization of dairy processing plants.

1. The beginning and main directions of dairy processing plant privatization.

Actually the privatization of dairy processing plants started only when the LR Supreme Council Resolution "On the Privatization of milk receiving and dairy processing plants" of April 15, 1992 (further in this paper "April Resolution"), was adopted. This Resolution actually marked three main lines of activity in the sphere of dairy processing plant privatization.

- 1.1. Renewal of the cooperative system of dairy producers.

The legal basis for the renewal of dairy producers' cooperative system follows from the thesis of the Resolution that in privatization Phase I "...milk receiving and processing plants according to a list approved by the LR Council of Ministers are transferred to the ownership of the renewed or newly formed dairy producers' associations or companies...". Other versions of plant transfer are not provided by the Resolution.

The April Resolution provides that the renewal of the cooperative system should be carried out on the basis of the principles included in the Dairy Producers Associations' Model Charter of December 17, 1937, approved by the Cabinet of Ministers. This was observed in the "Model Charter of Dairy Producers Cooperative Associations" developed by the scientists of the Latvian State Institute of Agrarian

Economy: J. Meijubers, A. Miglavs, N. Ozoliņš. The Model Charter was approved by the LR Council of Ministers June 16, 1992, Resolution No. 231.

In this Model Charter regulations were included from the Model Charter of 1937, which do not conflict Law "On Cooperative Companies" August 6, 1991, currently in effect in Latvia. These regulations are supplemented with the requirements of the current situation. Limitation on the maximum amount of shares (both basic and additional) held by a member to 15, is one of the essential differences. It has several reasons, but one of the main reasons is the current changes concerning dairy producers. Former collective farms are being replaced by individual farmers and small scale statutory companies; household farms are retained. Thus, the limitation ensures the stability of the dairy producers association and prevents the possible secession by its members.

1.2. Transfer of milk receiving and processing plants to the renewed and newly formed dairy producers associations.

April Resolution states that privatization of dairy processing plants is carried out in two phases, and all the receiving and processing plants are divided in two groups:

- 1) central (conceptual name) state dairy processing plants and
- 2) other milk receiving and processing plants.

According to the Resolution, plants belonging to the second group mentioned have to be handed over to the cooperative dairy producers associations free of charge, according to their operation areas; the value of their property is not distributed (personificēts) among association members. Personification is envisaged for Phase II.

State ownership is temporarily retained for the plants belonging to the first group. Several state dairy processing plants previously transferred to the balance sheet of agricultural enterprises are added to this group - Saldus, Jēkabpils, Aizkraukle and Bauska dairy kombināts; they should not be handed over to pagast dairy producers cooperative associations without payment.

Transfer of milk receiving and processing plants to dairy producers associations without payment is carried out according to methodical recommendations developed by the Latvian State Institute of Agrarian Economy (head of the sector A. Bondars and scientist A. Kļimenkova), approved by the LR MOA, and published by "Agroinformācija" publishing house; for this reason a more detailed discussion will not follow.

1.3. Preparation for dairy processing plant privatization Phase II

According to April Resolution dairy processing plant privatization Phase II should be carried out according to a separate Law on the privatization of agriculture product processing plants (in the course of work it later turned into a separate Law

"On the Privatization of Dairy Processing Plants"). The Law had to cover the following groups of issues:

- personification of capital in state plants handed over without payment to dairy producers cooperative associations to the association members;
- privatization procedure for the central state dairy processing plants;
- settlement of relations between separate pagast dairy cooperative associations in cases when any of the units transferrable without payment covers area related to several associations;
- guarantees to the stability of dairy processing plant privatization.

As the result of the implementation of the above mentioned actions about 60 renewed or newly formed dairy producers cooperative associations have come into existence. However only 25 of the state dairy processing plants have been handed over to 15 pagast dairy producers associations.

Further progress of the dairy processing plant privatization is determined by the Law "On Dairy Processing Plant Privatization" passed January 19, 1993.

2. The Republic of Latvia Law "On the Privatization of Dairy Processing plants and its structure.

The following principles form the basis for the Law:

- as the result of privatization dairy processing plants should be owned mainly by dairy producers;
- dairy producers are represented in the privatization mainly by pagast dairy producers cooperative associations;
- property rights of former dairy producers cooperative associations to dairy processing plants should be renewed;
- plant privatization in this branch should be carried out on favourable terms for the new owners; investment of resources should be still required from them;
- free will to make decisions on participation in dairy processing plant privatization;
- dairy processing plant privatization should not cut by force links of cooperation between both lower and higher level processing plants, and processing plants belonging to different regions established during decades;

The structure of the Law formed according to the above mentioned issues, treating them in succession. The following sections can be outlined:

- 1) general terms stating competence of the Law and legal basis for privatization (Chapter 1);
 - 2) privatization procedure and basic conditions (Chapters 2, 3, and 4);
 - 3) regulations for capital personification and guarantees to the stability of privatization process (Chapter 5).
3. Competence of the Law and legal basis for dairy processing plant privatization

April 15, 1992 Supreme Council Resolution "On the Privatization of Milk Receiving and Processing Plants" does not lose its validity (Article 2) with the adoption of the Law "On the Privatization of Dairy Processing Plants", and thus, the transfer of separate milk receiving and processing plants to dairy producers cooperative associations without payment can be proceeded. Pagast dairy producers cooperative associations can submit claims for the units to be transferred within two months since the Law goes into effect, t.i. April 1, 1993. It seems to be sufficient time for dairy producers associations to be formed and registered, including pagasts which have not done it so far.

If these associations are registered by April 1, 1993 and have submitted their claims for a dairy processing unit, it should be handed over according to the procedure provided by the above mentioned Resolution. Plants which have not been claimed remain included in the central plants, and are privatized according to the provisions of the Law "On the Privatization of Dairy Processing Plants".

In addition to these two documents directly related to dairy processing plant privatization, privatization process is covered by other legislative bills of the LR. However, if they conflict, the Law "On the Privatization of Dairy Processing Plants" (Article 2) dominates.

3.2. Plants to be privatized and personified.

Two groups of plants are outlined by the Law:

- plants subject to privatization according to the procedure provided by the current Law (Chapters 2,3,4). They are called in the Law "Units to be Privatized". It should be stated that the unit to be privatized can include several currently independent state plants; it is not envisaged to divide these plants into separate units. Separation of units has to be completed as the result of the implementation of April Resolution.
- enterprises that, or more exactly, their capital, that shall be only individually assigned. Because these enterprises themselves are already transferred or will be transferred to dairy producers associations free of charge. In reality Chapter 5 is the

only chapter that applies to these enterprises. In the law they are referred to as *units to be individually assigned*.

1) Enterprises under privatisation can be subdivided into three groups:

a) central dairy processing plants mentioned in the April Resolution, dairy processing plants earlier transferred to agriculture enterprises and dairy product storage enterprises.

All these enterprises become privatisation units on the day the Law takes effect.

b) milk collecting and processing enterprises that by April 1 have not been applied for by dairy producers associations to transfer to them free of charge. Besides, the transfer of ownership paperwork can be completed later, within six months from the date the Law takes effect, that is, August 1.

Thus the amount of privatisation units can increase within two months from the date the Law takes effect.

Privatization project shall be prepared within two months from the moment the Privatization Commission is approved. It shall be noted that after the privatization project is approved by the Ministry of Agriculture it acts like the normative act in the privatization process of the concrete unit and is the basic document for the Privatization Commission's further activities. If the necessity to change the regulations determined by the project appears during the work, changes may be made only with the accept of MOA.

2) Prospectus of the company. As mentioned above, one of the main principles in privatizing the enterprises of the industry is openness and free will. That's why the prospectus of the statutory company to be formed shall be prepared and published after the privatization project is approved so that persons who have rights to obtain asset shares envisaged by the privatization project are capable to make their own decision about the participation at the unit's privatization process. In the prospectus the main information expected to be interesting for the future owners of the unit shall be included (Article 14).

To a great extent the further process of the unit's privatization depends on the prospectus. The prospectus is the main source of information available to the eventual owners about the unit's to be formed possible activities.

3) Charter of the company. The above mentioned documents serve for ensuring the successful privatization process, but charter is a document determining the future activities of the unit to be privatized.

In general charter of the company shall correspond to the Republic of Latvia laws on the chosen form of the company (any form of statutory company may be chosen) and shall include some additional conditions (Article 15) aimed to:

a) promote the development of dairy producers cooperation system (subarticles 1 and 4). It looks like a new entrepreneurial company (which will not be the cooperative company) will be formed instead of the central state dairy processing enterprises. It is determined by the assets distribution to various groups of persons envisaged by the law and the administration structure of the companies provided by the law "On the Cooperative (joint activity) Companies", which gives one vote to each member of the company irrespective of his participation in the activities of the company;

b) to keep the way back to the sensible centralization of production for those dairy producers associations, which according to the April decree obtained the initial dairy processing enterprises which functioning individually are not competitive at the dairy products market (subarticle 3). Dairy producers associations have these rights which can not be alienated only in the time period of two years.

c) gives rights to the state to follow the activities of newly established companies and express their point of view to the administration of the company (subarticle 2);

d) envisage the possibility of involving the eventual investors into the activities of the company, as it is not specially envisaged to involve external capital during the process of unit's privatization, which could be necessary for the successful development of the enterprise, (subarticle 5).

5 Valuation and sale of the unit to be privatized

5.1. Valuation of the unit

According to the regulations of the law (Article 16) the unit to be privatized is valued in accordance with the valuation methodology approved by the Ministry of Agriculture and used in the cases when dairy collecting and processing units were handed over to the associations without any compensation.

It shall be noticed that the following is not included into the value of the unit:

value of dwelling houses -- they shall be handed over to the local governments and will be privatized in accordance with the separate law (Article 12);

value of the nationalized property which is supervised by the unit to be privatized. It will be given back to its legal owners in accordance with the respective laws of the Republic of Latvia.

5.2. Determination of the assets of the company to be formed

The assets of the company to be formed may exceed the value of the unit to be privatized. This difference may appear in the cases when the unit to be privatized has delivered milk or its products to the other unit to be privatized (Article 18). In this case distributing the assets (about this in details below) handing over of assets share to the unit to be privatized which delivered milk shall be envisaged.

For example, to the value of the unit to be privatized formed on the basis of Valmiera dairy kombinat a part of Riga dairy kombinat value shall be added correspondingly to the delivered milk proportion in the production volume of Riga dairy kombinat in 1991 and 1992.

As these assets and their distribution is a part of unit's privatization project and assets determination among individual unit to be privatized is labor-consuming and requires the MOA coordination, the valuation of the unit shall be finished two weeks before the deadline for privatization project elaboration. The results shall be reported to the Ministry of Agriculture showing the asset shares owned by the other units to be privatized. The Ministry of Agriculture informs about it these other units.

5.3. Distribution of assets

Distribution of assets is one of the main parts of privatization project. It shows the eventual new owners of the unit to be privatized. Distribution of assets is determined by the Privatization Commission taking into consideration conditions of the law.

It shall be emphasized that distribution of assets does not mean its distribution to the determined persons without any compensation, but only shows the distribution of asset shares purchase rights.

There are two phases in assets distribution. First of all the distribution is carried out among the following groups of persons (Article 17):

- 1) milk producers and milk and dairy products suppliers -- not less than 70% of assets;
- 2) employees of the unit to be privatized -- not more than 10% of assets;
- 3) other persons -- not more than 20% of assets.

Actually this determination is carried out in different sequence, because if necessary the Ministry of Agriculture has a right to determine state owned asset share which the Privatization Commission shall take into consideration (Article 7). State owned asset share is determined on the base of the asset share reserved for other persons, correspondingly reducing it.

Henceforth the distribution among concrete persons is carried out within the distribution groups.

- 1, Milk producers and dairy products suppliers.

The most complicated determination of asset distribution is among milk producers and milk and dairy products suppliers. As this share is determined proportionally to the weight of the milk supplied, at first information about milk supplies in 1991 and 1992 to the unit to be privatized is needed expressed in terms of milk, and suppliers are divided into three groups:

- a) direct milk producers -- farmers, collective farms, household. This information is needed on a pagasts scale;
- b) dairy processing units, which according to the April decree are handed over to dairy producers cooperative associations without any compensation -- collectors, creameries, milkeries;
- c) dairy processing units, on the basis of which the units to be privatized are established.

According to this information the total asset share reserved for the group shall be proportionally divided and the following have the rights to purchase it in the future:

- d) case -- the pagasts dairy producers cooperative association which operating zone covers these milk producers;
- e) case -- the dairy producers cooperative association or its union (Article 23) which got the mention plant into its possession;
- f) case -- the determined asset share is added to the assets of this other unit to be privatized in that way giving the rights of joint property in the company to be formed to the other entrepreneurial company, in this case even without asking its agreement. This asset share will be purchased by signing and paying for the asset share of the second unit to be privatized.

2) Employees of the unit to be privatized

Distribution of assets among the concrete employees of the unit to be privatized is carried out by the Privatization Commission in accordance with the regulations elaborated by it (Article 19).

Employees' length of service, their skills and attitude towards their work could be the criteria.

3) Other persons

The main objective for asset share reservation to other persons could be the involvement of additional resources to promote the future development of the unit. The Privatization Commission works out the criteria or selects candidates. It shall be noted that the existence of this share is not obligatory.

At the same time it shall be emphasized that only within the frame of this asset share a milk producer can get the asset share as the physical person during the process of privatization, because in the (1) group only the legal persons could become the eventual candidates -- dairy producers cooperative associations or their unions.

In the final distribution of the assets which is the inalienable part of the privatization project, the following shall be shown:

- asset shares reserved for milk producers of separate pagasts (in accordance with Article 1.a.);
- asset shares reserved for separate dairy producers cooperative associations (in accordance with Article 1.b.);
- assets shares handed over to other persons to be privatized (in accordance with Article 1.c.);
- asset shares reserved for concrete employees of the unit to be privatized;
- asset share retained by the state, if such is determined;
- asset shares reserved for other persons.

5.4. Regulations and procedure for asset shares sale

Privatization project and the prospectus of the company worked out on the base of the privatization project shall include the regulation and procedure according to which asset shares can be possessed.

1) Regulations for asset shares purchase. At first it shall be emphasized that almost all resources got from the sale of asset shares remain at the newly established company, and are transferred to the production development fund (Article 22). But it does not mean that anybody can get asset shares free of charge. The only exception is the state which keeps its owner rights in the determined extent, as well as statutory companies to the balance of which presently privatized dairy processing units were transferred before. They retain asset shares in the extent determined by the Ministry of Agriculture (Article 17).

Asset shares sale has the following reasons:

- it is the way how to mobilize resources (may be not very large) in the current situation when is the shortage of available credits;
- at the same time capital investing makes a large part of persons think over their attitude towards their participation in the entrepreneurial company.

2) Discounts for asset shares purchase

At the same time the Privatization Commission in privatization project may envisage advantages in the form of discounts and postponing of payment terms (Article 20). Determination of these advantages is contradictory.

From one side, it is necessary to get more resources for production development and as soon as possible, and that's why Privatization Commissions should determine these discounts as insignificant as possible. But from other side, milk producers who could be the main purchasers of asset shares, do not have the resources or do not consider

the investment of their resources into the development of the company as necessary -- and in this case the discounts could be as large as possible.

But the following shall be observed:

- actually Privatization Commission represents the interests of new owners, and owners by themselves shall take care about the further use of the property. Nobody will do that for them.
- marginal sizes of discounts mentioned in the law are the largest ones permissible;
- they are in effect only if these asset shares are signed for during the first phase of signing in the frames envisaged by the privatization project assets distribution.

If any person purchases more asset shares than it is envisaged by the privatization project (that could be done only during the second phase of signing) the determined discounts shall be reduced by one step.

For example, the privatization project determines 50% discount for the milk producers cooperative association and it has reserved share of 40 thousand rubles. If this company purchases asset shares for 60 thousand rubles, then the discount for additional 20 thousand rubles will be only 25%.

3) Means of payment. Mean of payment could be money, as well as property recognized by the Privatization Commission as acceptable, and general privatization certificates (Article 21).

4) Organization of the signing process (Article 21). Privatization Commission organizes only two signing phases before the privatization meeting in the procedure determined by the Republic of Latvia law "On Joint-Stock Companies" Article 20 (Appendix 2).

During the first phase of the signing persons, to whom the privatization project has reserved rights to purchase asset shares of the unit to be privatized, may sign for them in the determined extent. During the second phase only those shares could be signed for which are not signed for during the first phase and that could be done only by the persons who during the first phase has signed for the asset shares in full extent.

Asset shares not signed for during the first two phases are also sold, but only after the privatization meeting. At this meeting they are represented by the state authorized representative.

6. Essence and organization of individual assignment

6.1. Objectives of individual assignment

The following questions shall be resolved by the individual assignment of dairy collecting and processing units assets handed over without any compensation:

- achieve the correspondence of fixed assets determined by the charter of the company to the value of property and other assets owned by the company;
- ensure the possibility for all former members of dairy producers cooperative associations (as of 1940) or their heirs who by January 1, 1993 according to the April decree have announced themselves in the associations or board of pagasts, to get back their co-ownership rights to the former and present property of these associations;
- ensure the possibility for all members of the company when leaving the company in the procedure determined by the charter to receive back their share;
- ensure the possibility to become the co-owner of property handed over without any compensation not only for the first members of reestablished or newly formed pagasts dairy producers cooperative associations, but also for those who due to one or another reason joined the association later;
- take into consideration that the property handed over will not be the only property of the association and that the association will have its own economic life resulting the growth of the property and correspondingly changing the basic capital and value of shares.

6.2. Essence of individual assignment

Individual assignment expresses in a very simple way. After the terms determined by the law are over (there are two of them - January 1, 1994 and January 1, 1995) a part of transferred assets value is added to the basic capital of the company. There are two terms because the activities of the associations are not stable yet, and milk producers shall have a time to think over the necessity and possibilities of their participation.

As the basic capital consists of the sum made by the nominal value of shares owned by the members and these shares in all associations are determined according to the same criteria - 2400 kg of milk delivered to the association, the shares determined in this way are correspondingly enlarged. The method how to do that is shown in Appendix 3.

6.3. Relationship among several pagasts associations

In the real life it could happen that the unit handed over without any compensation according to the April decree covers not only one, but several pagasts or even regions.

In order not to arise any conflicts, the law envisages the solution of the following situations (Article 23).

In the case if one dairy processing enterprise covers the operating zones of several dairy producers cooperative associations and these associations have expressed their will to take over this enterprise (Article 2), then this unit is handed over not only to one association, but to the new legal entity formed by these associations - pagasts dairy producers cooperative associations union which shall be established in

accordance with the Republic of Latvia law "On Cooperative (Joint Activity) Companies".

Co-property shares of these associations shall be determined basing on the same principle as calculating the distribution of basic capital in the privatization process of dairy processing enterprises. (Part 5.3.1. of this commentary.) It is done just after the union is established.

In that way some kind of the individual assignment first phase is carried out -- among the pagasts associations. But the individual assignment of the assets handed over without any compensation among the members of the concrete association is carried out later as mentioned before (part 6.2. of this commentary).

There is another possibility for resolving the problem, although it is not mentioned in the law. If it concerns only a few pagasts with the insignificant number of milk producers, may be it is more useful to unite them into one pagast dairy producers cooperative association which will cover all these pagasts.

7 Privatization process stability guarantees

In distinction to the enterprises of other industries in the privatization of dairy processing enterprises it is tried to find guarantees against the cases of company's activities termination not supported by the law. It is expressed in the first hand rights of the state to purchase the privatized dairy processing unit (Article 25). The easier the unit was obtained by the association the easier (with the lower compensation) it is alienated. For example, in the case of the association mentioned in Appendix 3 of this commentary, if it would terminate its activities by the May 10, 1995, state taking over this unit shall pay back only the resources invested into the development of this enterprise. Not taking into consideration that the value of this unit has already been individually assigned. Value of liquidation quotas in this case would be essentially decreased.

8 Role of milk producers in the process of privatization

Any milk producer after getting know the law "On the Privatization of Dairy Processing Enterprises" has to make his own decision on his participation in the process of privatization and on the form of this participation. The decision could be made by trying to answer on the following questions.

8.1. Should I participate in the activities of dairy producers cooperative association?

It is not obligatory to do that. A milk producer have to decide whether he is able to fulfil the milk sale, processing and necessary technology purchase alone. Here it shall be noted, that although the cooperative association is an opened organization (it means that any milk producer of the concrete cooperative association operation zone has the rights to join it), it does not mean that the cooperative association has a responsibility to render services to the persons who are not the members of this association, especially on the favourable terms.

Actually the decision about joining the association may be made later, but as it was partially shown in Appendix 3, the later joining may be much more expensive for this person.

8.2. May be try to become the individual owner of dairy processing enterprise's asset shares?

Actually it is possible only in a few cases:

- Only in "the units to be privatized" and only in the case if the privatization project envisages asset shares sale to "other persons". Because the rest part is envisaged to be transferred or sold to dairy producers cooperative associations or employees of the enterprise. So we see, this part could be very insignificant;

- if after two phases of signing for the units to be privatized asset shares not all asset shares are signed for, and if the charter of the newly established company envisages such purchase possibilities for individual milk producers.

But these possibilities are too uncertain to take them into account at the very beginning of the privatization. Even more, in these cases no discounts are available.

8.3. Whether to establish a dairy producers cooperative association?

If there is no pagasts dairy producers cooperative association in the pagasts (or if pagasts is not included into the operational zone of any other association), to become a member of the association, firstly the association shall be formed.

The formation of dairy producers cooperative association is not complicated. The procedure of formation is shown in already mentioned "Proposals on the Reestablishing and Forming a New Milk Producers Association and Union".

But it shall be noticed that:

- it is envisaged that dairy processing enterprises will be transferred without any compensation and the distribution of assets will be determined only to those dairy processing associations which based their activities on the model charter approved by the Council of Ministers;

- to be the owner of dairy collecting and processing enterprises is not the only objective of dairy producer cooperative association.

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.Although ensuring processing and sales of the milk produced by the Association members is one of the main tasks, it is not the only one. Besides that Association should take care of the pedigree work, supply of the material and technical resources, such tasks as promoting the use of research and practical information and other related

tasks. An Association will not necessarily have a dairy enterprise in its ownership. It is fully acceptable, that an association only represents its members at another economic unit- at the union of cooperative association or share company, or alike, so that every association member does not have to take part in the management of the enterprise.

- participation in the privatisation process of the dairy processing enterprises will be connected with actual investments, and therefore a person that decides upon joining a dairy producers' association should be ready to invest his money into the privatisation. Investments are to be proportional to the number of shares of each member.

8.4. Shall a dairy producers association claim the ownership of the dairy processing enterprises? the Potential feed-back.

The first question is, if there are any milk collecting or processing enterprises, that in accordance with the April resolution, shall be transferred to *pagasts* association. If such an enterprise does not exist (it is the case, when milk from the particular area is brought to the central plant, that itself is a "privatisation unit" now) then claim for transfer of an enterprise into the ownership of the association is irrelevant. In this case association has only the additional preferences for obtaining capital shares in the unit under privatisation (see Article 5.4. of this paper).

If such an enterprise exists, the Association can claim ownership of the enterprise. But, before the decision is made, it should be reconsidered, if the enterprise is able to function as a separate unit. It may not be in all cases economically viable.

In some cases the negative result may show after so period only. Therefore the law (article 15) provides for investing the separate units into the associations formed on the basis of the central plant as a tangible investment and receiving part of the assets (shares, stock) in return. It takes place within two years from the date of registering the central plant association.

It has to be stressed, that separating free of charge a milk collecting or processing enterprise, the base capital share allotted to *pagasts* in the privatisation plan.

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Therefore *pagasts* dairy producers association, that makes a decision to claim separation of the enterprise free of charge, has to properly analyse the situation.

8.5. Should you claim partnership in the central plant under privatisation?

It should be stressed once again, that no one is pressed to become an owner of a dairy processing enterprise. Even part of the assets left in the reserve for a dairy producers'

association in the privatisation project, does not mean that the Association has to become a co-owner of the dairy enterprise.

When deciding, whether to take part in the privatisation process and the Dairy producers' Association, a milk producer has to take into account, that he will not necessarily make profit, but he might face some problems connected with improvement of the enterprise, sales and so like.

Still the major gains from co-ownership in dairy processing enterprises seem to be the rights:

- to participate in the management of the enterprise;
- to be the owner of the dairy product sold in the market.

The pagasts dairy producers association has to decide on taking part in the privatisation by the end of the 1st stage of applying for capital shares (Article 21). In most cases it is approximately five miniths after the privatisation has begun. If during that period the Association decides not to invest in the purchase of the capital shares, it practically loses the preferential status in becoming a co-owner of the newly founded entrepreneurial company. , and its members with that lose the right to be represented in the entrepreneurial company.

The capital shares allotted to pagasts dairy producers' association and not applied for in the first stage, under the second stage are offered to those dairy producers associations, that have applied for all the shares allotted to them. If dairy producers have not applied for the share allotted to them under the first and the second stage, those shares, after the establishment of the company can be sold to other persons, and thus dairy producers may lose the priority given to them by this Law to control the end-product, which in this case is the dairy product.

8.6. Resources for the Purchase of Partnership Shares???????

Association from the moment of its establishment has to consider the ways to get the resources:

- profit from the economic activities of the Association;
- members' personal investment of the necessary amount;
- loans from the bank or other banking institution or any other person.

9 Pagasts Dairy Producers' Association Operation, Participation in the Privatisation Process, their Relations

Pagasts Dairy Producers' Association place and participation in the price=privatisation of dairy processing enterprise privatisation is discussed in the previous chapters. In short, it can be characterised as follows.

9.1. The Re-establishment or establishment of the Associations

This issue has been discussed several times (see Chapters 4.2. and 8.3 of this paper), therefore we skip it in this chapter.

9.2. The Re-establishment of the Former Members' Membership

Irrespective of whether the pagasts DPA has been re-established or established, persons, that by January 1, 1993 have claimed their ownership rights as members of the former DPAs or their heirs, are enlisted as members. That is done by granting these members without investing any resources as many shares as they had at the moment when DPA stopped operating in 1940.

9.3. Operations of the Association

Not elaborating on other activities of the Association, we will discuss operations with pagasts DPA base capital and their relation to privatisation of dairy collecting and processing enterprises.

1) On the establishment of an association they can agree on a small minimum value of the base capital and low nominal value of a share. In the cases, when a dairy processing plant is transferred to the ownership of an association free of charge, and the turnover capital also goes with it, the small base capital value would not make any difference. But the situation is completely different, when the Association has to make some investments - either into its economic activities or into the privatisation of the big processing enterprises, that are to be partially purchased. In the latter case members' investments into shares might become one of the main source of resources for privatisation. Therefore, to avoid future problems, it is advisable at the moment of establishment of an DPA to set bigger share nominal value.

2) In case it has not been done and a need for additional resources arises (also resources for the purchase of capital shares), the general meeting, in accordance with the procedure set by the Charter can set a higher nominal value of the share, obliging member of the association to invest additional money, proportional to the number of shares they have. . . .???? As there are certain discounts on the purchase of shares, the growth of the base capital value can be bigger than the actual inflow of resources. In this case the general meeting may decide upon increasing the base capital, and transferring into it resources from other funds and correspondingly increasing the nominal value of the shares owned by the members at that moment. In this case no additional members' investments are made.

3) If, in accordance with the April resolution, a dairy collecting or processing enterprise has been transferred into the ownership of the DPA, irrespective of the cases mentioned above the personifying of the capital, as provided for in the law shall be made.

Conclusion

As seen from above, privatisation of such a huge industry as milk processing is a big and complex task. It comprises establishment of the producers' associations, separation of privatisation units establishment of new entrepreneurial companies, establishment of the new economic structures and relations. The process involves many state institutions and persons, and their operations are to be fully coordinated.

Therefore the present paper does not elaborate on all the aspects of the process. Still we hope, it has helped to understand the essence of the dairy enterprise privatisation process and will be an inducement to study the Law itself.

Although the work to be done is so enormously complex, it can be completed. But it is high time to start the process, as the time schedule is very tense.

Still hasty decisions will not help, as they determine the faith of the Latvian dairy industry in a long run.

Appendix 2

Extract from the Republic of Latvia Law On Share Companies

Article 20

- 1) Subscribing for shares , the subscriber shall pay at least 10% of the value of shares they subscribe for.
- 2) A subscriber shall pay 25% of the value of shares they subscribe for, before the foundation meeting.
- 3) The subscriber gets a cheque signed by a cashier appointed by the founders for the sum they have paid in.
- 4) Representatives authorised by the founders of the share company ensure, that the money paid in for the subscribed shares is put into the bank, make an agreement with the owner of the assets or the enterprise on asset, intellectual property or enterprise (Article 19) price, transfer conditions and take over the assets or the enterprise and keeps the share-holders' register.
- 5) The share-holders register registers all the share-holders and all the changes of share-holders. The register book pages are bound together and the pages are numbered. The binding is sealed and the page numbering is certified by the Enterprise Register. The Share-holders' register book can be substituted by a computer-register.
- 6) The money paid in by the share-holders is kept in the bank till the moment, when the Board of the Share-holders company demands it. If the share-holders company has not been established, founders demand the money back and return it to the subscribers (except the money that has been used for financing the founding of the Association).
- 7) In case of an argument, the case is reviewed by the court.

Appendix 3

An Example of Asset Individual Assignment in a Dairy Producers Association

1) In accordance with the April resolution an Association has acquired asset worth 4 mil. LVR free of charge. The Association base capital comprised 500 thousand LVR on Jan. 1, 1994, and members possessed 500 shares, in accordance with what has been mentioned above. Of that Pēteris Bērziņš had 3 shares for 7000 kg of milk he has supplied.

2) Therefore their nominal value was 1000 LVR ($500\ 000 : 500 = 1000$)

Pēteris Bērziņš share nominal value was 3000 LVR ($3 \times 1000 = 3000$)

At this time members, who wished to enter the Association, in accordance with the Charter had to invest into the Association at least 1000 LVR for the purchase of share. And, on leaving the Association, a member could get back his share at the amount of 1000 LVR only. The same amount would be returned on leaving the Association. It shall be done within one or two years from the moment of leaving the Association.

3) In accordance with the law 2 million (1/2 of 4 mil. LVR) of the assets transferred to the Association free of charge shall be individually assigned on Jan.1, 1994. This amount is added to the base capital of the Association, and thus the base capital comprises 2.5 mil. LVR ($500,000 + 2\ 000,000 = 2\ 500,000$). The number of shares has not changed and now one share equals 5000 LVR ($2\ 500,000 / 500 = 5000$), or it has increased by 4000 LVR.

The nominal value of Pēteris Bērziņš shares has increased up to 15 000 LVR ($3 \times 5000 = 15000$). He received 12000 LVR free of charge as a result of share value increase. It might be useful someday, when he decides upon leaving the association.

To enter the Association now you have to pay already 5000 LVR for each share. The same amount will be returned on leaving the Association.

4) Let's assume, that on Dec. 31, 1994 the base capital of the Association has reached 4 000 000 LVR, as new members have entered the Association and bought shares. The number of shares purchased has reached 800. For example, Lolita Kalniņa has purchased 4 shares that make up 20 000 LVR. Pēteris Bērziņš's share number has changed.

Now the remaining part (2000,000) of the assets have to be assigned. They are transferred from the reserve fund to the base capital. The share value has increased again. Now it reaches 7500 LVR (the increase this time is 2500 LVR).

$$(4000,000 + 2000,000) / 800 = 7500$$

The nominal value of Pēteris Bērziņš's shares have increased to 21 500 LVR ($3 \times 7500 = 21\ 500$) and he has received 5000 LVR * free of charge, or a total of 19,500 LVR in both steps.

INSTRUMENTARY
for state milk collecting and processing enterprise business plan writing

No.	category	source	notes
1	2	3	4
1	fixed asset value (mil. LVR)	economic activities' balance	
2	fixed asset depreciation (%)	economic activities' balance	
3	woking capital value (mil. LVR)	economic activities' balance	
4	milk collecting capacity (tons per day) Jan. 1, 1993	capacity balance	
5	production capacity (tons per shift) Jan. 1, 1993	capacity balance	separately for each kind of product
5.1.	etc.		
6	1992 milk collection (3.5-% butterfat)		
7	production. six months 1992		all products and semi-finished productsto be enlisted
7.1.	etc.		
8	production cost structure Oct.-Dec. 1992	production cost calculation	for each product, also 1993 estimate
9	revenue from sales	economic activities' balance	
10	revenue from services 1992	economic activities' balance	
11	revenue from subsidiary production 1992	economic activities' balance	
12	employees Jan. 1, 1993		
13	average pay Oct.-Dec. 1992		
14	profit 1992		
15	milk purchase price Jun. 1, 1993; Oct. 1, 1993; Jan. 1, 1994. a) minimum; b) medium; c) maximum	economic activities' balance	
16	gasoline and other resource price projection for Jun. 1, 1993; Jan. 1, 1994; Jun. 1, 1994. a) minimum; b) medium; c) maximum		

for each product separately

2

17 estimated product sales price for Jun. 1, 1993; Jan. 1, 1994; Jun. 1, 1994.

a) minimum:

b) medium:

c) maximum

18 estimated pay Jun. 1, 1993; Jan. 1, 1994; Jun. 1, 1994.

a) minimum:

b) medium:

c) maximum

Expenditure, revenue and profit calculation shall be characterised taking into account the renewal or substitutin of the basic funds and other expenses for the production of competitive products, assuming that the product will be sold in the following markets: the domestic, the Western and in the Eastern market. Among "other expenses" might be: personnel (management, technician and worker) training, purchase or development of new technologies, advertising, market survey and other expenses and purchase of the necessary information.

9/11/92

RECOMMENDATIONS

How to develop an operation (business) plan for a dairy producers association.

Formation of dairy producers associations has started in Latvia. They are starting their activity in complicated economic conditions and due to this the first steps have to be well-considered. With an aim to organize an efficient dairy production process, it is necessary to carry out the cooperation of dairy producers. It should be taken into account that dairy processing enterprises currently operating in Latvia have to undergo reconstruction, but part of them have to be formed anew. About 60% of the equipment is worn out, it does not meet current requirements for the production of good quality products. Veterinarian, live-stock specialist and other services provided to the dairy producers including milk reception have to undergo considerable alterations. In view of all this, when the dairy producers associations are being formed and starting to operate, and take ownership of milk receiving and processing enterprises in order to make them operate independently and efficiently, development of a thorough operation (business) plan for each dairy producers association is of special significance. It should serve to guarantee further successful and effective operation for the association.

Period of time covered by the plan

Under present rapidly changing economic conditions it is suitable to develop the business plan for dairy producers associations for a period that can be projected, t.i. 2 or 3 years. The steps that will be taken by the association during the first year or a shorter period and their expected results should be especially thorough and detailed, but for the rest of the period only the most important actions, objectives and expected results and their effect on the dairy producers and the operation of the association should be included. Thus, the operation plan of the association consists of two sections - a detailed and thorough plan for the initial stage, and the main actions, intentions and objectives for the rest of the period. The second section is specified and in the course of operation.

Structure and content of the operation plan

I

The operation plan of the dairy producers association should contain a description of the association, its composition and objectives, staff and their ability to carry out the objectives of the association, ensure its management and envisaged services, capital and other resources at its disposal, sphere of its activity, and structure of its management. It is important to estimate the competence of the staff, ability and talent to organize the operation of the association and its enterprises, and maintain efficient and proper relations with the members of the association and business partners.

It is useful that a perspective be provided of how the organization and management of an enterprise owned by the association can be altered.

II

Secondly, forms of activity of the association have to be indicated and the expected effect on the activity of milk producers.

Under current conditions when in accordance with the Supreme Council Resolution on April 15, 1992 "On the privatization of dairy reception and processing plants" the dairy producers associations are given the chance to get the ownership of state reception and processing plants and transform them into independently operating enterprises owned by dairy producers association; special attention must be paid that their ability for further operation is demonstrated, as well as its economic and technological possibilities. It should be noted that transfer of milk reception stations and processing plants into the ownership of the renewed and newly formed dairy processing associations is not an end in itself but a means to ensure the production of higher quality milk and other dairy products as well as to eliminate the ungrounded centralization in processing industry and the monopoly of these plants. The process must be gradual, effective and highly productive, the basis for this being equipment and technology corresponding world standards; the products must be capable of market competition.

For this reason a considerable attention in the operation plan of the dairy producers association should be

paid to the characterization of current state, operation and development of the dairy processing plant in the ownership of the association.

The plan should contain production capacity of plants, state of equipment, its current and prospective usage, the necessary modernization and materials, technical resources and funds for it and their sources (resources available in the plant, credits etc.) It is important to determine the necessary operating capital/cash-flow funds monthly over the period of one year and its source. The location of the plant should be characterized with respect to the market and consumers. There must be a detailed description of varieties and amount of production produced currently as well as prospective production (in one, two years); it should be indicated what changes in quality, production costs and prices, market organization and localities are expected. Currently economic factors (prices, interest on credit, wages) change rapidly and it is difficult to project them; calculations must be carried out according to three positions: minimum, medium and maximum changes envisaged.

If a network of direct sales is going to be set up, it has to be stated how it will be organized, controlled, the amount of products to be sold and the efficiency of the network.

It is important that the operation of the processing plants is continuous. Thus it should be stated how regular supplies of raw materials, technical resources, repairs of equipment and buildings will be ensured; if it will be done individually or on the basis cooperation or contracts.

Operation of plants is carried out by labour. Thus composition of the staff and wage level, as well as changes in these parameters should be reflected.

Financial results characterize the operation of the plant which determines its ability to function in market economy. That is why quarterly income for each separate enterprise and expenses for the nearest period and annually in longer term should be provided in the plan.

III

The goal of the dairy producers association is not only to ensure a high quality production and efficiency of dairy processing plants but also offer services to dairy producers on cooperative basis with an aim to produce high quality milk. It is useful that charges for their services be based on actual costs of providing them. Dairy producers

associations should analyse and consider ways of solving the following problems:

1. Reception of milk. Currently a large number of farmers and individual producers find it difficult to deliver milk to the processing plants. Therefore it is advisable to analyse the functioning of milk reception network in the operation plan. It should be available to the producers; they have to be informed about the expected changes.

2. Systems for veterinarian services and supervision of milk production for farmers and individual producers are in the initial stage of development and are undergoing essential changes with an aim to develop a high quality, highly productive and effective cow population. Therefore it is advisable that materials on the current organization of this work and expenses as well as the expected changes are included in the plan.

3. Technical provision of the producers. Milk producers, especially farmers, have to make decisions on what kind of barns to construct (level of mechanization), where and what kind of equipment to purchase (distributors of animal feed, milking machines, equipment for cooling milk), implements, sanitary materials etc. Farmers and other producers of milk have and will have a need for help to purchase farm equipment, to maintain it, do repair work, make animal feed etc. Therefore dairy producers associations must analyse the situation and state it in their plans what kind of assistance they will provide to the producers, and how they will do it, how the consulting service will operate in the area of activity of a particular association and what kind of system will be developed to provide services to the producers.

The operation plan and the activity of the dairy producers association is sure to undergo changes. As the conditions change, it will bring about alterations in the operation plan and activity of the association.

Consultations on these issues are provided in the Department of Cooperation and Management, Latvia State Institute of Agrarian Economics. tel. 562253 (A. Bondars), 562147 (A. Klimenkova)

Riga 15/10/92

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Management, Head of Dptm. A. Bondars

Draft plan was discussed and accepted in LR MOA Milk
Reception and Processing Plants Privatization Task Force
October 1992.

BUSINESS PLAN WRITING FOR PRIVATISATION PROJECTS

AID

The aid has been meant as a handbook for writing privatisation projects of state and local government asset units (enterprises or separate structural units of enterprises under privatisation) and the future economic activities (business) plans for asset units. The aid may provide useful information to privatisation candidates for whom business plan is a mandatory document to participate in privatisation competition.

The aid bears advisory character and should be applied with the necessary changes for each individual case, amending parts of the plan or elaborating on separate chapters in detail.

Privatisation unit (enterprise) information sheet, approved by the Council of Ministers in this legislation, as well as other information provided by state, local government and other institutions, organizations and firms are to be used as an information source for business plan, that is a part of the privatisation project.

(1) Summary of the Plan

This chapter of the plan will be written after all the other chapters are finished. It is very important, that the summary leaves upon the reader the best impression possible. Well written summary allows to decide quickly, whether the plan is worth more detailed examination. The summary will not exceed 2 or 3 pages. The language will be simple, so that any reader can understand it.

The summary will reflect main elements of the plan, so that the advantages of the plan are stressed:

- product description, pointing out the outstanding features, concept, market requirements to the product, market demand, competition;
- how the product will be produced or services provided;
- a brief history of your business, entrepreneurial experience, managerial experience and description;
- summary of the financial plan, including, how much resources you lack, where you hope to get them from, where they will be used and how they will be repaid.

(2) The Product or the Service

This chapter describes the product you offer or you would offer to the customer.

2.1. Concept of the Product

You describe the product you are producing or will produce, indicating whether or not you will preserve variety of products and level of output. If not, then indicate, what the changes to the existing products would be and what new (modified) products would be produced.

2.2. Detailed description of the product (particularly important for new/ modified products):

- technical characteristics and model, photo or precise drawing of the product (may be given as an appendix);
- working life of the product (for technical products);
- description of the design advantages;
- packaging peculiarities (important for export to Western countries, that do not accept products packaged otherwise than according to their standards);
- warranty and maintenance service provided (for technical products).

2.3. Description of what needs your product serves.

2.4. Patents, author's rights, ownership rights and other factors, that protect the product.

2.5. Approximate valuation of production profitability

No.	kind of product	probable sales price	product cost of one unit /LVR.	profit (2a-3a) /Lvr.	profitability (4a:3a x 100%)
0	1	2	3	4	5

(3) Market Analysis

This chapter and chapter *Marketing Strategy* is one of the most important and most complicated parts of the business plan. You have to prove that there is a market for your product and that you understand needs of your customer/client and that you can sell your product with profit. To make definite/true to life conclusions, you will have to analyse big amount of information. Exaggerated projections for sales volume may

cast doubt on the plan as a whole, and after all, it may lead to a break-down of your business.

3.1. Definition of Your Market

Indicate:

- who will buy your product (potential consumers);
- why will they buy your product;
- how much will they buy;
- when will they buy;
- at what price;
- quality requirements and maintenance service.

Defining the potential customer, you will decide whether or not:

1) the product sales are targeted at all the potential customers (characteristic of consumers' goods only);

2) the circle of customers will be restricted:

- (a) on income, age, sex, etc. basis (refers to consumer items mainly);
- (b) depending on what enterprises, that use your product, specialise at.

For better understanding this information will be presented a sa table:

No.	product item and its market	potential consumers	their location (address), if possible	supply conditons. amount and term	readiness to obtain the product despite price level differences
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1) -----
(kind of the product)

Markets:
in Latvia
the former USSR
in the West

2)-----

3.2. Information on market capacity of the product in general and your present and anticipated future position in this market and market tendencies (growing, not changing, decreasing).

No.	product item	market capacity	own share in the market	tendencies
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1) -----
(kind of the product)

Markets:

in Latvia
the former USSR
in the West

2)-----

At the moment it is difficult to characterise this part properly, as there are no reliable data on overall market situation in Latvia and the former USSR. In the West the respective information can be gathered from the local chambers of commerce or trade associations.

3.3. Major Competitors (in Latvia and Abroad)

You have to answer the following questions:

- who at the moment is and in future will be the main producer of goods similar to your product;
- what is their sales volume, revenue, how do they cope with introduction of new products, providing maintenance service (for technical items) and advertising;
- what is your competitors' price policy and price level (approximately).

It is very important to show the real state of affairs, or otherwise you may be considered an unqualified or dishonest person.

No.	product characteristics	competitor	their location	their market share	competitor
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3.4. Your product compared to the competing products (price, profitability, design, quality, service, warranty and other features):

- advantages;
- disadvantages;
- chances to improve the product.

(4) Marketing Strategy

This chapter is to show, how you will acquire position in the market and will ensure sales of your product.

4.1. Sales Channels for Your Product

Describe, how you are going to sell your product:

- directly to the consumer (fixed assets mainly);
- to wholesale companies (sales representatives);
- through exchanges;

- to retail companies.

If you are going to sell the product through retail, specify, if those will be stores of your company, any existing stores or stores to be opened in future (where and how will you open them, indicate the number of people to be employed, their salaries or 'commission money' /komisijas summas/).

On what principles will you choose other stores:

- using all the stores possible (for consumer goods);
- using only those ones, that comply with definite requirements (prestige, personnel qualifications, etc.).

4.2. Price Policy

Describe the way of setting the price of your product and what profitability level you expect to reach. Compare your price to the price of your competitors. Explain, how your price policy will promote sales, strengthen and increase your market share and increase profit.

4.3. Service and Warranty (for Technical Goods)

Describe, how maintenance service will be provided under service contract:

- types of warranty;
- warranty term and conditions;
- organisation of service and resources required;
- price of the service.

4.4. Advertising

Describe the ways you will use for advertising your product, to provide complete information about it, to increase demand, to ensure and increase sales. Advertising might include radio and TV advertising, advertisement in periodicals, brochures, catalogues, trade shows, etc. Indicate, how much resources would be allocated to advertising.

4.5. Sales Promotion Methods

Describe, how you will ensure uninterrupted sales growth:

- attracting clients with the help of new forms of sale (sales with delivery, credit sales, discounts, etc.);
- expanding market geography;
- other ways.

4.6. Formation of the Public Opinion about Your Enterprise and Product (Public Relations)

Describe, how you expect to retain reputation of the enterprise, using:

- contacts with mass media (also publishing a paper of your enterprise);
- announcements in the press, also advertising operations of the enterprise (financing environment protection, supporting various projects, etc.);
- management participation in the social activities,
- representation costs.

4.7. Patent security on products sold in Western countries.

(5) Functioning of the Enterprise

This chapter is to show what equipment will be used for production or providing services and how the product will be produced or services provided. Business plans dealing with production will require more detailed discussion of this chapter.

5.1. Location

Show, how location of your enterprise influences your production cost compared to your competitors'. How would the new product influence this picture? How would the influence on competitiveness change in future?

5.2. Facilities and Equipment

The following questions are to be answered:

- which of the existing facilities and equipment can be used for the new project, and to what extent;

- ability to finish and use for the project buildings under construction;
- what facilities and equipment will be sold or rented;
- what additional facilities and equipment will be necessary, where, how and when you expect to get them (rent, purchase or construct), what problems might arise in this respect;
- how and when production will be expanded;
- planned capital investment and its financing (for each stage).

To show how the facilities and equipment look like and to illustrate the production conditions photos of the enterprise main buildings and production lines should be enclosed.

5.3. Supplies, Production and Sales Process

With the description of the process you show that you are familiar with the business and you know how the goals you have set can be achieved. Besides, you have to prove the necessity for the additional facilities and equipment, you have mentioned before. You have to show how the new facilities and equipment can be used in the production process. The best way to show the process is to present it as a *supply, production and sales flow scheme*. The scheme presents the major raw material flow from suppliers through management and to the final product. The scheme will show:

- where, from whom and on what conditions raw materials, energy resources and spare parts will be purchased;
- a brief description of production co-operative contacts and their future development possibilities;
- how resources will be processed into products and which department of the enterprise will do that;
- at what production stages quality control will take place and what quality control methods will be used and what will be the standard;
- what sales channels will be used, how and where to products will be transported, and are there any customs barriers, and how they could interfere with sales.

In the conclusion of the chapter cost dynamics will be evaluated and the expected by-product utilisation and nature protection cost increase indicated. The plan should cover the period of 2 or 3 years.

(6) Enterprise Management and Personnel Employed

The Chapter describes the team you have chosen for carrying out your entrepreneurial activities. You have to specify, how your team will be gathered and how their work will be organised.

6.1. Organising the Management Team

Explain and show the scheme, how the management team will be organised and what changes to the enterprise organisation are necessary, what each employee will do, what the relations among various structures of the enterprise will be, how their operations will be co-ordinated and controlled.

6.2. Principal Staff

Taking into account management functions and peculiarities of the particular business, you will choose what specialist are needed, which people of the former staff can be employed, where and how you will find others. You have to indicate also the advantages and disadvantages of the team. For better understanding you should present it as a table, where the following information has been given:

- professional skills needed for the particular position (education and management, finance, production, marketing, computer and other related experience);
- if a candidate has been chosen, you will also indicate:
 - a) his name and age;
 - b) the present position (if the person works for another company or holds a different position, indicate also the reason, why he/she wants to change the job);
 - c) qualifications (education and various courses);
 - d) management experience and professional history;
 - e) disadvantages of the particular candidate, and how the disadvantages can be overcome (taking courses, with the help of consultants, etc.);
- if a particular person has not been chosen, show the mechanism, how personnel will be chosen and what additional advantages will be given to them (career chances, share of the profit company makes, ownership of the assets, etc.), what consultants will be used and how will they be used.

Finally, you will evaluate the management team in general, indicate its advantages and disadvantages, as well as the ways to overcome them (indicate what lawyers, accounting, banking and consultative organisations will be used to overcome the disadvantages). A detailed and overall table may be given in appendixes.

6.3. Persons Employed

Mention, if you are satisfied with the present number of employees and their qualifications, discuss your plans regarding the present employees and hiring new ones:

- what specialists and how many will be employed in the enterprise in future (how many of them are already working there);
- what training courses will be conducted to improve qualification of the employees, what will be the training course expenses (for the coming year);
- the need for additional employees and chances to find them, how you expect to attract them (higher wages than in similar enterprises, professional training possibility, better working conditions and social environment);

7. Legal Status of the Enterprise and its Asset Shares

This chapters will substantiate the legal status of the enterprise (form of the entrepreneurial activity), division of the assets and other issues related to the ownership rights.

7.1. The Legal Status of the Enterprise

You will substantiate your choice of the legal status of the enterprise (form of the entrepreneurial activity), unless it has been determined with the adoption of the privatisation method.

Suggestions on asset division can be discussed when the decision on the form of entrepreneurial activity has been made, that is, when the new owner (after the privatisation of the enterprise has been completed) is not a natural person or a family.

Article 4 of the Law On the Order of State and Local Government Asset Unit (Enterprise) Privatisation states that if it has been intended to transform the enterprise into an entrepreneurial company, privatisation plan (business plan) has to indicate:

- part of the assets on the reserve for the former owners (with the exception of stock, share and part holders);
- part of the assets to be transferred to the old-age benefit fund, the part shall not be smaller, than what has been determined by the Council of Ministers;
- part of the assets to be sold for certificates only, it shall not be smaller than, what has been determined by the Council of Ministers or the local government for the particular enterprise;

- part of the assets sold to the employees only;
- part of the assets left for the state (the local government).

If a partial privatisation of the enterprise has already taken place and if it has not been declared illegal, also if a part of the enterprise has been rented with the rights to purchase, the present owner's rights to their part of the assets shall be considered.

Working on the division of parts among the potential owners, asset parts mentioned above are to be left in the reserve. It is important to indicate what part in the profit and assets will be allocated to the managers of the enterprise.

7.3. Investments into Other Entrepreneurial Companies

Such investments may have existed before the privatisation already. It would be appropriate to give suggestions on how to increase return from the already existing and planned investments. The main points might be:

- a) strengthening of your position in the management of the enterprises, where money has been invested and closer the ties with those enterprises;
- b) additional investment (or redistribution of investment) into the more promising enterprises;
- c) cooperation with foreign investors and establishment of joint ventures, etc.

(8) Risk and Problems

This chapter points out the potentially unfavourable conditions for your entrepreneurial activity and their cause, the probability of such problems, as well as the estimated loss they might cause and other consequences.

The list of the unfavourable conditions might be extended: from fire disaster and other acts of God, to unemployment, sharp changes in tax system, inflation, currency exchange rate fluctuations, interrupted transportations system functioning, etc.

After the unfavourable conditions have been pointed out, a plan for overcoming or eliminating them will be given. The plan comprises measures for minimising the risk factors, presents alternatives and insurance measures.

(9) Financial Information

This chapter presents the content of all the previous chapters in cash form.

9.1. Sales Volume Estimate (Thousand Roubles)

No.	products and its market	1992 (for each month)	1993 (for each quarter)	1994 (total)
1) -----	(kind of the product)			
	Markets:			
	in Latvia			
	the former USSR			
	in the West			
	Total			
2)-----				

9.2. Revenue and Expenditure Table (Profit and Loss Account)

Category	Code	1992 (for each month)	1993 (for each quarter)	1994 (total)
revenues from sales	01			
turnover tax	02			
cost of the products sold	03			
sales result (01-02-03)	04			
other sales result	05			
revenues and expenditure for operations other than sales	06			
of that: from securities and part in joint ventures	07			
profit (loss) before profit tax deduction (04+05+06)	08			
profit tax	09			
profit (08-09)	10			

9.3. Cash Revenue and Expenditure Balance

Category	Code	1992 (for each month)	1993 (for each quarter)	1994 (total)
own assets				
of that: profit depreciation				
equipment and other asset sales (profit from sales deducted from venues from sales)				
borrowing and investments needed (22-01)				
of that: new stock new partners) loans				
total revenue (01+05)				
dividends				
credit repayment				
other expenditure				
capital investment into fixed assets				
of that: purchase of land				
construction				
equipment				
unproductive fixed assets (office equipment, etc.)				
investment into working capital				
of that: money resources				
raw materials				
inventory				
balance of investments and liabilities				
expenditure total (09+10+ 11+12+17)				

9.4. Enterprise asset and liability balance for the transfer date and for the end of the first calendar year.

This document is not that important as cash revenue and expenditure balance, still it is to be included into the business plan, especially, if you expect to receive more substantial financing.

9.5. To clarify and to show when and at what production amount production of the main and the new product would become profitable, a chart would be the best solution. The critical point, where the enterprise becomes profitable will be marked. The chart will show how the profit changes with the growth of production amount and production cost (the determined and the changing expenses should be represented as two separate lines). It is preferable to give several variants for different price levels of your product.

9.6. Financing strategy

Describe your plan for how to get resources (borrowed or "attached") for development of your business:

- the amount of capital needed (see 9.3.);
- where and how you expect to get them (loans or new shareholders/partners). If you expect to get loans, then specify, if they are:
 - bank loans (state or commercial bank);
 - commercial loans (of enterprises);
 - bonds;

You have to give also an evaluation of the repayment term.

Your choice depends on what loan interest rates you have to choose from, the material coverage of the loan (???) , the minimum control package, etc.

To evaluate the minimum loan repayment term the simplest calculation formula can be used, assuming, that all the enterprise free resources are transferred to loan repayment and time factor is not to be taken into account:

$$\text{the shortest repayment period} = \frac{\text{the amount of borrowing}}{\text{annual depreciation} + \text{annual profit}}$$

But, if your intention is to get a strong financial support, a more precise calculation should be done. The formulas can be found in the respective manuals.

Minister of the State,
The Republic of Latvia

Jānis Dinevičs

According to the Republic of Latvia Council of Ministers Resolution nr. 308 of August 4, 1992 on the Receiving of Foreign Hard Currency loans, a person applying for a loan shall submit to the Ministry of Economic Reforms the motivation in the form of a business plan.

Business plans submitted to the state institutions for getting a foreign hard currency loan or its guarantees may differ in their structure, content and level of specification. That depends on the character of enterprise's activities, short-term or long-term plans. A form and content of the submitted plan is determined by the objective of the plan and complexity of the business.

A goal of the plan is to convince state institutions and eventual creditors about the economical efficiency of investments, the reality and safety of the credit and loan interest rates to be paid back.

A business plan shall include the following information:

- technical, economic and organizational potential of the enterprise;
- production or services, state of their marketing possibilities, development trends and competition;
- strategy and plans of the enterprise's activities;
- projected volume of investments, economic efficiency and financing plans.

The following pattern of a plan is recommended:

- summary;
- description of the enterprise and its production (services);
- market analysis;
- strategy;
- motivation for getting the loan.

Advisable content of the separate business plan's sections.

SUMMARY:

- focused description of the business plan's content;
- spheres (tendencies) of the enterprise's economic activities;
- summary of the enterprise's most significant technical-economical indices;
- strategic goals and perspectives of the enterprise;
- name and objective of the project, necessary volume and structure of investments, eventual sources and forms of financing, anticipated results, guarantees needed.

DESCRIPTION OF THE ENTERPRISE AND ITS PRODUCTION (SERVICES)

1. Legal status of the enterprise and ownership rights:

- legal status of the enterprise;
- value of the assets, list of owners and their shares in the enterprise, anticipated changes;
description of the economic activities of those participants, whose shares in the enterprise is only a part of their total capital;
- participation in the capital of other enterprises, connection with parent enterprises and subsidiaries, integration into the concerns, associations;

2. History:

- foundation;
- former owners and economic activities of the enterprise, if the enterprise is founded by purchasing (privatizing) or taking over the enterprise which was functioning before;
- main periods and events in the development of the enterprise and its production (services);

3. Organization and technology of production:

- general and production structure, envisaged changes;
- vertical integration of production, enterprise's dependence on suppliers, consumers and services of other enterprises;
- production technology, its current and future status, ability to ensure the quality of production and the level of allowable costs; plans for technology's changes and improvements;
- environmental state of the enterprise, planned measures and expenses in the case of adverse situation and its elimination.

4. Description of the production (services):

- a list of goods (services);
- a list of goods for export and eventual volume;
- characterization of the main types of production - technical indices, costs, competitiveness in the domestic and foreign market, legal protection (licenses, production based on licenses, franchise etc.)
- factors restricting the competitiveness of production;
- technical, organisational and financial possibilities of the enterprise in creating the models of new production; cooperation with research, projecting and construction companies and organizations;
- planned development of production, changes in the assortment, forecasted competitiveness;
- current and future measures for starting the production of new kinds of products and for improving the ones already existing, necessary resources, costs.

5. Administration of the enterprise:

- administration structure;
- evaluation of administration's functional services;
- qualification and experience of general administration's and functional services' managers;
- measures for improving the structure of administration and for increasing the qualification of managers and personnel;

- motivation for the administration by using the results of enterprise's activities.

6. Operating resources:

- location

- * place of location, distances up to the main consumers, transportation centers, neighbouring infrastructure;

- * communications, possibilities for their improvement;

- * landed estate, possibilities of its use in the development of the enterprise;
possibilities for getting new landed estates;

- assets of the enterprise, their technical evaluation (particularly equipment and machinery); correspondence of the assets to the inculcation of the new technique and technology;

- production output, its use, "narrow places", capacity reserves and ability to react to the changes in the market;

- enterprise's supplies with raw materials and material, main suppliers, volume and security of supplies;
alternative possibilities to ensure necessary supplies;

- provision with power resources;
efficiency of main power resources' consume and use;
possibilities in reducing the power resources use;
sources and security of supplies; main measures for ensuring the production process in the situation of insufficient power resources supply;
possible effect of power resources deficit to the repaying of credits.

7. Description of enterprise's production, sale and financial state and analysis of the previous 3 years:

- volume of sale, its development;

- volume of costs, its structure and development;

- profit/looses calculation;

- profits

- * turnover profitability
(profit/amount of sales)

- * Own capital profitability
(profit/own capital)
- * total capital profitability
(profit + interest expenses/own capital + borrowed capital)

- balance sheet of the year (according to Latvia's law of October 14, 1992 "On Annual Reports") and its main relative indices:

- * capital structure
(own capital/borrowed capital/)
- * level of property security
(long-term assets/long-term capital)
- * solvency
 1. stage
(turnover capital/ short-term liabilities)
 2. stage
(turnover capital + short-term demands/short-term liabilities)
 3. stage
(turnover capital + short-term demands + inventory/
short-term liabilities)
- * dynamic level of debts
(borrowed capital/Cash Flow)

8. Advantages and drawbacks of the enterprise:

- according to the previous description of the enterprise, it is advisable to prepare the general valuation of the enterprise like in the following scheme. A list of functions given in the scheme is advisable.

Functions	Valuation	Notes
	high (+) average (0) low (-)	

Management
Marketing
Finances
Personal
Machinery
Technology
Organization of Production
Supplies
Sales
Export
Service

MARKET ANALYSES

1. Market sectors where the enterprise does its business now and plans to do it in future (local, regional, national, international) . Amount of sales in these sectors.

Nr.	Kinds of goods and markets	Consumers	Amounts of supplies	
			existing	potential

1. _____
(name of the product)

Market:
in Latvia
abroad: former USSR
other

2. _____
(name of the product)

2. Market development in the last (2-3) years in sectors:

- market capacity

Nr.	Kinds of goods	Market capacity	Market	
			Part of the market supplied	Development

1. _____
(name of the product)

Market:
in Latvia
abroad: former USSR
other

2. _____
(name of the product)

- dynamics of supply / amounts and structure/;
- changes in demand / amount and structure/;
- opening of new sectors;
- price dynamics;

3. Most important competitors in the market sector where the enterprise participates or plans to participate:

- products proposed by competitors, technology used, prices, ability to increase production capacity;
- valuation of the main competitors
- advantages of the enterprise.

4. Development of the industry (life cycle of the product, development tendencies of the product, existence of alternative products (substitutes) and perspectives.

5. The most important consumers:

- population;
- enterprises:
- state and municipalities.

6. Product sales strategy:

- distribution channels (own network, wholesalers, commodity exchanges, intermediary services etc.)
- price policy discounts, conditions of payment;
- promotion and advertising;

Strategic planning

1. Goals and strategy of the enterprise:

- goals;
- strategy;

2. Conditions for strategy implementation:

- economic situation;
- market development;
- external influence;
- domestic conditions;

3. Main factors of success for the enterprise:

- success factors;
- advantages of the enterprise, ways to activate the comparative advantage ;
- risks of development and how to avoid them.

4. Time table for enterprise technical, organizational and financial development.

5. Estimates for the most important items (sales, profit, balance sheet items of major importance)

Credit justification

1. Description of investment:

- goal;
- products as a result of investments
- description of units and technical description.

2. Estimates of investment economic efficiency.
3. Hard currency income (with signed contracts or agreements)
4. Estimates for profit and loss for credit repayment period.
5. Financial plan:
 - Net turnover
 - materials
 - labour costs
 - other (except depreciation)
 - = Produced Cash flow
 - + interest rate income
 - interest rate costs
 - \pm profit/ loss
 - = Bruto Cash Flow
 - dividends
 - taxes
 - investment expenses
 - = Financial Surplus
 - + credit
 - credit repayment
 - = Free Cash

CHARTER
of Non-profit Organisation
LATVIJAS VALSTS LABĪBAS BIROJS

Charter of non-profit
organisation *Latvijas Valsts Labības*
birojs has been registered in the
Republic of Latvia Enterprise Register
....., 1992 as No. ...

Charter of non-profit
organisation *Latvijas Valsts Labības*
birojs has been registered in the
Republic of Latvia Ministry of
Agriculture, 1992 as No. ...

1. Name of the Organisation and its Location

1.1. Name of the Organisation

Full name of the organisation is Non-profit organisation *Latvijas Valsts Labības Birojs*.

Shortened name of the organisation is *Labības birojs*.

1.2. The legal address of the organisation is:

Dzirnavu iela , Rīga- , LV- , Latvia.

2. Goals, Fields of Activity and Objectives of the Organisation

2.1. Goals of the Organisation

The main goal of the non-profit organisation *Latvijas Valsts Labības Birojs* (or *Labības Birojs* further in the text) is to promote the development of the national grain policy and to ensure its implementation, by regulating and controlling it within the range of its competence.

2.2. Fields of Activity of *Labības Birojs*:

2.2.1. The Main Field of Activity:

- 1) estimation of the national grain consumption and ability to meet the demand in the current period and in future;
- 2) estimation of the Latvian grain market price and expenditure calculation for purchasing and maintenance of the national grain reserve;
- 3) establishment, storage and handling of the national grain reserve according to the procedure set by the executive bodies of the Republic of Latvia;
- 4) determining and regulating the amount of necessary grain exports and imports in accordance with the procedure set by the Republic of Latvia executive bodies, organising open competitions for the rights to foreign trade in grain;
- 5) function of the central grain and grain product quality control laboratory;
- 6) state grain inspection.

2.2.2. Other Activities:

- allocation of the state orders for grain and grain products to the enterprises;
- flour price formation analysis on the basis of grain prices and working out suggestions on setting the price levels;
- organising the supply of the country with quality grain seed.

The sphere of the activities of *Labības birojs* is limited to the activities listed in the Charter. Activities that are not listed in the Charter and that do not conflict with the laws of the Republic of Latvia can be exercised by *Labības Birojs* with the permission of the Ministry of Agriculture only.

3. The Legal Status of the Enterprise. its Rights and Obligations

3.1. The Legal Status

3.1.1. *Labības birojs* is a state non-profit organisation.

3.1.2. *Labības birojs* operates in accordance with the Republic of Latvia Laws *On Grain Market of Latvia, On Non-profit Organisation, On State Enterprise* and this Charter. On issues not regulated by these documents other legislation of the Republic of Latvia is to be referred to.

3.1.3. Assets of *Labības birojs* are a separated part of the state assets, that are managed by *Labības birojs*. All the assets of *Labības birojs* belong to the state. Procedure of management has been determined by the existing legislation, this Charter and the Ministry of Agriculture.

3.1.4. *Labības birojs* is established as a result of reorganisation of the Republic of Latvia concern *Latvijas labība* and it is the legal successor to the rights and liabilities of the concern.

3.1.5. *Labības birojs* is a legal person, with its own accounting, seal, and trade mark.

3.1.6. *Labības birojs* is responsible for its liabilities with all its assets.

State, its institutions and organisation are not responsible for the liabilities of *Labības birojs*, as well as *Labības birojs* is not responsible for the liabilities of the state, its institutions and organisations.

3.2. The Rights of *Labības birojs*

3.2.1. *Labības birojs* preserves the right to perform economic activities not prohibited by the Republic of Latvia legislation and provided for in this Charter, if it is not prohibited in the legislation.

3.2.2. *Labibas birojs* is allowed to open accounts in banks and other banking institutions.

3.2.3. If accepted by the Ministry of Agriculture, *Labibas Birojs* is allowed to participate in entrepreneurial companies or non-profit organisations in accordance with the procedure provided for in the legislation.

3.2.4. *Labibas birojs* is allowed to operate in the Republic of Latvia and abroad, including such operations as foreign trade, loan and bill exchange operations.

3.3. The Guarantee for *Labibas birojs* Rights

3.3.1. *Labibas birojs* shall not be deprived of its basic assets, of the amount revenues exceed expenses and other tangible assets, except for the cases when *Labibas birojs* is handling its assets in a way that conflict the procedure set by the legislation or this Charter.

Conflicts on asset related issues are investigated by the/ *saimnieciskā*/ court.

3.4. The Obligations of *Labibas birojs*

Labibas birojs shall operate in accordance with the Republic of Latvia legislation, normative acts and this Charter.

4. Enterprise Statutory Fund, Reserve Fund and the Procedure for Using the State Assets

4.1. Base Capital (Statutory Fund)

4.1.1. *Labibas birojs* uses in its operations an unlimited part of the state assets- basic capital, working capital and other assets. Their value constitute the base capital (statutory fund) of *Labibas Birojs*. The statutory fund of *Labibas Birojs* comprises thousand roubles at the moment of its establishment.

4.1.2. The base capital can be increased with the help of investments from the state budget or as a result of the economic activities.

4.2. The Reserve Fund

4.2.1. The Reserve fund of *Labibas Birojs* is established on the basis of the amount revenues exceed expenditure at the end of the financial year. Income tax is not levied from the reserve fund.

4.2.2. The Reserve fund is used for the following purposes:

- for improvement of the material and technical level of *Labibas birojs*;

- for increasing the turnover capital;

4.2.3. An expenditure list is compiled to show how the reserve fund of *Labibas birojs* is used, the list is examined and adopted by board of *Labibas birojs*.

4.3. The Procedure for Using the State Assets

Labibas Birojs has the right to sell, exchange, rent and give to somebody's temporary control or liquidate their turnover and basic capital according to the procedure set by the Republic of Latvia Law *On State Enterprise*.

4.4. *Labibas Birojs* Asset Insurance

Labibas birojs fixed assets at their ending value shall be insured.

5. Management and Control of *Labibas Birojs*

5.1. Management Institutions of *Labibas Birojs*

Labibas Biroj management is carried out by the Board of *Labibas Birojs* and the management of *Labibas birojs* within the range of their competence determined by this Charter.

5.2. The Board of *Labibas Birojs*

5.2.1. The Board of *Labibas Birojs* carries out its general management and makes decisions on the national grain policy implementation issues within the range of its competence.

5.2.2. The Board comprises:

- 1st deputy minister of agriculture, who chairs the Board;
- Head of the Grain Sector, the Republic of Latvia Ministry of Agriculture;
- a representative of the Republic of Latvia Ministry of Finance;
- a representative of the Republic of Latvia Monopoly activity Supervision institution;
- a representative of the Republic of Latvia Ministry of Defence;
- a representative of the Farmers' Federation;
- a representative of The Republic of Latvia Consumers' Association;

- a representative of the Latvian bread baking industry;
- a representative of the Free Trade Union Association of Latvia;
- director of *Labības birojs*, who is appointed by the above mentioned members of the Board.

Each of the members listed above has their substitute person, who takes part in the activities of the board in the cases, when the member due to some obstacles cannot be present.

The board of *Labības birojs* and changes in its personnel shall be adopted by the Ministry of Agriculture.

5.2.3. The Board is competent:

- to approve the national gain balance submitted to the Council of Ministers;
- to control the use of the state budget resources;
- to make decisions on selling and purchasing of the national grain reserve, according to the procedures set by the executive bodies of the Republic of Latvia;
- allocation of foreign trade quotas;
- to appoint and dismiss the Board director;
- to decide how many persons would comprise the directorate and to adopt candidates recommended by the director, as well as to set the amount of pay for them.
- to make decisions on operating branches and representation of *Labības birojs*;
- to adopt the control plan and report on economic activities, including *Labības birojs* management budget.

5.2.4. Organising the Work of the Board

Chairman of the board is the organiser and the manager of the Board activities. Board decisions are made at board meetings. Meetings are held at least once in six months. If no less than three board members find it necessary, a date of the board meeting can be changed.

Board members shall be informed about the meeting not later than ten days before the meeting. The meeting is qualified to pass decisions, if a meeting, that has been announced this way, is attended by at least two thirds of the members.;

Board decisions are made by voting. In the case of equal number of votes, vote of the chairman of the Board is the decisive.

5.3. The Management of *Labibas birojs*

5.3.1. Operations of *Labibas birojs* are managed by the director, who is appointed by the board of *Labibas birojs*, and his deputies. The number of deputy directors and the sphere of their competence is set by the Board.

5.3.2. Director of *Labibas birojs* is also the manager of the state property of *Labibas birojs*. A contract over the terms of management and payment to the director is signed with the Ministry of Agriculture.

5.3.3. The following issues are under the sphere of competence of the management:

- ensuring the administrative, organisational, material and technical functioning of *Labibas birojs*;
- the operational management of the state owned buildings, tangible assets and money resources, in accordance with the procedure determined by the Ministry of Agriculture;
- adoption of the personnel list and payment regulations, within the limits of *Labibas birojs* administration budget adopted by the Board;
- performing other functions that are not within the range of competence of *Labibas birojs* Board.

5.3.4. Director of *Labibas birojs* has the right:

- to make decisions independently on all issues concerning functioning of *Labibas birojs* and given under his control;
- to operate without a special authority on the behalf of *Labibas birojs* in accordance with the legislation of the Republic of Latvia;
- to represent the interests of *Labibas birojs* in state and local government institutions and all the enterprises;
- to operate with *Labibas birojs* assets and money resources in accordance with this charter and decisions of *Labibas birojs* board;
- to sign economic and employment contracts in the name of *Labibas birojs* in accordance with the judicial acts in force, this charter and decisions of the Board;
- to give authority to//;

- to open /norēķinu/ accounts and other accounts in the bank.

5.3.5. In accordance with this charter, director of *Labības birojs* takes responsibility, that *Labības Birojs* follows fire protection, explosion safety, labor, health and environment protection and other norms of judicial acts according to the legislation of the Republic of Latvia.

5.3.6. Director of *Labības birojs* determines the document circulation, accounting and reporting procedure within the structure of *Labības birojs* in accordance with the judicial acts in force.

5.4. The Control of *Labības birojs* Operations

The control of *Labības birojs* operations in accordance with the procedure determined by the Laws *On Non-profit Organisation* and *On State Enterprise* carried out by an audit commission established in accordance with its requirements.

6. Labor Relations in *Labības birojs*

Labor relations in *Labības birojs* are determined by the Republic of Latvia Law *On State Enterprise*, the Labor Code of Latvia and this Charter.

7. The Operations of *Labības Birojs*

Labības birojs operates according to the principle of self-sustained accounting and self-financing.

7.1. The Revenues of *Labības birojs*

Labības birojs revenues come from:

- state budget allocations;
- revenues from grain customs duties provided for in the legislation;
- revenues from operations with the national grain reserve;
- revenues from grain processing enterprises provided for in the legislation.

7.2. Accounting and Office-work

Labības birojs collects the operational, accounting and statistical information in accordance with the procedure set by the Republic of Latvia and the document circulation procedure determined by the director. The operating year lasts from January 1 till December 31.

7.3. Work and Supplies to Meet the Needs of the State

Labības birojs signs contracts on state orders, that implies also performing state functions according to the procedure set by the legislation of the Republic of Latvia.

Labības birojs resources come from the economic activities, from producers and trade mediators, they have signed contracts with, from markets, exchanges and auctions in accordance with the procedure set by legislative acts.

8 Stopping the Operations of *Labības birojs*

8.1. The Basis for Stopping the Operations of *Labības birojs*

Labības birojs operations can be stopped in the following cases:

reorganisation	- according to a decree of the Council of Ministers;
liquidation	- according to a decree of the Council of Ministers;
	- on the court decision, that can be taken in the cases provided for in the Republic of Latvia legislation.

8.3. The Procedure for Stopping the Activities of *Labības birojs*

Liquidation and reorganisation is carried out according to the Republic of Latvia Laws *On Non-profit Organisation* and *On Entrepreneurial Activity*.

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**THE LATVIAN STATE LABĪBAS BIROJS (Grain Organization)
CHARTER**

Approved by the LR MOA
February 23, 1993
Order No. 68

1. Name and Location of the Organization

1.1. Name of the organization.

The full name of the organization is "Latvian State Grain Bureau" (Latvijas Valsts Labības Birojs).

The abbreviated name of the organization is "Labības Birojs" (henceforth, "LB").

1.2. The legal address of the organization is:

Dzirnavu Street 87/89, Riga - , LV - , Latvija.

2. Goals of the Organization, Directions and Objectives

2.1. Goal of the organization.

The main goal of the LB is to facilitate the development of the state grain policy and ensure its implementation; and to regulate and control, within its authority, the grain market.

2.2. Spheres of LB activity:

2.2.1. Basic activity:

1) To determine the necessary amount of grain for Latvia and the possibilities to ensure it in the short and long run;

2) To forecast the grain market price in Latvia and determine costs for the formation and maintenance of the state grain reserve;

3) To form the state grain reserve, store and manage it according to the order determined by the LR State management institutions;

4) To determine the necessary amount of grain imports and exports, and adjust them in the order determined by the LR State management institutions; organize the competition for the foreign grain trade;

5) To undertake the functions of the State central laboratory for grain and grain product quality control;

6) To conduct state grain inspection

2.2.2. Additional activities:

- To distribute the state order for grain and grain products according to the enterprises;

- To analyze the formation of flour price according to the grain price; to develop recommendations for price determination;

3. The Legal Status, Rights and Guarantees of the Organization.

3.1 Legal status.

3.1.1. The budget organization LB is a State management institution.

3.1.2. LB operates according to the provisions of the LR Law "On the Latvian Grain Market and Grain Reserve" and the current Charter. Issues not covered by these documents should be dealt with according to other legislative bills of the LR.

3.1.3. The Material basis for the LB is state property allotted to its tenure/management. The property of the LB is owned by the State. The order of management is determined by the laws in effect, the current Charter and the LR MOA.

3.1.4. LB is a legal entity, and it has an independent balance sheet and a seal with its symbols and name.

3.1.5. LB is liable for its obligations with its property.

The State and its institutions and organizations are not liable for the obligations of the LB, and the LB is not liable for the obligations of the State, its institutions and organizations.

3.2. Rights of the LB.

3.2.1. LB is rightful to carry out economic activity in the spheres determined by the current Charter.

3.2.2. LB may open accounts in banks and other credit institutions.

3.3. Guarantees to the LB rights.

- 3.3.1. Assets of the LB, the sum by which the revenue of the LB exceeds its costs and other resources cannot be expropriated; exceptions are cases when the LB has violated the provisions of the laws and the current Charter regarding the use of property.

Disputes regarding property are settled by the economic court.

- 3.3.2. Natural and legal persons should reimburse losses incurred to the LB by violating its rights; revenue not received as the result of the violation is regarded as loss.

Disputes regarding property are settled by the economic court.

4. Management and Control of the LB.

- 4.1. Management institutions of the LB.

LB is managed by the Council and Management of the Council within the authority determined by the current Charter.

- 4.2. Council of the LB.

- 4.2.1. The LB Council manages the organization and passes decisions on the issues of the State grain policies within its authority.

- 4.2.2. The Council includes:

- Deputy Minister of the LR MOA, who acts as Chairman of the Council,
- The LR MOA Grain Sector Manager,
- LB Director,
- A representative of the LR Ministry of Finance,
- A representative of the LR Farmers' Federation,
- A representative of the LR Consumers' Union,
- A representative of the Latvian bread producers,
- A representative of the Latvian Free Trade Union Association.

The Council and alterations to it are approved by the Minister of Agriculture on the basis of recommendations by the above mentioned institutions and organizations.

Each of the Council Members has a substitute who participates in the work of the Council in case the Member for some reason cannot participate.

4.2.3. The Council has the authority:

- To approve the draft grain balance to be submitted to the Council of Ministers;
- To control the usage of the State budget resources;
- To pass decisions on the sale and purchase of the State grain reserve according to the procedure determined by the LR State management institutions;
- To issue foreign trade quotas;
- To appoint or dismiss the Director of the LB;
- To approve the management of the LB; upon recommendation by the director, determine their salary;
- To supervise the economic activity of the LB: to approve the work-plan, the budget of the Council and reports.

4.2.4. The Work of the Council.

The work of the Council is organized and managed by the Chairman.

Issues are settled at the meetings. They are held quarterly. Meetings can be called any other time if not less than three members of the Council consider it necessary.

Members of the Council are notified about the meeting not less than 10 days before it takes place. The Council has authority to make decisions if not less than 2/3 of its members participate at the meeting.

The Council makes decisions by vote. In case of an equal number of votes, the chairman's vote is decisive.

4.3. Management of the LB.

4.3.1. LB is managed by the Director, appointed by the Minister of Agriculture, and his Deputies; their number and authority is determined by the Minister of Agriculture.

4.3.2. The director of the LB manages state property in the LB. A specific contract is made with the MOA which also covers remuneration for the Director.

4.3.3. The authority of the LB Management includes:

- The operation of the LB;
- The supervision/ management of buildings, property, and resources owned by the State in the order determined by the MOA;
- The approval of the staff of the LB within the limits of the budget of the LB Management and regulations regarding remuneration of the LB personnel;
- Other functions beyond the authority of the LB Council.

4.3.4. The director of the LB has authority:

- To decide all the operational issues of the LB under his supervision;
- According to the LR Laws and the current Charter, to act in the name of the LB without a special warrant;
- To represent the interests of the LB in the State and municipal institutions, and all the enterprises;
- To manage the LB property and resources in accordance with the current Charter and the LB Council decisions;
- In the name of the LB, to make economic and labour contracts in accordance with the legislative bills in effect, the current Charter and decisions of the LB Council;
- To issue warrants;
- To open accounts in banks;

4.3.5. According to the LR Laws and the current Charter, the Director of the LB is responsible for the fulfilment of the LB obligations according to the requirements of legislative bills regarding fire and explosion safety, labour and environmental protection, health care and other spheres according to the LR Laws.

4.3.6. The Director of the LB determines organization and circulation of accounting and reporting documentation in the structural parts of the LB according to the legislative bills in effect.

4.4. Control of the LB operation.

The operation of the LB is controlled by an audit commission according to the procedure determined by the LR Laws "On Non-Profit Organization" and "On the State Enterprise".

5. Labour Relations in the LB

Labour relations in the LB are covered by the LR Labour Code and the current Charter.

6. Operation of the LB

6.1. Operation costs of the LB are covered from its revenue.

Revenue of the LB is constituted by:

- Resources allotted from the State budget;
- Other resources;

6.2. Accounting and filing.

LB keeps operational, accounting and statistic records according to the procedure determined by the LR and circulation of documentation determined by the LB Director. The operational year is from January 1 to December 31.

6.3. Work for the benefit of the State; supplies to the State:

LB carries out functions of the State in the order determined by the MOA, according to the provisions of the LR legislative bills.

LB draws resources necessary for the operation by contract from the producers, trading organizations, markets, stock-exchanges and auctions according to the procedure determined by the LR legislative acts.

7. Termination of Operation

7.1. Basis for the termination of operation.

Operation of the LB can be terminated in the following cases:

7.1.1. Due to reorganization - according to the MOA order;

7.1.2. According to the Council of Ministers' Resolution;

7.2. Procedure for the termination of the LB operation.

Liquidation and reorganization of the LB is carried out according to the procedure determined by the institution which has passed the decision on the termination of the LB operation.

THE REPUBLIC OF LATVIA MINISTRY OF AGRICULTURE

LATVIAN STATE INSTITUTE OF AGRARIAN ECONOMY

A CONCEPTION
OF THE FORMATION OF LATVIAN GRAIN AND GRAIN
PRODUCTS MARKET AND REORGANIZATION OF THE
CONCERN "LATVIJAS LABĪBA"

Responsible person
Cooperation and administration
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Riga 1992

Short description of current situation

To date, state enterprises forming the concern "Latvijas labība" operated in four main spheres:

- grain purchase and storage, including import operations;
- flour and groats production;
- bread and other bakery product production;
- feed production.

Most of these enterprises are combined enterprises operating in several of the above mentioned spheres. It is almost impossible to reorganize them into separate, independent one operation sphere enterprises.

Beside that several infrastructure enterprises are functioning as well (see Appendix 1).

Together with the above mentioned functions, "Latvijas labība" has also carried out several functions of national importance:

- calculation of grain amount necessary to fulfil inhabitants' needs for bread and grain products;
- control over the use and storage of human consumption grain;
- control over the quality of state grain to be imported;
- regulation of prices for human consumption bread and grain products.

In accordance with the Republic of Latvia Council of Ministers Resolution nr. 471 "Latvijas Labība" shall quit its activities by December 31, 1992 and hand over its state functions in the market of grain and grain products to a new structure, at the same time carrying out the demonopolization of the branch.

A CONCEPTUAL SCHEME OF REORGANIZATION

1. Objectives of the concern's "Latvijas Labība" reorganization.

1.1. Demonopolize the branch of grain, grain product and bread production.

1.2. Ensure the possibility for implementing the free market principles.

1.3. Ensure the possibility for the state to keep control over the grain reserve, as well as over the prices of grain and grain products.

1.4. Maintain the systematical work of branch's enterprises considering their technological specialization and division of functions created during the previous periods.

1.5. Create preconditions for the privatization of branch's enterprises, observing the above mentioned objectives.

2. Basic principles of reorganization

2.1. Latvian grain and bread market is a united system which unites grain farmers, cattle-breeding product producers, grain processors and keepers, bread producers and sellers, consumers.

2.2. State regulates the grain market ensuring the correspondence between demand and offer. State influences the grain market by using:

- state grain reserve;
- state control over grain balance and foreign trade.

2.3. Latvian grain and bread market mainly consists of independent enterprises, which are independent economic entities and which represent several types of entrepreneurial activities based on the different forms of ownership. Each of these enterprises uses profitability as a criteria of the efficiency of its economic operations.

2.4. Competition among grain producers, grain purchasers and processors, as well as bread makers shall be developed. Competition among enterprises producing flour is limited, but not eliminated.

2.5. Present state enterprises of the branch may be privatized in accordance with the Republic of Latvia privatization laws, observing several additional requirements, which will ensure the development of the united system of grain and bread market, as well as guarantee the future functioning of the enterprises in accordance with their current specialization.

3. Stages of the reorganization process

Reorganization of the concern "Latvijas Labība" is carried out gradually, in several stages creating preconditions for state grain market operations and privatization of branch's enterprises. (Fig. 1)

3.1. Prepare the conception of domestic grain and grain products market development.

3.2. Form a commission on the liquidation of the concern "Latvijas Labība".

3.3. Create new organizational structures of the branch.

3.3.1. Establishing of Latvian "Labības Birojs":

- the temporary charter of "Labības birojs" is worked-out in accordance with the Republic of Latvia law "On State Enterprise", at the same time considering the necessity and working on the Republic of Latvia law "On the State Grain Market";

- a structure of "Labibas Birojs" is formed at the Council of Ministers just after its charter is approved, including 3-4 state grain storage enterprises, grain laboratory, as well as specialists of grain market regulation;

- a commission on "Latvijas Labība" liquidation hands over state functions in the sphere of grain market to the newly formed structure.

3.3.2. Foundation of joint stock company "Latvijas Dzirnavas".

- human consumption grain mills form a joint stock company "Latvijas Dzirnavas" envisaging in its charter the future possibilities and procedure of stock sale to all bakery enterprises, leaving to the state stock package which allows to prevent the adoption of unmotivated decisions;

- a commission on "Latvijas Labība" liquidation hands over to the newly formed structure bread prices balancing, flour production coordination and some other functions.

All Latvia's bakery enterprises may become the members of this joint stock company. State share is represented by "Labības Birojs".

3.4. Selection of administration structure of feed production enterprises (if enterprises consider that as necessary).

3.5. Liquidation of "Latvijas Labība" activities. Legal successors to its rights, liabilities and property, correspondingly with their functions, are Latvia's "Labības Birojs" and joint stock company "Latvijas Dzirnavas".

3.6. Prepare state enterprises of the branch for privatization and their privatization:

- during the 1st stage enterprises are transformed into the joint stock companies;

- during the 2nd stage candidates for bakery enterprises' privatization are selected;

- during the 3rd stage stocks of the newly formed stock companies are sold to physical and legal entities in accordance with the scheme envisaged in privatization projects and charters, considering the specific characteristics of the concrete subbranch's enterprises.

IV Grain and Grain Product Market Perspective Scheme Market Regulation Possibilities

The Latvian grain and bread market is a united system that involves grain producers, animal feed procedures, grain storage and processing enterprises, bakeries and bread retailers, and, finally, food consumers (Fig. 2).

The most essential elements of the scheme are grain producers and bread consumers, that are mutually linked by a number of other subjects//. The following chapter discusses grouping of the linking structures, their cooperation possibilities and relations, as well as the possibilities to regulate them.

4.1. Grain sources.

4.1.1. Latvian agricultural product producers.

4.1.2. Grain imports.

The amount of grain imports are to meet the Latvian grain market demand, that depends on:

- grain price level;
- other agriculture product market situation /sales possibilities/ and price, which strongly influences grain consumption by animal feed industry;
- increasing grain imports and imported grain price would cause grain price fluctuation in the domestic market;

The grain produced by agriculture enterprises is sold to grain processing enterprises on the grain market. The processing enterprises produce flour and groats, animal feed and spirits.

The grain is also accumulated in the national reserve and other reserve funds. A part of the grain remains at the agriculture enterprises to meet the demand for animal feed and seed. The surplus grain exports would be another choice in future.

The total amount of grain produced is mainly determined by the general grain and agriculture product processing conditions. Increase of the output or keeping it at the present level is possible under profitable production conditions only.

From this follows, that grain output at the domestic agriculture enterprises can be influenced by changing grain price in the national grain market. One of the most feasible price regulatory instrument is import-export quotas and tariffs.

Taking into account the present grain production and grain consumption proportion, as well as grain production and consumption structure relations, grain imports are necessary.

To establish permanent and motivated grain market, the following long-term goals are to be achieved:

- a balance of grain consumption and grain resources in the country;

- re-production conditions for agriculture producers in Latvia.

4.2. Grain purchasers.

4.2.1. Grain purchase and storage enterprises.

4.2.2. Grain mills, that can simultaneously function as grain storage enterprises.

4.2.3. Animal feed production enterprises, that can simultaneously function as grain storage enterprises.

4.2.4. The national grain reserve. Any reliable grain purchase and storage company authorized by "Labības birojs" can purchase grain for the national reserve on contract basis. Consequently, the above listed enterprises are grain purchasers for the national reserve.

The total amount of grain, grain amount purchased by individual enterprises, as well structure of the grain purchased are determined by the proportion of:

- 1) grain sales price and agriculture production sales price;
- 2) grain sales price offered by individual grain purchase enterprises.

The better price paid for human consumption grain rather than animal feed grain would ensure production of the needed amount of human consumption grain. But human consumption grain demand is limited by the actual bread consumption in the domestic market.

At present the above mentioned enterprises are mostly state owned, but in near future their ownership and form of entrepreneurial activities would be changed, stock holders companies would be established and stocks would be sold to natural and legal persons.

Enterprises of the branch are commercial enterprises, that are to re-produce themselves through their commercial activities.

Interest in grain purchase is a compulsory prerequisite to successful economic functioning.

Taking into account, that their sphere of activity is in between grain purchase and grain processing, grain processing enterprises are to be aware of the fact, that storage expenditures are to be included into their production cost through higher grain purchase prices.

4.3. Users of the purchased grain.

4.3.1. Human consumption grain processing enterprises.

4.3.2. Animal-feed producers.

4.3.3. The national grain reserve.

4.3.4. Other processing enterprises (spirits, etc.).

These grain consumer groups are not directly connected. The indirect connection shows itself in the following:

The national grain reserve contains a rather definite grain amount, that depends on the decision of executive bodies and the state budget resources.

Grain consumption in bakeries would not exceed the bread consumption standard limits. At the same time, part of the grain amount can be transferred from these branches to animal-feed production, which is more flexible in grain consumption.

In order to establish more or less open market system in bread baking industry, so that unreasonable price increase caused by shortage of grain would not occur, the human consumption grain price shall be balanced to animal consumption grain price, which in practice means regulating human consumption grain price, that is higher than what farmer would get selling the grain as animal-feed.

State owned enterprises dominate this branch of the industry at the moment. Taking into account relation of individual enterprises to the industry:

- (4.3.3.) The branch should remain under direct state control, although grain reserve can be partially left for storage with other enterprises. The national reserve storage can be partially guaranteed by state part in the stock company established on mill enterprise basis. Storage of the national reserve has been envisaged as one of the tasks of individual mill enterprises(see Chapter 6).

- (4.3.2.) This branch of the industry could initially function as independent state owned commercial enterprises, that are transferred to private ownership along with other state owned agriculture processing enterprises;*

- (4.3.1.) this branch of the industry is in fact essential to the whole process of bread production and all bakery enterprises of the country are involved in the process.

The branch has developed itself as a highly specialized business, where one or few enterprises supply the whole country, for example, with rye flour, groats and similar products. The purchased grain up to now was being levelled out// as to its quality and price.

Stability of the branch would ensure stability of the whole bread baking industry, as well as of major raw material price throughout the country.

Taking into account the above mentioned principles, a stock company could be established on the basis of enterprises of this branch of the industry.

All bakery enterprises shall have access to the company.

To maintain state control over bread baking industry and to ensure storage of the national reserve, state should remain as one of the most influential partners represented through "Labibas birojs"(detailed discussion of other functions would follow).

4.4. Bread baking enterprises;

4.4.1. State bread baking enterprises;

4.4.2. Consumers' Cooperative enterprises;

4.4.3. Bread baking enterprises belonging to other owners.

In practice bread baking enterprises are independent commercial enterprises, and so there exist all the necessary prerequisites for free competition, that can still be strengthened by privatisation of the enterprises in accordance with the Republic of Latvia legislation on privatisation of state enterprises.

The following basic principles are to be taken into account:

- de-concentration and de-centralization of the enterprises, establishing new bakeries on the basis of departments separable from the main enterprise;
- demand to maintain a certain minimum of bread sales and assortment amount, expressed in/ *naturālā izteiksmē*/ for a certain period of time;
- lease agreement for a period of at least five years can be chosen as privatisation means, in order to avoid sharp increase in bread prices (the increase would be connected with the necessity to compensate purchase of the enterprise).

In the case of necessity a cooperative association could be established in order to solve problems of this branch of industry as well as for personnel training.

The association should abstain from agreements on monopoly prices.

Establishment of the Association is not compulsory, if problems are solved through stock company "Latvijas dzirnavas"-- an enterprise established on the basis of human consumption grain mill enterprises.

4.5. Bread retail enterprises.

A variety of enterprise forms have developed in this branch of the industry. To increase it further the network of stores belonging to bread baking enterprises should be developed or cooperation between bread baking enterprises and stores should be developed, involving at the same time transportation service enterprises.

4.6. The customer.

The first function of the customer is to make money, choose the store, the sort of bread and to purchase as much bread as possible.

5. Latvian grain bureau

Latvia's "Labības birojs" is the central instrument for grain and bread market regulation, which can be used by the state to ensure grain balance and influence grain market (Fig. 3).

Latvia's "Labības Birojs" is a state enterprise, which elaborates proposals and, after they are approved, carries out national grain policy.

"Labības Birojs" has the following functions:

1. Estimating of the total grain amount necessary for whole Latvian state currently and in the perspective future, including the division by grain sorts and quality.
2. Estimating of the total volume of grain production in Latvia currently and in the perspective future, including the division by grain sorts and quality.
3. Making forecasts for grain produced in Latvia sale volume according to the volume, structure and quality.
4. Predicting of Latvia's grain market prices, taking into consideration level of agricultural production expenses, and determining of grain purchase price correspondingly with the necessity to maintain State grain reserves.
5. Determining of the necessary grain import volume, including the division by grain sorts and quality.
6. Elaborating (and may be also determining) of grain import tariffs by separating each sort of grain.
7. Selection of grain importers and determining of their quota.
8. Dividing grain producers by zones (establishing different quotas and purchase prices according to the natural conditions for grain farming).
9. Preparing of proposals for determining the volume of State grain reserves.
10. Responsibility for the storage and transportation of the determined State grain reserve.
11. Economic guidance over grain import-export harbor.
12. Supervision over the state share in joint stock company "Dzirnavnieks" (coded name).
13. Inspection of state grain and exploitation of the state central laboratory of grain and grain products quality testing.

The legal basis of "Labības Birojs" activities is a charter approved by the Republic of Latvia Council of Ministers, prepared in accordance with the Republic of Latvia law "On State Enterprise". The economic basis of "Labības Birojs" is allocations from human consumption grain processing enterprises, which independently from the form of their ownership are 0.5 % from the value of grain processed (is determined after the operation costs are calculated).

"Labības Birojs" economic activities are guided by a director approved at the Republic of Latvia Council of Ministers.

General supervision over the activities and grain policy of "Labības Birojs" is carried out by the Council of "Labības Birojs" consisting of:

- 1st deputy minister of Agriculture;
- Head of Grain Department, the Republic of Latvia Ministry of Agriculture;
- representative of Latvia's monopoly activities control structure;
- Director of "Labības Birojs";
- representative of the Republic of Latvia Finance ministry;
- authorized representative of joint stock company "Latvijas Dzirnavas";
- representative of Latvian Farmers federation;
-
-

The Council is responsible for:

- approval of state grain balance;
- control over the use of state budget;
- distribution of foreign trade quotas;
- supervision over the economic activities of "Labības Birojs".

6. Joint stock company "Latvijas Dzirnavas"

6.1. Joint stock company's "Latvijas Dzirnavas" establishment and objectives.

In order to carry out the united human consumption flour production policy, as well as to coordinate the purchase and storage of human consumption grain and prevent

unmotivated differentiation of flour prices in the country caused by the different production, transportation and processing conditions, the establishment of a republican joint stock company "Latvijas Dzirnavas", which will control the activities of six former state flour production enterprises, shall be supported.

An important reason for the foundation of such company is the necessity to guarantee the possibilities of grain reserve storage in the enterprises of grain storage at the same time ensuring the possibilities of privatization.

The objectives of joint stock company "Latvijas Dzirnavas" activities are as following:

- guarantee the possibilities of state grain reserve storage;
- coordination of human consumption grain purchase;
- equalize flour prices;
- promote technological development of bread production.

This is carried out through the control packages in separate joint stock companies formed on the basis of the former state concern's "Latvijas Labība" human consumption grain mills.

The other part of the shares of joint stock companies formed on the basis of transformed enterprises is sold to the employees of the enterprise and other physical persons (by using certificates), agricultural production producers (consumers of mixed feed) and other physical and legal entities.

6.2. Procedure of joint stock company's "Latvijas Dzirnavas" establishment and its liabilities towards the future privatization possibilities of subbranch's enterprises.

i - flour production enterprises establish a joint stock company "Latvijas Dzirnavas" investing in 30 % of their capital (which is determined in accordance with the assets evaluation methods used in the country). At the moment of joint stock company's establishment the above mentioned enterprises still keep the status of a state enterprise. The following activity spheres shall be envisaged in the charter of a joint stock company:

- guaranteeing and coordination of the state grain reserve's storage possibilities;
- coordination of human consumption grain purchase;
- equalizing of flour prices;
- promoting of the technological development of human consumption grain production;

as well as the procedure of company's stock sale in the future:

- 30 % of stocks are left to the state and managed by Latvia's "Labibas Birojs";
 - 24.5 % of stocks are transferred to the current state bakery enterprises without any compensation and at the ratio of flour consume;
 - 21 % of stocks are sold to the bakeries of consumer association at the ratio of their flour consumption;
 - 10 % of stocks are reserved for their sale to other bakery enterprises at the ratio of flour consumption in them;
 - 14 % of stocks are sold at the free market (admitting the auction of stocks).
- ii - state enterprises of flour production are transformed into the joint stock companies which charters envisage the following spheres of activity:
- grain purchase from grain producers;
 - production of human consumption flour;
 - storage of state grain reserves within the determined volume (required by "Labibas Birojs").

At the same time charters shall include the procedure of stocks sale:

- approximately 30 % of stocks (in separate enterprises it may waver) are invested into the joint stock company "Latvijas Dzirnavas" as a tangible investment;
- up to 25 % of stocks are reserved for sale to physical persons by using certificates;
- the rest is sold to grain producers and feed consumers or in accordance with the Republic of Latvia law "On privatization of state agricultural production processing enterprises".

iii - stocks of the joint stock companies are sold in accordance with the scheme of sale determined by the charter of a company.

Due to this process state through the "Labibas Birojs" has a possibility to prevent the adoption of unmotivated decisions both in the joint stock company "Latvijas Dzirnavas" and in its participating stock companies (local mills). At the same time state has no possibility to regulate all questions of flour production.

VII Privatization Procedure of Individual State Enterprises of the Branch

As mentioned above, enterprises of the former concern "Latvijas labība" are to be privatized in future.

Several principles are to be followed in order to create controllable grain and grain product market, as well as to maintain operating ability of this branch of the industry while privatization process is under way. Below follows a detailed discussion of the potential privatization process and the most advisable choice for individual enterprises and groups of enterprises.

7.1. Grain elevators in the port.

Being the only enterprise of the kind it has naturally acquired the monopoly. Consequently it shall remain a state owned enterprise.

7.2. Human consumption flavour production enterprises.

There are six enterprises of the kind in the country: Riga state firm "Dzirnavnieks", state firm "Rēzeknes dzirnavnieks", state firm "Daugavpils dzirnavnieks", state firm "Dobeles dzirnavnieks", state enterprises "Jelgavas dzirnavnieks" and state firm "Liepājas dzirnavnieks".

The latter should be reorganized into separate human consumption grain enterprise and animal feed production enterprise.

As mentioned above, stock company "Latvijas dzirnavas" should be established on the basis of these enterprises.

By the end of the privatization process individual entrepreneurs, other natural and legal persons, as well as the state (through its enterprise "Labības birojs") might become stock-holders in the company.

This stock company would not be the only owner of the flavour production enterprises. Its task would be only to coordinate operations of the companies established on the basis of separate enterprises in purchase and storage of human consumption grain of the national reserve. It could be implemented through "Latvijas dzirnavas" participation in entrepreneurial companies established on the basis of separate enterprises.

Other shares of the companies (apart from the 30% belonging to "Latvijas dzirnavas") would be sold to employees, grain producers, animal-feed consumers, as well as to other natural and legal persons (or in accordance with the Republic of Latvia Law *On Agriculture Processing Enterprise Privatization*). (see Appendixes)

7.3. Animal-feed production enterprises

There are six enterprises of the kind in the country: state firm "Vidzemes labība", state firm "Madonas labība", state firm "Vidzemes labība", state firm "Jēkabpils labība", state firm "Saldus labība", state enterprise "Iecavas labība".

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Privatization of these groups of enterprises is to be carried out according to the same scheme as the above discussed enterprise group, with the exception, that instead of "Latvijas dzirnavnieks", a part of shares would be allotted directly to the state.

This privatisation scheme would also apply to state enterprise "Gulbenes grauds".

7.4. State Bread Baking Enterprises

This group includes the following enterprises: state firm "Druva", state firm "Baltmaiznieks", state firm "Abra", state firm "Ventspils maiznieks", state firm "Daugavpils maiznieks", state firm "Jelgavas maiznieks", state firm "Liepājas maiznieks" and state firm "Rēzeknes maiznieks".

Privatization of this enterprise group should be carried out in several stages, in order to maintain the network of competitive enterprises that, under qualified guidance, would preserve production ability, and to avoid sharp bread price increase, as a result of attempt to cover enterprise purchase expenses.

7.4.1. De-centralization of enterprises

Under this stage technologically independent production units are established on the basis of separate departments of the existing enterprises. These independent units are privatized as separate entities.

7.4.2. Choice of the Candidates

A privatization commission appointed by the state institutions announce public bidding and chooses candidates on competition basis, taking into consideration candidates' experience in bread baking industry, as well as the entrepreneurial abilities.

7.4.3. Purchase of the enterprise within definite period

The enterprises for privatization shall be given to the candidates on lease with the right of purchase. The following terms are set:

- to maintain bread sales volume, regularity// and assortment;
- the enterprise cannot be transferred to the candidate before the end of five (seven) years term, during which all terms set by the lease agreement are fulfilled.

If not, the contract is broken and new public bidding announced.

7.4.4. Other state enterprises of the industry are privatized according to the general procedure.

Appendix 1

1. Human consumption grain processing enterprises

- 1.1. State company "Rēzeknes Dzirnāvnieks"
6 mills - 63 thousand tons per year
department of mixed feed - 122 thousand tons per year
volume - 68 thousand tons
- 1.2. State company "Daugavpils Dzirnāvnieks"
9 mills - 78.5 thousand tons per year
11 mills - 32 thousand tons per year
department of mixed feed - 235 thousand tons per year
volume - 108.9 thousand tons
- 1.3. State company "Dobeles Dzirnāvnieks"
2 mills - 48 thousand tons per year
mixed feed plant - 166 thousand tons per year
volume - 124.18 thousand tons
- 1.4. State company "Liepājas Labība"
12 mills - 27 thousand tons per year
mixed feed plant - 192 thousand tons per year
volume - 40.7 thousand tons
- 1.5. Riga state company "Dzirnāvnieks"
1st flour plant - 65 thousand tons per year
2nd flour plant - 46.5 thousand tons per year
groats plant - 31.5 thousand tons per year
volume - 84.7 thousand tons
- 1.6. State enterprise "Jelgavas Dzirnāvnieks"
3 mills - 55 thousand tons per year
volume - 50.9 thousand tons

2. Grain purchase, storage and cattle-feed production enterprises

- 2.1. State enterprise "Jēkabpils Labība"
mixed feed department - 198 thousand tons per year
volume - 112.6 thousand tons
- 2.2. State company "Vidzemes Labība"
mixed feed department - 146 thousand tons per year
volume - 60.98 thousand tons
- 2.3. State company "Madonas Labība"

mixed feed department - 122 thousand tons per year
volume - 34.7 thousand tons

- 2.4. State company "Saldus Labiba"
mixed feed plant - 43 thousand tons per year
volume - 39.3 thousand tons
- 2.5. State enterprise "Stende"
mixed feed department - 131 thousand tons per year
volume - 22.2 thousand tons
- 2.6. "Riga mixed feed plant" (company with limited liability)
mixed feed plant - 427 thousand tons per year
volume - 9.8 thousand tons
- 2.7. State enterprise "Iecavas Labiba"
mixed feed plant - 122 thousand tons per year
volume - 25 thousand tons

3. Grain storage enterprises

- 3.1. State enterprise "Gulbenes Grauds"
volume - 16.4 thousand tons
- 3.2. State enterprise "Rīgas Ostas Elevators"
volume - 65.6 thousand tons

4. Bakeries

- 4.1. State company "Druva"
1st bakery - 113.5 thousand per day
2nd bakery - 40.7 thousand per day
macaroni plant - 11.5 thousand tons per year
- 4.2. Riga state company "Baltmaiznieks"
1st bakery - 61.5 thousand per day
2nd bakery - 23.8 thousand per day
Jūrmalas bakery - 19.1 thousand per day
- 4.3. State company "Abra"
bakery - 56.1 thousand per day
- 4.4. "Vidzemes Maiznieks" (company with limited liability)
bread department - 42.5 thousand per day
bread-ring department - 5.7 thousand per day
- 4.5. State company "Ventspils Maiznieks"

bakery - 30.2 thousand per day

- 4.6. State company "Daugavpils Maiznieks"
1st bakery - 44.1 thousand per day
2nd bakery - 36.1 thousand per day
bread-ring department - 3.3 thousand per day
- 4.7. State company "Jelgavas Maiznieks"
bakery - 39.1 thousand per day
- 4.8. State company "Liepājas Maiznieks"
1st bakery - 25.2 thousand per day
2nd bakery - 35.7 thousand per day
- 4.9. State company "Rēzeknes Maiznieks"
bakery - 45 thousand per day
- 4.10. Entrepreneurial company "Aldona" (with limited liability)
bakery - 30.5 thousand per day
- 4.11. "Strategic" (company with limited liability)
stale bread department - 4.3 thousand per day

5. Social structure enterprises

- 5.1. Riga state company "Labības Resursi"
- 5.2. State company "Labības Sargs"
- 5.3. Specialized construction-assembling company "Dzirnakmens"
- 5.4. Riga state research and production company "Grauds".

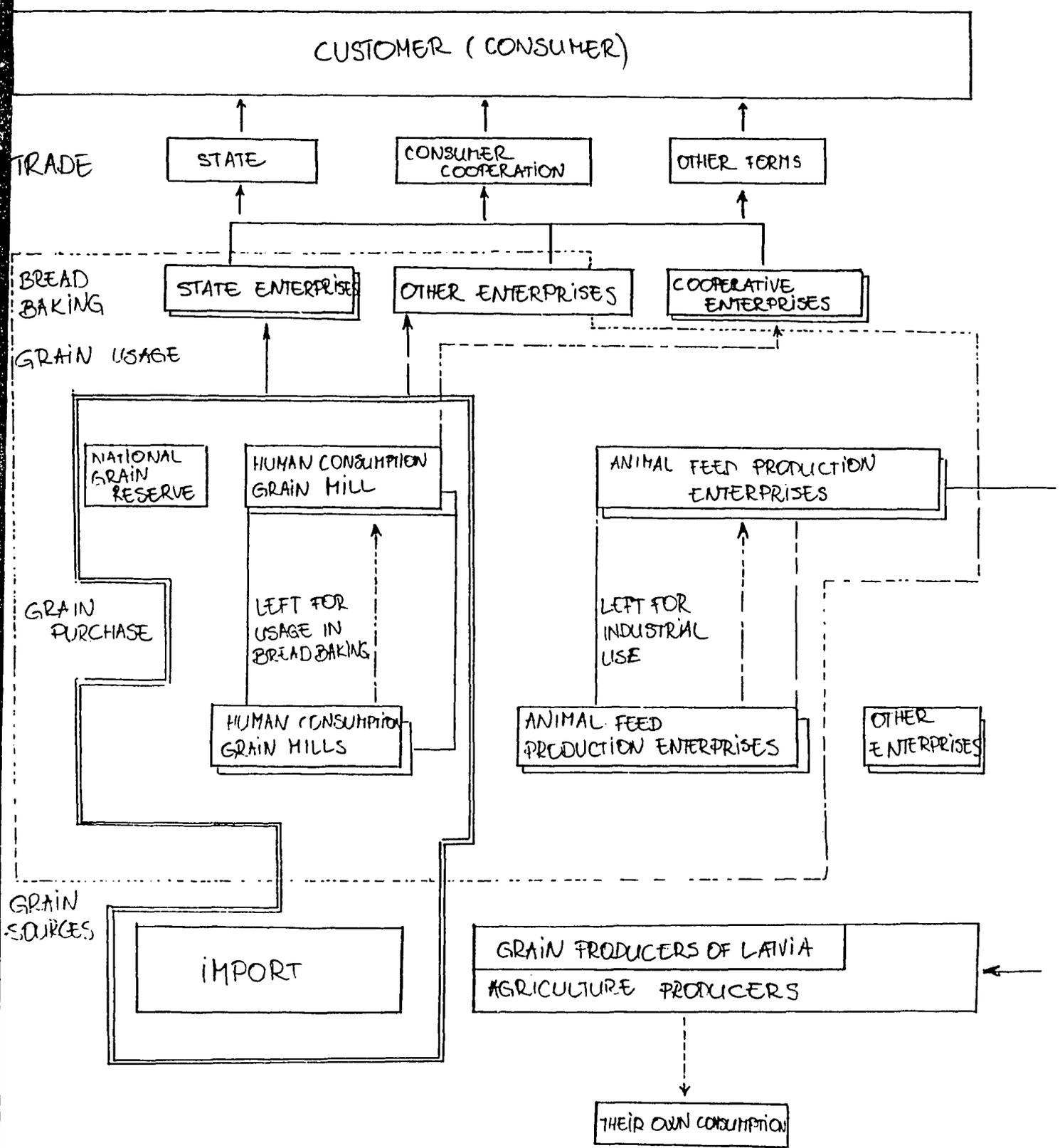


FIG. 2 THE PERSPECTIVE SCHEME OF THE NATIONAL GRAIN MARKET

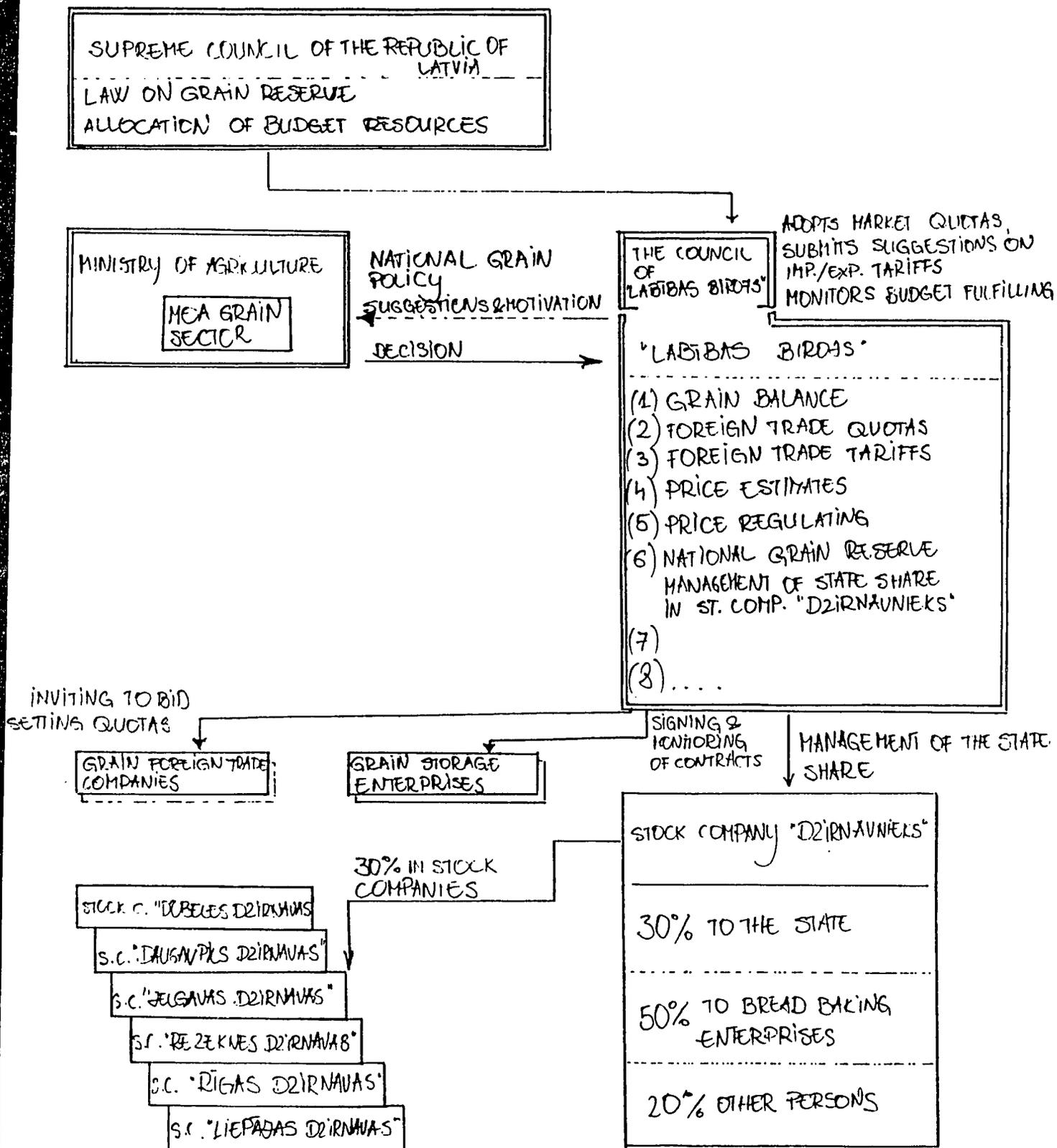


FIG. 3 STATE ROLE IN IMPLEMENTATION OF GRAIN POLICY

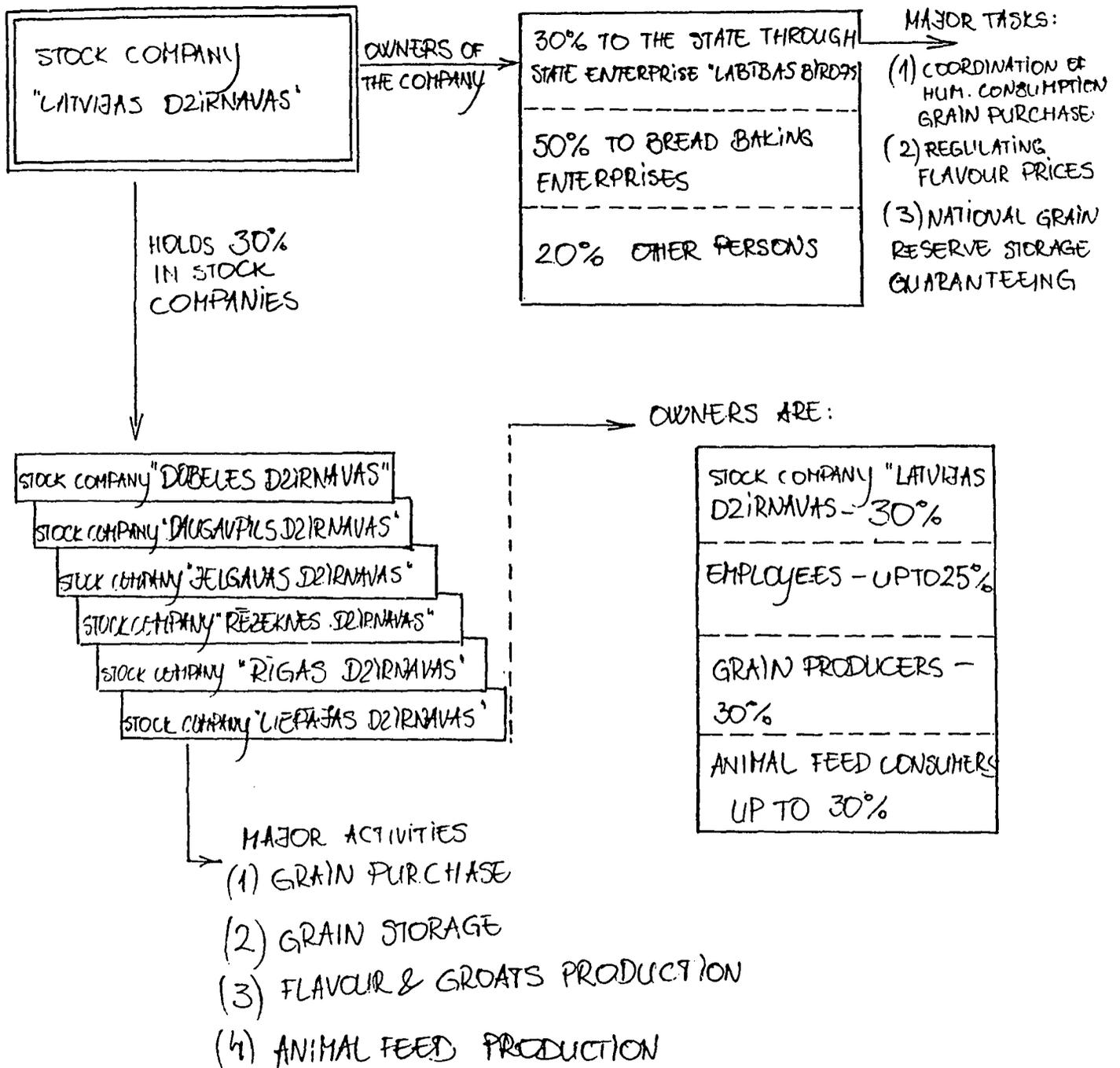
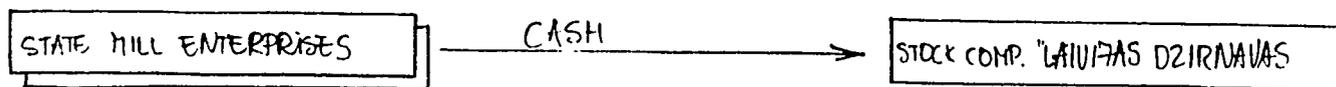


FIG. 4 STOCK COMPANY "LATVIJAS DZIRNAVAS".
STRUCTURE & TASKS

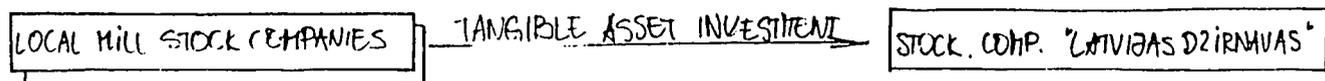
STAGE 1. ESTABLISHMENT OF ST. COMPANY "LATVIJAS DZIRNAVAS"
 CHARTER, PAYING 25% OF BASIC CAPITAL



STAGE 2. STATE MILL ENTERPRISES TRANSFORMED INTO STOCK COMPANIES,
 FURTHER STOCK SALES ENVISAGED



STAGE 3. LOCAL STOCK COMPANIES (THEY ARE LEGAL SUCCESSORS
 TO RIGHTS AND LIABILITIES OF THE STATE ENTERPRISES)
 INVEST THEIR STOCK INTO STOCK COMPANY "LATVIJAS
 DZIRNAVAS" (INVESTMENT IN THE FORM OF TANGIBLE ASSETS)



STAGE 4. SELLING THE STOCK TO ALL THE STOCK COMPANIES
 IN ACCORDANCE WITH THE PROCEDURE OF PRIVATISATION



DIVISION OF SHARES



- | | |
|--|---|
| <input type="checkbox"/> - STATE | <input type="checkbox"/> - STOCK COMPANY "LATVIJAS DZIRNAVAS" |
| <input type="checkbox"/> - EMPLOYEES | <input type="checkbox"/> - GRAIN PRODUCERS |
| <input type="checkbox"/> - ANIMAL FEED CONSUMERS | <input type="checkbox"/> - BREAD BAKERS |
| <input type="checkbox"/> - OTHER PERSONS | |

FIG. E. ESTABLISHMENT OF STOCK COMPANY "LATVIJAS DZIRNAVAS"

RIGA STATE COMPANY

"BALTMAIZNIEKS"

INFORMATION LIST

Riga, 1993

1. BASIC INFORMATION ON THE ASSET UNIT

- 1.1. Name of the Ministry - the Republic of Latvia Ministry of Agriculture
- 1.2. Full name of the enterprise - Riga State Company "BALTMAIZNIEKS"
- 1.3. UNIT TO BE PRIVATIZED - Bakeries N#2 and N#3
- 1.4. Enterprise's registration number at the Republic of Latvia Register of Enterprises - N#000302517,
date of registration - September 25, 1991
Enterprise's field of operation - bread production, production of confectionery goods, bread sale, trade.
- 1.5. Legal address of the enterprise - Riga, Ventpils str. 51
- 1.6. Location of the unit - Bakery N#2 - Riga, Ventpils str. 51
Bakery N#3 - Riga, Mūku str. 51
- 1.7. Bank accounts of the enterprise:
 - 1.7.1. Rubles account - N# 000404203 at the Agroindustrial Bank, Riga operational department
 - 1.7.2. Hard currency account - N# 580404503 at the Agroindustrial Bank, Riga operational department
- 1.8. Base capital (statutory fund) of the enterprise at the moment of registration was 1893 thousand Latvian rubles (LVR). After reevaluation January 1, 1993 - 66820 thousand LVR.
- 1.9. State owned capital share is 100%.
- 1.10. Investments of the enterprise into other entrepreneurial companies - none.
- 1.11. Main fields of operation of the enterprise determined by the Charter of the unit to be privatized - production of bread and confectionery goods, their sale and trade.
- 1.12. Structural units of the enterprise:
 - 1.12.1. Name: Bakery N#2
Address: Riga, Ventpils str. 51
Operational field: production of bread and confectionery goods.
 - 1.12.2. Name: Bakery N#3
Address: Riga, Mūkusalas str. 51
Operational field: production of bread and confectionery goods.
- 1.13. The enterprise does not have any subsidiaries or representative offices abroad.
- 1.14. Area covered by the enterprise: Bakery N#2 - 1.64 ha, Bakery N#3 - 0.96 ha, including production units - 2.6 ha.

- 1.15. Location of the enterprise:
 Distance from the capital city - 7 km.
 Distance from the railway - 0.5 km.
 Distance from Riga Sea trade port - 10 km.
 Distance from the airport "Riga" - 4 km.

- 1.16. Nationalized assets included in the structure of the enterprise (see Attachment 1).

2. ENTERPRISE'S ASSETS

2.1. Fixed assets (bakeries N#2 and N#3)

Fixed assets, th. Latvian rubles	Beginning balance-sheet value on 1/1/92	Beginning balance-sheet value on 1/1/93	Ending balance-sheet value 1/1/93
TOTAL	15037	124770	48808
including production spheres-- buildings	6205.2	57228.3	33290.4
- constructions	1116.8	10938.4	3394.4
- equipment and machinery	7351.9	53009.8	9837.1
- vehicles	294.9	2948.9	2062.7
- other fixed assets	68.2	644.6	223.4

- 2.2. Total working capital on January 1, 1993 was 47084 thousand Latvian rubles, including the value of goods and materials - 33055 thousand Latvian rubles,
 monetary resources in bank accounts - 14029 thousand Latvian rubles.

- 2.3. Units under construction - none.

- 2.4. Intangible assets owned by the enterprise - none.

- 2.5. Information on physical or legal entities renting the objects - none.

- 2.6. Rented working capital - none.

- 2.7. Enterprise's assets are not insured.

3. ECONOMIC ACTIVITIES OF THE ENTERPRISE

- 3.1. Suppliers of materials and goods needed for production, (%):
 Latvia - 96.0
 Byelorussia - 2.4
 Ukraine- 1.6

3.2. Production output

Producer	Actual prices (thousand Latvian rubl.), 1990	Actual prices (thousand Latvian rubl.), 1991	Actual prices (thousand Latvian rubl.), first half of 1991	Actual prices (thousand Latvia rubl.), second half of 1990
Bakery N#2	7105	20936	69375.4	322864.6
Bakery N#3	3347	12798	40454.6	175697.9
Total	10452	33734	109830.0	498562.5

3.3. Main products

Product	Produced in 1992, tons	Produced in 1992, thousand Latvian rubles
Bread and bread products Bakery N#2	16404.6	392240.0
Bread and bread products Bakery N#3	8754.5	216152.5
Total	25159.1	608392.5

Production assortment (see Appendix A)

3.4. Fields of expenses and their proportion in the prime cost of the production, 1990-1992.

Fields of expenses	Ratio, % 1990	Ratio, % 1991	Ratio, % 1992
Materials and raw resources	55.8	58.1	66.6
Fuel and other power resources	2.3	4.1	8.3
Labour expenses	8.4	7.2	6.1
Depreciation	25.6	21.8	11.3
Transport	1.0	1.2	1.7
Other expenses	6.9	7.6	6.0

3.5. The average profitability of the goods produced at the enterprise is 26%.

3.6. The volume of goods sold is the same as the volume of goods produced.

3.7. The main trade is carried out through:

specialized stores of the enterprise	10%
state stores	8%
private stores	82%

4. Enterprise's staff

4.1. Number of employees*

Indices	1990	1991	First half of 1992	Second half of 1992
Average number of employees	164/122	199/119	190/122	199/122
including - managers and specialists	8/12	9/12	11/15	13/15
- workers	156/110	190/107	179/107	179/107

* The first figure applies to bakery Nr.2, the second figure applies to the bakery Nr.3

4.2. Number of shifts - two.

4.3. Professional skills of employees

Indices	Bakery Nr.2	Bakery Nr.3	In total
Employees with the higher education	33	14	47
Employees with incomplete higher education	2	-	2
Employees with the secondary special education	96	49	145
Employees with the secondary education	30	44	74
Others	29	15	44

4.4. Management of the enterprise

Director - Iosifs Volčeks
Deputy Director- Juzefa Votoviča
Director of Bakery Nr.3 - Jurijs Fjodorovs

4.5. Management structure of the enterprise (see Appendix B)

5. Financial State of the Enterprise

- 5.1. Balance-sheets of 1/1/93, 1/1/92 and 1/1/91 are attached.
- 5.2. Net profit in 1992 - 80159 thousand Latvian rubles.
- 5.3. Credits received - none.
- 5.4. Loans given out - none.
- 5.5. Liabilities of the enterprise toward third persons on 1/1/93
 - Debtors debt - 113369 thousand Latvian rubles
 - Creditors debt - 82429 thousand Latvian rubles

6. Additional Information

6.1. The enterprise has been evaluated - the evaluation was carried out by the audit company "INVEST - Riga", Ltd. on May, 1993.

7. The information list was filled up by

Riga limited liability company "LIZE"

Registration date - May 24, 1993

Number of registration at the Register of Enterprises - 00031082

Bank account Nr. at the Latvia Land Bank

DIRECTOR, RIGA STATE
COMPANY "BALTMAIZNIEKS"

J.VOLČEKS

CHIEF ACCOUNTANT, RIGA STATE
COMPANY "BALTMAIZNIEKS"

T.KRASIŅA

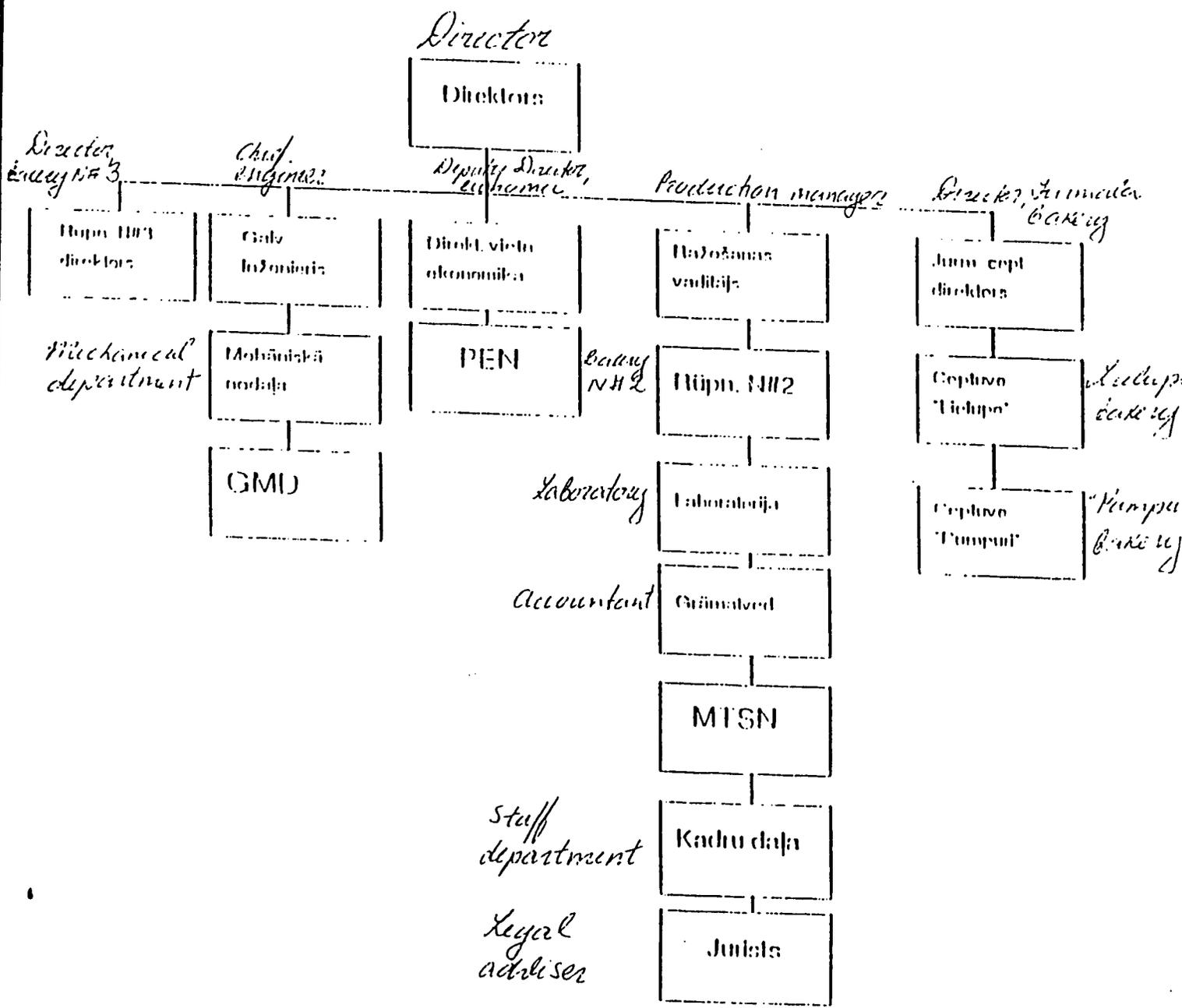
AGRICULTURAL MINISTRY'S
OFFICIAL

U p. k.	Nosaukums <i>Name</i>	Mērvien.	1991.g. pārsk.	1992.g. pārsk.	1993.g. plāns
1	2	3	4	5	6
	Maize un malzes izslīdājumi no liem:	tonnas	32143	32807	24600
1.	Krievzemes formasmaize 0,85		506.9		
2.	Daiņicas formas maize 0,9		93.1		
3.	Ziemeļu formasmaize 0,85		2370.4	8.0	
4.	"Lauces" formasmaize 0,9			2688.3	
5.	"Lauces" formasmaize 0,8			1160.7	4000
6.	Senču klona maize 0,94		109.3		
7.	Senču klona maize 0,9			147.8	
8.	"Jūrmalas" maize 0,85		20.8	16.7	
9.	"Jūrmalas" maize 0,7			2.8	400
10.	Fludzu klona maize 0,8			17.4	300
11.	Ballmaize 2. šķ., 0,85		229.1		
12.	Ballmaize 2. šķ., 0,5		874.9	1133.6	1100
13.	Ballmaize a/l, 0,8		285.9		
14.	Klona maize "Rūjienas" a/l, 0,7		131	2.7	
15.	Klona maize "Rūjienas" a/l, 0,6			15.2	50
16.	Klona maize "Rūjienas" a/l, 0,5			36.6	
17.	Ballmaize 1. šķ., 0,5		1865.7	2567.3	
18.	"Zemgales" maize, 1. šķ. 0,5			12.3	
19.	Bulciņa ar pazemin. skābumu 1. šķ. 0,2		59.9	32.0	
20.	Doktora maize a/l			0.3	
21.	leqr. batons a/l 0,45			5692.9	13200
22.	"Zemgales" maize a/l 0,45			10113.7	
23.	"Tils" a/l 0,45			203.2	
24.	Batons ar klijām a/l 0,45		854.4	1117.5	1000
25.	Veselības plāceniši 2. šķ. 0,3			24.6	100
26.	leqr. batons 1. šķ. 0,5			664.9	
27.	Batons 1. šķ. 0,45			487.8	
28.	Ballmaize a/l 0,45			581.3	
29.	"Kaives" maize a/l				
30.					

Appendix B

Management structure of the enterprise 4.5. Uzņēmuma pārvaldes struktūra

11



962

Riga State Company
"BALTMAIZNIEKS"
Bakeries No. 1 and 2
Privatization Project

Riga, 1993

1. BASIC INFORMATION ON THE ASSET UNIT

- 1.1. Name of the Ministry - the Republic of Latvia Ministry of Agriculture
- 1.2. Full name of the enterprise - Riga State Company "BALTMAIZNIEKS"
- 1.3. Unit to be privatized - Bakeries N#2 and N#3
- 1.4. Enterprise's registration number at the Republic of Latvia Register of Enterprises - N#000302517,
date of registration - September 25, 1991
Enterprise's field of operation - bread production, production of confectionary goods, bread sale, trade.
- 1.5. Legal address of the enterprise - Riga, Ventpils str. 51
- 1.6. Location of the unit - Bakery N#2 - Riga, Ventpils str. 51
Bakery N#3 - Riga, Mūku str. 51
- 1.7. Bank accounts of the enterprise:
 - 1.7.1. Rubles account - N# 000404203 at the Agroindustrial Bank, Riga operational department
 - 1.7.2. Hard currency account - N# 580404503 at the Agroindustrial Bank, Riga operational department
- 1.8. Base capital (statutory fund) of the enterprise at the moment of registration was 1893 thousand Latvian rubles (LVR), after repricing on January 1, 1993 - 66820 thousand LVR.
- 1.9. State owned capital share is 100%.
- 1.10. Investments of the enterprise into other entrepreneurial companies - none.
- 1.11. Main fields of operation of the enterprise determined by the Charter of the unit to be privatized - production of bread and confectionary goods, their sale and trade.
- 1.12. Structural units of the enterprise:
 - 1.12.1. Name: Bakery N#2
Address: Riga, Ventpils str. 51
Operational field: production of bread and confectionary goods.
 - 1.12.2. Name: Bakery N#3
Address: Riga, Mūkusalas str. 51
Operational field: production of bread and confectionary goods.
- 1.13. Enterprise does not have any subsidiaries and representative offices abroad.
- 1.14. Area covered by the enterprise: Bakery N#2 - 1.64 ha, Bakery N#3 - 0.96 ha, including production units - 2.6 ha.

- 1.15. The unit does not include any nationalized assets. To resolve questions concerning the privately owned area covered by the unit on Ventspils str. 51, it is planned that 5% of the shares will be reserved for the former land owners, if they appear within the terms determined by the law.
- 1.16. Information on physical persons renting the unit or a part of it - don't rent.
- 1.17. Unit's balance-sheet supplement, including the previous three years.
- 1.18. Privatization of Jūrmala bakeries will be carried out in accordance with a separate privatization plan - possibly by transferring these units to the local government, due to the specific conditions of bread supply in Jurmala which is a health resort town, or otherwise.

2. PRIVATIZATION OF THE UNIT

- 2.1. Description of the privatization method.
 - 2.1.1. Privatization method - transformation of the unit to be privatized into a statutory company - joint-stock company "BALTMAIZNIEKS".
 - 2.1.2. Without selection of the candidates, by selling shares to the economic partner mentioned in the privatization project.
 - 2.1.3. Means of payment: Latvian rubles (Lati), certificates.
- 2.2. List of unit's assets to be privatized (see Attachment).
- 2.3. Evaluation of the unit.
 - 2.3.1. Proposals for involving the experts - the evaluation of the unit (in approximate prices) was carried out by experts from the audit company "INVEST-RIGA", LTD.
 - 2.3.2. Approximate calculation of the unit's determined price - a method for calculating the determined price of the unit is based on the determination of the actual value of enterprise's funds at the moment of its evaluation.
- 2.4. Regulations for the unit's privatization.
 - 2.4.1. Regulations for goods production - to maintain the current production field for three years.
 - 2.4.2. Guarantees for maintaining employment - the current level of employment shall be maintained for at least one year.
 - 2.4.3. Environmental protection measures needed - additional measures are not necessary, if all standards are observed.
 - 2.4.4. Guarantees for the fulfilment of the mobilization mission - the fulfilment of the mobilization mission in accordance with the plans developed by the Ministry of Agriculture and local government of Riga City shall be guaranteed.
- 2.5. In the entrepreneurial company - joint-stock company "BALTMAIZNIEKS" the following distribution of the base capital is planned:
 - for the former owners 5%

- for the pension fund (after additional evaluation) 5%
- for the sale by use of certificates (half of it only to the employees of the enterprise - 12.5%) 25%
- shares to be sold for money only to the employees of the unit 5%
- shares to be sold to the economic partner as the undividable share packet 60%

The above mentioned asset parts will be covered with the corresponding number of shares.

- 2.6. Procedure for asset purchases - state assets will be purchased in accordance with the privatization unit by issuing and purchasing shares.
- 2.7. Information on the potential purchaser - economic partner: Riga limited liability company "LIZE"
- type of company - limited liability company;
 - fields of operation of the enterprise (entrepreneurial company): processing of agricultural products, baby food production, sale of products, foreign economic activities, and other activities envisaged by the Charter;
 - term of operation of the enterprise (entrepreneurial company) - termless;
 - address of the enterprise (entrepreneurial company): Dzirnavu str. 68, Riga, Republic of Latvia;
 - enterprise (entrepreneurial company) Riga limited liability company "LIZE" is registered at the Republic of Latvia Industrial Register in Riga on May 24, 1993, Nr. 000313082.

FOUNDERS

Limited liability company "Ave Lat"
 registered at the Republic of Latvia Register of Enterprises on February 26, 1992, registration number 000305418, address - Riga, Dzirnavu str. 68.
 Lohmann Putz Goebel OHG Euro Business Langlingsweg 141 47228
 Duisburg 14, Germany

- 2.8. Means of payment, payment procedure and regulations.
- 2.8.1. Means of payment: Latvian rubles (Lati) and certificates.
- 2.8.2. Payment terms - monetary payments shall be made within a month after the shares are issued in accordance with the privatization project.
- 2.8.3. Discounts envisaged for the employees-owners of certificates, according to the procedure determined by the Council of Ministers. Half of the asset share shall be reserved for them and sold for certificates.
- 2.8.4. Cases in which the prolonged term of payment is envisaged - none.
- 2.8.5. Shares not purchased by the employees (for money), are sold to the economic partner - limited liability company "LIZE".
- 2.9. List of unit's liabilities - joint-stock company "BALTMAIZNIEKS" undertakes all liabilities of the units to be privatized.

- 2.10. Privatisation phases and project's implementation terms.
- 2.11. Purchase of state owned assets after the approval of the privatisation project.
- 2.11.1. Date of shares issue - June, 1993
First purchase - for cash, June-July, 1993;
Second purchase - for certificates, within 2 years - up to July, 1995.

3. UNIT OPERATIONS AFTER PRIVATISATION

- 3.1. Unit's business plan is given in Attachment.
- 3.2. Unit's production and management reorganization plan - see Information List.
- 3.3. Proposals on sanitation measures needed - not envisaged.
- 3.4. Measures for the enlargement of the base capital - not envisaged.

4. DEVELOPMENT OF PRIVATISATION PROJECT

- 4.1. Compensation for the unit to be privatized is distributed as follows:
- 75% to the limited liability company "LIZE"
 - 25% to the limited liability company "INVEST-RIGA"
- 4.2. Information of the project authors
- limited liability company "LIZE", registration date - May 24, 1993
registration number at the Republic of Latvia Register of Enterprises
Nr. 000313082
Bank account Nr. at the Latvian Land Bank (Latvijas
Zemes Banka)
Executor: Normunds Putāns
 - limited liability company "INVEST-RIGA"
registration date - November 7, 1991
Registration number at the Register of Enterprises Nr. 000303577
Bank account Nr. 301467567 at the Inter-regional department, Bank of
Latvia
Executor: Dr. Ivars Pucēns

The project was submitted to the Ministry of Agriculture on November 16, 1992,
registration number - 17.

The project was updated and resubmitted to the Ministry of Agriculture on May 26,
1993.

Riga State Company *BALTMALZNIIEKS*

**BUSINESS PLAN
for Bakeries 2 and 3**

Riga, 1993

105

TABLE OF CONTENTS

1. Summary
2. The Product
3. Market Analysis
 - 3.1. Definition of the Market
 - 3.2. Information on the Market Capacity
 - 3.3. Major Rivals
 - 3.4. Comparison of the Product with Competing Products
4. Marketing Strategy
 - 4.1. Product Sales Channels
 - 4.2. Price Policy
 - 4.3. Services and Guarantees
 - 4.4. Advertising
 - 4.5. Sales Stimulating Methods
 - 4.6. Public Relations
5. Enterprise Operations
 - 5.1. Location
 - 5.2. Facilities and Equipment
 - 5.3. Supply, Production and Sales Processes
6. Enterprise Management and Personnel Employed
 - 6.1. Management Organisation
 - 6.2. Personnel Employed
7. Legal Status of the Enterprise and its Asset Shares
 - 7.1. Legal Status of the Enterprise
 - 7.2. Asset Shares
8. Risks and Problems
9. Financial Information
 - 9.1. Estimated Sales Volume
 - 9.2. Expenditure and Revenue Table
 - 9.3. Cash Revenue and Expenditure Balance

1. SUMMARY

Following privatisation, the Riga state firm Baltmaiznieks bakeries No. 2 and No. 3 will retain their present scope of work, i. e., bread and bread product production and sales. The technological equipment of the enterprise and the qualifications of its personnel ensure the production of quality products and development opportunities even in market economy conditions.

In reality, all the residents are the potential consumers of the product. As bread is one of the basic food items, the sales volume would not be significantly reduced in an economic crisis situation. There are opportunities in the future to increase the market share on the basis of product quality, choice, and the sales service level. In general, the bread market can be characterized as stable.

The product shall be sold through enterprise stores and private stores. Prices will be set on the basis of product quality and novelty, but they shall not exceed the price of analogous rival products. The stress will be put upon less expensive products to meet the needs of the lower and the middle class.

Advertising and public relations will help to preserve the present sales volume and to facilitate success among competition. In the initial stage, advertising costs will be planned on the principle of parity with competitors. With the increase of competition, advertising will be increased. There will be advertisements in the press, television and outdoor media. Weight and packaging variations will stipulate sales volume growth.

The production process will remain unchanged in the coming years. In the distant future, attention will be paid to reducing equipment energy consumption.

The raw material suppliers will remain the same - mainly the enterprises of Latvia, some from the Ukraine and Byelorussia. Raw material control at the supply point and at other stages of production will take place.

The major problems are the possible drop in purchasing power, raw material price increases and increasing competition.

The financial result analysis shows positive results and predicts stable profit.

2. PRODUCTION

The enterprise produces and after privatisation will continue to produce bread and bread products from the highest quality wheat and rye, and from 1st and 2nd class quality flour.

The following products will be produced after privatisation:

Form bread *Lauces*;
Jūrmalas bread;
Rye bread;
Highest quality wheat bread;
Rūjiena rye bread;
Highest quality long bread;
Bran bread;
Veselības flat cakes;
Kaives bread;
Kurzeme bread;
Launaga bread;
Īves bread;
Cinnamon buns;
Vakariņu crescents.

If demand changes and/or competition increases, the equipment and personnel qualifications allow for changes in the assortment of breads produced to meet the new demand.

3. MARKET ANALYSIS

3.1. Definition of the Market

All the residents of Riga, Jūrmala and Riga district are potential consumers of the product. The range of consumers is not limited, as all people eat bread. Bread consumption per capita is stable and the flotation coefficient is low. Bread is purchased regularly, i. e., each day or every few days. The potential demand is determined by the product quality and the sales services quality. Product prices will not differ considerably from prices other bakers charge for their products.

Product	Bread and bread products
Potential consumers	All residents of the region
Their location	Rīga, Jūrmala, part of Rīga district (Baldone, Olaine, Mārupe)
Terms of supply	Regular supply, at least once a day. The total volume yields approximately 88 tons per day.
Readiness to produce despite existing price differences	The product price shall not be considerably higher than those of rivals, despite its higher quality

All products are sold in Latvia, including to airlines, hotels, tourist services.

3.2. Information on Market Capacity

In 1992, the enterprise sold:

Bakery 2 - 16,405 tons of bread and bread products;

Bakery 3 - 8,755 tons of bread and bread products.

A drop in demand is envisaged for the coming years, respectively, sales volume will reduce by 35% in 1993.

3.3. Major Rivals

Abra, Pildas iela 10, Rīga - production volume about 10%

Druva, Ganību dambis 27, Rīga - production volume about 30%

3.4. Product Compared to Rival Products

Rivals produce similar products, that differ in assortment. The product advantages are: high quality, due to high quality raw materials, imported equipment and professional personnel.

In increasingly competitive circumstances further specialisation, maintaining the basic production, is possible.

4. MARKETING STRATEGY

4.1. Product Sales Channels

Bread and bread products will be sold in all possible stores that sell this kind of product:

private stores - 90%;
enterprise stores - 10%.

Work on a new, modern enterprise store on the territory of the plant (Ventspils iela 51, Rīga) is under way. The stores the enterprise use on a lease agreement basis will also be used as much as possible. They are:

Store No 6, Vienības gatve 31, Rīga,
open from July, 1992, 350 t of bread sold;
Store No 7, Gobas iela 15, Rīga,
open from August, 1992, 400 t of bread sold;
Store *Karstā maize*, Mūkusalas iela 51, Rīga,
1889.6 t of bread sold;
Store in Jūrmala, Stendes iela 13, Lielupe,
125.4 t bread sold;
Store in Jūrmala, Dubultu prospekts 93, Pumpuri,
63 t bread sold.

There are also several stands. The greater part of the output goes to private stores, that are dispersed among a large territory, that is, closer to the consumer. Owners of the stores will be interested in cooperation with the enterprise, thus ensuring regular and punctual supply of a high quality product. There will be also truck sales.

4.2. Price Policy

The biggest profitability rate envisaged is 12-14 %. Prices are set in accordance with the product quality, but they shall not exceed similar rival product prices. Taking into account the decrease of the purchasing power, the production of less expensive products will be increased, so that all the residents are supplied with bread at accessible prices and the maximum output levied is retained.

Estimates say that any clever price policy would still lead to decreasing sales.

4.3. Services and Guarantees

The enterprise guarantees high quality of the product in accordance with the standards. There are no additional services envisaged alongside with product sales.

4.4. Advertising

Advertising of both the enterprise and its products is planned. The advertising will be based on allusions to such notions as bread, grain, the country side, farming and stability. The following media will be involved: television, radio, periodicals, and out-door media.

Advertisements will be primarily informative. They will introduce the new products, as well as provide information on their use and advantages. The media involved: television, radio, periodicals, advertisements in its own stores and co-operation with other stores in advertising.

With the increase in competition, the intensity of advertising will grow and a bigger portion of profit will be allocated to it. In similar Western enterprises advertising costs exceed 10 % of turnover. Taking into account the big market share of the enterprise and its popularity, advertising costs can be based on parity principle, not allowing the rivals' market share to increase.

4.5. Sales Stimulating Methods

Sales volume to a great extent will be ensured by the product quality and reasonable prices. Sales volume may be retained by allowing discounts for greater volumes to stores, increasing the distribution area and including new retailers.

The users' consumption will be stimulated by modifying weight and packaging in order to meet diversifying demand.

4.6. Public Relations

The reputation of the enterprise will be that it ensures sales of quality products only. In addition, relations with the press will be maintained, news conferences will be held on special occasions (anniversaries, introduction of new products, etc.). Announcements in the press will be related to environmental protection, clean production, protection of health. The concluding stage of the production process will be shown as the farming that allows the needs of the urban population for basic food products to be met. The enterprise will, as much as possible, sponsor various cultural and sporting events.

5. THE ENTERPRISE OPERATIONS

5.1. Location

The privatised facilities of the enterprise are located in Rīga. Their location is convenient for the supply of raw material (the main plant is situated 0.5 km from the railway, 10 km from the port) as well as for sales (the plant is within the city, accessible to motor vehicles). The enterprise location is not advantageous, however, in comparison with similar enterprises of Rīga.

5.2. Facilities and Equipment

It is planned that all the facilities and equipment located in Rīga will be used (Ventspils iela 51, Mūkusalas iela 51). Technological lines designed for the production of a special kind of bread are used. The enterprise uses 10 foreign produced stoves, produced in Czechoslovakia and Yugoslavia. Equipment shall not be sold or rented out. There is no construction in progress. The production process can be ensured without additional investment in fixed assets. Re-construction of the enterprise will be needed in the more distant future. Investment of up to 10 million US\$ for the period of 8-10 years will be needed to modernise the enterprise so that it can produce packed bread and bread products. Share company *Baltmaiznieks* has investors and partners that are ready to invest this amount of money.

5.3. Supply, Production and Sales Process

There are 15 major kinds of raw materials needed for production. They are shown in the following table.

In most cases, raw materials are purchased from the traditional partners that have been punctual and have previously supplied high quality products (those were mostly Latvian enterprises, oil, syrup and salt came from the Ukraine, margarine was imported from Bjelorussia).

The main energy source has been electricity. It will continue being supplied through the existing channels.

The above mentioned raw materials are used for production in all the bakeries of the enterprises. Bread baking is the major kind of production. It differs on different production lines, depending on the flour and additives used.

The raw material consumption is as follows:

Ingredient	Bakery 2 consumption (t)	Bakery 3 consumption (t)
wheat flour, highest equal.	10800	3000
wheat flour, 1st sort	1500	3000

wheat flour, 2nd sort	900	200
wheat brans	60	-
rye flour, peeled	450	720
yeast	375	200
sugar	885	420
dairy products	800	430
eggs	5	5
caraway	8	3
malt	1	-
margarine	400	215
oil	45	23
syrup, refined	-	10
salt	200	105

Raw material quality control takes place at the point of receipt and directly before use in production. Control at definite stages of production and at the end of the process will ensure product quality. Bread products produced in future will be produced in accordance with the National Standard presently used.

6. ENTERPRISE MANAGEMENT AND PERSONNEL EMPLOYED

6.1. Management Organisation

Share company *Baltmaiznieks* structure is shown below:

Council

Board

- Bakery 2
- Bakery 3
- Fin. & Econ. Service
- Sales Service
- Supply Service
- Technical Department

6.2. Personnel Employed

The personnel presently working for Bakeries 2 and 3 will be employed after the privatisation. Their qualifications meet the requirements. No cuts of the staff are envisaged.

The personnel will undergo special training if new equipment or new products are introduced.

7. THE LEGAL STATUS OF THE ENTERPRISE AND ITS ASSET SHARES

7.1. Legal Status of the Enterprise

Company with limited liability.

7.2. Asset Shares

The following distribution of base capital has been envisaged at the share company *Baltmaiznieks*:

- left to former owners	5%
- pension fund (after additional valuation)	5%
- sold for certificates only (one half to the enterprise employees only - 12.5%)	25%
- privatisation unit employees, cash sales	5%
- sold to business partners as undivided portion of shares	60%

The above mentioned asset parts are covered by a corresponding number of shares.

8. RISKS AND PROBLEMS

The major task of the enterprise will be to increase sales volume. However, decreasing purchasing power poses some difficulties to the completion of this task. Still, bread products belong to food items that are less affected by this drop. After the economic situation improves, an increase in sales volume and demand for a larger variety of products is expected. Increasing the assortment would require additional expenditure.

Competition is expected to increase in future. Taken into account the complicated technological process and high equipment costs new major rivals are unlikely to appear in near future. A number of small bakeries are more likely to appear, still they would not be able to produce such a variety of products and their equipment capacities are to be considerably small.

The CIS-supplied raw material costs are likely to increase in the coming years.

9. FINANCIAL INFORMATION

9.1. Expected Sales Volumes, thous LVR

products & producers	1st half '92	2nd half '92	1st quart. '93	2nd quart. '93	3rd quart. '93	4th quart. '93	total 1994
bread and bread products, of that							
Bakery 2	69375.4	322864.6	71965	74750	83200	96450	351000
Bakery 3	40454.6	175697.9	38750	42250	44800	46550	189000
TOTAL	109830	498562.5	110715	115000	128000	133000	540000

The product shall be sold in Latvia, mainly in Riga.

9.2. Expenditure and Revenue Table, thous. LVR

category	1992*	1st quart. '93	2nd quart. '93	3rd quart. '93	4th quart. '93	total 1994
product sales revenues	608392.5	110715	115000	128000	133000	540000
turnover tax	13632	2481	2577	2868	2980	12099
cost of product sold	453910	82602	85799	95498	99229	402884
sales result	140850.5	25632	26624	29634	30791	125017
other sales result	5460	-	-	-	-	-
revenues and expenditure on non-sale operations	60	-	-	-	-	-
profit before subtraction of profit tax	146370.5	25632	26624	29634	30791	125017
taxes	67330.4	11791	12247	13632	14164	57508
profit	79040	13841	14377	16002	16627	67509

*) includes Bakeries 2 and 3

at

9.3. The Cash Revenue and Expenditure Balance

category	1992*	1st quart. '93	2nd quart. '93	3rd quart. '93	4th quart. '93	total 1 1994 1
own assets, of that:	88412	15901	16438	18062	18688	75609
profit after taxes	80169	13841	14377	16002	16627	67509
depreciation	8243	2060	2061	2060	2061	8100
loan and allocated resources	-	-	-	-	-	-
cash revenues total	88412	15901	16438	18062	18688	75609
dividends	-	1384	1438	1600	1663	6751
loan repayment	-	-	-	-	-	-
? other cash expenditure	85237	13417	14200	15562 ^{59,404}	16225	63858
capital investment	3175	-	-	-	-	-
investment into working capital, of that:	-	1100	800	900	800	5000
raw materials	-	1100	800	900	800	5000
inventory						
investment and liability balance						
cash expenditure total	88412	15901	16438	18062	18688	75609

*) totals for the enterprise

The business plan was prepared by

Remuneration shall be divided:

75% to limited liability company *Lize*

25% to limited liability company *Invest-Riga*

Authors:

limited liability company *Lize*

registered May 24, 1993, No 000313082 at the Enterprise Register of the Republic of Latvia

Bank account No _____ at *Latvijas Zemes Banka* (the Land Bank of Latvia)

prepared by Normunds Putāns

limited liability company *Invest-Riga*

registered November 7, 1991, No 000303577 at the Enterprise Register of the Republic of Latvia

Bank account No 301467567 at the International Department of the Bank of Latvia

prepared by Dr. Ivars Pucēns

Submitted to the Ministry of Agriculture November 16, 1992, No 17

Updated and repeatedly submitted May 26, 1993

PRIVATIZATION PROJECT
FOR A STATE (MUNICIPAL) OWNED UNIT (ENTERPRISE)

1. BASIC INFORMATION ON THE UNIT.

1.1. Name of the Ministry (committee, municipal government):

The LR Ministry of Agriculture.

1.2. Full name of the enterprise (entrepreneurial company) (form of entrepreneurial activity should be stated):

The State firm "DAUGAVPILS MAIZNIEKS"

1.3. Unit for privatization (completed if a separate structural part of the enterprise, subsidiary or agency is privatized):

Bakery No. 1

1.4. Registration of the enterprise (entrepreneurial company) with the LR Enterprise Register:

No. 000303405 Registration date October 28, 1991

1.5. Legal address of the enterprise (entrepreneurial company):

Republic of Latvia, LV 5400, Daugavpils, Vidus St. 32; tel. 41304

1.6. Enterprise's bank accounts:

1.7.1. Ruble account: #000404100, Bank of Latvia Daugavpils branch, (address: LR Daugavpils, Gimnazijas 12, kods 310101320

1.7.2. Hard currency accounts: none

1.8. Assets (charter fund) of the enterprise as of December 31, 1991 is 1,356 thousand rubles;

March 1, 1993 (prices revised according to the LR CM Regulations No.37, February 10, 1993 - 4520 thous. rubles)

1.9. Distribution of assets:

- state owned assets - 100%

- assets owned by legal entities - none

- total assets owned by individuals - none

- including foreign capital - none

1.10. Investments of the enterprise (entrepreneurial company) into other companies: none

1.11. Main activities of the unit (enterprise, entrepreneurial company or its structural part, subsidiary, agency, henceforth - unit) to be privatized provided by the Charter (Regulations):

- production of bread and bread products;
- trade
- exports and imports;
- food production;
- commerce.

1.12. Structural parts of the enterprise (entrepreneurial company) in Latvia:

Name: Bakery No.1

Address: Daugavpils, Vidus St. 32

Activities: Production of rye bread and cracknels/ klijģeriģi

1.13. Company's overseas subsidiaries: none

1.14. Land under the unit: 0.965 ha

1.15. Information about the owners of the unit, their property before nationalization, value of the property as stated in the asset inventory documents made up after the war (except information on the owners of shares): see Appendix No. 7

1.16. Information about natural and legal persons leasing the unit or its part, and lease contracts: none

1.17. Balance sheets of the unit for the previous three years: Appendix No. 5

2. PRIVATIZATION OF THE UNIT

2.1. Privatization methodology: transformation of the state enterprise into a limited liability company with the state capital involved.

2.2. List of property to be privatized (transferred) in the unit:
Appendix No.1

2.3. Proposals to hire specialized firms to carry out auction: none

2.4. Valuation of the unit

2.4.1. Approximate calculation of the price of the unit

1) calculation of price based on the profit discount:

$$C = \frac{P \times 100}{D};$$

C - price of the unit (thousand rubles)
P - prospective average profit for the unit in the nearest three years based on the business plan;
D - interest for bank deposits in the current year, 94%

Approximate price of the unit:

$$C = \frac{(5294 + 19240 + 27765)/3 \times 100}{94} = 18546 \text{ thousand rubles}$$

Determined price for the enterprise: 18500 thousand rubles

2.5. Regulations (guarantees) for the privatization of the unit:

2.5.1. Usage of the property for the performance provided by the Charter;

2.5.2. Production of bread and bread products according to the standards technological conditions in the enterprise;

2.5.3. Guarantees of the maintenance of jobs:
Jobs confirmed by customer orders are maintained and correspond to the required qualifications;

2.5.4. Environment protection activities are carried out in compliance with the LR State Environmental Protection Committee requirements;

2.5.5. Fulfilment of mobilization assignments is guaranteed;

2.6. Shares of the entrepreneurial company:

(total assets - 100%)

Phase 1 (transformation of the state enterprise into a ltd. company with the state assets involved:

- state assets - 80 %
- natural persons - 15%
- reservation for Pension Trust - 5%

Term: one month after its registration with the Ministry of Economic Reforms

Phase 2 (privatization of shares held by the State):

- natural persons - employees of the enterprise - 20 %
- owners - 40%

- assets left with the state (sold for vouchers only) - 25%
- traded in the free market - 15%

Term: 6 - 7 years

2.7. Procedure for the share sale:

	Phase 1	Phase 2
Term	one month after registration	6 - 7 years
Private capital	15% (3,250 thous. rubles)	15% (3,250 thous. rubles)
Pension Trust	5% (925 thous. rubles)	5% (925 thous. rubles)
State Assets	80% (17,575 thous. rubles)	80% (17,575 thous. rubles)
to be traded for vouchers		25% (4,394 thous. rubles)
to the employees		20% (3,515 thous. rubles)
to the owners		40% (7,030 thous. rubles)
in free market		15% (2,626 thous. rubles)
Total assets	100% (21,750 thous. rubles)	100% (21,750 thous. rubles)

2.8. Information on the potential buyers (lessees)

1. Aleksejs Vasiljevs - passport No.....address.....
2. Valerijs Vasiljevs - passprot No..... address.....
3. Ludmila Arestova - passport No..... address.....
4. Sergejs Mameko - passport No..... address
5. Valerijs Boikovs - passport No..... address
6. Veronika Matisāne - passport No. address
7. Viktors Matisāns - passport No. address.....

2.9. Means of payment, procedure and regulations.

2.9.1. Means of payment and their proportions:

- the LR privatization vouchers used for the privatization of not less than 25% of the state assets;
- current legal tender.

2.9.2. Terms of payment: see Article 2.7.

2.9.3. 10% discount is granted to the employees - owners of vouchers.

2.9.4. Cases when payment terms are prolonged are not anticipated.

2.9.5. Other terms - none.

2.10. List of obligations of the unit:

2.10.1. Obligations transferred: Company formed as the result of the state enterprise transformation is considered the successor of its rights according to the procedure provided by the LR legislation.

2.10.2. Additional obligations:

Obligations are transferred regarding the unfinished construction work; partners must be identified for common activities on and for use of the unit.

3. OPERATION OF THE UNIT AFTER PRIVATIZATION

3.1. The business plan of the unit is included in the Appendix.

3.2. Reorganization scheme for operation and management is included in the business plan.

3.3. Proposals how to increase the value of fixed assets:

The value of assets for the state enterprise as of 1/03/93 is 4,520 thous. rubles. It is anticipated that the value of assets will be increased by 3,250 thous. rubles, invested by natural persons - employees of the enterprise, and 13,980 thous. rubles will be invested by state owned assets (the difference between the determined price - 18, 500 thous. rubles - and the assets of the state enterprise as of 1/03/93 is 4,520 thous. rubles).

The total value of assets in the company is

$$4,500 + 3,250 + 13,980 = 21,750 \text{ thous. rubles}$$

3.4. Management of the state owned assets is carried out according to the current legislation (the LR Law "On the Management of State and Municipal Property in Entrepreneurial Companies", Article 2, part 1) and Charter of the company.

Other kinds and terms of trading of state owned assets are provided in 2.11. and 2.6.1.

4. THE AGREEMENT (CONTRACT) MADE BY THE AUTHORS OF THE PRIVATIZATION PROJECT ON THE DISTRIBUTION OF REMUNERATION/BONUS. (CERTIFIED AND SUPPLEMENTED IN THE APPENDIX)

5. The privatization project was prepared: 25/03/93

The privatization project was submitted _____

Information about the author(s) of the project:

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THE REPUBLIC OF LATVIA MINISTRY OF AGRICULTURE

LATVIAN STATE INSTITUTE OF AGRARIAN ECONOMY

A CONCEPTION
OF THE FORMATION OF LATVIAN GRAIN AND GRAIN
PRODUCTS MARKET AND REORGANIZATION OF THE
CONCERN "LATVIJAS LABĪBA"

Responsible person
Cooperation and administration
problems section
researcher Andris Miglavs

Riga 1992

Short description of current situation

To date, state enterprises forming the concern "Latvijas labība" operated in four main spheres:

- grain purchase and storage, including import operations;
- flour and groats production;
- bread and other bakery product production;
- mixed feed production.

Most of these enterprises are combined enterprises operating in several of the above mentioned spheres. It is almost impossible to reorganize them into separate, independent one operation sphere enterprises.

Beside that several infrastructure enterprises are functioning as well (see Appendix 1).

Together with the above mentioned functions, "Latvijas labība" has also carried out several functions of national importance:

- calculation of grain amount necessary to fulfil inhabitants' needs for bread and grain products;
- control over the use and storage of human consumption grain;
- control over the quality of state grain to be imported;
- regulation of prices for human consumption bread and grain products.

In accordance with the Republic of Latvia Council of Ministers Resolution nr. 471 "Latvijas Labība" shall quit its activities by December 31, 1992 and hand over its state functions in the market of grain and grain products to a new structure, at the same time carrying out the demonopolization of the branch.

A CONCEPTUAL SCHEME OF REORGANIZATION

1. Objectives of the concern's "Latvijas Labība" reorganization.

1.1. Demonopolize the branch of grain, grain product and bread production.

1.2. Ensure the possibility for implementing the free market principles.

1.3. Ensure the possibility for the state to keep control over the grain reserve, as well as over the prices of grain and grain products.

1.4. Maintain the systematical work of branch's enterprises considering their technological specialization and division of functions created during the previous periods.

1.5. Create preconditions for the privatization of branch's enterprises, observing the above mentioned objectives.

2. Basic principles of reorganization

2.1. Latvian grain and bread market is a united system which unites grain farmers, cattle-breeding product producers, grain processors and keepers, bread producers and sellers, consumers.

2.2. State regulates the grain market ensuring the correspondence between demand and offer. State influences the grain market by using:

- state grain reserve;
- state control over grain balance and foreign trade.

2.3. Latvian grain and bread market mainly consists of independent enterprises, which are independent economic entities and which represent several types of entrepreneurial activities based on the different forms of ownership. Each of these enterprises uses profitability as a criteria of the efficiency of its economic operations.

2.4. Competition among grain producers, grain purchasers and processors, as well as bread makers shall be developed. Competition among enterprises producing flour is limited, but not eliminated.

2.5. Present state enterprises of the branch may be privatized in accordance with the Republic of Latvia privatization laws, observing several additional requirements, which will ensure the development of the united system of grain and bread market, as well as guarantee the future functioning of the enterprises in accordance with their current specialization.

3. Stages of the reorganization process

Reorganization of the concern "Latvijas Labiba" is carried out gradually, in several stages creating preconditions for state grain market operations and privatization of branch's enterprises. (Fig. 1)

3.1. Prepare the conception of domestic grain and grain products market development.

3.2. Form a commission on the liquidation of the concern "Latvijas Labiba".

3.3. Create new organizational structures of the branch.

3.3.1. Establishing of Latvian "Labibas Birojs":

- the temporary charter of "Labibas birojs" is worked-out in accordance with the Republic of Latvia law "On State Enterprise", at the same time considering the necessity and working on the Republic of Latvia law "On the State Grain Market";

- a structure of "Labibas Birojs" is formed at the Council of Ministers just after its charter is approved, including 3-4 state grain storage enterprises, grain laboratory, as well as specialists of grain market regulation;

- a commission on "Latvijas Labiba" liquidation hands over state functions in the sphere of grain market to the newly formed structure.

3.3.2. Foundation of joint stock company "Latvijas Dzirnava".

- human consumption grain mills form a joint stock company "Latvijas Dzirnava" envisaging in its charter the future possibilities and procedure of stock sale to all bakery enterprises, leaving to the state stock package which allows to prevent the adoption of unmotivated decisions;

- a commission on "Latvijas Labiba" liquidation hands over to the newly formed structure bread prices balancing, flour production coordination and some other functions.

All Latvia's bakery enterprises may become the members of this joint stock company. State share is represented by "Labibas Birojs".

3.4. Selection of administration structure of feed production enterprises (if enterprises consider that as necessary).

3.5. Liquidation of "Latvijas Labiba" activities. Legal successors to its rights, liabilities and property, correspondingly with their functions, are Latvia's "Labibas Birojs" and joint stock company "Latvijas Dzirnava".

3.6. Prepare state enterprises of the branch for privatization and their privatization:

- during the 1st stage enterprises are transformed into the joint stock companies;
- during the 2nd stage candidates for bakery enterprises' privatization are selected;
- during the 3rd stage stocks of the newly formed stock companies are sold to physical and legal entities in accordance with the scheme envisaged in privatization projects and charters, considering the specific characteristics of the concrete subbranch's enterprises.

IV Grain and Grain Product Market Perspective Scheme Market Regulation Possibilities

The Latvian grain and bread market is a united system that involves grain producers, animal feed procedures, grain storage and processing enterprises, bakeries and bread retailers, and, finally, food consumers (Fig. 2).

The most essential elements of the scheme are grain producers and bread consumers, that are mutually linked by a number of other subjects//. The following chapter discusses grouping of the linking structures, their cooperation possibilities and relations, as well as the possibilities to regulate them.

4.1. Grain sources.

4.1.1. Latvian agricultural product producers.

4.1.2. Grain imports.

The amount of grain imports are to meet the Latvian grain market demand, that depends on:

- grain price level;
- other agriculture product market situation /sales possibilities/ and price, which strongly influences grain consumption by animal feed industry;
- increasing grain imports and imported grain price would cause grain price fluctuation in the domestic market;

The grain produced by agriculture enterprises is sold to grain processing enterprises on the grain market. The processing enterprises produce flour and groats, animal feed and spirits.

The grain is also accumulated in the national reserve and other reserve funds. A part of the grain remains at the agriculture enterprises to meet the demand for animal feed and seed. The surplus grain exports would be another choice in future.

The total amount of grain produced is mainly determined by the general grain and agriculture product processing conditions. Increase of the output or keeping it at the present level is possible under profitable production conditions only.

From this follows, that grain output at the domestic agriculture enterprises can be influenced by changing grain price in the national grain market. One of the most feasible price regulatory instrument is import-export quotas and tariffs.

Taking into account the present grain production and grain consumption proportion, as well as grain production and consumption structure relations, grain imports are necessary.

To establish permanent and motivated grain market, the following long-term goals are to be achieved:

- a balance of grain consumption and grain resources in the country;

- re-production conditions for agriculture producers in Latvia.

4.2. Grain purchasers.

4.2.1. Grain purchase and storage enterprises.

4.2.2. Grain mills, that can simultaneously function as grain storage enterprises.

4.2.3. Animal feed production enterprises, that can simultaneously function as grain storage enterprises.

4.2.4. The national grain reserve. Any reliable grain purchase and storage company authorized by "Labības birojs" can purchase grain for the national reserve on contract basis. Consequently, the above listed enterprises are grain purchasers for the national reserve.

The total amount of grain, grain amount purchased by individual enterprises, as well structure of the grain purchased are determined by the proportion of:

- 1) grain sales price and agriculture production sales price;
- 2) grain sales price offered by individual grain purchase enterprises.

The better price paid for human consumption grain rather than animal feed grain would ensure production of the needed amount of human consumption grain. But human consumption grain demand is limited by the actual bread consumption in the domestic market.

At present the above mentioned enterprises are mostly state owned, but in near future their ownership and form of entrepreneurial activities would be changed, stock holders companies would be established and stocks would be sold to natural and legal persons.

Enterprises of the branch are commercial enterprises, that are to re-produce themselves through their commercial activities.

Interest in grain purchase is a compulsory prerequisite to successful economic functioning.

Taking into account, that their sphere of activity is in between grain purchase and grain processing, grain processing enterprises are to be aware of the fact, that storage expenditures are to be included into their production cost through higher grain purchase prices.

4.3. Users of the purchased grain.

4.3.1. Human consumption grain processing enterprises.

4.3.2. Animal-feed producers.

4.3.3. The national grain reserve.

4.3.4. Other processing enterprises (spirits, etc.).

These grain consumer groups are not directly connected. The indirect connection shows itself in the following:

The national grain reserve contains a rather definite grain amount, that depends on the decision of executive bodies and the state budget resources.

Grain consumption in bakeries would not exceed the bread consumption standard limits. At the same time, part of the grain amount can be transferred from these branches to animal-feed production, which is more flexible in grain consumption.

In order to establish more or less open market system in bread baking industry, so that unreasonable price increase caused by shortage of grain would not occur, the human consumption grain price shall be balanced to animal consumption grain price, which in practice means regulating human consumption grain price, that is higher than what farmer would get selling the grain as animal-feed.

State owned enterprises dominate this branch of the industry at the moment. Taking into account relation of individual enterprises to the industry:

- (4.3.3.) The branch should remain under direct state control, although grain reserve can be partially left for storage with other enterprises. The national reserve storage can be partially guaranteed by state part in the stock company established on mill enterprise basis. Storage of the national reserve has been envisaged as one of the tasks of individual mill enterprises (see Chapter 6).

- (4.3.2.) This branch of the industry could initially function as independent state owned commercial enterprises, that are transferred to private ownership along with other state owned agriculture processing enterprises.*

- (4.3.1.) this branch of the industry is in fact essential to the whole process of bread production and all bakery enterprises of the country are involved in the process.

The branch has developed itself as a highly specialized business, where one or few enterprises supply the whole country, for example, with rye flavour, groats and similar products. The purchased grain up to now was being levelled out// as to its quality and price.

Stability of the branch would ensure stability of the whole bread baking industry, as well as of major raw material price throughout the country.

Taking into account the above mentioned principles, a stock company could be established on the basis of enterprises of this branch of the industry.

All bakery enterprises shall have access to the company.

To maintain state control over bread baking industry and to ensure storage of the national reserve, state should remain as one of the most influential partners represented through "Labības birojs" (detailed discussion of other functions would follow).

4.4. Bread baking enterprises;

4.4.1. State bread baking enterprises;

4.4.2. Consumers' Cooperative enterprises;

4.4.3. Bread baking enterprises belonging to other owners.

In practice bread baking enterprises are independent commercial enterprises, and so there exist all the necessary prerequisites for free competition, that can still be strengthened by privatisation of the enterprises in accordance with the Republic of Latvia legislation on privatisation of state enterprises.

The following basic principles are to be taken into account:

- de-concentration and de-centralization of the enterprises, establishing new bakeries on the basis of departments separable from the main enterprise;

- demand to maintain a certain minimum of bread sales and assortment amount, expressed in/ *naturāla izteiksmē*/ for a certain period of time;

- lease agreement for a period of at least five years can be chosen as privatisation means, in order to avoid sharp increase in bread prices (the increase would be connected with the necessity to compensate purchase of the enterprise).

In the case of necessity a cooperative association could be established in order to solve problems of this branch of industry as well as for personnel training.

The association should abstain from agreements on monopoly prices.

Establishment of the Association is not compulsory, if problems are solved through stock company "Latvijas dzirnavas"-- an enterprise established on the basis of human consumption grain mill enterprises.

4.5. Bread retail enterprises.

A variety of enterprise forms have developed in this branch of the industry. To increase it further the network of stores belonging to bread baking enterprises should be developed or cooperation between bread baking enterprises and stores should be developed, involving at the same time transportation service enterprises.

4.6. The customer.

The first function of the customer is to make money, choose the store, the sort of bread and to purchase as much bread as possible.

5. Latvian grain bureau

Latvia's "Labibas birojs" is the central instrument for grain and bread market regulation, which can be used by the state to ensure grain balance and influence grain market (Fig. 3).

Latvia's "Labibas Birojs" is a state enterprise, which elaborates proposals and, after they are approved, carries out national grain policy.

"Labibas Birojs" has the following functions:

1. Estimating of the total grain amount necessary for whole Latvian state currently and in the perspective future, including the division by grain sorts and quality.
2. Estimating of the total volume of grain production in Latvia currently and in the perspective future, including the division by grain sorts and quality.
3. Making forecasts for grain produced in Latvia sale volume according to the volume, structure and quality.
4. Predicting of Latvia's grain market prices, taking into consideration level of agricultural production expenses, and determining of grain purchase price correspondingly with the necessity to maintain State grain reserves.
5. Determining of the necessary grain import volume, including the division by grain sorts and quality.
6. Elaborating (and may be also determining) of grain import tariffs by separating each sort of grain.
7. Selection of grain importers and determining of their quota.
8. Dividing grain producers by zones (establishing different quotas and purchase prices according to the natural conditions for grain farming).
9. Preparing of proposals for determining the volume of State grain reserves.
10. Responsibility for the storage and transportation of the determined State grain reserve.
11. Economic guidance over grain import-export harbor.
12. Supervision over the state share in joint stock company "Dzirnavnieks" (coded name).
13. Inspection of state grain and exploitation of the state central laboratory of grain and grain products quality testing.

The legal basis of "Labibas Birojs" activities is a charter approved by the Republic of Latvia Council of Ministers, prepared in accordance with the Republic of Latvia law "On State Enterprise". The economic basis of "Labibas Birojs" is allocations from human consumption grain processing enterprises, which independently from the form of their ownership are 0.5 % from the value of grain processed (is determined after the operation costs are calculated).

"Labibas Birojs" economic activities are guided by a director approved at the Republic of Latvia Council of Ministers.

General supervision over the activities and grain policy of "Labibas Birojs" is carried out by the Council of "Labibas Birojs" consisting of:

- 1st deputy minister of Agriculture;
- Head of Grain Department, the Republic of Latvia Ministry of Agriculture;
- representative of Latvia's monopoly activities control structure;
- Director of "Labibas Birojs";
- representative of the Republic of Latvia Finance ministry;
- authorized representative of joint stock company "Latvijas Dzirnava";
- representative of Latvian Farmers federation;
-
-

The Council is responsible for:

- approval of state grain balance;
- control over the use of state budget;
- distribution of foreign trade quotas;
- supervision over the economic activities of "Labibas Birojs".

6. Joint stock company "Latvijas Dzirnava"

6.1. Joint stock company's "Latvijas Dzirnava" establishment and objectives.

In order to carry out the united human consumption flour production policy, as well as to coordinate the purchase and storage of human consumption grain and prevent

unmotivated differentiation of flour prices in the country caused by the different production, transportation and processing conditions, the establishment of a republican joint stock company "Latvijas Dzirnava", which will control the activities of six former state flour production enterprises, shall be supported.

An important reason for the foundation of such company is the necessity to guarantee the possibilities of grain reserve storage in the enterprises of grain storage at the same time ensuring the possibilities of privatization.

The objectives of joint stock company "Latvijas Dzirnava" activities are as following:

- guarantee the possibilities of state grain reserve storage;
- coordination of human consumption grain purchase;
- equalize flour prices;
- promote technological development of bread production.

This is carried out through the control packages in separate joint stock companies formed on the basis of the former state concern's "Latvijas Labība" human consumption grain mills.

The other part of the shares of joint stock companies formed on the basis of transformed enterprises is sold to the employees of the enterprise and other physical persons (by using certificates), agricultural production producers (consumers of mixed feed) and other physical and legal entities.

6.2. Procedure of joint stock company's "Latvijas Dzirnava" establishment and its liabilities towards the future privatization possibilities of subbranch's enterprises.

i - flour production enterprises establish a joint stock company "Latvijas Dzirnava" investing in 30 % of their capital (which is determined in accordance with the assets evaluation methods used in the country). At the moment of joint stock company's establishment the above mentioned enterprises still keep the status of a state enterprise. The following activity spheres shall be envisaged in the charter of a joint stock company:

- guaranteeing and coordination of the state grain reserve's storage possibilities;
- coordination of human consumption grain purchase;
- equalizing of flour prices;
- promoting of the technological development of human consumption grain production;

as well as the procedure of company's stock sale in the future:

- 30 % of stocks are left to the state and managed by Latvia's "Labības Birojs";
- 24.5 % of stocks are transferred to the current state bakery enterprises without any compensation and at the ratio of flour consume;
- 21 % of stocks are sold to the bakeries of consumer association at the ratio of their flour consumption;
- 10 % of stocks are reserved for their sale to other bakery enterprises at the ratio of flour consumption in them;
- 14 % of stocks are sold at the free market (admitting the auction of stocks).

ii - state enterprises of flour production are transformed into the joint stock companies which charters envisage the following spheres of activity:

- grain purchase from grain producers;
- production of human consumption flour;
- storage of state grain reserves within the determined volume (required by "Labības Birojs").

At the same time charters shall include the procedure of stocks sale:

- approximately 30 % of stocks (in separate enterprises it may waver) are invested into the joint stock company "Latvijas Dzirnava" as a tangible investment;
- up to 25 % of stocks are reserved for sale to physical persons by using certificates;
- the rest is sold to grain producers and feed consumers or in accordance with the Republic of Latvia law "On privatization of state agricultural production processing enterprises".

iii - stocks of the joint stock companies are sold in accordance with the scheme of sale determined by the charter of a company.

Due to this process state through the "Labības Birojs" has a possibility to prevent the adoption of unmotivated decisions both in the joint stock company "Latvijas Dzirnava" and in its participating stock companies (local mills). At the same time state has no possibility to regulate all questions of flour production.

209

VII Privatization Procedure of Individual State Enterprises of the Branch

As mentioned above, enterprises of the former concern "Latvijas labība" are to be privatized in future.

Several principles are to be followed in order to create controllable grain and grain product market, as well as to maintain operating ability of this branch of the industry while privatization process is under way. Below follows a detailed discussion of the potential privatization process and the most advisable choice for individual enterprises and groups of enterprises.

7.1. Grain elevators in the port.

Being the only enterprise of the kind it has naturally acquired the monopoly. Consequently it shall remain a state owned enterprise.

7.2. Human consumption flour production enterprises.

There are six enterprises of the kind in the country: Riga state firm "Dzīrnavnieks", state firm "Rēzeknes dzīrnavnieks", state firm "Daugavpils dzīrnavnieks", state firm "Dobeles dzīrnavnieks", state enterprises "Jelgavas dzīrnavnieks" and state firm "Liepājas dzīrnavnieks".

The latter should be reorganized into separate human consumption grain enterprise and animal feed production enterprise.

As mentioned above, stock company "Latvijas dzīrnavas" should be established on the basis of these enterprises.

By the end of the privatization process individual entrepreneurs, other natural and legal persons, as well as the state (through its enterprise "Labības birojs") might become stock-holders in the company.

This stock company would not be the only owner of the flour production enterprises. Its task would be only to coordinate operations of the companies established on the basis of separate enterprises in purchase and storage of human consumption grain of the national reserve. It could be implemented through "Latvijas dzīrnavas" participation in entrepreneurial companies established on the basis of separate enterprises.

Other shares of the companies (apart from the 30% belonging to "Latvijas dzīrnavas") would be sold to employees, grain producers, animal-feed consumers, as well as to other natural and legal persons (or in accordance with the Republic of Latvia Law On Agriculture Processing Enterprise Privatization). (see Appendixes)

7.3. Animal-feed production enterprises

There are six enterprises of the kind in the country: state firm "Vidzemes labība", state firm "Madonas labība", state firm "Vidzemes labība", state firm "Jēkabpils labība", state firm "Saldus labība", state enterprise "Iecavas labība".

Privatization of these groups of enterprises is to be carried out according to the same scheme as the above discussed enterprise group, with the exception, that instead of "Latvijas dzīrnavnieks", a part of shares would be allotted directly to the state.

This privatisation scheme would also apply to state enterprise "Gulbenes grauds".

7.4. State Bread Baking Enterprises

This group includes the following enterprises: state firm "Druva", state firm "Baltmaiznieks", state firm "Abra", state firm "Ventspils maiznieks", state firm "Daugavpils maiznieks", state firm "Jelgavas maiznieks", state firm "Liepājas maiznieks" and state firm "Rēzeknes maiznieks".

Privatization of this enterprise group should be carried out in several stages, in order to maintain the network of competitive enterprises that, under qualified guidance, would preserve production ability, and to avoid sharp bread price increase, as a result of attempt to cover enterprise purchase expenses.

7.4.1. De-centralization of enterprises

Under this stage technologically independent production units are established on the basis of separate departments of the existing enterprises. These independent units are privatized as separate entities.

7.4.2. Choice of the Candidates

A privatization commission appointed by the state institutions announce public bidding and chooses candidates on competition basis, taking into consideration candidates' experience in bread baking industry, as well as the entrepreneurial abilities.

7.4.3. Purchase of the enterprise within definite period

The enterprises for privatization shall be given to the candidates on lease with the right of purchase. The following terms are set:

- to maintain bread sales volume, regularity// and assortment;
- the enterprise cannot be transferred to the candidate before the end of five (seven) years term, during which all terms set by the lease agreement are fulfilled.

If not, the contract is broken and new public bidding announced.

7.4.4. Other state enterprises of the industry are privatized according to the general procedure.

1. Human consumption grain processing enterprises

- 1.1. State company "Rēzeknes Dzīrnavnieks"
6 mills - 63 thousand tons per year
department of mixed feed - 122 thousand tons per year
volume - 68 thousand tons
- 1.2. State company "Daugavpils Dzīrnavnieks"
9 mills - 78.5 thousand tons per year
11 mills - 32 thousand tons per year
department of mixed feed - 235 thousand tons per year
volume - 108.9 thousand tons
- 1.3. State company "Dobeles Dzīrnavnieks"
2 mills - 48 thousand tons per year
mixed feed plant - 166 thousand tons per year
volume - 124.18 thousand tons
- 1.4. State company "Liepājas Labība"
12 mills - 27 thousand tons per year
mixed feed plant - 192 thousand tons per year
volume - 40.7 thousand tons
- 1.5. Riga state company "Dzīrnavnieks"
1st flour plant - 65 thousand tons per year
2nd flour plant - 46.5 thousand tons per year
groats plant - 31.5 thousand tons per year
volume - 84.7 thousand tons
- 1.6. State enterprise "Jelgavas Dzīrnavnieks"
3 mills - 55 thousand tons per year
volume - 50.9 thousand tons

2. Grain purchase, storage and cattle-feed production enterprises

- 2.1. State enterprise "Jēkabpils Labība"
mixed feed department - 198 thousand tons per year
volume - 112.6 thousand tons
- 2.2. State company "Vidzemes Labība"
mixed feed department - 146 thousand tons per year
volume - 60.98 thousand tons
- 2.3. State company "Madonas Labība"

mixed feed department - 122 thousand tons per year
volume - 34.7 thousand tons

- 2.4. State company "Saldus Labība"
mixed feed plant - 43 thousand tons per year
volume - 39.3 thousand tons
- 2.5. State enterprise "Stende"
mixed feed department - 131 thousand tons per year
volume - 22.2 thousand tons
- 2.6. "Rīga mixed feed plant" (company with limited liability)
mixed feed plant - 427 thousand tons per year
volume - 9.8 thousand tons
- 2.7. State enterprise "Iecavas Labība"
mixed feed plant - 122 thousand tons per year
volume - 25 thousand tons

3. Grain storage enterprises

- 3.1. State enterprise "Gulbenes Grauds"
volume - 16.4 thousand tons
- 3.2. State enterprise "Rīgas Ostas Elevators"
volume - 65.6 thousand tons

4. Bakeries

- 4.1. State company "Druva"
1st bakery - 113.5 thousand per day
2nd bakery - 40.7 thousand per day
macaroni plant - 11.5 thousand tons per year
- 4.2. Riga state company "Baltmaiznieks"
1st bakery - 61.5 thousand per day
2nd bakery - 23.8 thousand per day
Jūrmalas bakery - 19.1 thousand per day
- 4.3. State company "Abra"
bakery - 56.1 thousand per day
- 4.4. "Vidzemes Maiznieks" (company with limited liability)
bread department - 42.5 thousand per day
bread-ring department - 5.7 thousand per day
- 4.5. State company "Ventpils Maiznieks"

1994

bakery - 30.2 thousand per day

- 4.6. State company "Daugavpils Maiznieks"
1st bakery - 44.1 thousand per day
2nd bakery - 36.1 thousand per day
bread-ring department - 3.3 thousand per day
- 4.7. State company "Jelgavas Maiznieks"
bakery - 39.1 thousand per day
- 4.8. State company "Liepājas Maiznieks"
1st bakery - 25.2 thousand per day
2nd bakery - 35.7 thousand per day
- 4.9. State company "Rēzeknes Maiznieks"
bakery - 45 thousand per day
- 4.10. Entrepreneurial company "Aldona" (with limited liability)
bakery - 30.5 thousand per day
- 4.11. "Strategic" (company with limited liability)
stale bread department - 4.3 thousand per day

5. Social structure enterprises

- 5.1. Riga state company "Labības Resursi"
- 5.2. State company "Labības Sargs"
- 5.3. Specialized construction-assembling company "Dzirnākmens"
- 5.4. Riga state research and production company "Grauds".

Limited liability company " Riga Mixed Feed Plant "

11.03.1993 Nr. 01/ 04/ 46 To the Ministry of Agriculture

RMFP announces that payment for the lease rights has been paid to the Finance Inspectorate of the Ziemeļu region of Riga on 25.02.1993., Nr. 153, including payment for September through December 1992 of 548, 000 rubles, and 411,000 rubles for the first quarter of 1993, for a total of 959, 000 rubles.

Director	A.Pavlenkovs
Ch. accountant	I.Biseniece

Republic of Latvia
Ministry of Agriculture
19 February, 1992

Permission

To lease the property of Riga MFP (for a period of one year)

Nr. 1.	Object 2.	Balance sheet value 3.
1.	Cafeteria for 50 persons with equipment	180294
2.	Wood workshop with equipment	18942
3.	Shop (100 sq.m.)	14424
4.	Mechanic workshops (building)	82593
Total:		296253

Deputy director: O. Gulbis
Deputy ch. accountant A. Astratova

9997

LEASE AGREEMENT

Riga

September 31, 1992

Parties:

Ministry of Agriculture of the Republic of Latvia, henceforth "lessor", on behalf of Minister D.Gegeris, acting according to the Resolution of Council of Ministers Nr.142, from April 31,1992, and

The limited liability company "RMFP" henceforth "Lessee" , on behalf of deputy director O.Gulbis, acting in accord with the charter registered on March 11, 1991, Nr. 0003000045,

have mutually agreed on the following agreement:

1. GENERAL TERMS

1.1. The lessor provides, and lessee agrees to accept for use state assets in their condition in Riga, Gaujas street 5, on September 1,1992, which, according to stock taking, are valuated at 32,884,000 rubles (thirty two millions eight hundred eighty four thousand rubles). The inventory list is attached and is part of this agreement. The lessee is aware of the technical conditions of the assets.

1.2. The lessor is not responsible for lessee liabilities, and lessee is not responsible for lessor liabilities.

1.3. The use of the property does not imply any property rights to it. The property of the lessee is the income obtained from the use of the leased property.

1.4. Both parties must observe the rules of the Republic of Latvia, other regulatory acts, and this agreement.

1.5. The agreement is made for one year, from September 1, 1992 until August 31, 1993. If the enterprise is privatized according to the corresponding law, the lessor terminates the law, notifying the lessee within a period specified by this agreement.

1.7. When the term of the contract has expired or if the contract is suspended before it has expired, it is the obligation of the lessee to return the property to the lessor in the same condition as it was leased, taking into account the normal depreciation of the property; it is stated by the lessor and lessee in written form.

Improvements to the property which have been made with the written permission of the lessee and cannot be separated, should be transferred to the lessee; its value is restituted to the lessor according to the price at the moment of lease.

Improvements to the property made without the permission of the lessee are not

4/13

restituted by the lessee.

2. LEASE PAYMENT

2.1. Payment for the usage of the leased property is 1,644,000 rubles (one million six hundred forty four thousand rubles) per year, i.e. five percent of the balance value of the assets at the time of lease.

The lease payment for the quarter is transferred to Ziemeļu District Finance Inspection no later than the twenty-fifth day of the first month of the following quarter.

2.2. Payments for utilities (water supply, electricity, sewage system, etc.) are made by the lessor to the relevant institutions according to the determined procedure and the established tariffs and rates.

2.3. The lessor pays taxes and all other payments that are or can be levied on the property.

2.4. The lease contract and payment should be negotiated upon agreement of the parties. If the parties, however, cannot reach an agreement, the lessor invites an impartial state expert, and the expert's conclusion is final and binding for the parties:

2.4.1. if during the term of the contract, revaluation of the assets is carried out;

2.4.2. if the value of the leased property has decreased because of depreciation;

2.4.3. if the economic conditions determining the market in Latvia have changed, or in cases provided by the Law or other normative bills;

2.4.4. in other cases within the limits of one fiscal year;

2.5. If the revenue received by the lessee has increased due to the modernization or extension of production carried out by the lessor by investing his resources, lease payment is not negotiated.

3. RESPONSIBILITIES AND RIGHTS OF THE PARTIES.

3.1. The lessee undertakes to guarantee that the lessee is the only user of the property during the term of contract.

3.2. The lessor as the manager of the state property is rightful to control how the lessee uses and maintains the property, makes lease payments and other payments provided by the contract, and complies with paragraph 3.3.5.

3.3. The lessee undertakes:

3.3.1. To use the leased property according to the contract and property use statement. If the property is used for other purposes, written permission from the lessor will be necessary;

3.3.2. To maintain facilities and equipment according to the regulations for use, carry out regular repairs at his/her own expense and cover the property maintenance costs;

3.3.3. To pay for regular and capital repairs caused by the lessee's neglect;

3.3.4. Not to rebuild or reconstruct the premises and buildings without a written permission from the lessor; if permission received, to carry out these activities out at his/her own expense;

3.3.5. To carry out entrepreneurial activity, taking into account that the priority for the production and services is the requirements of the LR national economy.

3.3.6. To comply with the regulations concerning work-place and fire safety, environmental protection, and hygienic requirements;

3.3.7. To write off assets exclusively upon agreement with the lessor; a document should be drawn up;

3.3.8. To assume full responsibility for the maintenance of the leased property and retribute losses incurred to the lessor or to the third parties due to the fault of the lessee;

3.3.9. To rent out further the leased property without written permission from the lessor;

3.3.10. To insure the property;

3.3.11. To fulfil other obligations according to the provisions of the laws in effect.

4. RESPONSIBILITY

4.1. If the lessee does not settle the lease payment and other payments according to the contract on time, the lessee must pay a fine to the lessor of 0.5% of the sum not paid for each delayed day.

4.2. Payment of the fine does not free the parties from the fulfilment of the contract.

5. TERMINATION OF THE CONTRACT BEFORE THE TERM HAS EXPIRED

- 5.1. The contract can be terminated before its term has expired upon agreement of the parties or in cases where any of the parties have substantially violated its regulations, thus impeding further fulfilment of the contract; the other party should be notified about it three months in advance. If the parties cannot reach an agreement, the dispute is settled by the economic court.
- 5.2. The lessor is rightful to terminate the contract before its term has expired:
- 5.2.1. If the lessee fully or partially does not comply with the requirements concerning the use of the property;
- 5.2.2. If the lessee commits waste to the property intentionally or due to carelessness;
- 5.2.3. If the lessee has not settled the payments for three months after the term of the payment has expired;
- 5.2.4. If the lessee does not make regular repairs of the property according to the time and volume stated in the contract or supplementary agreement;
- 5.2.5. If the lessee has remodelled or reconstructed the premises or buildings, equipment and tools without the written permission of the lessor;
- 5.2.6. If the lessee has rented further the property without the written permission of the lessor;
- 5.3. The lessee is rightful to terminate the contract before its term has expired if the lessor does not fulfil obligations stated in the contract or supplementary agreements, or in other cases according to the legislation.

6. RESPONSIBILITY OF THE PARTIES.

- 6.1. The parties shall not be held responsible for failure to comply with this agreement due to causes generally accepted as force majeure, beyond the power and control of the parties, including fire, flood, explosions, war, and other extenuating circumstances.
- 6.2. The party affected by extenuating circumstances must inform the other party of such a situation within three days. If the other party requests documentation confirming the force majeure, it must be submitted.
- 6.3. The party must inform the other party in writing if the extenuating circumstances have ceased to exist, and must indicate when the agreement can be renewed.

6.4. If the circumstances mentioned in 6.1. occur, the agreement time is prolonged for the respective period of time.

6.5. If extenuating circumstances remain in effect for a period of longer than six months, each party has rights to break the contract, informing the other party 30 days in advance.

7. CONFIDENTIALITY

7.1. During the period that the contract is effective, both parties commit not to reveal confidential information, i.e., information concerning the business, services of the other party, as well as the other partners, etc.

7.2. This kind of information can be revealed only if there exists a written document approved by the other party.

8. ADDITIONAL CONDITIONS

8.1. An obligatory requirement of this contract is that both parties make a buying - purchasing agreement.

8.2. The lessee has first priority to renew the lease agreement after its expiration, if he/she has previously and to the best of his/her abilities met all the conditions of the agreement.

8.3. If the property included in the lease agreement is going to be privatized, the lessee has the rights to purchase it, observing the order and amounts stated in the law.

9. The agreement is written in duplicate in the national language, with one copy submitted to the lessor, and one copy submitted to the lessee.

The agreement consists of page(s), appendix(es) on page(s).

The official addresses of the parties:

LESSOR - The Ministry of Agriculture of the Republic of Latvia,, 2 Republikas Square, Riga

LESSEE - "Riga Mixed Feed Plant" Ltd.,, 5 Gaujas St., Riga

LESSOR,
(signature)

LESSEE,
(signature)

AGREEMENT ON THE PURCHASE OF WORKING CAPITAL

Riga

September 31, 1992

The Republic of Latvia Ministry of Agriculture, henceforth called "Seller", represented by the Minister of Agriculture D. Ģēģeris and "Mixed Feed Plant" Ltd., henceforth called "Purchaser", represented by the deputy director O. Gulbis, make the following contract:

1. The seller sells certain property to the purchaser - working capital - equal to 2,725,000 LVR (two million seven hundred twenty five thousand roubles), but the purchaser undertakes to settle all the payments within the terms and amounts stated in the contract;
2. The contract is valid until December 15, 1992;
3. The sum of money stated in Paragraph 1 is transferred to the Ziemeļu District Finance Inspection;
4. For payments not settled according to the terms stated in the contract, the purchaser pays a fine of 0.5% of the sum determined for each delayed day.

The fine paid by the purchaser does not exempt him/her from the fulfilment of contract obligations.

5. If the payments are not settled by the purchaser within three months after the term has expired, the seller is rightful to require exaction of the debt in the order provided by the Law.

6. Two copies of the contract in the national language have been made; one copy remains with the seller, the other goes to the purchaser.

Seller

(signature)

Seal

Purchaser

(signature)

Seal

The Republic of Latvia
Minister of Agriculture

D. Gegeris

04/03/93

DAIRY PRODUCERS ASSOCIATION "BAUSKAS PIENS"

No. 177
02.03.93.

To: The LR Council of Ministers Chairman I. Godmanis

Copies to: The LR Minister of Agriculture D. Gegeris

Bauska District Agriculture Department Director G. Liepa

.....

in connection with Article 2 of the LR Supreme Council Resolution dated 19/01/93 "On the Order of How the Law On the Privatization of Dairy Processing Plants" takes effect.

According to the LSSR State Agroindustry Committee Resolution No 599, dated 11.10.86., the Bauska Dairy Processing Plant was handed over to the agrofirm - collective farm "Uzvara" as a low value state enterprise; it had the status of a subsidiary without a seal and bank account. The value of assets was 4,468 rubles, and their depreciation was 58.1%. It required tremendous effort to maintain the dairy *combinat* as a unit on a self-supporting basis and, after three years of unsuccessful entrepreneurial activity, establish itself as an independent unit against the monopoly of the collective farm for dairy processing in the district.

According to the LSSR State Agroindustry Committee Order No.43 dated 05/03/90, the Reorganization Commission had to draw up documentation on the separation of the plant from the agrofirm, forming a state enterprise. Since the documentation was delayed until June 25, 1990, district dairy producers and processors founded the dairy producers' association to which, according to the LR CM decree No. 5-r dated May 23, 1990, as an exception, Bauska Dairy Combinat was handed over free of charge.

It is our opinion that during the course of these three years we have justified the confidence of the Council of Ministers:

1004

- Two years ago, "Bauskas Piens" was registered in the Enterprise Register as a limited liability company with 70% basic capital to the producers, 20 % to the employees, and 10% to service organizations.
- We did not assign individually the fixed assets of the *combinat*, thus enabling them to be individually assigned only when the dairy producers privatization process is stabilized, not before 1994.
- We did not bother the government of Latvia with our problems concerning milk collecting and processing, settling payments milk suppliers within a month's time.

On the basis of the above mentioned, we request that the Council of Ministers not cancel the Decree No. 5-r dated may 23, 1990, and gives permission to make amendments gradually, according to the LR laws and based on our three years' experience, to the Charter of "Bauskas Piens " Ltd., or change the form of entrepreneurial activity according to the wishes of the dairy producers.

Supplemented is the list of "Bauskas Piens" processing plants.

Board Chairman

A. Tiesnesis

A. Dicmanis,
24655

1005

Supplement to No. 177 dated 02/03/93

Description of "Bauskas Piens" processing plants.

- The Bauska dairy processing plant (milkery) - specializes in whole milk products. It was built 1923, and reconstructed in 1967. Current buildings and equipment are worn out. In 1988, the load bearing wall of the main building broke down, which has since been restored; production was not interrupted. However, it is a temporary solution. Currently, a new plant for the production of whole milk products and dry skimmed milk has been started. 54.4% of milk produced in Bauska district has been received in 1992.

- The Iecava dairy processing plant - specializes in soft cheese. It was built in 1939 and has never been reconstructed. Only repairs have been performed. 15.7% of milk produced in Bauska district has been received in 1992.

- The Stelpe dairy processing plant specializes in butter production. It was built in 1939, and reconstructed in 1969. The buildings and equipment are suitable for the production of butter and are able to stand competition. 29.9% of milk produced in Bauska district has been received in 1992. In addition, the Iecava plant has supplied 801.4 tons, and the Bauska plant 2321.0 tons of sweet cream. The total amount of milk used for butter production in Stelpe constitutes 85% of milk produced in the Bauska district.

General Director of "Bauskas Piens"

A. Dicmanis

DAIRY PRODUCERS' ASSOCIATION
"BAUSKAS PIENS" - A Limited Liability Company

CHARTER

CHAPTER 1

Article 1

The address of the Dairy Producers' Association "Bauskas Piens" (henceforth -- Ltd. Company) is Stacijas street 2, Bauska, Latvia.

Article 2

The Ltd. Company is an entrepreneurial company -- with limited liability, it has the rights of a legal entity, and according to the Republic of Latvia law "On Entrepreneurial Activities" it is an entrepreneur and is acting in accordance with the Republic of Latvia laws, civil code and this Charter. The Ltd. Company is a company with unlimited terms of activity.

Article 3

The Ltd. Company acquires legal authority from the time it is registered with the Republic of Latvia Register of Enterprises.

Article 4

The Ltd. Company may have tangible and intangible rights, and has the authority to undertake responsibility. It can be both claimant and respondent in court, and it may arbitrate (Ltd. Company Law, Article 5).

The Ltd. Company has an independent balance sheet and acts in accordance with the principles of economic accounting, self financing and currency. The Ltd. Company has its own account and hard currency account in respective banks. The Ltd. Company has its own seal and trademark.

Article 5

The Ltd. Company is a company of the Republic of Latvia which maintains foreign economic contacts and also operates also in foreign countries using foreign capital.

Article 6

The Ltd. Company is founded by the Dairy Producers' Association "Bauskas Piens". The Ltd. Company has been founded by restructuring the Dairy Producers' Association "Bauskas Piens" (registered in Bauska region People's Deputies Council Executive Committee on June 26, 1990) and is based on the Republic of Latvia Supreme Council Resolution of September 26, 1990, Article 4, on the restructuring of entrepreneurial companies in accordance with the Republic of Latvia legislation. The

Ltd. Company takes over the rights and responsibilities of the Dairy Producers' Association "Bauskas Piens".

Other physical and legal entities and share holders of the company who have signed company's foundation contract and charter can be considered the founders of the company . The following persons collaborate to carry out the joint economic activities of Dairy Producers' Association, "Bauskas Piens, Inc.": milk producers, milk processors; milk production, processing and sale enterprises and organizations. Inc. base capital (statutory fund) is made up of capital shares (henceforth - shares) - the property invested by partners. Share owners have the right to participate in the Association's management and receive dividends, profit shares, and in the case of the liquidation of the association, a liquidation quota, as well as other rights envisaged by the Charter. Association partners are persons who purchased capital shares after the Association was founded (Law Inc., Articles 2 and 3).

The Association has been renewed in accordance with the basic principles of Latvia's Dairy Producers' Association Charter of 1921, maintaining the former names of dairy processing enterprises:

Bauskas milkery, Iecavas milkery, Stelpes milkery and their common title, Bauskas Dairy *Kombinat*. The Ltd. Company voluntarily joins the Republic of Latvia Dairy Producers' Association to carry out joint public and economic activities.

The Association may form one or several enterprises in any form of entrepreneurial activity envisaged by the legislation, taking into account the results of its economic activities and financial possibilities, or it may also as transform itself into a joint-stock company in accordance with the law "On Entrepreneurial Activity" Article 35.

The Association may initiate the transformation of the association's enterprises into joint-stock companies or other forms of entrepreneurial activities.

Article 7

The Association's partner receives a share certificate identifying him as a Ltd. Company partner and showing that he has invested his share and enjoys all rights allocated to a partner of the association. A share certificate is not a security (Ltd. Company Law, Article 26).

Article 8

The Association has full liability for its obligations with its property, as well as with the property of its partners.

The state bears no responsibility for the obligations of the Ltd. Company; the Ltd. Company bears no responsibility for the obligations of the state.

Partners bear no responsibility for the obligations of the Ltd. Company.

The Ltd. Company bears no responsibility for the obligations of its partners.

CHAPTER 2

The Main Objectives and Orientation of the Ltd. Company.

Article 9

1/ The basic goal of the Ltd. Company is to meet the demand of inhabitants, enterprises and other consumers for high quality dairy products, and to strengthen export potential.

2/ The main objectives of the Ltd. Company economic activities are:

- to organize the purchase of raw materials and technical supplies needed for dairy production and processing;
- to intensify and improve dairy production and processing technology;
- to obtain the ownership over producer (company's partners) made goods and manage their sale;

3/ To achieve the projected goal and implement the above mentioned objectives, the Ltd. Company carries out the following:

- unites all phases of the dairy industry's technology into one producers' cooperation system;
- improves the technological process of dairy production, storage and processing, including the reduced volume of manual labor, and using scientific developments and experience of practitioners, as well as purchasing modern equipment;
- develops and improves production and sale infrastructure, including the milk collection network;
- promotes the creation of favorable pre-conditions for all Ltd. Company partners;
- creates a partnership in accordance with the co-ownership rights and annual results: the investment of each partner serves as the measure of ratio;
- manages material-technical supplies, products processing, storage, sale and other cooperation spheres for partners of the Inc.;
- following the order of the Ltd. Company partners, finances the cooperation with scientific institutions while developing and implementing technological and other projects;
- concludes contracts with farms, state farms, private farms, individual producers and other enterprises on raw material deliveries in particular terms and manages this work;

- concludes contracts with enterprises, organizations and institutions (also foreign companies) on resources needed for dairy production and processing, supply and sale, including equipment, fertilizers, plant protection chemicals and others;

- concludes contracts with institutions, representing the interests of the Republic of Latvia, as well as with other organizations and enterprises on products sale or sells these products to other consumers by the prices agreed;

- surveys the market for goods and services produced by the Ltd. Company partners and development perspectives, submits to the Republic of Latvia Dairy Producers' Association proposals on production development in the country. The Ltd. Company may also carry out other forms of entrepreneurial activities which are not banned by the current legislation.

4/ The Association protects the interests of partners in relation with the state and other organizations.

5/ According to the decision of the Association's meeting of partners' representatives, it may carry out individual production and economic functions which do not contradict the Charter.

CHAPTER 3

Rights and Responsibilities of the Ltd. Company

Article 10

The Ltd. Company independently determines its spheres of operation, carries out its planning and organization, manages income distribution, sells products (labor, services).

The Ltd. Company independently determines prices and tariffs for products (labor, services), except state ordered products (labor, services), which are produced and sold to fulfil state order or purchase.

The Ltd. Company, by carrying out its entrepreneurial activities, ensures the fulfilment of state order or purchase, as well as prompt payment of taxes and allocations for the state social insurance fund. Other normatives and payments are not determined for the association (law "On Entrepreneurial Activity", Article 26).

The Ltd. Company must observe environmental protection, work and health protection, veterinary care and fire resistance requirement set up by normative acts (law "On Entrepreneurial Activities", Article 33).

Article 11

The legal relationship between the Ltd. Company as an entrepreneur and enterprises included in the entrepreneurial company are regulated by the Ltd. Company Charter

or agreement, as well as by the legislation on the corresponding form of entrepreneurial activity. The enterprises manage and use the property within the framework determined by the law and Ltd. Company Charter (law "On Entrepreneurial Activities", Article 9). The economic and other relationships between the Ltd. Company and other enterprises and organizations and citizens which are not a part of the entrepreneurial company is carried out on a contract basis.

Article 12

The Ltd. Company carries out operative and book-keeping accounts, compiles statistical reviews and submits to state institutions specific information determined by the law, and necessary for statistical records and tax calculations. Ltd. Company inspection is allowed only in cases determined by the law. The interference of state, public, or cooperative organizations in the economic or other activities of the Ltd. Company is not permitted until the Ltd. Company has implemented state control rights determined by the Republic of Latvia legislation (law "On Entrepreneurial Activities", Article 12).

Article 13

The Ltd. Company manages its material and technical resources for production and capital construction by purchasing them in the products and services market directly from producers for wholesale prices, including the annual market and auctions, as well as from mediator organizations and citizens.

Article 14

The Ltd. Company uses state bank credits, as well as credits on a commercial contract base. The Ltd. Company can deliver goods and render services on credit and receive from customers interest for it. Bills can be used by the Ltd. Company for the purpose.

Article 15

The Ltd. Company can choose to insure property assigned to it for entrepreneurial activity in state or commercial (private) insurance companies according to the relevant laws (Law "On Entrepreneurial Activity" Article 27.)

Article 16

The Ltd. Company is has the right to export and import goods and services as well as capital according to relevant laws of the LR, international treaties and obligations, including obligations concerning taxes and customs duties, regulations concerning licences on exports and imports, and using hard currency subsidies and credits (Law "On Entrepreneurial Activity", Article 28.).

Article 17

According to the LR Law "On Entrepreneurial Activity", Article 29., losses suffered by the Ltd. Company as the result of implementation of the municipal government bills or orders, are reimbursed by the state or municipal government budget; while disputes are settled in the court.

CHAPTER 4

Employees of the Ltd. Company

Article 18

Employees of the company are natural persons, hired on the basis of the contract. Rights of the employees are determined by specific laws concerning the particular form of entrepreneurial activity and labour code.

Mutual rights are determined and social needs ensured by a contract between the employer and the employee.

Article 19

The Ltd. Company determines additional vacations, part-time schedules or other social benefits within the limits of its resources allotted for consumption. The Ltd. Company can provide bonuses to the employees of health care, cultural, educational and sports establishments, kindergartens, catering organizations and other establishments which provide services to the employees of the Ltd. Company.

Revenue of each member of the Ltd. Company is determined by individual contribution to the final outcome of production, and are regulated by taxes and unlimited. Minimum salary for the employees of the Ltd. Company is determined by the LR legislation. The Ltd. Company determines the salary and form of payment.

CHAPTER 5

The Charter Fund of the Ltd. Company and its Sections

Article 21

1/ Property of the Ltd. Company consists of fixed assets, cash flow funds, funds and the reserves transferred to the company in the order provided by legislation.

2/ In order to prepare and start the operation, the share holders form a charter fund, which consists of the material and monetary resources necessary to start and proceed with the operation of the Ltd. Company (Law on Ltd. Companies, Art. 3.).

Article 22

1/ Each share holder initially is represented by an investment of a share of the capital. The minimum value of the share is 100 rubles.

2/ Share holders of the company may purchase assets in the following manner:

2.1. natural persons, employees, not less than the minimum share, 100 rubles.

2.2. natural and legal persons, suppliers of milk, for whom the sum is calculated according to the supplied milk - 2,000 rubles for each 1,000 tons of milk supplied, according to the contract.

2.3. organizations providing services to milk production, processing, and sale - 2,000 to 6,000 rubles according to the Board decision.

2.4. other legal entities - 10,000 rubles according to the Board decision.

Article 23

The charter fund of the company is 280,000 rubles, or 2,800 shares. From the sum total of the charter fund 5,000 rubles or 500 shares are allotted to the Board reserve, and 20,000 rubles or 200 shares to the employees reserve; it is used according to Board decisions.

Article 24

The Ltd. Company can commence operation when not less than 50% of the initial charter funds have been paid.

Resources constituting the charter fund are invested by the founder "Bauskas Piens" in any of the LR banks by the time the Board of the Ltd. Company starts banking operations according to the needs of the company within the authority determined by the Charter and at a meeting of the share holders.

Article 25

Investments can be made in the following manner (Law on Ltd. Companies):

- in cash, including hard currency; at an exchange rate determined by the Bank of Latvia;

- the value of the share can be fully or partly covered by property investment (Ltd. Company Law, Art. 12).

If property does not cover the value of the share, money is paid for the remaining share;

- intellectual property is treated as a property investment; and its value is expressed in terms of money according to the provisions of the Law on Ltd. Companies, Articles 15.2. and 17.2;

- investments of shares are made according to the provisions of Law on Ltd. Companies, Article 30. Property investment in the Charter fund from the common property of the Ltd. Company is formed over a longer period of time with the transition to a market economy. The specific amount of property investment and dates when the share holders may make additional investments are determined by the a share holders meeting.

Article 26

For a share not invested in full, the company issues a temporary certificate according to the provisions of Article 28, Law on Ltd. Companies.

Article 27

Reserve Fund of the Ltd. Company

1. It is a requirement for the Ltd. Company to form a reserve fund which will be used for unanticipated expenses.

2. The reserve fund of the Ltd. Company is constituted by compulsory deductions from profit. The compulsory deductions from profit into the reserve fund should be not less than 5% by the time the reserve fund is one third of the Charter fund. The general meeting of the Ltd. Company can determine a higher rate for the deductions and a larger share from the Charter fund. The compulsory deductions should be resumed when the reserve fund is less than one third of the Charter fund (Law on Ltd. Companies, Art.24.).

Article 28

The Ltd. Company forms other funds (Law on Ltd. Companies, Art. 25), and a statutory reserve for innovation, investments, and other funds. The size of funds and the order of formation is determined by a meeting of the Ltd. Company employees.

Article 29

The value of the share, 100 rubles, is indivisible and all the parts are equal. A share can have more than one owner. If a share has several owners, the share holder record book should indicate which individual represents the particular group of owners and the certificate for the share is issued in his/her name. All the owners of a share are equally liable for the obligations resulting from the common ownership of property (Law on Ltd. Companies, Art. 29).

Article 30

The following order of investment/payment is determined by the Law on Ltd. Companies:

1. The share holder should invest full value of the share according to dates determined by the management of the Ltd. Company, so that each share is fully invested within a year from the moment of registration of the Ltd. Company. The company management reports to the LR Enterprise Register when the shares are fully invested.
2. A share holder pays a fine to the Ltd. Company for a delayed payment, 1% for each delayed month.
3. If a share holder does not invest the determined sum within a month from the date determined by the Ltd. Company, the temporary certificate for the share becomes invalid. The management notifies the share holder on the cancellation of the temporary certificate. The management issues a new temporary certificate for the share, which has the same number, and hands it over to the new owner.

The former owner of the share gets back the invested sum only when the share has been sold in the manner determined by the management.

Article 31

Transfer of ownership for the share to another individual

1. If a share holder wishes to sell his/her shares, he/she submits a written application and certificates or temporary certificates for the shares to the management. The management offers the shares firstly to the current share holders. If several share holders are willing to obtain the shares, they are sold in proportion with the number of shares already owned by them. If the participants do not claim the offered shares, the management of the company has the rights to purchase the shares from their owners and sell them. Value of the shares is calculated according to the regulations determined by the management. If within a month from the date on which the certificates or additional certificates were received, the management has not sold the share, they should be given back to their owners, who can sell them using their own judgement. In case of decease of the owner, the shares are transferred to the heirs with the approval of the management, or the management has the rights to buy them.

Shares can be sold to other individuals who are not share holders of the Ltd. Company only with the approval of the meeting of share holders.

2. Ownership of the share can be transferred, in which case a special note is made in the certificate or temporary certificate.

3. Certificates or temporary certificates for the shares to be sold and the application of the share holder are submitted to the management of the Ltd. Company to be marked in the book containing information on the change of ownership for the shares. Entry into the book of the share holders concerning change of ownership of the share should be made within three days from the time the documents proving transfer of shares into the ownership of another individual are received.

Only fully paid shares can be sold

4. Shares of the company cannot be sold to individuals before the company is registered in the LR Enterprise Register. Exception to this is when shares are inherited in case of decease of their owner (Law on Ltd. Companies, Art.31.).

Article 32

Terms on which the Ltd. Company obtains its shares

1. The Ltd. Company can obtain its shares if it reduces its Charter fund by withdrawing from circulation a certain amount of shares. The number of votes is changed for the owners of the withdrawn shares; certificates for the withdrawn shares should be made invalid.

2. In other cases, shares that have been obtained by the Ltd. Company must be sold within one year from the time that they are obtained. During that period, the owner of the share has no voting power. (Law on Limited Liability Companies, Article 32).

Article 33

Increase and reduction of the Charter fund

1. In order to increase and reduce the Charter fund, respective amendments to the Charter must be made.

2. The Charter fund can be changed only with the agreement of the general meeting. (Law on Limited Liability Companies, Article 33).

Article 34

The manner and procedure of increasing or reducing the Charter fund are determined by the Law on Limited Liability Companies, Articles 34, 35, and 36.

CHAPTER 6

Structure of Limited Liability Companies

Article 35

Managing institutions of the Ltd. Company

- 1. The managing institutions of the Ltd. Company are the meeting of share holders and executive institutions: the board, the general director and management.**
- 2. The control and audit institution for the Ltd. Company is the audit committee or auditor.**
- 3. Persons authorized by the groups of share holders participate in the meetings of share holders: one authorized person for 20 shares. The authorized persons are elected in the group meetings for a period of 3 years.**

Article 36

A meeting of the persons authorized by a group of the Ltd. Company's share holders. ("Meeting of share holders" below).

- 1. The meeting of share holders is the highest management institution of the Ltd. Company. Share holders exercise their rights to participate in the management of the Ltd. Company by means of the share holder meetings.**
- 2. Meetings take place on the premises of the management.**
- 3. Meetings of share holders can be regular or random.**

Article 37

Regular meetings of share holders

- 1. Regular meetings of share holders are called by the Board annually, not later than four months after the fiscal year has terminated.**
- 2. If the Board of the Ltd. Company has not called a regular meeting on time as envisaged by the Law or the Charter of the Ltd. Company, the LR Enterprise Register can assign the Board to call the meeting of participants at the request of one or more share holders not later than one month from the day the resolution of the Enterprise Register has been announced.**

Article 38

Random meetings share holders

- 1. Random meetings of share holders is called by the Board of its own accord, or if required by the audit committee (auditor) or share holders, if they represent not less than one tenth of the Ltd. Company's capital (Charter fund). The reasons for calling the random meeting and the anticipated agenda should be mentioned in the request. The Board is obliged to call the meeting within a month from the day the request has been submitted.**

2. If the Board does not call the random meeting of the share holders at the time provided by 38.2, the initiators of the meeting can apply to the LR Enterprise Register with a request to assign the Board to call the random meeting of share holders.

Article 39

Responsibilities of the meeting of share holders

1. Only the meetings of the shareholders are competent:

1/ to decide issues concerning alterations to the Charter;

2/ to decide issues concerning change of owners of the shares;

3/ to review the Board reports, approve the annual report of the company, and distribute the net profit for the last fiscal year;

4/ to increase or reduce the Charter fund;

5/ to decide issues concerning liquidation of the company, termination or continuation of operation, the joining of other companies, or change of the form of entrepreneurial activity;

6/ to dismiss, appoint or elect board or audit committee members and auditors for a period of three years, to decide upon bringing a claim against them or refraining from it, and to decide about their remuneration. To approve the general director and board manager upon recommendation of the board;

7/ to approve and alter instructions which apply to the activities of the board, the general director, the management and the audit committee (auditor);

8/ to decide about issues on the formation of the company's subsidiaries, agencies, or their liquidation;

9/ the meeting of the share holders decides any issue concerning operation or management of the company if it is required by the board, or decides all other issues according to the Law, or which are beyond the competence of other institutions of the company;

Article 40

Participation at the meetings

1. Share holders have voting rights in the meeting only if they have fully invested their shares and are listed in the book of share holders at least 10 days before the meeting is called.

2. Share holders can participate at the meeting in person or by sending representatives or authorized persons. Written warrants should be issued and attached to the minutes of the meeting. Board or management members cannot represent shareholders at the meeting.
3. Board and management members who are not share holders, audit committee members (auditors) and contractors may exercise deliberative powers at the meeting.
4. 20 shares constitute one vote at the meeting. The number of votes for a share holder is in proportion with the number of shares owned by him. There are no voting powers for shares reserved by the board for distribution and sale. The meeting of share holders has the authority to reduce the number of votes for a share holder if he does not fulfil the work or supply milk according to provisions of the Law.

Article 41

The procedure of the meeting

1. The meeting of shareholders is valid if more than half of the Charter fund is represented at the meeting. If a meeting announced in due time is not valid because of the lack of quorum, not later than within 15 days, another meeting shall be called with the same agenda, and it shall be valid irrelevant of the number of share holders with voting power present at the meeting. In order to decide issues concerning change of the Charter (except the increase of the Charter fund) and liquidation of the company, the necessary quorum should represent at least 3/4 of the Charter fund.
2. Decisions of the meeting are binding to the share holders if the decision on issues provided by Article 41, 1(1/, 2/) of the Law on Ltd. Companies has been passed by at least 3/4 majority of the vote. Other decisions are valid if they are passed by a simple majority of the vote.
3. If an issue concerning expulsion of a share holder from the company is voted, he or his representative do not vote. The share holder or his representative also cannot vote if an issue on bringing a claim against him or refraining from it is voted.
4. Vote at the meeting is open; exceptions are cases when secret vote is required by at least one of the share holders. Secret vote is compulsory when board and audit committee members (auditor) are elected or dismissed, or when the decision is passed to bring a claim against them or to refrain from it.

Article 42

The Board of the Company

1. The board, consisting of 12 members, is elected at the meeting of share holders for a period of three years, represents the interests of share holders in the period of time between the meetings and controls the activity of the general director and the management within the limits of competence determined by the current Charter.

2. The board of the company

- Develops a draft state order on behalf of the company. Reviews the compliance of the state order with the laws and settles the issue by state arbitration according to the procedure provided by the LR legislation;

- Closes summary contracts on behalf of the company with persons authorized by the state on the sale of the company's products within the state order and on the supply of the material and technical resources according to the amount of product sold to the state. Controls the implementation of contracts; if necessary, assigns this to the general director of the company;

- Develops regional long term programs for the branch, and programs for putting into practice the achievements of science and advanced experience;

- Develops programs for the activity of the board;

- Elects from among themselves, or appoints the board chairman for the operational management of the company;

- Approves the management members upon recommendation of the general director for a period of three years, provided that they can be replaced;

- Determines the authority of the general director and the management, and their salary;

- Approves additional payments for social maintenance from the company's funds and procedure of their payment upon recommendation by the general director;

- Determines the procedure of the formation of the insurance system for the employees of the company and risk capital, and deductions to these funds;

- Holds meetings to make operational decisions in the period of time between the meetings of share holders upon requirement, but at least quarterly;

3. The board has the authority to make decisions with a simple majority of the vote, if not less than 2/3 of board members participate at the meeting. In cases where the vote is tied, the chairman make the decisive vote.

4. The board decides issues on the formation of new economic and management institutions, and reorganization or liquidation of the existing enterprises, admittance or secession of the share holders in the period between meetings; these decisions are approved by regular meetings.

5. Operational issues of the company are settled by the management of the company and hired technicians, managed by the general director.

Article 43

Hired technicians have the following functions:

- To take steps necessary for the fulfilment of contracts in due time, or their alteration if they are not profitable or cannot be fulfilled;
- To take steps for the fulfilment of the state order, or organize auctions to sell the material and technical resources;
- To provide legal defence for the operation of the company and its contracts;
- To organize the arbitration of the company;
- To analyse the economic activity of the company;
- To provide consultation to the employees on technology, economics, legal and other issues, if necessary;

Functions of other hired specialists are determined by the general director.

Article 44

The general director

- Organizes and controls the implementation of board decisions and those of the meeting, is personally responsible for the work of the management, and provides regular reports to the board on the results of the company's work;
- Manages property and the funds of the company;
- Makes economic and labour contracts;
- Represents the company's interests in the state and economic organizations;
- Hires or dismisses employees of the company according to the procedure provided by the legislation;
- With consent of the board, approves the staff and determines their salary;
- Issues orders which are compulsory for all the company's employees;
- Gives instructions which are compulsory for all the company's employees and share holders;

- Makes decisions concerning other operational and financial issues, and fulfils other duties within the authority determined by the board;

Control of the activity of the general director, management, hired technicians, and audits are carried out by the company's audit committee, or the state, according to the current legislation.

Article 45

Management of the company

1. Operational management of the company is carried out by the management and supervised by the general director. The management supervises all the company's matters, is responsible for the operation of the company and accounts. The management represents the company, manages the company's property and funds according to the provisions of the Law and the Charter as well as resolutions and directions of the meetings of the board members.

2. The general director can appoint candidates to the board to substitute the missing board members; they are subject to the same regulations as for the board members. The general director of the company makes labour contracts with the management members.

Article 46

The LR Enterprise Register should be notified of all changes concerning membership of the executive institutions or changes concerning the right to sign documents.

CHAPTER 7

Annual report, balance sheet and distribution of profit

Article 47

The company keeps files, accounts and statistics, and prepares and submits the annual report and balance sheet according to the normative bills in effect.

Article 48

Distribution of the company's profit

1. When the annual report and balance sheet have been approved at the meeting of share holders, not less than 5% of the net profit goes to the reserve fund after depreciation deductions have been made. The meeting decides on the usage of the remaining sum. It also determines sums to be paid to other funds and dividends to be paid to the share holders. Dividends are paid only for fully invested shares.

2. A share holder cannot be compelled to leave his dividend at the company's disposal even temporarily.
3. Dividends which are not requested within three years are transferred into the company's property. Exceptions are cases when, according to the Law, prescription is considered interrupted or suspended. For dividends not requested on time, interest is not paid.

Share holders cannot be compelled to return the received dividends to the company, except in cases stipulated by the Law (Law on Ltd. companies, Art. 46).

CHAPTER 8

Control and audit of the company

Article 49

Control and audit institutions of the company

1. Operation of the company is controlled by an audit committee (auditor) consisting of three members, or by permanent or temporary committees for the review of specific issues.
2. The audit committee (auditor) is elected at the meeting of shareholders for the period of three years.
3. Audit committee members (auditor) cannot be included in an executive institution of the company. Former members of the executive institutions cannot be elected to the audit committee/auditors for a period of three years after their secession.

Article 50

Activities of the audit committee (auditor)

1. Not less than one month before the regular meeting of share holders the management notifies the audit committee (auditor) that the annual report of the company has been prepared, the accounts have been balanced and the documents are available for the audit.
2. Audit committee (auditor) has the right to see and audit all the property of the company and check all the aspects of the company's operation.
3. Audit committee members (auditor) have the right to start auditing immediately. They take responsibility for inviting experts or specialists. Audit committee members (auditor) notify the management of the company on the invited persons,

and determine their remuneration; this should be coordinated with the management in advance.

4. The audit committee (auditor) notifies the management and meeting of share holders on any discovered shortcomings or violations in the work of the management and other units subordinated to it.

5. In its report to the meeting of share holders, the audit committee (auditor) provides conclusions on whether the annual report has been prepared correctly, if it corresponds to the laws, Charter and company's books, if the entries in the books correspond to the covering vouchers, if the balance provides a clear and truthful picture of the status of the company, and whether the management has submitted all the necessary information, documents and explanations to the audit committee (auditor) for review.

6. Audit committee members (auditor) act according to the normative bills in effect. They are responsible for the losses incurred to the company or third parties caused by illegal or faulty actions. Audit members (auditor) are not responsible for the violations incurred by the management and units subordinated to it. (Law on Ltd. companies).

CHAPTER 9

The liquidation, reorganization, or declaration of loss of validity of the Ltd. Company

Article 51

General regulations on the termination of operation.

1. Operation of the company is terminated:

1/ in cases stipulated by the Charter;

2/ by a resolution of the meeting of share holders (resolution of the sole founder);

3/ according to the Law on bankruptcy;

4/ by a court or arbitrage decision;

5/ if within a year after its registration, the company has not commenced entrepreneurial activity;

6/ if the company is transformed into another form of entrepreneurial activity in the case provided by Article 54;

7/ if it violates the LR Laws;

8/ in other cases provided by legislation.

2. In the case provided by Art. 1.7, operation of the company is terminated by a court or arbitrage decision if the company has violated the LR laws more than once, regardless of any warning.

Article 52

Liquidators of the company

1. Liquidation of the company is carried out by the board; in this case it is considered the liquidator. The meeting of share holders can elect other liquidators. When the liquidators have been elected, powers of the board have expired, but its responsibility is retained by the time the company is liquidated.

2. Upon a justified requirement, submitted by share holders representing not less than 1/10 of the charter fund, the LR Enterprise Register can appoint liquidators according to its judgement. Salary for the liquidators is determined by the meeting of share holders, but it can not be lower than for the management of the company.

3. A meeting of share holders may dismiss liquidators at any time and elect new ones. Liquidators appointed by the LR Enterprise Register can be dismissed exclusively by the LR Enterprise Register.

Article 53

Procedure of liquidation for the company

Procedure of liquidation for the company or its suspension and continuation of its operation, its transformation into another form of entrepreneurial activity is determined by the LR Law "On Limited Liability Companies" , provisions of Articles 51, 52, 53, 54.

Article 54

Legal relations in the company, liabilities of the company, its founders and shareholders, audit committee members and liquidators are determined by the provisions of the LR Law "On Limited Liability Companies", Articles 55, 56, 57, 58.

Article 55

The procedure of bringing claims by the company is determined by the provisions of the LR Law "On Limited Liability Companies", Article 59.

From: Valmiera Dairy Plant
To: The Republic of Latvia Supreme Council

**SUGGESTIONS ON AMENDMENTS TO THE LAW ON STATE DAIRY
PROCESSING PLANT PRIVATISATION**

Acquainted with draft law *On State Dairy Processing Enterprise Privatisation*- Document No. 311- Valmiera Dairy plant administration and employee representatives suggest that the Supreme Council of the Republic of Latvia proceeds with the second and the third reading of the Law, taking into account the following ideas expressed by representatives of the plant:

Article 16 provision on not more than 10% of asset allocation to plant employees does not correspond to employees' real investment into the development of the plant and its social sector in the post-war period. The figures given below prove this standpoint:

(1) In a 26 year period from 1965 to 1990 capital worth Rbl.31.3 mil. (or Rbl.1.2 mil. a year) was invested in the development of the plant:

1965 balance value was Rbl. 12 mil.
1983 balance value was Rbl. 15.5 mil.
1990 balance value was Rbl. 25 mil.

The state plan capital investment constituted only 25% of the whole amount of capital investment. Other investment resources came from the National Bank loans and special funds mainly. Allocation of these resources depended on production characteristics, namely, use of weigh and skim-milk for the maximum production of milk sugar, skim cottage cheese and buttermilk in the newly introduced of expanded production lines. The special funds were partially shifted to capital investment and the pay fund was respectively reduced.

(2) Construction works in the social sector and reconstruction of the plant (as part of the capital investment program) was partially carried out by employees of the plant and the dairies :

Rbl.307 thousand or 37% of the total amount in 1966;
Rbl.180 thousand or 21% in 1967;

Rbl. 175 thousand or 26% in 1968;
Rbl.213 thousand or 15% in 1969, etc.

A certain portion of the work was done during the joint-activity days by employees free of charge.

(3) According to the decree of the government of the Latvian SSR apartment houses (more than 100 apartments), office facilities (9 Riga street) and office/production facilities (27 Riga street) were given to the local government. Two food stores built by the plant were given to the Consumers' Association. Dormitories for the Food Industry School, where dairy and meat processing industry and catering workers are trained, were built under the guidance of plant specialists.

(4) The funds shifted to development of the plant reduced pay resources and dairy plant employees were paid less than those engaged in other industries.
The average pay was:

Rbl. 83 per month in 1965;
Rbl.132 in 1975;
Rbl. 189 in 1985.

(5) The 1965-1990 planned profit was Rbl. 135 mil. (Rbl. 139 mil. in reality). The average annual profit was Rbl. 5.35 mil.

The plant has processed 8247 thousand tonnes of milk within the 26 years. A tonne of processed milk brought the plant Rbl.16.85 profit. Taken into account the existing regulations on how profit is to be divided (regulations were changing periodically) about 20-25% of the profit (3 or 4 roubles from each tonne of milk, Rbl.1-1.3 mil. annually) was left to the plant as funds for construction, promoting culture, bonus payments, basic funds, etc.

Background:

- 1) Average number of employees for the 26 years' period- 1660;
- 2) Out of Rbl. 25.2 mil. basic asset value Jan.1, 1992, apartments constitute Rbl. 5 mil. (20%);
- 3) The average pay for dairy plant employees in the first nine months of 1992 is Rbl. 3839 (in wine industry- Rbl. 9333);
- 4) The plant average revenue in the nine months of 1992 has been Rbl. 3449 per employee;
- 5) Figures showing the plant profit in the 26 years' period contradict the popular ideas, that the plant has used up share of the profit belonging to dairy producers.

Considering, that the presented figures give an insight into employee contribution to the development of the plant, we request the following to be taken into account, when the Republic of Latvia Law *On Dairy processing State Enterprise Privatisation* is discussed further and passed:

To include into Article 16 the following provision:

Employees of the dairy plants preserve the right to at least 40% of the assets (20% apartment assets and 20% of production facilities' assets).

Note: reduction of dairy processing industry employees' share might considerably worsen the plant performance.

To include into Article 12 the following provision:

Dairy producers and processing plant employees have similar share (stock) purchase discounts.

Note: plant employees will use mainly certificates to purchase shares of the plant, as their pay has not been sufficient to accumulate extra resources for privatisation.

Acting as director,
Valmiera Dairy Plant

V. Tipsis

Employee representatives:
Employees-veterans

E. Aumeistare
J. Ozols
E. Lape
V. Eglite
J. Snikeris
V. Pavlovs
Dz. Tetere

**CHARTER
OF TUKUMA STATE DAIRY PROCESSING KOMBINAT**

**Charter of Tukuma State Dairy Processing Kombinat
is registered at the Republic of Latvia
Register of Enterprises on**

....., 1991 Nr

**Charter of Tukuma State Dairy Processing Kombinat
is approved by the Republic of Latvia
Ministry of Agriculture on**

16 June, 1991

I. GENERAL REGULATIONS

1. Tukuma state dairy processing kombinat is a state enterprise which carries out entrepreneurial activities using the state property designated to it and is subordinated to the Agricultural department of Tukuma region's Executive Committee of People's Deputy Council.
2. The kombinat is acting in accordance with the Republic of Latvia laws "On Entrepreneurial activities", "On State Enterprise" and its charter.
3. The kombinat is formed on the basis of the former Latvian SSR State agroindustrial committee's directive nr. 418 of August 29, 1988.
4. The kombinat has the rights of a legal entity with its separate accounts.
5. The kombinat has a seal with its name and attributes.
6. The kombinat has a full liability for its obligations with its property. State, its institutions and organizations bear no responsibility for the obligations of the kombinat, as well as the kombinat bears no responsibility for the obligations of the state, its institutions and organizations.
7. The kombinat uses hard currency and other bank accounts in any bank of the Republic of Latvia.
8. A location place of the kombinat is - the Republic of Latvia, Tukums, Jelgavas street - 7.

The following units are subordinated to the kombinat:

Kandavas milkery - Tukuma region, Kandava, Liela Str. 1

Jaunpils milkery - Tukuma region, Jaunpils pagasts.

They don't have the status of a subsidiary.

II. KOMBINAT'S OBJECTIVES AND FORMS OF ACTIVITY.

Enterprise's forms of activity:

9. Milk supply, production of milk and dairy products and their sale to trade organizations and other consumers of dairy products.
10. Carries out the state order in the procedure determined by the law "On State Enterprise".

11. Carries out import and export operations and develops other foreign economic relations in the order determined by the legislation.

III. COMMERCIAL AND FINANCIAL ACTIVITIES OF THE KOMBINAT

12. The kombinat carries out commercial and financial activities by using the state property designated to it - basic capital, turnover capital and other material valuables.

The distribution and use of the kombinat's capital is done in accordance with the fiscal plan of each calendar year.

13. The statutory fund of the kombinat on January 1, 1991 is 1619 thousand rubles.

14. The kombinat may sell, change, give over for temporary use or liquidate its basic capital in the procedure determined by the Republic of Latvia Council of Ministers.

15. The kombinat may lend money to other enterprises and organizations of the Republic of Latvia with the permission of the Ministry of Agriculture.

All other material valuables the kombinat may independently sell, change, lease and give over for temporary use to the Republic of Latvia enterprises, organizations and physical persons.

16. A state enterprise receives bank credits and material technical resources necessary for economic activities in accordance with contracts concluded with a respective bank, producers, supplies' mediators, in markets and auctions in the procedure determined by the Republic of Latvia legislation.

17. The kombinat concludes a contract on the fulfilling of the state order in the procedure determined by the Republic of Latvia legislation. The contract defines the volume of production, work or services and the amount of those material technical resources necessary for fulfilling the state order the distribution of which is centralized.

State procurement shall not exceed 80% of the planned volume of the kombinat's production and services without the prior coordination with the kombinat.

State procurement made in accordance with the requirements of a law, is compulsory for the kombinat.

Disputes on the correspondence of a state order to the requirements of the law are considered by the State arbitration.

18. The kombinat sells milk and skim milk products, cheese and butter in accordance with the concluded contracts.

19. A profit of the kombinat (in any currency) which remains after the taxes and other payments determined by laws and contracts are paid is used for social and production development and for material promotion in accordance with the mutual agreement.

20. The kombinat pays taxes at the rates and according to the procedures determined by the Republic of Latvia legislative acts.

21. The property of the kombinat shall be insured.

IV. RIGHTS OF THE KOMBINAT

22. The kombinat has the rights to form a property necessary for carrying out the objectives and other economic activities determined by its charter .

23. It may participate in different entrepreneurial companies in accordance with the law and upon getting permission from the Republic of Latvia Ministry of Agriculture.

24. It may involve itself in business, including foreign trade, credit and exchange operations in the Republic of Latvia and abroad.

25. According to the procedure determined by the Republic of Latvia laws it may establish its structural units, subsidiaries, departments, representative offices etc. both in the Republic of Latvia and abroad.

26. The guarantees of the kombinat's rights are as following:

26.1. The base capital, remaining part of the profit and other material valuables can't be taken/confiscated from the kombinat, except in cases when the kombinat uses this property in violation of the procedures determined by the laws or the charter.

26.2. Physical or legal entities shall reimburse all losses they have caused the kombinat in violating its rights, including the profit not received as a result of this violation.

Disputes on the reimbursement of losses are considered by the court or state arbitration.

V. MANAGEMENT OF THE KOMBINAT

27. The kombinat is managed by a Director appointed by the Republic of Latvia Ministry of Agriculture in coordination with the Agricultural department of Tukuma region.

28. In appointing a Director, the Ministry of Agriculture concludes a contract with him determining his rights, duties and responsibilities, salary and conditions for discharge.

29. A director of the kombinat has the right to:

- independently resolve all questions connected with the operation of the kombinat he is in charge of;
- in accordance with the Republic of Latvia laws and kombinat's charter act on behalf of the kombinat without a special proxy;
- represent the interests of the kombinat in state and self-government institutions and in all enterprises;
- establish and liquidate subsidiaries and representative offices;
- operate with the property and cash of the kombinat;
- conclude economic or labor contracts;
- issue proxies;
- open bank accounts and other accounts;
- approve the staff and salaries;
- issue orders and give directives which shall be observed by all employees of the kombinat.

30. A director of the kombinat hires and discharges the employees of the kombinat in accordance with the procedure determined by the labor legislation.

31. A director of the kombinat is responsible for all entrepreneurial liabilities required by the acts concerning protection against fire and explosives, as well as labor, health, environment protection according to the Republic of Latvia law "On entrepreneurial activity".

32. The kombinat is carrying out operative, book-keeping and statistical accounts in the procedure determined by the Republic of Latvia laws. The fiscal year lasts from January 1 of the calendar year to December 31.

The organization of turnover, accounting and reporting of the documents in the structural units of the kombinat is determined in accordance with the normative acts.

33. Bad debts, losses of goods and material valuables, obsolete and out of use equipment, as well expenditures for unfinished and not carried out constructions are written off from the balance of the kombinat with the approval of the director.

34. The inspection of the kombinat's financial and economic activities is initiated by the Ministry of Agriculture at least one time in two years.

Inspections may also be initiated by the State control, State financial inspection or judicial institutions.

VII. REORGANIZATION AND LIQUIDATION OF THE KOMBINAT

35. The kombinat is liquidated in the following cases:

- with a decision of the Ministry of Agriculture;
- in accordance with the law "On bankruptcy";
- if carrying out its activities the kombinat violates the Republic of Latvia laws;
- according to the decision of the court, arbitration or the Committee of Environment protection in the cases determined by the law.

36. If the kombinat's structural unit which is a legal entity is liquidated or reorganized the procedure of the liquidation is determined by the Director in coordination with the competent institutions correspondingly with the location of the structural unit.

When the demands of creditors are settled property and cash is transferred to the kombinat.

Charter of the TUKUMA STATE DAIRY PROCESSING ENTERPRISE comes into effect after it is registered in the Republic of Latvia Register of Enterprises.

Charter is coordinated with:

The Republic of Latvia Ministry of Agriculture,
Main Administration of the production and processing of cattle breeding products

Main Administration of the Economic
and Social Development

Legal Administration

Main Administration of
Agrarian reform

Agricultural Department of Tukuma region's
Executive Committee of People's Deputies Council

07/15

Tukums Dairy Producers Cooperative
Association was registered at the
Republic of Latvia Register of
Enterprises in Tukums on 3 June, 1992,
NR. 920300176

C H A R T E R

TUKUMA DAIRY PRODUCERS COOPERATIVE ASSOCIATION

I GENERAL REGULATIONS

1.1. A dairy producers cooperative association, henceforth Association, is an open cooperative association of agricultural production in which physical persons and legal entities capable of action, supporting the development of dairy farming in the Republic of Latvia and observing this Charter have voluntarily joined on the basis of cooperation principles.

The Association is registered and acts in accordance with the legislation, based on the Charter approved by the general meeting and observing the Republic of Latvia laws "On Cooperative Associations", "On Entrepreneurial Activity", "On the Republic of Latvia Register of Enterprises" and other laws of the Republic of Latvia and resolutions and directives of the Government.

1.2. The complete name of the Association is:
Tukuma Dairy Producers Cooperative Association
the abbreviated name is: Tukuma PKS

1.3. The address of the Association: 229800, the Republic of Latvia.
Tukums, Jelgavas str. 7

1.4. The Association has the rights of a legal entity. It has its own balance sheet, bank account, and seal with the name of the Association and other attributes.

1.5. To establish an association, at least 5 founders and a minimum capital of 5000 rubles representing the shares paid by the founders is necessary. The founders summon a foundation meeting of the Association which approves the Charter of the Association. The Association gets the rights of a legal entity at the moment it is registered at the Republic of Latvia Register of Enterprises.

1.6. The main objectives of the Association are:

- to ensure the collecting, processing and sale of dairy products;
- to organize the supervision of cattle farming;
- to improve the qualification of the Association's members, fulfil their social interests and material needs;

The Association operates in the following fields:

- collection of product and the organization of its processing;
- organization of trade;
- organization of material technical supplies;
- organization of actions concerning the improvement of qualification.

The Association has the right to establish enterprises, participate in entrepreneurial activities, as well as operate in other fields associated with cattle farming in accordance with the legislation of the Republic of Latvia.

1.7. The Association is fully liable for its obligations with all of its property, which may be used for reimbursement correspondingly with the legislation of the Republic of Latvia. The state bears no responsibility for the obligations of the Association. The association bears no responsibility for the obligations of the state and the members of the Association.

II MEMBERS OF THE ASSOCIATION, THE RIGHTS, RESPONSIBILITIES AND LIABILITIES OF THE ASSOCIATION AND ITS MEMBERS

2.1. Any legal entity and physical person who has reached the age of 16 and has expressed a desire to join the Association may become a member of the Association if they support the development of dairy farming in Latvia and recognize and observe this Charter. To join the Association a candidate shall submit an application to the Association Board and pay at least one share within a month from the moment the Board has approved him as a member.

2.2. Each legal entity or physical person has one vote irrespective of how many shares they own.

2.3. Association members have the following rights:

- to participate in the activities and administration of the Association;
- to be elected to the Association's institutions from the age of 18;
- to elect the management and inspection institutions and be elected to them;
- to make use of the Association's experts and structures services;
- to receive complete information on the activities of the Association, and to receive dividends from the assets invested in the Association;
- to claim assets in the procedure determined by the Charter;
- to leave the Association receiving back their asset share.

2.4. Association members have the following responsibilities:

- to comply with the Charter of the Association and to fulfil the resolutions of the general meeting, the Board and inspection institutions;
- to meet one's liabilities towards the Association and take responsibility for them.

2.5. Association members are responsible for:

- the obligations of the Association with the part of their property invested into the Association;
- if, as a result of the failure to fulfil the resolutions and directions of the Charter, Board, general meetings, inspection institutions or directives of the Association's officials based on them, an injury has been caused to the Association, its members, state or third person, the member is responsible with the assets they have invested into the Association.

2.6. A member can leave the Association by submitting a written application. The last day of the operational year is considered as the day on which the member leaves.

A member loses his right to participate at the general meeting or occupy the elected posts in the Association the moment the application for leaving is submitted.

A member cannot apply to leave the Association after a decision on the liquidation of the Association is adopted. The former member is responsible for the Association's activities until the day he leaves. If a member dies, the day of his death is registered in the Association's journal. As of this day, the rights to inherit the shares owned by the deceased member and the right to receive the annual dividends (of the deceased member) come into effect. If the legal heirs want to become the members of the Association, it is decided by the Association's Board. If the legal heirs are not admitted, they take responsibility only for those liabilities of the dead member, which existed before his death. An heir receives the inherited asset shares within a year after the respective annual report is approved.

2.7. If a member has not fulfilled his responsibilities anticipated by the Charter, by resolutions of the general meetings and administration institutions or separate agreements, the Board, at the request of the audit commission or Association members, may expel a member from the Association. The expulsion is approved by the general meeting, whose decision is final. The justification of expulsion shall be included in this decision. The expelled member shall be notified about the decision. The last day of the operational year is considered as the day of expulsion.

According to the claims submitted, The Association reimburses claims made against it from the founding capital of the member of the Association responsible for the losses. In this case, the member has the right to appeal the decision of the general meeting in court.

2.8. The Association has the following rights:

- to operate with its property and cash within the bounds defined in the corresponding legislation and this Charter;
- to undertake entrepreneurial activity;
- to cooperate with physical persons and legal entities in the Republic of Latvia and abroad, and to conclude the necessary (civil) legal contracts and acts;

- to develop the production and social infrastructure of the Association and its members;
- to sign agreements with other organizations and citizens both in the Republic of Latvia and abroad on the performing of functions of the representatives;
- to conclude contracts and determine the prices for goods which are produced and sold;
- to make the final decision on the distribution of Association's profit after the taxes and obligatory payments are paid;
- provide material support to its members in order to promote the development of joint activities and cattle farming;
- join other associations by keeping the status of a legal entity.

III MANAGEMENT OF THE ASSOCIATION

3.1. The General Meeting of the Association is the supreme management institution. The General Meeting is competent, if attended by more than a half of the members qualified for voting. To have the authority to amend the Charter, to make decisions on joining or leaving association unions, and to decide on dissolving the Association, the General Meeting has to be attended by at least two thirds of the members of the Association.

3.2. A member can be represented at the General Meeting either in person or by an authorised representative. In the latter case the document authorizing the representative shall be presented and attached to the minutes of the meeting.

3.3. The General Meeting is ordinary, extraordinary, open or closed.

3.3.1. The time, location and agenda of the general meeting shall be announced to the members by the board at least two weeks ahead.

The meeting is authorised to discuss only the issues planned in the agenda.

3.3.2. The regular General Meetings shall be held at least once a year, not later than three months after the end of the fiscal year. If the meeting has not been held within these time limits, the Audit Commission or any five members of the Association may call the general meeting of the Association members.

3.3.3. The extraordinary meeting is held:

- on the request of the Audit Commission;
- on the request of at least 1/10 of the Association members.

In the case of a request for an extraordinary General Meeting the reason for calling it must be indicated and the agenda for the meeting suggested.

The extraordinary meeting shall be held not later than one month after the claim has been received.

3.3.4. If approved by the General Meeting, an open meeting may be attended by persons who are employed by the Association on a contract basis but are not members of the Association, and other persons interested in the activities of the Association.

3.3.5. The closed meeting is attended by the Association members only.

3.3.6. A General Meeting has the exclusive right:

- to adopt and amend the charter of the Association;
- to review the Association board reports, adopt the annual report of the Association, and to divide the profit of the previous year;
- to elect the Chairman and the board of the Association, members of the Audit Commission and auditors, to dismiss them if necessary, and to decide on making claims against them or on the withdrawal of claims;
- to decide upon the establishment of the post of the Managing Director, as well as to adopt a natural person to this post or to dismiss them;
- to examine claims on the decisions of the board;
- to decide on the salaries for the Chairman, the Managing director, the board and the Audit Commission of the Association;
- decide on the introduction of the membership fees and their amount;
- to cancel board decisions on the establishment or dissolution of the administration, structural units, production units, representations and subsidiaries;
- to decide on reorganization, dissolving or proceeding operations and on entering other associations, and to make decisions in other cases, when the issue exceeds the limits of the board's competence.

3.3.7. Minutes of the General Meeting shall be recorded in a minutes-book. The minutes are signed by the Chairman of the meeting and the minutes-keeper. Decisions of the General Meeting are compulsory to all the members of the Association irrespective of whether they have attended the meeting or not.

3.4. The Association board, which consists of nine members, who are elected by a closed vote for a term of up to three years, manages the activities of the Association. The meeting elects the Chairman of the Board and the Deputy - Chairman, who both become board members from the moment they are elected. Persons elected to the Audit Commission do not become board members.

3.4.1. The General Meeting can elect board member candidates, that become members of the board, in the case of a board member leaving the post, or in the case of dismissal of a board member before the end of the designated term. Vacancies in the board are filled by member candidates according to the number of votes they have received at the member candidate election.

3.4.2. In order to ensure activities of the Association, the board establishes Association executive institutions.

3.4.3. Board meetings are held at least once a month or as often as necessary. Board meetings are called and chaired by the Chairman of the Board. The General Meeting is authorized to make binding decisions if it is attended by at least 2/3 (1/2) of the board members including the Chairman. To make a decision upon certain issue a simple majority of votes is needed. In the case of even number of votes, the Chairman's opinion is the decisive one.

3.4.4. Decisions passed by the board shall be recorded in the minutes-book and signed by the Chairman of the meeting and the minutes-keeper.

3.4.5. The Board of the Association examines and passes decisions on issues which are not only within the competence of the General Meeting. They are:

- to work out the prospective development plan for the Association;
- to accept new members to the Association;
- to pass decisions on starting, expanding and limiting the range of economic activities;
- to pass decisions on setting up new branches and executive bodies, as well as on the number of employees and their salaries;
- to adopt the division of responsibilities between the Chairman of the Association board and the Managing Director;
- to hire to the post and to dismiss the leaders of the separate units and, within the range of their competence, regulate their activities;
- to adopt the regulations of the Association;
- to submit annual reports, balance sheets, expenditure lists and the procedure of profit division for the approval of the General Meeting;
- to pass divisions on the use of the Association loan and surplus asset use;
- to develop suggestion on reorganizing the Association activities to ensure effectiveness improvement;
- to account to the General Meeting on the activities of the board.

3.4.6. In the case of a breach of the Charter regulations or General Meeting decisions, board members are fully liable as a group with all their property, in cases determined by the law, for damages caused to the Association or third persons through their activities.

3.5. The Chairman of the Association board manages the activities of the board.

3.5.1. The Chairman of the Association board is elected in a closed vote of the General Meeting for a term of three years.

3.5.2. The Chairman of the Association board:

- manages Association activities;
- represents the Association in the relations with the State, other enterprises, organizations and natural persons without specific authority;
- performs other duties assigned to him by the General Meeting or by the board;

- organizes the preparation and execution of board decisions;
- at the request of the separate units develops immediate and prospective plans;
- monitors the execution of the Association tasks and, if necessary, presents the board with his suggestions;
- arranges information necessary to the board;
- hires and terminates employees, whose hire is not within the range of competence of the board (unit leaders), and presents the leaders of the separate units for the approval of the board;
- the Chairman and the Chief Accountant or authorized persons sign contracts on foreign economic activities.

3.6. During the absence of the Chairman the Association is managed by the Deputy Chairman.

IV ASSETS OF THE ASSOCIATION

4.1. The assets of the Association consists of property and financial resources which have been invested in the Association to start and develop business operations.

The Association assets are divided into:

- 1) capital investments;
- 2) reserve capital;
- 3) special funds.

4.2. The property of the Association consists of capital investments, working capital, funds and reserves allocated to the Audit Commission of the Association, according to legislation.

To prepare for the business audit commission activities and to start business activities, the members create capital investments in the form of charter capital - the financial and material assets necessary to begin activities.

Each member initially is represented by investment - share capital. The minimum amount of the share capital investment is 10 rubles.

Members of the Association obtain capital shares in the following amounts:

- 1) employees of the Association in the amount not less than the minimum 10 ruble share.
- 2) legal and natural persons - the milk supplier amount calculated according to contracts: 200 rubles for each 100 tons of milk delivered for processing;
- 3) organizations producing, processing and selling dairy products: 2000 - 10,000 rubles according to the Board decision.

At first, the Association creates a Charter Fund of 250,000 rubles, or 25,000 shares. From the total amount, a Board reserve of 50,000 rubles, or 5,000 shares, and an employee reserve of 20,000 rubles, or 2000 shares, are created, which can be used according to Board decisions.

The Association may begin activities when at least 50% of the Charter Fund amount has been invested.

The funds which form the initial charter capital are deposited in one of the banks of Latvia by the Tukums Cooperative until the Board of the Association begins to start bank transactions according to the needs of the Association, within the bounds determined by the Meeting of Participants and the Charter.

(Amendment to the charter from October 22, 1992)

If pagast or regional associations are formed, the Tukums Cooperative Dairy Association will give the collecting stations and dairy processing plants which are found within the working zones (of the pagast or regional associations) to these associations upon their request.

4.3. The value of the charter capital fluctuates and, at the moment of registering the Charter of the Association, is 142,940 rubles.

The value of one share is determined by the founders of the Association, but it cannot exceed one thousand rubles.

4.4. The Association issues share certificates to members of the Association, and certificates of capital to the owner of the associated capital, where the name and address of the contributor is written, as well as the name of the bank, bank account, and the amount paid.

4.5. The Association has the right to fix the membership fee up to 1/4 of the share value. The membership fee is invested in the reserve capital of the Association.

4.6. Members seceding from the company receive their share of the Charter Fund.

4.7. Charter capital which is not withdrawn by the withdrawing member may be given to another member of the Association or inherited. If the receiver of the gift or inheritor is not a member of the Association, the share must be withdrawn according to the order stipulated by the Charter and the legislation of Latvia.

4.8. The Association can increase the Charter Fund by:

- accepting new members;
- increasing the number of shares to be paid by the members of Association;
- increasing value of the shares by transferring an amount of capital from profits to the Charter capital in an amount determined by the General Meeting.

4.9. The capital of the Association can be reduced:

- through payments to members seceding from the Association and receiving their part of shares;
- as a result of the operations of the Association.

4.10. The Association forms a Reserve Fund from entrance fees and its profits. 10% of the profits are allocated to the reserve capital until it is not less than 15% of the

Charter Fund. At the moment when the Reserve Fund reaches 15% of the Charter Fund, the deduction from profits is stopped.

4.11. The Association can form special funds for different social or business needs. The formation and use of these funds is determined by the members of the General Meeting. They can be used for different business, educational and charity needs.

The special funds of the Association are formed from:

- part of the profit allocated for the purpose;
- the Association membership fees;
- donations and gifts.

4.12. Special annual membership fees, the size of which is determined by the General Meeting, are to be paid by members to form special funds.

Membership fees cannot be transferred to the charter or reserve funds of the Association.

V DISTRIBUTION OF ASSOCIATION PROFITS

5.1. The profit of the Association belongs to the Association.

5.2. Upon approval of the annual report, the payments determined by the Laws of Latvia and Government Regulations must be paid.

5.3. The distribution of net profits is determined by the General Meeting of the Association members according to the Charter of the Association.

The profit after tax is divided for accruals and consumption.

5.4. The part for accruals is divided:

- to form the Reserve Fund;
- to increase the Charter Capital.

5.5. After the annual balance sheets and annual report have been approved by the General Meeting, not less than 10% of net profit (after deduction of taxes and depreciation) must be included in the Reserve Capital. The General Meeting decides on the use of the profit left. It determines amounts subject to transfer to other capitals (association funds), and determines the amount of dividends to be paid to the members. Dividends may be calculated only for those shares that have been completely invested.

5.6. The Association does not have the right to demand members to leave dividends for the use of the company even for a short time.

The payment of dividends begins one month after the decision of the General Meeting. Dividends are paid for three years.

5.7. If the dividend is not redeemed within one year, it is included in the reserve capital of the Association. If a member has not redeemed the dividend within three years he loses the ownership rights to that dividend.

VI ACCOUNTING AND REPORTING

6. The Association organizes accounting, bookkeeping and statistic report accounting according to the effective legislation.

6.1. The organization of reporting, bookkeeping, and documentation within the structures of the Association is determined by the Board of the Association according to corresponding legislation.

VII AUDIT AND CONTROL OF THE ASSOCIATION

7.1. The activities of the Association is audited either by the Auditor or the Auditing Commission.

7.2. The Auditor or the Audit Commission is elected by a secret ballot by the General Meeting for a term of three years. The Audit Commission elects a chairman from its members.

7.3. Members of Audit Commission or Auditor may not be a member of the Board or managerial staff of the Association. Former members of the Association management may not be elected to the Audit Commission for three years after their activities in the Association.

7.4. The Audit Commission or Auditor have the authority to make audits at any time. The Audit Commission or Auditor may conduct detailed audits, but may not conduct more than one general audit each year.

7.5. The Audit Commission or Auditor submits a report about the Audit activities to the General Meeting.

7.6. The board must notify the Auditor or Audit Commission that the annual report is complete and that the documents are ready for inspection no later than one month prior to the annual General Meeting.

7.7. The Audit Commission or Auditor has the authority to invite qualified experts or specialists and notify the Board of the Association .

7.8. The General Meeting allocates a certain amount of resources for use by the Audit Commission, the use of it being the responsibility of the Audit Commission. The Audit commission informs the General Meeting how these amounts are used.

7.9. The Auditor or Audit Commission must inform the Board of the Association and the General Meeting of violations discovered and deficiencies in the work of management and other units.

7.10. Audit Commission meetings are held as necessary, but not less than once in a quarter. It has authority if at least 2/3 of the members are participating.

7.11. The Auditor of the members of the Audit Commission act according to the corresponding legislation of Latvia and Charter of the Association.

7.12. Members of the Audit Commission are responsible for any damage or losses that have occurred as a result of their negligence or planned activities.

7.13. Members of the Audit Commission are not responsible for any violation of laws by management or other units of the Association.

VIII DISSOLUTION OF THE ASSOCIATION

8.1. The association terminates its activities;

8.1.1. - according to the decision of the General Meeting;

8.1.2. - according a decision by the court;
- by declaring the Association insolvent;
- if the association has not started business activities within a year after being registered;
- if the association violates the law "On Cooperative Associations."

8.2. The Board of the Association must call the General Meeting and decide about the dissolution of the Association or to prevent the dissolution of the Association if a relevant situation arises.

8.3. The decisionmaker (the General Meeting or the court) elects or appoints the Liquidation Commission, which monitors the Liquidation of the Association.

When the Liquidator has been elected, the board loses its authority, but liability, in accordance with the legislation, is retained until the liquidation of the Association is completed. From this moment the Liquidation Commission assumes the functions of the board.

The General Meeting reserves the right to dismiss the Liquidators at any time and to elect new Liquidators.

Following the procedures set by the General Meeting, liquidators complete activities taken up by the Association, sell its property, collect money from the debtors, pay debts and satisfy claims.

8.4. Creditors submit their claims within three months from the day the announcement of the liquidation of the Association has been published.

8.5. Debts of the Association are repaid according to the procedure set by legislation.

8.6. Shares are returned to the members only after all of the debts of the Association are repaid.

8.7. The assets remaining after the Association has been liquidated, are divided according to the procedure set by the civil law.

The reserve assets remain undivided and are used as decided by the General Meeting.

On the due date set by the General Meeting, liquidators submit a report on their activities to the General Meeting, but when liquidation has been completed, Liquidators submit another report covering the whole liquidation period.

Chairman of the board,
Tukums Dairy Producers'
Cooperative Association

J. Skavarnovičus

Director,
Tukums Dairy Producers'
Cooperative Association

J. Pļavāns

Deputy director,
Tukums Dairy Producers'
Cooperative Association

I. Belinska

Chief accountant
Tukums Dairy Producers'
Cooperative Association

R. Prauliņa

Chief economist,
Tukums Dairy Producers'
Cooperative Association

A. Grinberga

1046

The Tukums dairy producers' cooperative association is formed on May 21, 1992. Dairy producers' cooperative association is an open cooperative union of agricultural goods production, formed on the basis of cooperation principles and uniting competent physical and legal persons which support the development of dairy industry in the region, while recognizing and observing the charter.

The association is a legal person. It has its own independent balance-sheet, bank account, seal with the name of the association, as well as other requisites.

The Tukums dairy producers' cooperative association includes 21 legal members and 275 natural persons.

As determined by the charter, the association creates its initial base capital up to 250,000 rubles, and may start its activities when at least 50% of the base capital is collected.

At the time of charter registration the value of association's base capital was 142,940 rubles.

The primary operational areas of Tukums dairy producers' cooperative association are:

- I. Ensuring high quality milk production and the development of dairy farming in the Tukums region

Regarding this issue, one of the main objectives carried out by the dairy producers' association is the establishment of a milk testing system and the creation of a system in pedigree work.

In the milk testing laboratory, Danish technology for determining the quality of milk samples is used to determine the content of fat, protein and sugar for each cow from farms, individual milk producers and share-companies. After the milk is tested in laboratory, the data is put into the computer where it is processed according to the particular program and after that this information is sent back to farmers and to the republican computing centers.

The establishment of this system provides farmers with the necessary consultancy on how to create a high-yielding herd. Supervision over the livestock will promote the recovery of the herd from leucosis.

The next objective ensuring stable milk production is the formation of a milk supply net, renewing of collecting stations and establishment of initial milk processing stations.

At present, milk collecting from share-companies is carried out by using 12 vehicles owned by Tukuma Lauktehnika and from individual milk suppliers by using 16 vehicles from the state enterprise "Kurzemnieks".

10447

Since September 1992, milk collecting in 5 *pagasts* of the region -- Cēre, Zentene, Matkule, Vāne and Smārde, has been carried out with the vehicles of *pagasts*. That provides fuel economy and ensures the creation of economic milk collecting routes. By December 1992 it is anticipated that milk will be collected using *pagasts* vehicles, including Zantes and Slampes *pagasts*.

The dairy producers' association will take over milk transportation vehicles of Tukuma Lauktehnika and state enterprise "Kurzemnieks" onto its balance-sheet, and will form a unified parking lot under the supervision of Tukums dairy kombinat.

It is anticipated that the renovation of collecting stations of Zantes and Matkules *pagasts* will be undertaken, but in Zemītes *pagasts* renovation of Grenču milkery (cheesery) will take place.

The Tukums dairy producers' cooperative association envisages the rendering of assistance to the members of the association, milk producers, both for machinery and for milk production equipment purchase.

II Improvement of dairy processing technology and sale of production

Under current market situation dairy processing enterprises shall direct their activities towards the introduction of new types of products -- with lower content of fat, production of "home cheese", production packaged in different volumes and capacities.

In the current economic situation, high profitability (15%) can be achieved by producing "Bauskas" cheese.

The volume of dairy products production in 1993 and 1994 depends on the amount of raw resources received (Appendix 1) and could be the following (Appendix 2).

In January 1993, it is anticipated that the reconstruction of the cheese production department will begin in the Jaunpils milkery, increasing the cheese production volume to 2 tons in a shift. According to the current prices, the reconstruction of this department will cost 3 million rubles.

The dairy producers association has planned to create its trade net in Tukums, Jūrmala, and Riga. The experience of a store already operating in Tukums that sells associations products exclusively indicates that products with a lower trade mark-up (up to 10%) sell better, thus increasing current assets.

At the moment, our production is sold as follows:

Place of sale	% ratio of production sold
Tukums region	23
Talsi region	13
Jūrmala	45
Riga	17

The future trade volume in Riga and Jurmala shall be expanded through a net of stores in which the products of the association are sold.

III Improvement of the Tukums dairy producers' association's material-technical provisions

The analysis of current Tukums dairy *kombinat* assets (Appendix 3) shows that the Tukums milkery operates with standard dairy production equipment, but Jaunpils and Kandavas plants utilize depreciated and obsolete technology. Therefore, in the near future, reconstruction of these milkeries will be imperative (as mentioned above regarding the Jaunpils milkery).

Taking into account the anticipated amount of raw resources and the reconstruction program, the balance of the labor force in the Tukums dairy *kombinat* shall be altered.

In the future, the Tukums dairy producers' cooperative association plans to establish a department for farm servicing, partially taking over some of the functions from Tukums Lauktehnika, and a supply service which will deal with the supply and sale of the machinery and raw resources needed for dairy production.

Chairman of the Board,
Tukums Dairy Producers' Cooperative Association

J. Skvarnovičus

Appendix 1

	year 1993				year 1994			
	total	of that:			total	of that:		
		Tukums	Kandava	Jaunpils		Tukums	Kandava	Jaunpils
raw material from milk collection (t)	51500	26800	12200	12500	55000	28700	13000	13300
to own enterprise (t)			2650	4000			3300	4000
will send to Tukums (t)			9550	8500			9700	9300
total to production	51500	44850	2650	4000	55000	47700	3300	4000

Appendix 2

	year 1993			year 1994		
	total	of that:		total	of that:	
		Kandava	Jaunpils		Kandava	Jaunpils
production (thousand rbl.)	610000			968900		
Butter "Lauku", total (t)	1200	-	-	1430	-	-
of that: packed (t)	300			500		
Cheese "Bauskas" (t)	435	-	435	435	-	435
whole-milk products (t)	19800	2780	-	21600	3400	-
of that:						
2.5% butter-fat milk, total (t)	5000	60	-	5500	80	-
of that:						
in bottles (t)	3500	-	-	4000	-	-
in poly-packs (t)	200	-	-	200	-	-
2.5 % butter-fat kefir, bottled (t)	1500	-	-	1800	-	-
35% butter-fat cream, bottled (t)	10	-	-	10	-	-
25% butter-fat cream, total (t)	1700	340	-	1800	400	-
of that: in 0.2 l bottles(t)	340	-	-	400	-	-
5% butter-fat cottage cheese, unpacked (t)	660	100	-	800	150	-
2% butter-fat cottage cheese, unpacked (t)	400	-	-	400	-	-
skim-milk products, recalculated (t)	7100	3150	-	7600	3150	-
of that:	940					
skim milk cottage cheese (t)		420	-	1000	420	-

Appendix 3
 October 1, 1992 Stock-taking Results
 Fixed Assets and Current Assets

	Tukums Milk Plant	of that:		
		Tukums Dairy	Jaunpils Dairy	Kandava Dairy
(1) Fixed Assets				
1 production facilities	2375.5	1916.9	302.3	156.3
2 buildings, transmission systems	309.4	292.8	5.2	11.4
3 power machinery	24.9	7.9	-	17
4 production machinery	2093.2	1841.3	29.9	222
5 measurement and maintenance equipment	20	15.2	3.2	1.6
6 computers	645.6	617.6	-	28
7 vehicles	319.1	264.2	36.2	18.7
8 equipment	120.8	117.6	1.2	2
9 dwelling houses	815.2	626.3	128.4	60.5
TOTAL	6723.7	5699.8	506.4	517.5
(2) Current Assets				
1 raw materials	2180.1	917.1	1170.3	96.7
2 supplemental materials	6097.7	5345.7	687.8	64.2
3 packaging materials, bottles, containers	3122.2	2860.8	61.4	200
4 fuel	4336.6	3810.2	351	175.4
5 spare parts	124.5	109.3	11.5	3.7
6 equipment	150	100.7	28.2	21.1
TOTAL	16011.1	13143.8	2310.2	557.1
(3) Product Output	4161.6	4161.6	-	-
(4) Money Resources	2947.6	2466.5	499	2.1

Director, Tukums Milk Plant

J. Plavāns

2501

Weigh and skim-milk are dairy by-products.

Under the existing specific production circumstances, 12 tonnes of surplus milk is produced daily within the operational area of Rūjiena dairy. Besides, 1.5 tonnes of surplus separated cream is being produced every day.

Assuming that 1993 raw milk supply would be 70% of this year's amount, which is 9944 t, the dairy would not be able to process a total of 1568 t of milk and it would produce 784 t of surplus separated cream over the next year. The dairy is going to sign a separate contract with Valmiera dairy plant on further processing of the raw milk and cream.

The dairy plans to increase cheese production and maturing by 5%. A cheese vacuuming machine, plastic packaging material and paraffin is needed to accomplish this goal.

To use skim milk better the Association plans to start skim milk cheese and skim milk cottage cheese production using the Association creamery facilities. The creamery needs to be renovated and improved with new machinery beforehand. The project cost and possible credit resources would be elaborated on in the project.

Rūjiena dairy output is given in the Appendix *Rujiena 2*, p.1 (see also other tables).

Price of the products will be changed depending on the situation and the market demand, as well as depending on energy and consumables' price, wages and other costs.

At the moment the raw milk price would be ~10% above the price of the take-over period.

All production cost calculations, but ice-cream, were made on the basis of Valmiera dairy plant data. Figures are given in Appendix *Rujiena 3*, p.1-3. The comparative method has been used to calculate the production cost for the second half of 1992. The 1993 production cost calculation includes the cost of various subsidiary resources. Gasoline price is taken at 70 Rbl./l. As a result the transportation cost increases three times and comprises a considerable part of the production cost increase.

The production cost calculation plans the raw milk price increase from 16 Rbl/kg in the final quarter of 1992 to 20 Rbl./kg and 30 Rbl./kg in 1993. The raw milk price increase is shown in Appendix *Rujiena 5*.

Expenditure calculation includes energy and technical resource price increase by ~30% in the 1st case and by 60% in the 2nd case.

The 1993 profit planned at Rbl.49 608 500 would give a possibility to solve several problems essential to the dairy-- to improve fixed assets, to reconstruct the water-mill and to work out projects for skim-milk cheese, skim-milk cottage cheese and farmer's cheese production lines.

In the case of need loans would be used.

It has to be taken into account, that selling the product might create some problems and money transfers might be delayed. If transfers are delayed 10-15 days, the cash deficit (~Rbl. 8 000 000 in the 1st quarter, Rbl. 18 300 000 in the 2nd quarter, 39 800 000 in the 2nd half of 1993) has to be covered in order to ensure uninterrupted production.

The average monthly pay (including additional pay) in Rūjiena dairy in August was Rbl. 4 200. The part of the average pay increase in the production cost has increased 1.14 to 1.8 times (depending on the kind of product). Thus by the end of the year the pay would be in between Rbl. 4 800 and 7 580. No essential changes as to the number of employees are planned for late 1992 and the early 1993. Further pay increase up to the average of Rbl. 8 500 is planned in 1993 and it would require Rbl. 7.69 million (see Appendix *Rujiena 1*).

The Market Characteristics

Ice-cream Sales

Ice-cream and ice-cream cakes are to be sold at the ice-cream stand and through *the Consumer Association* stores within the Valmiera dairy plant supply area, that covers five districts.

Surplus ice-cream is to be sold in Riga and other places. Only ~50% of the ice-cream production capacity is being used in summertime. Therefore ice-cream production will be increased and part of the product will go to Estonia and other places. Ice-cream will also be sold to Valmiera butter and cheese wholesale company (up to 80 t in winter season and up to 10 t over the summer months).

The raw casein will be sold to Pučurga dry casein plant or Rēzekne canned milk plant.

The final product received from Valmiera dairy plant in return for milk (cheese, butter) will go to:

- Association members and dairy employees,
- business partners,
- retail in Rīga,
- retail in the neighbouring districts through the Consumer Association stores and privately owned stores.

The Association will work upon establishment of its own limited retail network.

Rūjiena Dairy Technology and Technical Service Situation

Technical supplies and services to the Dairy will be provided on the contract basis. Contracts with the respective enterprise are to be signed in late 1992 or early 1993. Contract will be signed with the following enterprises: limited liability company *Lauktehnikas apgāds*, Valmiera butter and cheese retail company, Valmiera dairy plant, other commercial enterprises, exchanges, plants in this country and abroad.

Technical services to separate units of the dairy will be provided on contract basis. In some cases the dairy will be able to cope with the technical service on its own.

Services of the Dairy producers' Association

Rūjiena Dairy Producers' Association would start providing services in 1993. The existing milk collecting network will be improved to ensure the dairy producers' access to the milk collecting network.

A milk control service will be introduced soon. Pedigree work will be resumed to improve the genetic qualities of the cattle and to guarantee the milk quality. The Association will provide consulting services on livestock. The Association plans to take part in the privatisation of the service enterprises (LLT and Rūjiena farm service /fermu mehanizācijas iecirknis/, etc.) and thus to provide qualified technical service to farms.

Jurata water-mill continues functioning. To introduce combined animal feed (with vitamin and /re-mix/)production there, reconstruction is needed. The product would be consumed by the Association members (livestock owners and other dairy producers). The mill produces //coarse// flour for animal consumption, groats and fine flour for human consumption. The mill plans to open semolina production. The mill reconstruction project will be worked out in 1993.

The Association considers the ways, how to supply the milk producers with the milk production equipment, detergents, filters, etc. It will supply the milk producers with farm equipment, fodder distribution systems and other equipment.

Rising the level and quality of service provided, the Association would help the dairy producers and increase their ability and incentive to produce milk of a better quality.

At the end of the fiscal year members of the Dairy Producers' Association will receive dividends, depending on the number of shares and the amount and quality of the milk brought to the dairy. Association is ready to analyse its relations with the producers and to improve them.

Chairman of the Board,
Rūjiena Dairy Producers' Association

J. Jasāns

Working capital surplus will comprise Rbl. 4 million (2 million-- working capital given to the Association by Valmiera Dairy plant and 2 million estimated Nov.-Dec. profit).

Assuming, that Rūjiena Dairy production cost would be about 10% lower than Valmiera Dairy plant average, it would comprise Rbl. 49.3 mil. in Jan.-Mar. period, Rbl. 96.7 mil. in Apr.-June period and Rbl. 166 mil in the next six months of the year (Variant 1).

Variant 2 would give [part missing]

The raw milk price comprises 78% of the expenditures, which is:

If resource price (compared to Oct.-Dec. period of year 1992) increases by

	30%	60%
Jan.-Mar.	Rbl.46.9 mil.	Rbl.48.7 mil.
Apr.-June	93.5	97.5
July-Dec.	160.1	170.7
1993 total	300.	316.9

Consumables and gasoline demand in Jan.-Dec. would be covered by 30% only. This entry comprises about 10% of the production cost. It would be:

If resource price (compared to Oct.-Dec. period of year 1992) increases by

	30%	60%
Jan.-Mar.	Rbl. 6.0 mil.	Rbl.6.25 mil
Apr.-June	12.0	12.5
July-Dec.	20.5	21.9
1993 total	38.5	40.65

Average pay (million Rbl.):

Jan.-Mar.	1.92
Apr.-June	1.92
July-Dec.	3.84
1993 total	7.69

Working capital needed:

If resource price (compared to Oct.-Dec. period of year 1992) increases by

	30%	60%
Jan.-Mar.	Rbl.54.82 mil.	Rbl.56.87 mil.
Apr.-June	107.42	111.92
July-Dec.	184.44	196.44
1993 total	346.69	365.23

Revenues from sales will reach the estimated amount, unless products pile up in the store-houses or money is not transferred to Rūjiena dairy bank account on time.

1056

The above mentioned obstacles may occur, which, in return, would create resource deficit. In order to ensure continuous production process, ways to cover the potential deficit are to be found. The deficit might reach Rbl. 8000 thousand in Jan.-Mar., Rbl.18300 thousand in Apr.-June and Rbl. 39800 thousand in July-Dec.

A. Klimenkova, researcher
the Institute of Agrarian Economics

1037-

APPROVED
The LR MOA
199_ " _ " _____
(name, signature)

APPROVED
The LR Ministry of
Economic Reforms
199_ " _ " _____
(name, signature)

STATE FIRM

"DRUVA"

PRIVATIZATION PROJECT

COORDINATED:
Concern "Latvijas labība"
"16" 11 1992
Signature

Riga, 1992

1038

This project is prepared in compliance with the LR Laws "On the Transformation of the State and Municipal Enterprises into Statutory Companies", "On the Order of Privatization of property in the State and Municipal Units (Enterprises)", "On Joint-Stock Companies" and determines the procedure, terms and the main phases for privatization of the state firm "Druva".

GENERAL TERMS

1.1. The state firm "DRUVA" (henceforth - Firm) is a state enterprise, formed in accordance with the provisions of the LR Law "On State Enterprises", carries out entrepreneurial activity on the state property assigned to it. The firm is supervised by the LR MOA.

1.2. The state firm "Druva" is registered with the LR Enterprise Register June 10, 1991, No. 000300708.

1.3. The firm is located in Latvia, Riga, 1 Ganību dambis iela 27.

1.4. Before nationalisation the enterprise was owned by the state.

2. Balance sheet of the firm

2.1. The balance sheet of the firm for 1991 is on Appendix 1.

2.2. The balance sheet of the firm for 01/07/92 is on Appendix 2.

3. Information on the lessees of the firm and lease contracts

3.1. Information on the lessees of the firm's property and lease contracts (name of the company or enterprise, location, other data) are included in Appendix 3.

4. Privatization methodology

4.1. A closed LR joint-stock company is formed with Latvian capital based on the firm.

4.2. Shareholders of the joint-stock company will be:

1. A person representing the state owned property - a representative authorized by the LR MOA - _____

2. Other shareholders - natural and legal persons which, according to the LR Law "On Joint-stock Companies", are rightful to own shares in the company.

4.3. The goal of the company and main objective is entrepreneurial activity, food and consumer goods supplies to the Latvian residents, realization of profit according to the social and economic interests of the company and shareholders, and facilitation of the economic development of the LR.

4.4. Main focuses of the entrepreneurial activity:

- 1) production and sales of bread and bakery products;
- 2) production and sales of macaroni;
- 3) production and sales of consumer goods;
- 4) production, purchase and sales of agricultural products;
- 5) construction, repair and building construction works;
- 6) communal services;
- 7) organization and operation of public catering;
- 8) exports and imports, barter and compensation deals, leasing;
- 9) trading activities (purchase and mediator activities);
- 10) sales of goods for hard currency;
- 11) overseas economic activities;

Other activities in compliance with the LR legislation.

4.5. Assets of the joint-stock company are worth 2,200,000 (two million, two hundred thousand) Latvian rubles. The face value of one share is 1,000 (one thousand) Latvian rubles, total number of shares is 2,200 (two thousand, two hundred) shares, including _____ employees' shares.

All the shares issued by the joint-stock company are in the owner's name.

The joint-stock company issues ordinary shares and employees' shares. The employees' shares are traded at 20% discount.

4.6. Assets of the joint-stock company are distributed as follows:

1. State property is 51% of the assets in the joint-stock company. They include: fixed assets, cash flow funds, investment in unfinished construction work, current buildings, constructions and value of other immovable property.

The state property is held by the MOA (representative - _____).
Revenue from the state owned shares goes to the state property privatization fund.

2. Other shareholders own 29% of ordinary shares.

3. Employees own 20% of ordinary shares.

Shareholders and employees pay the worth of their shares in Latvian rubles. At the time of joint-stock company registration, shareholders and employees pay 25% worth of their shares.

4.7. 5% of basic capital of the joint-stock company are compulsory deductions to the Pension Trust formation.

4.8. Management institutions of the joint-stock company are its Council and Board.

The Council consists of 9 members:

1. Council Chairman - J. Rekuns
2. Deputy Chairman - MOA representative
3. Council members : D. Candere
4. N. Antonevica
5. M. Asare
6. A. Mironovs
7. G. Cincajevs
8. A. Alesins
9. MOA representative

The Board consists of 9 members

1. Board President - P. Petrusenko
2. Deputy - MOA representative
3. Board members: V. Mihailovskis
4. M. Dmitrass
5. T. Kosuskina
6. L. Gusackova
7. V. Bisofs
8. A. Latvele
9. MOA representative

Activity of the joint-stock company is inspected by an audit committee which consists of 3 persons:

1. M. Meistare
2. M. Pukite
3. L. Smergele

5. Privatization Phases

5.1. Privatization phases for the joint-stock company:

1. Approval of the privatization project according to the Law "On the Order of Privatization for the State and Municipal Property (Enterprises)".
2. Formation of the Privatization Commission which will perform all the activities necessary for privatization according to the LR Law " On the Privatization Commissions for the State and Municipal Property".
3. Property of the joint-stock company is valued according to the Law and Regulations on the order of valuation for the property to be privatized.
4. The joint-stock company should receive permission from the LR Ministry of Finance to carry out entrepreneurial activity
5. The joint-stock company should be registered with the LR Enterprise Register.

6. Valuation of Property to be Privatized

6.1. Valuation of state property is carried out with the Privatization Commission decision according to the data from the inventory of the property.

6.2. During valuation the following should be taken into account:

- fixed assets;
- cash flow funds;
- other cash flow funds;
- unfinished construction units
- accounts payable.

Authors of the privatization project:
Petrusenko, Latvele, Gusackova, Kosuskina

**FEED PROCESSING STATE ENTERPRISE
STENDE**

PRIVATISATION PROJECT

10/11/2

1. BACKGROUND INFORMATION ON THE ENTERPRISE
 - 1.1. Name of the ministry
The Ministry of Agriculture of the Republic of Latvia
 - 1.2. Name of the enterprise
Feed Processing State Enterprise *Stende*
 - 1.3. The Unit for Privatisation
The whole enterprise
 - 1.4. Enterprise registration at the Enterprise Register of the Republic of Latvia
No. 000303997, November 28, 1991
 - 1.5. Legal Address of the Enterprise
Dumpišu iela 6, *Stende*, Talsu rajons
LV - 3257
phone: 232-74675, 74668, 74687, 74559
fax: 232-74675
 - 1.7. Bank account number of the enterprise
No. 000404703, Talsi branch, the Bank of Latvia
 - 1.8. Base capital of the enterprise on March 1, 1993 comprises 262 000 LVR
 - 1.9. The capital distribution
100 % state capital
 - 1.10. Enterprise investment into other entrepreneurial companies
Share Company *Latvijas Agrobirža* - 100 thous. LVR
Eizenšteina iela 53, Rīga Registration No. 4
 - 1.11. Major operational areas as defined by the Charter
 - 1.11.1. Feed production and sales according to state order and contracts;
 - 1.11.2. Purchase of human and animal consumption grain, seed and hay for the needs of the state;
 - 1.11.3. The supply of the entrepreneurs and population with flour and groats products within the limits of the state order funds;

- 1.11.4. Commercial mediator activities and trade;
- 1.11.5. The enterprise is allowed to perform foreign economic activities,
to organise joint ventures or new plants in accordance with the law;
- 1.11.6. The enterprise is allowed also to perform other entrepreneurial activities.
- 1.12. Structural units of the enterprise in Latvia - none
- 1.13. Branches of the enterprise abroad - none
- 1.14. Land area used by the enterprise - 4.5 ha in Stende
0.4 ha in Talsi
- 1.15. Information on natural and legal persons that lease the unit or a part of the
unit and on lease agreements:
Kandava Radio Plant
Assets leased - facilities 240 square meters
The term of the agreement - year 1994.
- 1.16. Enterprise balance sheets for the last three years (attached as appendixes)

2. PRIVATISATION OF THE UNIT

2.1. Privatisation method - transformation into an entrepreneurial company

2.2. List of the enterprise assets under privatisation

- feed production facilities with storages
- silos-type grain storages
- scales
- flour storage
- grain storages in Stende and Talsi
- heating facilities
- mechanical workshop
- energy sector
- administrative building
- machinery and equipment
- production and technical supplies (inventārs)

2.3. Valuation of the unit

2.3.1. Proposals for inviting experts

2.3.2. Approximate calculation of the set price of the unit according to the balance sheet

2.4. TERMS OF THE UNIT PRIVATISATION

2.4.1. Tangible assets of the enterprise are used to ensure primary operations of the enterprise, the primary operations are open for changes.

2.4.2. No change envisaged in the production

2.4.3. To secure workplaces, with the exception of non-productive and administrative posts. An increase of workplaces in the reconstructed facilities is planned.

2.4.4. Investment guarantees - though the ministry or with the investors directly.

2.4.5. Environment protection tasks are executed in coordination with the Ministry of Agriculture of the Republic of Latvia.

2.5. CAPITAL SHARES OF THE ENTREPRENEURIAL COMPANY

2.5.1. The Distribution of Capital Shares of the Entrepreneurial Company:

-	left to the state	- 30%
-	of that: to be transferred to old-age pension funds	- 5 %
-	left in the reserve and to be sold for certificates only	- 25%
-	also left to the state (the municipality)	- 10%
-	to be sold to employees only	- 30%
-	to be sold to other natural and legal persons	- 30%

2.5.2. Kinds of the entrepreneurial company shares and their proportion:

nominal value of the share	100 000 LVR
number of shares	2 620

2.5.3. The procedure of capital share sale:

paid at the moment of purchase	- 10%
the rest paid within one year	

2.6. INFORMATION ON THE POTENTIAL PURCHASERS

2.6.1. Natural persons:

2.6.2. Legal persons:

2.7. The main areas of operation:

- feed and feed additive production;
- flour and groats supply;
- commercial activities;
- trade;
- transportation service;
- other services.

2.8. MEANS OF PAYMENT. THE PROCEDURE OF PAYMENT

2.8.1. The means of payment envisaged - the Latvian Rouble (LVR) or the Lats (Ls).

2.8.2. The terms of payment

First payment - 10%, the remaining part - within a year. No preferential terms or discounts envisaged.

2.9. LIABILITIES OF THE ENTERPRISE

All liabilities with legal persons, including lendings, bank loans and other liabilities are transferred.

2.10. THE TIMING AND STAGES OF PRIVATISATION

The privatisation begins at the moment of signing the contract and is completed within one calendar year.

**3. OPERATIONS OF THE ENTERPRISE IN THE PERIOD AFTER
PRIVATISATION**

3.1. A business plan of the enterprise is given in the appendixes.

the date of preparation

the date of submission

authors of the project

Draft 2.02.93.

**NON- PROFIT ORGANIZATION
PRIVATIZATION AGENCY "AGROKONVERSIJA"**

Charter

**Approved:
The Republic of Latvia
Ministry of Agriculture**

**Registered
The Republic of Latvia
Enterprise Register
No.**

I GENERAL TERMS

1. Non-profit organization - privatization agency "Agrokonversija" is a state non-profit organization ("Agency" below)
2. The full name of the organization in Latvian is:
In English: Non- profit organization - agency "Agrokonversija"
3. Legal address of the agency is: Riga, Republikas Laukums 2
Bank account:

Agency is a legal entity, its has a separate balance sheet, and a seal with a full name of the Agency. With the moment of its registration in the LR Enterprise Register, the Agency has the rights of a legal entity.

5. The Agency operates according to the LR Law "On Non-profit organization" and the current Charter. The Charter is approved by the Ministry of Agriculture.
6. The Agency has accounts in banks.

II SPHERE OF ACTIVITY AND OBJECTIVES

7. Agency has one owner, its is founded by the Ministry of Agriculture in the name of the state with a permission of the LR Council of Ministers.
8. The goal of the foundation and activity of the Agency is to ensure the privatization of state property under supervision of the MOA, supervision of state capital in enterprises, units and entrepreneurial companies according to the LR legislation.
9. Agency:
 - 9.1. provides methodical guidance to privatization process according to branches (consultations, lectures, training courses, methodology and models and development of sample documents);
 - 9.2. develops privatization programs, provides conclusions and develops recommendations for the liquidation of enterprises, reorganization, sanitation, conservation or sale of property, transfer of state property to municipal governments; it submits recommendations to the MOA or other state institutions on the usage of state property, including formation of new state enterprises, or alterations in the lists of enterprises (units) to be privatized approved previously by the MOA;
 - 9.3. receives privatization programs submitted to the MOA, and applications of buyers, keeps privatization programs and arranges documentation;
 - 9.4. coordinates and manages assessment of programs in the MOA, develops conclusions on them and submits them to the MOA committee for approval.
 - 9.5. declares privatization of property, develops information on the terms of purchase for the state property and provides it to the potential buyers, including advertisements in the foreign press;
 - 9.6. according to the LR legislation and normative bills organizes sales of property subject to privatization, including sales of state owned assets (shares) in entrepreneurial companies; it takes part in the valuation of units and provides conclusions on the determined price of the property;

- 9.7. approves suggestions included in the privatization programs on providing loans/credits for the formation of entrepreneurial companies, or structures to provide services to them.
- 9.8. ensures stock-taking and supervision for the state property in the specific branch, including state capital invested in entrepreneurial companies; submits suggestions to the MOA concerning candidates for the state manager (proxy); ensures remuneration for their work in the order provided by the LR legislation;
- 9.9. ensures stock-taking and registration for the leased state property; ensures remuneration to the authors of programs, experts and technicians;
- 9.10. develops suggestions for new normative bills, or amendments to the current which cover the privatization process and ensure supervision of the state property;
9. 11. deals with other issues related to the privatization of the particular branch within the limits of its competence determined by the MOA;

RIGHTS, DUTIES, RESPONSIBILITY

10. Agency is competent to carry out entrepreneurial activity according to the provisions of the current Charter and not prohibited by the LR legislation.
11. Agency can open accounts in banks and other credit institutions.
12. Agency is entitled to property and other rights, it can make contracts and deals, including foreign trade and credit operations in the LR and abroad.
13. Organize task forces and hire experts and technicians on contract basis.
14. Require information, issue orders and instructions within the limits of competence provided by the current Charter.

15. Agency is obliged to preserve confidential information containing commercial secrets of individuals and legal entities, which has become known to the Agency during privatization.
16. Agency is liable for its obligations with its property. The state is not liable for the obligations of the Agency, and the Agency is not liable for the obligations of the state or its institutions.

IV RESOURCES

17. The material basis for the Agency is formed by state capital allocated for the needs of the Agency by its founder - MOA; it is transferred under the supervision of the Agency.

Charter fund is constituted by monetary resources and property invested.

18. All the Agency's property is owned by the state. The order of running movables and real estate owned by the state is determined by the MOA according to the legislation of the LR.

19. Basic capital (charter fund) for1993 is thousand Latvian roubles.

20. Agency uses resources of the privatization fund allocated by the MOA and reports to the MOA about it.

21. Basic capital of the Agency can be increased by investments from its economic activity and new state investments according to the decision of the founder - MOA.

22. Property and resources of the Agency are used:

- to maintain personnel of the Agency;
- to ensure functioning of the Agency;
- to provide remuneration for the state property privatization commissions, hired experts, technicians, and authors of the implemented privatization programs;
- to ensure organization, information and technical side of the state property privatization process;

- to provide funding to private entrepreneurs to produce particular goods or offer services according to specific programs;
- to stimulate (provide funding) the development of structures offering services to private entrepreneurs;
- to provide guarantees to the processes of demonopolization and sanation;
- for the retraining of individuals who have lost their jobs during privatization process;
- to provide remuneration to state proxies (representatives);
- for the social development of the Agency;

Agency cannot use its resources for purposes different from those stated in the Charter.

23. The reserve fund of the Agency is constituted by the sum by which the revenue exceeds the expenses of the Agency when the balance sheet is made up; resources allocated from privatization fund are counted separately. Profit tax is not levied on it.
24. An estimate is developed annually for the usage of the reserve fund, and it is approved by the MOA.
25. Basic resources of the Agency worth the remainder ??? should be insured.

V Management and control of the Agency

26. Agency is managed by a director. The director is appointed or dismissed by the MOA on contract basis.
27. Director of the Agency
 - manages operation of the Agency, so that it fulfils its assignments;
 - acts in the name of the Agency without a special warrant of attorney, represents it in state institutions, establishments and organizations, as well as in its relations with other legal and natural persons;
 - manages property of the Agency in the order determined by the MOA, makes deals in the name of the Agency, opens bank accounts, issues warrants, makes other deals of economic character;

- determines and approves the staff of the Agency, their salaries and duties of work;
 - hires and dismisses employees of the Agency;
 - issues orders and instructions;
 - determines the procedure of circulation, registration and reporting of internal documents;
28. Control over the Agency can be exercised by the LR MOA, or Ministry of Economic Reforms once a year...?

VI OPERATION OF THE AGENCY

29. Agency operates on self-financing principles.
Agency develops an organizational and financial plan annually and submits it to the MOA for approval; twice a year it reports to the MOA about the implementation of the plan. Agency can make a contract with the MOA to fulfil specific functions.
30. Resources of the Agency are constituted by:
- resources from the privatization funds allocated to the MOA; they are handed over to the Agency;
 - resources developed from the entrepreneurial activity of the Agency;
31. Agency does accounting and statistics in the order determined in the LR and the Director of the Agency. The year of operation is from January to December 31.

VII REORGANIZATION AND LIQUIDATION OF THE AGENCY

32. Agency is liquidated or reorganized with a MOA decision.
Decision on liquidation and reorganization of the Agency is made by the MOA. The reorganization procedure is also determined by the MOA. Liquidation of the MOA is carried out according to the LR Law "On Entrepreneurial Activity" and Law "On Non-profit organization". In case of liquidation state property is returned to the MOA, but the unused privatization fund resources transferred back to the State Privatization Fund.

LATVIJAS LABĪBA (PRESS SUMMARY)

Diena, December 1992- Janāry 1993

The liquidation commission of the concern *Latvijas labība* has started functioning on Jan.4, 1993. The liquidation commission was established at the end of 1993 to replace *Latvijas labība* with new structures. It consists of the former staff of the concern and representative of the Ministry of Agriculture. The commission has taken over management of the concern. No significant changes in bread baking are expected, as the commission has stressed its primary goal would be to preserve state assets and to ensure bread production during the reconstruction period.

Activities of the concern have been stopped to comply with the Council of Ministers November 9, 1993 resolution, that, in turn, was initiated by State Control. State Control says the concern has misused the monopoly situation and increase in bread prices could not be justified.

Reconstruction of *Latvijas labība* takes place according to the following procedure: State enterprise *Labības birojs* will be established by Feb. 1, 1993 and stock company *Latvijas dzirnavas*-- by March 1,1993.

Labības birojs will establish and control (regulate) the grain market. Still chairman of the liquidation commission Arnis Bērziņš says a *Law on Grain* should be worked out beforehand. The Law shall state grain storage regulations, the amount of the national grain reserve and the procedure of trade in grain. *Labības birojs* will include a state inspection to deal with grain quality testing and setting grain import and export quotas. A new feature would be an open competition for the right to purchase grain abroad.

With the establishment of *Latvijas dzirnavas* bread baking and mill privatisation should be completed within three or five years. Arnis Bērziņš thinks this would dissolve bread production and price monopoly.

The former staff of *Latvijas labība* has not been dismissed yet, but the president of *Latvijas labība* Jevgēņijs Lukašonoks has taken a vocation. Staff of the concern comprises about 60 people, that have been notified of their would-be dismissal.

Several officials at the Ministry and representatives from *Latvijas labība* said such a hasty reorganization of *Latvijas labība* was not necessary at all.

A. Bērziņš said liquidation of the concern is a bit dubious:

The concern can be dissolved only by those, who established it, that is, board of directors. The formal reason for dissolution of *Latvijas labība* was-- the concern had not been registered. A. Bērziņš says directors cannot be accused of joining private entrepreneurial activities, as they were not state employees.

The concern was established in 1990.

Jevgēņijs Lukašonoks has been accused of private business activities. Besides involvement in other private enterprises, he is an owner of a limited liability company

named *Kalngale*. The company has been recently granted the right to rent three bakery stores in Riga (2, Stendes Str., 10, Elvīras Str., 37 Kr. Barona Str.).

The three stores have been privatised according to the legislation-- even State Chief Controller Austris Kalniņš agrees to this. Still, according to the Law on State enterprises, staff of the state enterprise shall not be involved in any other private entrepreneurial activities connected with the state enterprise he works for. Officials of the concern do not agree *Latvijas labība* is a state enterprise.

Land and Mortgage Bank Founders Continue Argument

Diena, Jan. 13, 1993

Riga, Jan. 12. Land and mortgage bank establishment process has come to a standstill, as founders continue their argument over whether the mortgage bank should be a commercial bank or a state bank.

Supporters of the state bank idea (Ministry of Agriculture, that initiated founding of the bank) gave up in one of the discord issues, namely, that the new bank should become the legal successor to the liabilities of the Land and mortgage bank that existed in Latvia before WW II.

The government resolution on founding the bank was adopted in June, 1992. But discussions over the concept and charter of the bank go on.

Gundars Valdmanis, who held a news conference yesterday, accused MOA as a whole of being the main obstacle to implementation of his project and deputy minister Uldis Beniķis, who chairs the founding group, personally.

Mr. Beniķis said in an interview to *Diena*, that Mr. Valdmanis has worked out an excellent charter for another commercial bank or investment bank, but this is not a reason for asking government money assigned to the foundation of a state bank.

Government was to allot Rbl. 1 billion to the foundation of a state bank. The former mortgage bank facilities in Domus Square would be given to the newly founded bank free of charge.

Aigars Plotkāns, a Council of Ministers adviser on Banking, said the reason for the standstill was lack of candidates, full of energy, to the leading post in the bank.

Mr Valdmanis suggests, that the basic capital for the bank can be acquired by mortgaging cargos of the fleet, ports, planes, railroads, forests, etc. Mr Valdmanis says, in foreign experts' view, what Latvia possesses can be evaluated at \$50 billion. Mr. Beniķis and his supporters oppose this, saying, if credit resources are acquired by mortgaging abroad "what Latvia possesses" interest would be too high.

After an emotional address at the beginning of the news conference (Mr. Valdmanis's father has been a finance minister in pre-war Latvia) Valdmanis called for journalists' support in order to "stop those forces, that are trying to strangle the Latvian economy". Speaking with tears in his eyes Mr. Valdmanis told the conference he

spent all his savings to develop the project, and that he has four sons to send to school.

He also said, prime minister has appointed him chairman of the board and general director of the bank, but prime minister's orders are not taken into account and he does not have freedom of action. When he submitted his draft charter to the Ministry of Finance, the answer he received was - there are already three projects from the Ministry of Agriculture there.

Other obstacles to progress in Mr. Beniķis view are: there is neither law on loans nor law on land register books passed. He thinks the basic capital of the mortgage bank does not need to be that big, as the main function of the bank would be to emit mortgage shares.

BEST AVAILABLE COPY

LATVIJAS LABIJA: EFFICIENCY

By Donald R. McLean, Latvia 1991

Latvian officials are quick to point out that the country's economic situation is not as bleak as it appears. They say that the country's economy is still growing, and that the government is taking steps to improve it. They also say that the country's infrastructure is being improved, and that the government is working to attract foreign investment.

A number of factors are cited as reasons for the country's economic growth. These include the country's rich natural resources, its strategic location, and its skilled workforce. The government is also credited with implementing sound economic policies.

Some of the most significant achievements of the government are cited as the country's low inflation rate, its stable exchange rate, and its successful privatization program.

Latvian officials also point to the country's success in attracting foreign investment. They say that the government has created a favorable business environment, and that the country's infrastructure is being improved. They also say that the government is working to attract foreign investment in a number of key sectors of the economy.

With the establishment of Latvijas Ekonomikas Pasaules Bankas and other institutions, should be completed within three or five years. Atoms Bērziņš thinks this would dissolve bread production and price monopoly.

6-The former staff of Latvijas Labija has not been dismissed yet, but the president of Latvijas Labija Jevgenijs Laksomokšs has taken a vacation. Staff of the concern comprises about 60 people that have been notified of their would-be dismissal.

Several officials at the Ministry and representatives from Latvijas Labija said such a hasty reorganization of Latvijas Labija was not necessary at all.

A Bērziņš said liquidation of the concern is a bit dubious. The concern can be dissolved only by those who established it--that is, board of directors. The formal reason for dissolution of Latvijas Labija was--the concern had not been registered. A. Bērziņš says directors cannot be accused of joining private entrepreneurial activities, as they were not state employees.

The concern was established in 1990. Jevgenijs Laksomokšs has been accused of private business activities. Besides involvement in other private enterprises, he is an owner of a limited liability company

of the concern. The company has been assigned to liquidate the concern. The company is now being liquidated by the court.

The company is now being liquidated by the court. The company is now being liquidated by the court. The company is now being liquidated by the court.

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AGRICULTURE OF LATVIA IN THE FIRST 9 MONTHS OF 1992

1. According to the MOA Information center on October 2 this year 80% of potatoes planted by statutory companies and state farms were already harvested (in previous year 86%) getting 111 cnt (1cnt = 100kg) potatoes from 1 hectare (in previous year 105cnt). Together with individual farms 607 thousand tons from 53 thousand hectares are harvested getting 115 cnt potatoes from each hectare.

The amount of harvested raw grain reached 1.1 million tons or 21.4 cnt from 1 hectare.

Up to October 2, 1992 statutory companies and state farms harvested 2.3 thousand hectares or 24% of all their sugar beets (in previous year 27%), winter crops are sown on the area of 245 thousand hectares (together with individual farms), autumn tillage covers 74 thousand hectares.

2. Up to September 1, 1992 the self-governments of pagasts granted land to 48.9 thousand individual farms - in total 792.6 hectares of land or 20% of all land under the use of agricultural enterprises and farms.

Up to September 1, 1992 the self-governments of pagasts granted land to 92.5 thousand household farms with total area 399.1 thousand hectares and to 636 state farms and statutory companies with the total area 1060.1 thousand hectares.

The total area of land granted by the self-governments of pagasts reached 4.1 million hectares or 67% of the area being under the use of agricultural enterprises and farms and forestry.

3. In the first 9 months of 1992 1278 thousand tons of milk, 270 thousand tons of meat and 468 million eggs were produced in Latvia. In comparison to the previous year the production of milk decreased by 10%, of meat - by 11%, of eggs - by 16%.

Statutory companies and state farms produced 666.1 thousand tons of milk (52% of the total amount), 167.7 thousand tons of meat (62%) and 389.8 million eggs (83%). In comparison with the January-September of 1991 milk production has decreased for 262.5 thousand tons (28%), meat production - for 41.0 thousand tons (20%), eggs - for 104.7 million (21%).

Milk production compared to January-September of 1991 has decreased in the statutory companies and farms of all of Latvia's regions. Mostly in Cesu region - for 42%, Balvu region - 42%, Aluksnes region - 40%.

The average milk yield from one cow in statutory companies and state farms in January-September, 1992 was 1955 kg and it was for 536kg or 22% less than in the same period previous year. Productivity of cows has decreased in all regions.

Meat production in comparison with January-September of 1991 has decreased in the statutory companies and farms of all regions. Mostly in Balvu region - by 36%, Ludzas region - 35%, Aluksnes region - 27%.

Egg production in compared to January-September, 1991 has decreased in 23 regions, including Kraslavas region - for 5,9 times, Preilu region - 3.6, Balvu region - 2.5. In January-September, 1992 in statutory companies and state farms one hen (layer) in average produced 152 eggs, which is 27 eggs less than in January-September of 1991.

4. Compared to October 1, 1991 the *number of cattle* in statutory companies and state farms has decreased by 211.5 thousand units or 20%, including cows - by 79.3 thousand (22%), pigs - by 301.0 thousand (28%), sheep - for 12.3 thousand (47%), poultry - for 4.5 million (46%).

Statutory companies and state farms sold a part of their cattle to individual farms and other individual producers. So in January-September of 1992 they sold 56.7 thousand units of cattle (including 29.9 thousand calves), 366.1 thousand pigs (including 333.3 thousand piglets), 8.4 thousand sheep (including 5.5 thousand lambs), 1.4 million units of poultry (including 1.1 million chickens).

In January-September of 1992 statutory companies and state farms reproduced 267.5 thousand calves, 943.7 thousand piglets and 11.5 thousand lambs.

In January-September, 1992 statutory companies and state farms produced 60 calves per 100 cows (63 in 1991), 992 piglets per 100 pigs (1283 in 1991), 71 lambs per 100 sheep mama and sheep older than one year (81 in 1991).

In January-September, 1991 in statutory companies and state farms 60.0 thousand units of cattle, 259.3 thousand pigs, 4.9 thousand sheep have fallen. The rate of fallen cattle in January-September, 1992 was 4.7% (3.6% in 1991), pig decease - 13.5% (8.4% in 1991), sheep - 12.2% (5.1% in 1991).

5. The following data shows the amount of dairy and meat production sold to collecting and processing enterprises and companies in the first 9 months of 1992:

	: Sold in Jan-Sep, : Jan-Sep of 1992 in : 1992 : comparison with : : Jan-Sep, 1991 (%)	
Cattle and poultry (thousand tons)	182.7	78
Milk (thousand tons)	874.4	71
Eggs (million)	289.0	73

Sale of agricultural production has decreased in all types of farms. In the first 9 months of 1992 the amount of cattle and poultry sold has decreased by 52.3 thousand tons, milk - 351.8 thousand tons, eggs - 109.5 million.

This amount has decreased in all Latvian regions, especially in Ludzas - by 39%, Valkas - 33%, Ogres - 31%, Balvu, Jelgavas and Rigas - 29%.

The amount of milk sold has also decreased in all regions, mostly in Balvu - 46%, Ludzas - 40%, Daugavpils - 37%, Rzeknes - 36%, Ogres - 35% and Cesu - 34%.

In September of this year the amount of milk sold in comparison with September of 1991 has decreased by 50.1 thousand tons or 34%. It has decreased also if compared with August, 1992 for 9.3 thousand tons or 8.8%. The amount of cattle and poultry sold in January-September, 1992 (comparing with January-September, 1991) has increased by 0.9 thousand tons or 4%.

The purchase price of meat and dairy products is still growing.

The average purchase price of cattle and poultry in September was 33.3 roubles for a kilogram, which is 2.7% higher than in August, including pig - 69.5 roubles (14% increase), sheep - 28.5 roubles (27%), poultry - 47.6 roubles (14%).

The average purchase price of milk in September reached 10.4 roubles for a kilogram what is 21% higher than in August. Purchase prices for 10 eggs - 44.2 roubles (22% increase).

6. By October 5, 1992 208.6 thousand tons of grain were purchased, which is 17% (or 43.3 thousand tons) less than in the respective period of the previous year.

By September 28, 1992 5.8 thousand tons of potatoes (2.9 times or 11.2 thousand tons less than in the same period of 1991), 11.1 thousand tons of vegetables (2.1 times or 11.8 thousand tons less than in the same period of 1991), 4.3 thousand tons of fruit and berries (1.5 times or 1.5 thousand tons more than in the same period of 1991) were purchased.

7. In the first 9 months of 1992 capital investments reaching 711.4 million roubles (32% of the respective sum in 1991) were invested into the enterprises and organizations subordinated to the Ministry of Agriculture, including construction and installing works for 465.4 million roubles (33% of 1991).

B. de Marken
US AID
Republikas Laukumā 2
Riga, Latvia

Dear Mr. de Marken,

At the beginning of this year, the Government of Latvia issued a list of more than 550 enterprises, that should be privatized during this and the next year. From those 550 enterprises, approximately 105 are managed by the Ministry of Agriculture. The Ministry has chosen 25 enterprises from this list which will be given priority in privatisation for which work to complete the task should be started without delay.

For example, we should begin privatisation immediately in the chocolate factory "Laima", the Riga Champagne Factory, the largest bakery "Druva", the confectionery enterprise "Uzvara" etc. since these are the enterprises with the highest real value and are extremely important for Latvia's food market.

We highly appreciate the technical assistance of the US AID in the accomplishment of privatisation projects. We would need help in areas such as enterprise research in order to best choose the most appropriate candidates for privatisation, in transforming procedures, and in developing documents for the privatisation process as a whole. We would be very grateful if you could supply direct help to facilitate privatisation: in marketing issues, in seeking potential investors, in evaluation of proposed prices and conducting negotiations if necessary.

We have adopted special laws that define the privatisation of bakeries, meat and dairy processing enterprises. According to those laws, auctions can be organized to privatize enterprises. We would like to suggest that the project refer to the enterprises chosen by the branches as the time frame determined by the law are concise and restricted.

As you understand, these are enormous tasks. We would be thankful for a reply at your earliest convenience.

Acting Minister
A.Šķēlē

STATE INFLUENCE ON GRAIN PRODUCTION AND SALES

I. Grain processing (processing enterprises)

- *product quality testing*

II. Grain purchase (grain reserve fund storage enterprises, grain storage and processing enterprises, animal farms)

- *examining the grain quality testing'*
- *determining quotas and prices of grain to be purchased for the reserve fund*
- *budget resource allocations for the establishment of the grain reserve fund*
- *granting loans to grain purchase enterprises*

III. Grain production (charter companies, farmers, other producers)

- *register of variety sowing*
- *budget resource allocation for calcification and reclamation*
- *subsidising farmers*
- *loan distribution to farmers*

IV. Seed multiplication (state selection and testing farms, seed farms, farmers)

- *seed quality examination*
- *seed certification*
- *protected variety licensing*
- *plant quarantine testing*

V. Selection and primary seed farming (selection stations, individual selection specialists)

- *budget resource allocation to state selection stations*
- *budget resource allocation to primary seed farming*
- *variety testing and comparing*

Taxes in Latvia

* The law "On Profit tax "states that profit tax is paid on profit by all companies. The rate is 25 % for the private companies, 35 % for the companies where state capital is involved, banks and other credit institute 45 %.

* The law " On Foreign investments " Article 10.1 states that for companies where foreign investor share in the statutory fund is more than 30 % and is not less than 50 000 USD are exempt from profit tax for two years starting from profit generated year. If foreign investor share is more than 50 % and is not less than 1 000 000 USD the company is exempt from profit tax for 3 years starting from profit generating, and profit tax is reduced for 50 % for the next 5 years.

* Turnover (sales) tax is added on top of the price for goods or services and the rate generally is 12 %, but for food and agricultural products 6%.

There is a proposal to change the rates to 18 % and 9 % respectively, but they probably will not be introduced before fall 1993.

* Social security tax has to be paid by employer at the rate of 37% on top of the amount of salaries paid out to workers.

* Natural resource tax law has to be paid for use of water and other natural resources, pollution of air, water and soil.

* Land tax is paid by everybody that has got land allocated from state or municipality, i.e. if you lease it from somebody else than state or municipality only the rent will have to be paid.

* Property tax is calculated based on the property owned.

* Workers individual income tax and individual social security tax are deducted from the payroll and transferred to the government by employer.

THE REPUBLIC OF LATVIA MINISTRY OF AGRICULTURE

NATIONAL GRAIN PRODUCTION PROGRAM

Draft

Riga 1993

1993

The National Grain Production Program has been developed under the guidance of professor D.Gegers, in co-operation with:

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TABLE OF CONTENTS

Introduction	4
1. The Objectives of the National Grain Program	4
2. Grain Production Volume Needed	4
3. The State Grain Reserve	6
4. Grain Production and its Management	6
4.1. Grain Production	6
4.2. Grain Production Material Base	7
4.2.1. Land Reclamation Activities	7
4.2.2. Maintenance of Soil Fertility	8
4.2.3. Fertilization and Plant Protection	8
4.2.4. Fuel	9
4.2.5. Grain Farming Machinery and Equipment	9
4.2.6. Selection and Seed-Farming	10
5. Grain Purchase	10
6. Grain Purchase Price Formation Mechanism	11
7. Short-term Loans Needed	12
8. Customs Policy	12
8.1. Import Tariffs on Grain Products	12
8.2. Export Tariffs	12
8.3. Protection of the Domestic Grain Price	13
9. Cooperation in Grain Production and Use	13
Conclusions	13
Appendixes	

Introduction

The national grain production program has been prepared as part of the agriculture development program, taking into consideration the needs and requirements of other plant-growing and cattle-breeding divisions. It is based on the strategic goal of the agrarian policy -- to ensure the complex development of rural areas, the establishment of agriculture as an important branch of the economy, the provision of inhabitants with domestic high quality food products, and to provide the cattle production division with feed, and the food industry with raw resources and ensure the establishment of state reserve funds, and to become a part of the international labor division system.

The grain program has been developed using 1980-1992 grain production statistical data, information about main food products consumption and its changes over the recent years, and grain consumption norms for cattle-breeding products. The grain production program of 1991 was used as well. It was improved with regard to the recent changes of land users and forms of production organization.

The program is elaborated for the period of 1993 - 1997. Compared to previous programs, this one contains a more specified procedure for grain purchase, volume of grain purchased at the domestic market and abroad, and grain price policy. Due to the current financial state of the country, in 1993 - 1994 the state guaranteed prices have been provided only to the grain volume purchased for the state grain reserve fund. It is anticipated that particular state measures for grain production and purchase will be worked out by the government and announced to the producers by March 1 of the respective year.

1. The Objectives of the National Grain Program

at any cost. / The strategic goal of the National Grain Production Program is to ensure Latvian independence in the grain industry by producing raw resources needed for food production and the food industry (the production of confectionery, malt, beer, spirits, etc.) and producing feed grain to meet the demand for cattle-breeding products and to establish the state grain reserve.

The implementation of this objective shall be associated with the rational use of land and environmental protection, taking into account the environmental norms of agricultural production.

2. Grain Production Volume Needed

The grain production volume is determined according to the strategic goal mentioned above.

The amount of human consumption grain and grain processing products was calculated according to the data on actual grain (and grain processing products) consumption in Latvia within the period of 1980-1992, while taking into account the existing food quota (Appendix 1).

The amount of grain needed for feed production was calculated according to the volume of milk, meat, eggs and their processing products needed, as well as taking into consideration the grain norms for production of these products. According to these needs, feed structural changes in individual farms compared to the former large-scale agriculture were taken into consideration.

Grain volume needed for processing was determined according to the grain volume actually used in 1980-1992 and considering the relevant branches for development of the sector.

All calculations are given in 3 variants according to the possible ways to develop the division:

- The preferable level provides the inhabitants with dietician-advised grain and other food products consumption quotas per one inhabitant, which is close to the actual average level of 1986-1989. In this variant, the export of 15-20% cattle production products is anticipated, and due to this, the increase of feed grain for this production.
- The minimum level corresponds to food consumption in low income families in the second half of 1991 and 1992. It envisages the reduced consumption of meat and meat products, milk and dairy products, eggs and sugar, correspondingly increasing the consumption of bread and grain products.
- The medium level corresponds to projected realistic opportunities in 1993-1994. Compared to the actual consumption in 1980-1992, the amount of meat and milk, and their products is reduced, as well as the amount of sugar; the amount of vegetables and potatoes is kept at the average level, but norms of grain and grain processing products per one inhabitant are increased to provide the amount of calories needed.

According to the calculations, it amounts to:

- 105-140 kg of bread and grain products per person, or in total converting to the grain - 340-400 thousand tons per year, including 190-220 thousand tons of wheat, 90-120 thousand tons of rye, 40-60 thousand tons of barley and oat, etc. (Appendix 2).
- For industrial processing, 60-80 thousand tons, including barley for beer production, 35-50 thousand tons, grain for spirits distillation, 25-30 thousand tons.
- Seeds grain - 230 thousand tons.
- Feed grain - 1000-1500 thousand tons.
- Grain for the state grain reserve.

The national demand for grain in the next years will be 1880-2500 thousand tons, total. Due to the increase of food products consumption and the entrance of Latvia in

the world market, it will increase up to 2000-2600 thousand tons, and up to 3000 thousand tons in the long term.

3. The State Grain Reserve

A state grain reserve shall be formed in order to ensure the independence of grain farming in case of adverse conditions during periods of unfavourable weather, and in order to give the government the opportunity to influence the grain market and prices. According to the calculations of experts and taking into consideration foreign experience, the grain reserve fund shall be approximately 70% of total human consumption grain needs, 80-100% of elite and first generation seeds and about 20% of feed needs. The grain reserve fund shall be formed gradually, so that in 1997 it will contain 560 thousand tons, including 250 thousand tons of human consumption grain, 300 thousand tons of feed grain, 10 thousand tons of elite and first generation seeds. In 1993 and 1994, 160 thousand tons shall be purchased for the grain reserve fund, and from 1995 - 1997, 40-76 thousand tons annually (Appendix 3).

? on what basis

The state reserve fund is financed from the state budget and shall be regularly replenished.

4. Grain Production and its Management

4.1. Grain production

The volume of grain production is determined taking into consideration:

- the total and field area of agricultural enterprises (individual and house-holding farms, statutory companies, state and other farms);
- the actual area under grain and other crops;
- projected yield and total harvest.

The total area of sowing projected for 1993-1994 is 1,620 thousand ha. In 1996-1997, it shall be increased to 1,700 thousand ha at the expense of cultivated pastures.

As anticipated, the area under grain-crops and legumes in 1993-1994 will reach 730 thousand ha (45.1% of total area sowed), with an opportunity to increase it up to 800 thousand ha (47.1%) in 1996-1997.

The yield for grain-crops and legumes 1993-1994 is projected as follows: 23 cnt/ha minimum, 26 cnt/ha medium, 30 cnt/ha maximum. In 1996-1997, the average annual yield is projected up to 27 cnt/ha; due to weather conditions, this may fluctuate from 23 to 31 cnt/ha, which represents 15%.

The total yield of grain-crops and legumes in 1993-1994, according to the variants is projected as: minimum - 1,680 thousand tons, medium - 1,900 thousand tons, maximum - 2,180 thousand tons.

The total yield of grain-crops and legumes in 1996-1997 on average is projected up to 2160 thousand tons with the possible fluctuations from 1,840 to 2,500 thousand tons (Appendixes 4 and 5).

In the nearest future, particularly in 1993-1994, some amount of grain will have to be imported. The program envisages, that the amount of imported grain shall be gradually reduced replenishing that with the domestic grain. Regarding this, the production of summer wheat and winter wheat with high gluten content shall be increased. Human consumption grain import shall be reduced from 180 thousand tons in 1992 to 100 thousand tons in 1993 and 25 thousand tons in 1997. Feed grain import shall be reduced, according to the minimal variant, up to 100 thousand tons, importing mainly products with high protein contents for feed enrichment (Appendix 6). If the possibility to export cattle-breeding products appears, the import of feed could be correspondingly increased.

In 1993-1994, the import of following products is needed:

- at least 90 thousand tons of high quality wheat for macaroni and pastries production, 10 thousand tons of buckwheat and rice; in total - 100 thousand tons for human consumption. It is much less than it was imported before, but quite enough if the domestic grain is used economically and the production of summer wheat is developed;

- feed with high protein content, minimally, 100 thousand tons, medium - 100 thousand tons, and preferably - 220 thousand tons. These volumes are calculated presuming that the minimum and medium variants meet only the domestic needs. If we want to produce for export, the amount of imported feed shall be increased.

Import of feed grain could be reduced if rapeseed production is developed in the country, as a by-product to produce rapeseed oil cakes for use in feed production.

At present, the country has a real capacity for producing more rye than needed for human consumption. It can export approximately 40 thousand tons of rye flour annually. This volume is included into the balance sheet of grain production and consumption.

4.2. Grain Production Material Base

4.2.1. Land Reclamation Activities

Latvia is situated in a moderate climate zone with high precipitation and humidity. According to permanent meteorological observations, the amount of precipitation exceeds evaporation by 1/3, which, as a result, bogs up the soil. 85% of the total field area requires draining. Consequently, Latvia has always carried out land reclamation activities. At present, 1,150 thousand ha of fields have been drained in Latvia, or 68.2% of the total area, or 80% of the area needed to be drained.

Land reclamation activities have been carried out mainly during the period of 1966-1990, although its quality has been inconsistent. Approximately 150 thousand ha of

drained land require reconstruction, particularly due to the formation of individual and house-hold farms as their borders do not coincide with the borders of land reclamation systems. Beside that, the state shall maintain the large land reclamation constructions and inter-farm land reclamation systems. Many recently formed individual farms have received undrained and poorly cultivated land, and they lack the resources needed for land reclamation and improvement. To promote the development of these farms, land reclamation activities shall be financed by the state. According to evaluations of experts, 400-420 million rubles annually are needed for this purpose.

4.2.2. Maintenance of Soil Fertility

Due to the weather conditions mentioned in subarticle 4.2.1. Latvia's soil quality is intensively declining (lime, plant fertilizers, as well as clay fractions are being eroded from the arable layer). As a result, the soil has a high acidity level and a small content of plant fertilizers. As a result, regular soil liming and additional fertilization is needed.

According to expert calculations, liming of acid field soil shall be carried out every 10-12 years. Actually, every year the liming of 90-110 thousand ha area has to be carried out. As grain-crops rotate over the whole field territory, the National Grain Program's implementation requires the liming of the whole territory including that needed for sugar beets, flax and feed cultures.

4.2.3. Fertilization and Plant Protection

To ensure that the total grain yield mentioned in subarticle 4.1. is obtained, the soil shall be fertilized each year with fertilizer extracted by the harvested plants. Each year individual farms and other agricultural enterprises shall fertilize the soil with:

organic fertilizers	1993-1994	--	7.3 million tons
	1996-1997	--	7.9-8.0 million tons
mineral fertilizers	1993 according to variants -		
			117-161 thousand tons of active substances
	1996-1997 according to variants -		
			135-185 thousand tons of active substances

Division of mineral fertilizers is according to variants and types is shown in Appendix 7.

During recent years, Latvia's field soil abounds in weeds. To prevent it, sensible and effective herbicide use shall be applied together with agrotechnical measures. Warm winters have resulted the increase of various pests. To fight them, various pesticides shall be applied: insecticides, fungicides, codnes, herbicides, and retardants. The experience of 1992 showed that grain yield declines when pesticides are not applied, while weeds spread in the fields. The most important pre-condition is that pesticides must be used according to the regulations, observing the norms, terms and other

requirements as indicated in the instruction. The experience of the best farms shows that regulated use of pesticides even improves the environment and does not harm it. | 1.

Grain farming requires 1600-1700 tons of plant protection chemicals annually.

4.2.4. Fuel

About 110-120 thousand tons of diesel fuel are used annually for grain production in Latvia. Such tasks as field preparation for sowing, sowing maintenance and harvest are impossible to complete without ensuring the fuel purchase. Due to the current situation, when energy problems remain unsolved, a diesel fuel supply fund should be established under the Ministry of Agriculture for the transition period of 1993-1997. Farmers, on the basis of a grain sales contract signed with *Labības birojs*, acquire the right to receive a determined amount of diesel fuel at a guaranteed price.

4.2.5. Grain Farming Machinery and Equipment

Up to now the grain farming industry was supplied with tractors, combines and agriculture machinery from the former USSR centralised material and technical supply system, that was designed for the large farm needs. Thus, there still is a shortage of small farm machinery that would suit the household farming and individual farming needs and the local geographic conditions. The existing machinery is partially outdated.

Up until now, the majority of grain farming machinery was purchased abroad (CIS, the former GDR, Czechoslovakia). Now it is important to:

- partially purchase the machinery in the Western countries;
- restructure and strengthen the local agriculture machinery industry and put it under a full state control, to develop a reconstruction and machinery building plan. It can be achieved by implementing the developed regional machinery building program.

The first stage of the regional machinery building program implementation covers:

- enterprises subordinate to the Ministry of Agriculture;
- district agriculture machinery services (*lauktechnika*) and enterprise mechanical services;
- state agriculture machinery plants;
- mechanization institutes and technical designer offices;
- other enterprises on an agreement basis.

Co-operation with foreign enterprises is advisable.

Special attention shall be paid to maintenance of sowing machinery, harvesting, grain cleaning and sorting machinery and equipment design and production for

individual farms, grain storage towers, small elevators and other equipment design and production.

4.2.6. Selection and Seed-farming

To obtain high and stable yields, seed suitable for the local conditions are needed. In practice, after a certain period of time, good varieties lose their outstanding features and need to be renewed. If not, yields reduce considerably. Grain selection, variety renewal and primary seed-farming (*sākotnējā sēklkopība*) tasks are performed by selection and testing stations, that sell about 15000 t *elite* class and first generation seed annually. It costs 405 mil. Rbl. (price for December 1992).

To purchase that amount of seed abroad, \$ 9,517⁰⁰⁰ would be needed annually (at the present price level). That sum converted into the Latvian roubles (LVR) at the present exchange rate would amount to 1.62 bil. LVR, which makes the seed four times more expensive and involves hard currency.

¹⁻⁷
It is necessary to gradually pass over to the new selection and seed-farming system worked out under the guidance of the Ministry of Agriculture. Special attention must be paid to high protein content summer and winter wheat and buckwheat variety selection.

5. Grain Purchase

560-600 thousand tons of grain shall be purchased in the domestic market for food and industrial processing needs and the establishment of the national grain reserve (of that 588 thousand tons shall be purchased in 1993- see Appendix 8).

Under the current financial circumstances, the government is able to ensure a guaranteed purchase price for the national grain reserve only. Grain for food, industrial processing and other needs shall be purchased from the producers at contract prices.

To handle the grain market *Labibas birojs* shall be established under the Ministry of Agriculture. *Labibas birojs* is authorised to develop and to adopt the amount of grain and grain purchase prices as well as to publish them by March 1 annually.

Labibas birojs, on the basis of the total grain purchase amount broken down by district (Appendix 9), determines the total grain amount and the amount of each kind of grain to be purchased for the national reserve and informs all district agriculture departments (boards) on quotas assigned to them. The 1993 quota proposal for grain to be purchased for the national reserve is presented in Appendix 10. The district agriculture department (board) divides the district quota, assigns quotas to *pagasts* and offers the producers to sign contracts according to quotas assigned for each calendar month.

Beginning with year 1994 *Labibas birojs* annually sells part of the grain reserve and determines the total quotas for supplementation and renewal of the national reserve.

why?
Just keeping
stock fresh?

Elite class and first generation seed purchase for the national grain reserve is determined separately for each selection station and farm.

Grain producers (individual farms, house-hold farms, charter companies, etc.) sign contracts with grain collecting enterprises on grain supply to the state reserve fund for each supply month.

The grain collecting enterprise purchases grain for the grain reserve fund within the limits of quotas set by *Labibas birojs*.

The contract specifies the grain supply term and the guaranteed purchase price for the particular kind of grain.

6. Grain Purchase Price Formation Mechanism

Grain for the state reserve fund is purchased at a guaranteed purchase price.

In February each year, the government approves the guaranteed grain purchase price for the amount of grain to be purchased for the state grain reserve fund.

At the end of July the government reviews the guaranteed purchase price level and, if necessary, increases it.

Grain for food, feed, brewing, and spirits distillation is purchased at free market prices (on an agreement basis).

The guaranteed state purchase price is differentiated for each kind of grain and depends on the grain quality.

The government approves the guaranteed purchase prices in US dollars orienting them towards the world price level and taking into account the average pricing production costs during the previous season.

state reserve

In the grain purchase contract, the state guaranteed purchase price is determined in roubles (lats) on the basis of the Bank of Latvia exchange rate at the moment of contract signing.

For the grain producers indicated in the contract, who store grain in their own facilities until the time of purchase, the purchase price is increased by the amount of grain storage expenses, determined by *Labibas birojs* in advance. The amount of additional payment for grain storage is provided for in the contract. All the storage expenses are covered by *Labibas birojs* from the state budget.

The cost of transportation from the producer to the grain collecting enterprise related to grain supply for the state reserve fund are covered by *Labibas birojs*.

10/13

Other grain (food, beer, spirits, feed) transportation costs are covered as agreed by the contracting parties.

If any of the contracting parties violates the contract terms, it is penalised for an amount provided for in the contract on grain purchase for the state reserve fund.

7. Short-term Loans Needed

To ensure the production of the grain yield needed for the country, to increase the grain yield and retain the sowing area, grain producers need to be granted short-term loans (9 months) on preferential terms for the purchase of seed, mineral fertilisers, fuel, etc.

According to expert opinion, the annual mineral fertiliser needed in the country is 200-220 thousand tons (physical weight).

According to the current mineral fertiliser price (20 thous. rbl./t), short-term loans of 2-2.5 mil. Rbl. are needed (Appendix 11).

To supply the grain enterprises of Latvia with resources for the purchase of harvested grain, short-term loans on preferential terms are needed. The loans are to be granted in several stages every three months.

In order to purchase 1993 calendar year harvest grain, enterprises of Latvia need short-term loans equal to 3 months grain consumption (110 thous. t), i.e., 2.2 bil. rbl.

8. Customs Policy

8.1. Import Tariffs on Grain Products

To balance the grain need and the domestic grain supply the state, with the help of its executive bodies and taking into account the years' harvest, sets import quotas on grain by October 15 every year.

Import tariffs on food and feed grain as well as on grain seed are reduced. ?

Grain import quotas for each year are set by the Ministry of Agriculture.

Grain import is managed by *Labiba birojs*, that announces competition for grain import licenses/permits.

Quotas for grain import on preferential terms are changed depending on the particular situation each year.

8.2. Export Tariffs

If, after meeting the reserve fund and food grain need, there still exists a certain grain surplus, quotas for grain export on preferential terms are introduced.

If exports of the domestic production grain occurs, while the domestic market demand has not been met, export tariffs on grain are increased.

8.3. Protection of the Domestic Grain Price

To ensure the domestic grain market protection from comparatively cheap grain import from the neighbouring countries, and to ensure the protection of the Latvian farmer interests, increased tariffs are introduced for grain imported above the quota.

The increased import tariffs are set by *Labības birojs* and submitted to the government for approval.

9. Cooperation in Grain Production and Use

Various farmer and other agriculture enterprise forms of cooperation are to be introduced to promote the implementation of the national grain program:

- agriculture machinery and equipment cooperatives for common tractor and specialised machinery (sprinklers, grain combines, sowers, etc.) purchase and use;
- grain dryer and elevator cooperatives for grain drying, sorting, and storage;
- grain sowing maintenance, pesticide preparation and use co-operatives;
- grain producer and specialised poultry farm cooperatives for common poultry farm use with the aim to ensure a stable grain market for grain producers and, at the same time, to preserve the poultry farms;
- grain producer and the local brewery or distillery cooperatives, that receive licences for brewing or distillation, at the same time ensuring a stable grain market, and use of the brewery (distillery) by-products.

Other forms of co-operatives for common economic activities or technological processes that are too difficult or expensive for separate grain producers, shall also be supported.

Conclusions

- 1) A condition for the independence and stability of the Latvian economy is to supply the Latvian population and processing industry with inexpensive and high quality grain products.

- 2) Agriculture is not able to fully supply the population and the animal production sectors with the needed amount of grain. Thus, about 100 thousand tons of high quality wheat, a smaller amount of buckwheat and at least 100 thousand tons of protein rich feed grain need to be imported annually.

inconsistent with 1.

The aim of the grain program is to increase the amount of domestic production grain so that by 1997, the imported grain amount is reduced to 25 thousand tons.

- 3) The grain farming program can be implemented only if the state takes measures with the aim to support the establishment and preservation of a stable grain farming industry. Limited agricultural protection measures are to be taken by the state. They will include:

these are not to limited

- the establishment of the state grain reserve fund;
- grain purchase at a state guaranteed price for the state reserve fund;
- customs barriers against the world grain market intervention and support to limited grain (rye,etc.) exports;
- a consistent credit policy that provides for determined lowered interest on loans;
- preservation and improving the local seed development system;
- close farmer and other grain producer cooperation in the sphere of grain production, supply, and sales.

Appendix 4

TUKUMS MILK PLANT EMPLOYMENT STRUCTURE
compared to 1991 data

	Tukums Dairy			Jaunpils Dairy			Kandava Dairy			Tukums Milk Plant		
	1991 aver.	1992 mos. aver.	nine aver. projection	1993 1993 projection	1991 aver.	1992 mos. aver.	nine aver. projection	1993 1993 projection	1991 aver.	1992 mos. aver.	nine aver. projection	1993 1993 projection
employee total	167	179	163	39	47	42	33	40	37	239	266	242
involved in production	122	126	113	33	41	37	24	31	29	179	198	179
of them:												
workers	101	92	82	28	35	32	19	24	22	148	151	136
managers, specialists	21	26	23	5	6	5	5	5	5	31	37	33
guards	-	2	2	-	-	-	-	2	2	-	4	4
board	-	6	6	-	-	-	-	-	-	-	6	6
not involved in production	45	53	50	6	6	5	9	9	8		68	63
of them:												
supplies	13	13	12	6	6	5	8	8	7	27	27	24
distridutors	27	26	24							27	26	24
store	-	7	7					1	1	-	8	8
construction	5	7	7				1			6	7	7

Tukums Milk Plant director Plavāns

**Property Transfer
ACT**

**regarding the transfer of ownership of the dairy collecting and processing
plant to the Tukums Dairy Cooperative Association**

Tukums

November 13, 1992

We, the undersigned, Jānis Pļavans, Dairy Kombinat representative, and Jānis Skvarnovičus, representative of the Dairy Cooperative Association, agree to the following:

1. The Tukums Dairy processing plant, in accordance with the Supreme Council Resolution of April 15, 1992 "On the Privatization of Dairy Collecting and Processing Enterprises" transfers, without compensation, the Tukums Dairy Kombinat Center, the Jaunpils Milkery and the Kandavas Milkery, to the Tukums Dairy Cooperative Association.

The Address of the Tukums Dairy Kombinat: 7. Jelgava Street, Tukums, transferred value 89,973.2 thousand rubles, therein base funds of 6,493.9 thousand rubles.

The Inventory list is attached.

2. The parties to this agreement have no material or other claims.
3. The property(assets) has not been frozen and is not burdened with debts.
4. The Tukums Dairy Cooperative Society assumes responsibility for securing the transferred state capital and rational use of it until such a time, when the law on agricultural production processing enterprise privatization.
5. There are two copies of this agreement; one for each party.

Coordinated:

Director, Tukums Dairy Kombinat

(signed)

Tukums Dairy
Cooperative Association
(signed)

RŪJIENA DAIRY PRODUCERS' ASSOCIATION INC
OPERATION PLAN FOR OCTOBER-DECEMBER 1992 AND YEAR 1993

by the Sector of Cooperation and Administration
of the State Institute of Agrarian Economics

I. The Characteristics of Rūjiena Dairy Producers' Association

Rūjiena Dairy producers' Association Inc was founded in 1909. Assets of the association were nationalized in 1940. The Association was re-established in May 1992 and consists of 13 members. The board of the Association consists of three people, and Chairman of the Board is Jānis Jasāns.

Operation area of the Association covers seven municipalities (*pagasts*) with 1500 dairy producers. At present Association searches for the former owners of the Association and tries to attract new members.

The re-established Association has claimed and, in accordance with the Republic of Latvia legislation, it has the right to take over Rūjiena dairy with its dairy collecting network and two branches-- Eriņi cheesery and *Vienība* creamery. Transfer of these enterprises to Rūjiena Dairy Producers' Association is provided for in the Ministry of Agriculture Order of September 24, 1991.

According to the balance sheet of 1991 the total value of Rūjiena Dairy fixed assets was Rbl. 1090 700. Depreciation of the fixed assets was Rbl. 476 200 of the initial value.

At present Association also owns Jurata water-mill.

The Association also thinks about extending the range of its activities so that it can provide service necessary to dairy producers.

The Characteristics of the Enterprises of Rūjiena Dairy Producers' Association

Rūjiena Dairy is capable to process 70 tonnes of milk per day. *Vienība* creamery, that also belongs to Rūjiena dairy, is capable to process 10 tonnes per day.

In winter period the creamery functions as a collecting station, while in summer period it separates milk and produces raw casein. Casein production capacity is 0.35 tonnes per day.

Eriņi cheesery milk processing capacity is 30 tonnes per day and cheese production capacity is 1.2 tonnes per day. It produces the Russian (*Krievijas*) cheese and 5% butterfat cheese with short maturing period.

The total processing capacity is 110 tonnes per day. Rūjiena dairy ice-cream section capacity is 4 tonnes per day.

**AGRO-INDUSTRY PRIVATIZATION
IN LATVIA**

**FINAL REPORT
(VOLUME 5 OF 5)**

JULY 30, 1993

**REFERENCE CONTRACT NO.
EUR-0014-I-00-1058-00**

DELIVERY ORDER #9

APPENDIX: TRANSLATED DOCUMENTS

VOLUME 5 OF 5

Contents

B. DOCUMENTS IN LATVIAN

B.1 Comments on Laws and Other Documents

- On Reognition of *Latvijas Labiba*
- On *Labibas Birojs* Charter
- On Feb. 22 Draft Law *On Grain Market and State Grain Reserve* (April 15, 1992)
- On Feb. 22 Draft Law *On Grain Market and State Grain Reserve* (May 7, 1992)
- On Jan. 28 Draft Law *On Grain Market and State Grain Reserve* (February 8, 1993)
- On Meat Processing Law
- On Agriculture Processing Enterprise Privatization Law
- On Basic State Bakery Privatization Principles
- On the Eastblishment of *Agrokonversija*

B.2 Letters

- To Deputy Minister Mr. Šķēle (January 25, 1993)
- To Deputy Minister Mr. Šķēle (February 10, 1993)
- To Deputy Minister Mr. Šķēle (February 16, 1993)
- To Minister Mr. Ģeģers (April 6, 1993)
- To Minister Mr. Ģeģers (April 16, 1993)
- To USAID from Mr. Ģeģers

B.3 Reports

- Environmental Report by John Faulk, General
- Environmental Report by John Faulk, Bauska Dairy
- Environmental Report by John Faulk, Priekule Dairy
- Environmental Report by John Faulk, Tukums Dairy
- Dairy Report by Joseph Kagain
- Grain Report by Si Matthies
- Grain Report No. 2 by Si Matthies

B.4 Tables, Charts, Schemes

- Grain and Grain Product Export and Imports, Tables
- A/P and A/R in Grain Mills and Feed Mills, Tables
- Grain and Feed Mill Capacities and Outputs, Tables
- A/P and A/R in Cold Storages, Tables
- Meat Industry, Tables
- Animal Feed, Tables
- A/P and A/R, Forms

B.5 Miscellaneous

- The EC Accounting, Training Course Teaching Material
- Soviet and Western Accounting, Training Course Teaching Material
- The Balance Sheet, Training Course Teaching Material
- Depreciation Methods, Training Course Teaching Material
- Questionnaire by Ken Eisen
- Grain Production Cost and Price in Latvia, Survey
- Environment Protection Committee and its Branches, Information Sheet
- Restructuring of *Latvijas Labiba*, Proposal
- The State Dairy Policy, Outline of Shortcomings
- Plan for Technical Assistance to Dairy Processing Enterprises Under Privatization
- Tukums Dairy Plant Privatization, Legal Analysis

**Materiāls apspriešanai
Latvijas Labības pārorganizēšana un
privatizācija**

Galvenie darbības virzieni

1 Pamats darbībai

- 1.1 Šie darbības virzieni ir balstīti uz Ministru Padomes Rezolūciju Nr.471 (1992.g.9. nov.), "Situācija maizes un citas graudu produkcijas sagādē" 14. punkts informācijā par Ministru Padomes 20. novembra Rezolūcijas Nr. 485 realizāciju, Lauksaimniecības Ministrijas pavēle Nr. 326 (1992.g. 12. decembrī) par koncerna "Latvijas Labība" likvidēšanu.
- 1.2 Augstāk minētie dokumenti attiecas uz "Latvijas Labības" likvidēšanu un tam sekojošiem pasākumiem jaunu alternatīvu struktūru veidošanu, un privatizācijas jautājumiem komerciālajās struktūrās, kas patreiz veido koncernu "Latvijas Labība".

2 Latvijas Labības pārveidošanai un privatizācijai nepieciešamie pasākumi

- 2.1 Pasākumi, kas prasīti minētajos dokumentos:
- 2.11 Iesniegt Ministru Padomei likumprojektus "Graudu tirgus un Par graudu pārstrādes uzņēmumu privatizāciju" līdz 1993.g. 1. martam. (14.punkts)
- 2.12 Izveidot Latvijas biroju (LB) līdz 1993. g. 1. februārim. (14. punkts)
- 2.13 Sagatavot valsts graudu pārstrādes uzņēmumu privatizāciju līdz 1993.g. 1. martam. (14. punkts)
- 2.14 Noorganizēt Latvijas Dzirnava (LD) līdz 1993.g. 1.martam. (14. punkts)
- 2.2 Citi nepieciešamie pasākumi augsminēto dokumentu mērķa realizēšanā:
- 2.21 Sagatavot un Ministru Padomei iesniegt ieteicamo valdības graudu programmu līdz 15.jūnijam realizēšanai sākot ar 1993. g. ražu, un turpinot līdz 1994.g. ražai.

2.22 Sagatavot un Ministru Padomei iesniegt detalizētu privatizācijas plānu līdz 1993.g. 1. jūlijam.

3 Likumu projekti par graudu tirgus darbību un par graudu pārstrādes uzņēmumu privatizāciju

3.1 Ņemot vērā laika trūkumu, šo prasību var vislabāk izpildīt, sagatavojot likumdošanu, kas dotu dažus vispārējus noteikumus par:

- a. graudu tirgus funkcionēšanas galvenajiem principiem (4. nodala)
- b. LB vispārīgo lomu un funkcijām (5. 1 apaksnodala)
- c. LD vispārīgo lomu un funkcijām (5. 2 apaksnodala)
- d. pilnvarojumu veikt pasākumus, kas izstrādāti 2.21 un 2.22

4 Likumprojekti par graudu tirgus darbību

4.1 Likumdošana sankcionēs graudu tirdzniecības sistēmu, kas balstīta uz tirgus principiem. Svarīgi, lai likums aizliegtu pastāvošo fiksētu cenu noteikšanu graudiem un to izstrādājumiem.

4.2 LB un LD holdinga sabiedrībai (5.23 punkts) būs liegtas komerciālas graudu tirdzniecības un pārstrādes aktivitātes. Tas pastiprinās valdības politiku, kas vērsta uz tirdzniecības sistēmas izveidošanu ar tirgus cenām.

4.3 Komerčiālo korporizēto uzņēmumu vadītāji (5.23 punkts) būs atbildīgi par graudu iepirkšanu (arī importu) un produktu pārdošanu valdības noteiktās politikas ietvaros. Tas radīs konkurenci uzņēmumu vadītāju, citu pārstrādātāju, kā arī citu ar graudiem saistītu uzņēmēju starpā.

4.4 LB būs atbildīgs par valsts stratēģiskajām rezervēm un koncessionārajiem graudu krājumiem valdībai.

5 Likumprojekti par graudu pārstrādes uzņēmumu privatizāciju

5.1 LB loma un funkcijas

5.11 Dokumenti, uz kuriem ir atsauksme 1.1 bez ierunām norobežo LB no iesaistīšanās jebkādas komerciālās darbības. Tam jābūt skaidri pateiktam likumprojektos.

5.12 LB funkcijā ietilpst lietiskie pētījumi (var būt pēc līguma), kvalitātes pārbaude un kontrole par ražošanu un attiecīgu programmu vadīšanu, kas ietekmē zemniekus un graudu rūpniecību. LB specifiskas funkcijas ir:

- a. graudu noliktavu krājumu uzraudzība (kvantitatīva un kvalitatīva), ja tie pieder valdībai (vai saskaņā ar valdības programmu). LB nodrošina, ka viss valdības graudu krājums atbilst kvalitātes standartiem, un vada so krājumu izlietojumu;
 - b. vada graudu inspekcijas darbību, ieskaitot komerciālu kategoriju noteikšanu un saglabāšanu;
 - c. ekonomiskās analīzes nodalās uzturēšana, kam būtu uzdevums (neaprobežojoties tikai ar to) nodrošināt pieprasījuma/piedāvājuma prognozi, atskaites par situāciju graudu nozarē un prognozes, kā arī citus svarīgus datus, kas nepieciešami graudu stratēģijas izstrādāšanai un ietekmē zemniekus, kā arī pārstrādātājus;
 - d. stratēģiskās rezerves politikas vadīšana, kā to noteikusi Lauksaimniecības Ministrija;
 - e. kvotu un tarifu politikas vadīšana, kā tos noteikusi likums vai LM;
 - f. lauksaimniecības programmu vadīšana, kā tās nosaka likums vai LM
 - g. patērīna apmierinājuma programmu vadīšana, kā tos nosaka likums vai LM;
 - h. valdības likumu un lēmumu administrēšana, kuri aizliedz fiksētas cenas graudu rūpniecībā (kamēr top pieejami vispārējā likumdosana un nodrošināšanas mehānisms).
- 5.13 LB darbību finansē LM budžets vai tie, kuri izmanto biroja pakalpojumus.
- 5.2 LD loma un funkcijas
- 5.21 LD ietilps visi komerciālie uzņēmumi, kas pašlaik apvienoti LL
- 5.22 Likumdosana noteiks, ka 1. fāzē katrs uzņēmums tiks pārveidots par akciju korporatīvu vienību (korporatizētu vai komercializētu). 2. fāzē uzņēmums pāriet privātajā sektorā.
- 5.23 Akcijas korporatīvos uzņēmumos turēs holdinga sabiedrība Latvijas valdības vārdā. Holdinga sabiedrību veidos Direktors Rīkotājs un Direktoru Valde, ieskaitot vietējos un ārzemju graudu tirdzniecības, pārstrādes (pārtikas un lopbarības) un maizes cepšanas speciālistus. Valde atbild Lauksaimniecības Ministrijai.
- 5.24 Ideālā situācijā holdinga sabiedrības Direktors Rīkotājs ir latviski runājošs speciālists ar lielu komerciālas vadīšanas pieredzi tirgus ekonomikā, ieteicams graudu rūpniecībā. Viņam algu varētu maksāt donora organizācija. Neliels

1107-

speciālistu stats veiktu holdinga sabiedrības darbu. Līdzekļus vietējo un ārzemju speciālistu algosanaī un administrēšanai var lūgt no donoru fondiem.

5.25 Holdinga sabiedrībai būs ierobežots eksistences ilgums - līdz laikam, kamēr visi komerciālie uzņēmumi būs privatizēti. Ieteicams, lai privatizācijas process būtu pabeigts ne vēlāk kā līdz 1996.g. decembrim.

5.26 Holdinga sabiedrība neveiks komerciālu tirdzniecības darbību. Tās funkcijās ietilps:

- a. noteikt un realizēt vispārējo komerciālās darbības politiku korporāciju uzņēmumos;
- b. pieņemt darbā un atlaist korporāciju uzņēmumu direktorus;
- c. dot padomu un sniegt apmācību korporāciju uzņēmumiem;
- d. izstrādāt un realizēt stratēģiju korporāciju uzņēmumu parādu kārtosanas problēmu risināšanā;
- e. kontrolēt visus LD apvienotos komerciālos uzņēmumus;
- f. veikt vai arī pasūtīt ikgadējas korporāciju uzņēmumu revīzijas;
- g. veikt razosanas analīzi, iesakot korporāciju uzņēmumu pārveidosanu attiecīgos ekonomiskos grupējumos un veikt citus sagatavosanas darbus, pirms tie tiek piedāvāti pārdosanaī privātajā sektorā;
- h. vest sarunas par korporāciju uzņēmumu pārdosanaī privātajam sektoram (galīgo lēmumu pārdot izdara Lauks. Min.);
- i. privatizācijas plāna sagatavosana
- j. privatizācijas plāna realizēšana.

5.27 Sagaida, ka visi korporāciju uzņēmumi darbosies tirgus ekonomikas apstākļos, un tāda cenu noteiksana, kā paslaik, tiks aizliegta ar likumu. Situācijā, kad trūkst nacionālo likumu, tai jābūt dalai no LD holdinga sabiedrības komerciālas darbības politikas. (Sādam aizliegumam jābut arī ietvertam graudu tirgus likumā, kas tiks aizstāts ar vispārēju komercijas likumu pret fiksētu cenu noteiksanaī.)

5.28 Katra korporāciju uzņēmuma direktori ir atbildīgi par visiem vadības lēmumiem, tādiem kā graudu iepirksana (ieskaitot komerciālo importu), graudu malsana un cenu noteiksana sarazolajiem produktiem, kā arī personāla pienemsana darbā un atlaisana. Katrs uzņēmums tiek paklauts LD pārbaudei.

6 Valdības graudu programmas sagatavosana

- 6.1 Graudu programma, kas vadītu maksājumu izdarīšanu zemniekiem 1993. gadā, ir varbūt pats būtiskākais Lauks. Min. politikas jautājums plānošanas procesā. Tuvākajā perspektīvā tas ir svarīgāks nekā privatizācijas plāna izstrādāšana un realizēšana uzņēmumiem, kas privatizācijas procesa 1. fāzē izveidoti kā korporāciju uzņēmumi. Ieteicams, ka Lauks. Min. pabeigtu programmas projekta izstrādāšanu līdz 15. jūnijam un ir gatava realizēšanai pirms 1993. gada rzas.
- 6.2 Stratēģijas jautājumi, kas jāizlemj pirms zemnieki uzsāk graudu pārdošanu, ietver atbalsta cenu, ja tāda paredzēta, importa /eksporta kontroli, ja tādi paredzēti, pārdošana un citi koncesionārā graudu krājuma izmantosanas veidi, cenu izlīdzināšanas ierobežosana valstī, piem, vai valdībai jāturpina subsidēt transporta izdevumus?
- 6.3 Latvijas valdības svarīgākās rūpes sodien ir esoso maksāšanas mehānismu noārdīšana, kad jauni vēl nav izveidoti, un tas ietekmē graudu politiku. Situācija kļūst nopietna šajā gadā, sakarā ar tuvojosamies vēlēšanām, smago parādu nastu graudu dzimnavām, realizācijas variantu trūkumu, pircēju rūpēm ko rada zemā pirktspēja, un programmas iemiesosanas gaitā aizvien pieaugošais priekšlikumu un pretinieku skaits.
- 6.4. Uz tirgus pamata veidotajās Rietumu ekonomiskajās sistēmās līdzekļus var viegli aizņemt, izmantojot iekilāšanai graudus un miltus. Iemesls - ka tie ir viegli pārvērsami skaidrā naudā. Piemēram, Moodys un Standard un Poors savā korporāciju kredītu reitinga analizē kā parastu parādu neietver īstermina aizņēmumus, ko garantē graudi un milti.
- 6.41 Tomēr, atslēga īstermina finansēšanas kapitāla nodrošināšanai ir pienācīga regulējosa kontrole, lai nodrošinātu so krājumu kvantitāti (novērstu zagsanu) un kvalitāti (novērstu bojāšanu). (Mums ir stāstīts, ka sistēmas šis nepieciešamās kontroles veikšanai ir, vai arī var tikt ātri radītas.)
- 6.42 Šāda kontroles sistēma dos aizdevēja iestādei nepieciešamās garantijas un samazinās vai pat lielā mērā likvidēs risku.
- 6.43 Paslaik vietējā banku sistēma nav gatava dot aizdevumu. Tādēļ mehānisms ir jāatrod īsā laikā. Ir iespējams, ka tādas institūcijas kā Pasaules banka vai Starptautiskais Valūtas Fonds varētu sniegt šādu īstermina kredītu. Papildus līdzekli rublos, ko iegūst no koncesionārā graudu importa var būt pielietojama šim nolūkam.
- 6.44 Kad zināms līdzekļu avots, ir daudz veidu kā so naudu nodot zemniekiem un faktiski nodrošināt aizņēmuma atmaksāšanu.
- 6.5 Virzoties uz tirgus sistēmu graudu tirdzniecībā, lauksaimniecības programma, līdzīga kā ASV, būs atbalsts kredītu programmai, kas balstās uz iekilātiem graudu krājumiem. Šāda programma:

- a. dos zemniekam naudu razas novākšanas laikā;
- b. samazinās risku ciest zaudējumus, kas celas no neiekilātiem graudiem;
- c. realizēs "brīvā tirgus" principus.

Programma var tikt arī izmantota, ja vēlas, lai sniegtu papildinājumu zemnieka ienākumiem, subsidējot līmeni, kādā to noteicis Parlaments.

- 6.51 ASV graudu programmas būtība ir tā, ka valdība sniedz atbalstu, nosakot cenu, par kādu fermeri var saņemt aizdevumu, ko nodrosina ar saviem graudiem. Tā zemnieks var saņemt skaidru naudu razas novākšanas laikā, bet nav spiests pārdot razu laikā, kad tirgus cenas var būt viszemākās.
- 6.52 Zināmā laika periodā fermeris var izvēlēties pārdot graudus par dominējošo tirgus cenu, nomaksāt aizdevumu un izmaksas, kas ar to saistītas, paturot starpību. Vai arī nodot graudus tiesi valdībai par garantētu aizdevuma cenu.
- 6.53 Garantēto aizdevuma cenu parasti nosaka zem prognozējamās tirgus cenas. Bieži to nosaka procentuāli zem vidējām razosanas izmaksām. Tādējādi prasmīgi fermeri tiek stimulēti turpināt razosanu, kamēr neprasmīgi - ieguldit līdzekļus citur.
- 6.54 Praksē dažas valdības veic cenu noteikšanu ar zināmu mērķi, lai dotu subsīdijas virs vai zem prognozētajām vai valdošajām tirgus cenām, virs - kur papildus ražošana ir vēlama (piem. kvieši), un zem prognozētām vai valdošajām tirgus cenām par precēm, kas saražotas vairumā (piem. rudzi). Ja cena noteikta virs tirgus cenas, starpība veido valdības subsīdiju.

7 Sagatavo detalizētu privatizācijas plānu

- 7.1 LD holdinga sabiedrība ir albīdīga par privatizācijas plāna izstrādāšanu un realizēšanu. Ieteicams plānu pabeigt 1. jūlijā, lai to izskatītu Ministru Padomē.
- 7.2 Ir būtiski, lai tiktu radīta lauksaimniecības stratēģija un tirgus vide sai nozarei pirms notiek faktiskā korporāciju uzņēmumu privatizācija.
- 7.3 Uzņēmumiem jāzin, kādi likumi nosaka to darbību, pirms tie iegulda līdzekļus, pērkot kapitālu. Ārzemju ieguldītāji nelems par ieguldījumu, ja nozares stratēģija nebūs labi nodrosināta.
- 7.4 Privatizācijas plāns ietvers:
 - a. rekomendētajām LD uzņēmumu grupām, kas varētu tikt pārdotas kopā, veidot komerciāli dzīvotspējīgu vienību;

- 7
- b. pārdosanas veidu variēt no akciju pārdosanas izsolē līdz kapitāla nodosana bez maksas razotāju kooperatīviem;
 - c. ieteicamie pārdosanas termiņi - iespējams, ka plāns rekomendēs agrāku pārdosanu sektoros, kur jau pastāv konkurence (maizes ceptuvēs) un novilcinās tur, kur tā ir ierobežota (miltu malsana).
 - d. pircēji, kam dodama priekšroka;
 - e. Īpaši pārdosanas nosacījumi, piem. atlaides, atliktie maksājumi utt.;
 - f. Privatizācijas komisiju (ja tādas tiek veidotas) veidošana un to pienākumi
 - g. LD holdinga sabiedrības pienākumi privatizācijas procesā;
 - h. vadības apmācības plāns un realizēšanas veidi.

1111

KOMENTĀRI PAR LATVIJAS VALSTS LABĪBAS BIROJA STATŪTIEM

Dokumentā aprakstītā struktūra un tās funkcijas liek domāt, ka Latvijas Labības monopols pilnvaras vienkārši tiek nodotas jaunajam *Labības birojam*. Dokuments atļauj LB iesaistīties cenu noteikšanā, komercitirdzniecībā, malšanā un citās darbībās, kas varētu nest peļņu. LB var piederēt komerciāli labības malšanas un pārstrādes uzņēmumi. Vienlaikus LB būtu atbildīgs par labības kvalitātes un kvantitātes nodrošināšanu, kā arī citu tirgus regulētājfunkciju izpildi un līdz ar to varētu ietekmēt privāsektora uzņēmējus.

Iesaistīšanās komercdarbībā un regulētājfunkciju veikšana ir nepārprotamā konfliktā. No tā izriet, ka projektā aprakstītā organizācija neatbilst tai lomai, ko tirgus ekonomikā parasti piešķir valsts aģentūrām, kuru uzdevums ir regulēt un pārvaldīt tirgu. Pieņemts, ka šādas aģentūras mērķis ir veikt graudu kvalitātes kontroli un radīt objektīvus "spēles noteikumus", lai privāsektora labības tirgotājiem, malējiem un ražotājiem ļautu sacensties tirgus konkurences apstākļos.

Šekojošā komentāra mērķis ir pārorientēt šo organizāciju uz darbību, kas atbilstu regulējošas valsts aģentūras funkcijām tirgus ekonomikas apstākļos.

2. pants

2.2.1. apakšpunkts Šajā nodaļā uzskaitītās pamatdarbības ir līdzīgas un dažos gadījumos pilnīgi atbilst Likumā *Par Labības tirgu un valsts graudu rezervi* uzskaitītajām. Tomēr pastāv vairākas nozīmīgas atšķirības. Abu dokumentu galīgajā variantā tādām nevajadzētu būt.

3. apakšpunkts norāda, ka ar valsts graudu rezervi saistītā darbība norit valsts pārvaldes institūciju noteiktajā kārtībā. Te būtu ieteicams pievienot norādi, kas LB darbībā liktu ievērot attiecīgo Latvijas valdības politiku.

2.2.2. No uzrakstītā neklūst skaidrs, ko nozīmē "graudu šķirnes sēkļu sagāde valstī". Ja tas nozīmē komercitirdzniecību vairumtirdzniecības organizācijām un/vai ražotājiem, tad tas neatbilst regulējošas valsts aģentūras funkcijām tirgus ekonomikā. Ja tas nozīmē, ka LB veiks piegādāto graudu kvalitātes kontroli un uzraudzīs graudu sadali, tad šie uzdevumi atbilst aģentūras funkcijām tirgus ekonomikā. Šajā sadaļā būtu jāprecizē valodas izteiksme, lai nerastos pārpratumi.

3. pants

3.1.1. Regulējošu valsts aģentūru LB būtu piemērotāk veidot kā Lauksaimniecības ministrijas departamentu, nevis neatkarīgu bezpeļņas organizāciju. Kā jau tika atzīmēts komentārā Likumam *Par Labības tirgu un valsts graudu rezervi*, LB padomei ir daudz plašākas politikas veidošanas pilnvaras nekā *Labības birojam* paredzētā tehniskā pārvalde. Šajā projektā *Labības biroja* pārziņā nodotās jomas kopā

ar LB Padomes plašajām politikas funkcijām dod šai organizācijai iespēju kontrolēt cenas no zemnieka līdz pat patērētājam. Vai tas ir patiesais pārveidojumu mērķis?

3.2.3. LB dotā iespēja vadīt uzņēmējdarbību darbu ir pretrunā ar regulētājfunkciju izpildi. Šo apakšpunktu vajadzētu svītrot.

3.2.4. Lai veiktu valstī uzturēto kvalitātes kontroli un regulētājfunkcijas, LB nav nepieciešamas iesaistīties ārējā tirdzniecībā vai citās komercoperācijās. Šajā kontekstā labības pirkšanu un pārdošanu ar mērķi uzturēt valsts graudu rezervi un stabilizēt tirgus cenas visprecīzāk būtu uzskatīt par nekomerciāla rakstura darbību tirgū. Šī darbība nav domāta peļņas gūšanai, bet drīzāk privātā sektora darbības veicināšanai tirgū.

4. pants

Saskaņā ar augstāk minēto viedokli, šī nodaļa nav nepieciešama. Ja LB kalpo kā valsts aģentūra, kas veic kvalitātes kontroli un nodrošina "lidzenu spēles laukumu" privātuzņēmējiem, tam nav nepieciešamības uzturēt rezerves kapitālu. Šādā gadījumā LB valdījumā nodoto līdzekļu piederības jautājumu varētu risināt tāpat kā citos nekomerciālu valsts līdzekļu ipašumjautājumu gadījumos.

5. pants

Šai daļai par LB vadību un kontroli būtu jābūt cieši saistītai ar Likumu *Par labības tirgu un valsts graudu rezervi* (skat. komentārus par šo dokumentu). Ja tiek pieņemta tik plaša Padome, tad tās priekšsēdētāju būtu ieteicams iecelt premjerministram. Tomēr arī Lauksaimniecības ministrijai vajadzētu savu pārstāvi Padomē. Padomesgrupas, kas iecerēta kā politikas veidotāji, nosaukumā būtu jāatspoguļo tās plašās politikas veidotājas funkcijas (tādēļ vismaz angliski šo Padomi būtu piemērotāk saukt nevis kā parasts, par *board*, bet drīzāk par *council*). Un LB direktoram vajadzētu būt nevis šīs grupas ierindas loceklim, bet izpildsekretāram. Lai nošķirtu valsts un privātsektora intereses, visiem LB darbiniekiem būtu jābūt ierēdņiem, kas nav saistīti ar prievātruktūrām nozarē, ko tiem jāpārtrauga.

Attiecībā uz šī panta pēdējo teikumu, nav pieņemami, ka LM nozīmē citu valsts un privātu institūciju locekļus, kam pašiem ir savas politiskās intereses. Šos locekļus jāizraugās pašām šīm institūcijām.

5.3.2. Ir pilnībā pieņemami, ka LM nosaka pārvaldes noteikumus un darba samaksu LB direktoram, bet tādā gadījumā ir jānosaka direktora kā valsts ierēdņa, nevis pusneatkarīgas aģentūras darbinieka loma.

6. pants

Kvalitātes kontroles un konkurences uzturētājas valsts aģentūras līdzekļiem būtu jānāk vienīgi no valsts budžeta, pakalpojumu izmantotāju iemaksām un muitas nodevām, ja

tādas pastāv. Atsevišķi nebūtu jānorāda ieņēmumi no valsts graudu rezerves vai pārstrādes uzņēmumiem.

Ari šī panta pēdējais teikums būtu jāsvītro, jo tas paredz ienākumus no avotiem, kas pielīdzināmi komercdarbībai.

Lauksaimniecības privatizācijas projekts

1993. gada 8. februārī

114

**Komentāri 1993.gada 22.februāra likumprojektam
"Par Latvijas labības tirgu un Valsts labības rezervi"**

Ja likuma uzdevumi ir likumā skaidri noformulēti, varbūt mēs tos esam pārpratuši tulkojuma dēļ. Kā mēs sapratām, šī likuma uzdevums ir sekmēt Latvijas pieprasījuma pēc graudiem apmierināšanu ar likuma palīdzību radot priekšnoteikumus Latvijas labības tirgus izveidei. Kaut arī dokuments kopumā nosaka, ka likuma uzdevums ir arī atbalstīt konkurētspējīga labības tirgus izveidošanu, mūsaprāt, šo uzdevumu būtu jādefinē arī 1.pantā - Likuma uzdevumi.

Kopumā mēs piekritam likuma pamatnostādnēm. Tomēr, likumprojektā ir daži konkrēti aspekti, kuriem būtu nepieciešams precizējums vai izmaiņas. Turpmāk mēs paskaidrosim tos sīkāk.

Likumā lietotie termini

Latvijas labības tirgus:

Mūsaprāt, no uzskaitīto personu saraksta vajadzētu izslēgt maizes ražotājus, realizētājus un patērētājus. Ja ir tāda nepieciešamība, tad maizes ražotājus var tomēr atstāt. Bet, kas attiecas uz maizes realizētājiem un patērētājiem, tad, mūsaprāt, viņi ir ārpus labības nozares galvenajām aktivitātēm un viņus nevajadzētu uzskatīt par nozarē iekļaujamo sastāvdaļu. Turklāt, šim sarakstam mēs pievienotu citus labības tirdzniecības sistēmas pārstāvjus, tai skaitā tirgotājus, starpniekus. Viņu iekļaušana sarakstā liecinātu par viņu pakalpojumu svarīguma atzīšanu nozares ietvaros.

3.paragrāfs:

Mēs ieteiktu lietot vārdus "piedāvājums/pieprasījums" nevis "patēriņš/ražošana". Tas šo koncepciju pietuvinātu "normālai" praksei, kā arī precizāk paskaidrotu labības bilancē ietvertos skaitļus.

2.pants

2.3. paragrāfs:

Mūsaprāt, lietderīgāk būtu noteikt, ka valsts, izmantojot Valsts labības rezervi "ietekmē piedāvājuma/pieprasījuma bilanci" nevis "ietekmē labības tirgu". Mūsu ieteiktais formulējums būtu piemērotāks un atbilst zemāk izteiktajam priekšlikumam par rezerves krājumu izmantošanu. (13.pants)

Mēs izsvītrotu norādījumu par "valsts ražošanas un patēriņa bilanci". Formulējums "valsts kontrole pār ārējo tirdzniecību" nav pietiekami skaidrs. No šī saraksta mēs izsvītrotu arī norādījumu par valsts graudu kvalitātes inspekciju, jo to neveic labības tirgus ietekmēšanas nolūkos.

3.pants

3.1. paragrāfs:

Vārdu savienojumu "valsts labības tirgus regulēšanā" nomainiet pret "valsts labības politikas pārvaldīšanā".

3.2. paragrāfs:

Mēs ieteiktu pagarināt labības ražošanas un patēriņa gada bilances apstiprināšanas termiņu līdz 1.decembrim, tādējādi dodot laiku veikt precīzu neseno pabeigtās ražas novākšanas rezultātu izpēti gan Latvijā, gan citos reģionos, kas ietekmē Latvijas labības nozari. Visus izpētes darbus vajadzētu veikt uz ražas gada perioda pamata, t.i., no jūnija līdz maijam vai no jūlija līdz jūnijam, utt.

4.pants

Ši panta nosaukumu vajadzētu formulēt tādējādi, lai tas neradītu priekšstatu, ka labības tirgu kontrolē/ietekmē valdības aģentūras. Mēs iesakām izsvītrot vārdus "Latvijas labības tirgus ietekmēšanā".

4.2. paragrāfs:

Ši paragrāfa ievaddaļu mēs pārfrāzētu sekojoši: "Lai varētu nodrošināt sabalansētu pieprasījumu un piedāvājumu, Latvijas Valsts Labības birojs veic sekojošus uzdevumus:"

4.2.1. paragrāfs:

Vārdu "noteikšana" nomainīt pret "aptuvena noteikšana".

4.2.3. paragrāfs:

"Labības ārējās tirdzniecības regulēšana" nomainīt pret "importa/eksporta regulēšana".

5.pants

Mums rodas šaubas par to, vai ir lietderīgi piešķirt Labības biroja padomei pilnvaras tiešai Labības biroja direkcijas un tās funkciju kontrolei. Ir skaidri redzams, ka šāda veida struktūra virzīs Labības biroju vairāk uz politikas pusi, nevis uz iepriekšparedzēto regulēšanas un pakalpojumu funkciju realizēšanu. Labības birojs ir Lauksaimniecības ministrijas darbības sfēra. Ja valdība grib iesaistīt likumprojektā minētos pārstāvjus (galvenokārt darbības politikas veidošanas nolūkos), tad tā to var realizēt izveidojot padomnieku padomi. Bet šādai padomnieku padomei nebūtu piešķiramas pilnvaras kontrolēt aģentūru. Turklāt, šajā likumprojektā noteiktās attiecības starp struktūras sastāvdaļām apgrūtinās vai pat padarīs neiespējamās Labības biroja iepriekšparedzētās funkcijas.

Labības biroja paredzētās funkcijas īpaši izceļ grūtības funkcionējošas organizācijas izveidošanā, kas radīsies, ja tiks ieviesta šajā likumprojektā noteiktā struktūra, kas ietver padomi. Labības birojā ir jābūt ārpus politikas ietekmes sfēras, cik vien tas ir iespējams. Pašreizējā struktūra radīs lielā mērā politizētu organizāciju.

7.pants

Šajā pantā norādītais valsts labības patēriņa un ražošanas bilances sagatavošanas termiņš ir nedaudz pārags. Mēs ieteiktu to pagarināt par vienu mēnesi. Nav skaidrs norādījums par "minimālo valstī nodrošināmo graudu cenu līmeni". Ja tas attiecas uz ražošanas politikas pamatprogrammu, tad šajā sakarībā mums ir detalizētākas rekomendācijas, ko mēs sagatavosim atsevišķi.

8.pants

8.2. paragrāfs:

Šī paragrāfa mērķis nav skaidrs. Vai šis dokuments ir nepieciešams katrai tirdzniecības operācijai vai arī tas ir nepieciešams vispārējai informācijai par atsevišķu labības tirgotāju, vai arī lai nodrošinātu nodokļu nomaksāšanu? Ja šis dokuments ir nepieciešams katrai tirdzniecības operācijai, tas izraisīs milzīgu papilddarbu, kas savukārt varētu kavēt tirgus tirdzniecības attīstību.

8.5. paragrāfs:

No mūsu pieredzes mēs zinām, ka tāda veida labības pirkšanas-pārdošanas nodevas, kādas ir noteiktas šajā paragrāfā, izraisīs limitētas tirdzniecības efektu un samazinās to cenu, ko par produkciju saņem zemnieki. Šis nodoklis darbosies kā šķērslis konkurētspējīga labības tirgus izveidošanai. Konkurētspējīga tirgus apstākļos labību var vairākkārtīgi pirkt un pārdot pirms tā tiek reāli izmantota. Ja tomēr šis nodoklis ir absolūta nepieciešamība, tad kā alternatīvu mēs ieteiktu ieviest pēdējā lietotāja nodokli, kas tiks pieskaitīts labības pārstrādes laikā. Tas nozīmē, ka parasti to maksās labības vai lopbarības dzirnavas. Šādu nodokli ir administratīvi daudz vieglāk savākt nekā to, ko maksātu labības tirgotāji.

9.pants

9.3. paragrāfs:

Nav skaidrs šī paragrāfa mērķis un nozīme.

10.pants

Mēs ieteiktu vienkāršot šī panta nosaukumu, piedāvājot sekojošu variantu : "Ārējās tirdzniecības pamatnoteikumi". Paskaidrojumi "labības ... un cenu regulēšana", mūsaprāt, nav nepieciešami.

10.2. paragrāfs:

Mēs ieteiktu pārfrāzēt šī paragrāfa pēdējo teikumu: "Izdotajiem sertifikātiem ir jāatbilst starptautiskajiem labības standartiem".

11.pants

11.1-4. paragrāfi:

Šajā pantā noteiktā labības ražošanas reģionālā regulēšana, veicinās neefektīvas, subsidētas ražošanas rašanos, ir ļoti dārga un pretrunā ar dzīvotspējīgas zemnieku saimniecības attīstību. Ja arī konkrētos rajonos ir nepieciešamas īstermiņa subsīdijas, lai novērstu ienākumu samazināšanos tradicionālo tirgu zaudēšanas dēļ, tad tām ir jābūt noteiktām zemniecības programmu likumdošanā, bet ne likumā, kas veido konkurētspējīgu labības tirgu.

12.pants

12.1. paragrāfs:

Mūsaprāt, likumā nevajadzētu noteikt konkrētu Valsts labības rezerves apjomu, bet ikgadus tas būtu jānosaka atsevišķi. Ja tomēr likumam ir jānodrošina konkrētas norādes par rezerves apjomu, tad tās var tikt izteiktas procentuālā attiecībā pret ikgadējo labības pieprasījumu.

13.pants

13.1. paragrāfs:

Šo paragrāfu vajadzētu pārfrāzēt sekojoši: "Valsts labības rezervi izmanto minimālo labības krājumu nodrošināšanai, kas nepieciešami, lai nodrošinātu pietiekamu piedāvājumu vietējā pieprasījuma apmierināšanai."

13.2-3. paragrāfi:

Šajā paragrāfā noteiktie Valsts labības rezerves pirkšanas un pārdošanas noteikumi galvenokārt iedrošinās Labības biroju kļūt par aktīviem labības tirgotājiem, nevis veikt tirgus regulēšanas un pakalpojumu funkcijas. Šajā sakarībā būtu jāievēro stingri principi, kas attiecas uz cenu noteikšanu labības rezervei.

Tirgus vislabāk darbojas tad, kas visi tā dalībnieki zin "spēles noteikumus". Tādēļ, mēs ieteiktu likumā iekļaut punktu, kas noteiktu, ka valdībai kalendārā gada sākumā ir jānosaka Valsts labības rezerves pirkšanas-pārdošanas minimālās un maksimālās cenas attiecīgā gada ražai. Tādējādi tirgus varēs darboties šo iepriekšnoteikto limitu ietvaros un tas veicinās aktīva labības tirgus attīstību. Tas veicinās darboties tādējādi, lai saglabātu tirgus cenas tajās robežās, kas noteiktas pirms sezonas sākuma. Mēs domājam, ka tas ir ļoti svarīgs princips, kas nepieciešams konkurētspējīga tirgus pareizai funkcionēšanai, un iesakām to ievērot.

Kamēr šo cenu faktiskais līmenis tiek noteikts balstoties uz gada periodu, likumam ir jāprecizē, ka maksimālā cena ir jānosaka tāda, kādu valdība ir ar mieru maksāt iepērkot krājumus rezerves izveidošanai. Līdzīgi ir jānosaka arī minimālā cena, par kuru valdība pārdos rezerves krājumus. Reāli šis process varētu darboties sekojoši:

Pieņemsim, ka valdība vēlas, lai 1993.-94.gada tirgus sezonā kviešu tirgus darbotos robežās no 12 000 LVR par tonnu līdz 19 000 LVR par tonnu. Tad viņi noteiks 19 000 LVR par tonnu kā minimālo cenu, par kuru pārdos labību no rezerves, un 12 000 LVR par tonnu kā maksimālo cenu, par kuru iepirks labību priekš rezerves. Viņi neiejauksies tirgū, ja cenas būs šajās robežās. Tādējādi, ja kviešu piedāvājums nebūs pietiekošs un to cena sasniegs 19 000 LVR par tonnu, rezerves krājumi tiks pārdoti, lai palielinātu piedāvājumu un pazeminātu cenu zem 19 000 LVR līmeņa.

Nonākot otrā galējībā, ja tirgus būs pārpildīts un cena būs zemāka kā 12 000 LVR par tonnu, valdība varēs iepirkt krājumus rezerves papildināšanai, samazināt pārpalikumu tirgū un potenciāli pacelt cenas.

Iepriekšminētā pieeja dos zemniekiem un tirgotājiem iespēju darboties tirgū, zinot cenu parametrus. Tajā pašā laikā, valdībai ir jābūt spējīgai nopirkt labību, kad tās cena ir zema, un pārdot, kad cena ir augsta, tādējādi saglabājot 13.2-3. panta koncepcijas saturu neizjaucot tirgus tirdzniecības operācijas.

Šos komentārus sagatavoja:
Agrobiznesa privatizācijas grupa
1993.gada 15.aprīli

Bruce Carrie
Conrad Fritsch

Si Matthies
Nils Melngailis

Komentāri par likuma projektu "Par Latvijas graudu tirgu un
valsts graudu rezervi" 22/2/93

Šie komentāri ir papildinājums tiem, kas tika sagatavoti 15. aprīlī. Kopumā tie vairāk attiecas uz konceptuāliem risinājumiem, nevis punktu pa punktam komentē likumā ietvertos pantus.

A. Graudu tirgus darbība

Savos iepriekšējos komentāros mēs pieņemām, ka tajos gadījumos, ja tiek piedāvātas subsīdijas un pabalsti zemniekiem, tos saņem tieši paši zemnieki. Labības tirgum ir iespēja darboties noteikta likumu kopuma ietvaros. Labības Birojs ir likumīgs valdības pārstāvis, tā pirkšanas un pārdošanas darījumi ir tikai ar nolūku nodrošināt līdzsvaru starp piedāvājumu un pieprasījumu ar likumu noteiktajā apjomā valsts graudu rezervei. Valdības lauksaimniecības programmas tieši papildinātu zemnieka ienākumus un samazinātu tirgus cenu radītos zaudējumus.

Kopumā valdībai ir jāpieņem tāda graudu politika, lai graudu tirgus darbotos galvenokārt balstoties uz pieprasījuma un piedāvājuma faktoriem, jo tie atspoguļo vietējos apstākļus. Saskaņā ar šo vietējā tirgus darbību, jāievieš tarifu sistēma, lai novērstu nevajadzīgu graudu importu no austrumu reģioniem, kur graudi ir ļoti lēti. Tāpat arī vietējā tirgū graudus, kas ievesti kā humanā palīdzība, pārdotu par vietējā tirgus cenu, nevis cenu, kas būtu pielīdzināta pasaules tirgus cenai. Latvijas ekonomikai attīstoties, vietējās graudu cenas pakāpeniski tuvosies pasaules tirgus cenu līmenim. Bet valdībai vajadzētu izvairīties no mākslīgas vietējo cenu paaugstināšanas līdz pasaules cenām pārāk straujā tempā.

Ieteikums

Likumam jādod iespēja izmantot tarifus, lai sasniegtu stabilas vietējās tirgus cenas, kas atspoguļotu: 1) graudu audzētājā produkcijas izmaksas, un 2) graudu izmantotāju (lopu audzētāju un paterētāju) maksātspēju. Tā varētu sasniegt mērķi - apmierināt vietējos pieprasījuma/piedāvājuma apstākļus.

B. Zemnieku ienākumu atbalsta programmas darbība

Cik vien iespējams, jāveido zemnieku ienākumu atbalsta programmas ar nolūku samazināt tirgus radītos zaudējumus. Tas ir šāda veida programmu mērķis ASV. Parasti cenas ražas novākšanas laikā ir zemākas nekā pārējā gada laikā. Kaut gan ir svarīgi, lai valdība nodrošinātu, ka cenas nav pārāk zemas ražas novākšanas laikā, tās arī nevar noteikt tik augstas, lai radītu neatbilstību pārējā gada laikā. ASV tiek izmantota sarežģīta izejvielu nākotnes tirgu sistēma, lai nodrošinātu tirgus stabilizācijas funkciju. Šī sistēma ir ļoti sarežģīta un vēl pašlaik Latvijā nevar tikt ieviesta. Kombinējot graudu iepirkšanu un pārdošanu graudu rezervei (caur Biroju) ar importa tarifiem un importa tirgotāju stingru licenzēšanu var nodrošināt tirgus stabilizāciju, bet tas ir jādara uzmanīgi, lai veicot šos pasākumus, ražas laikā netiktu mākslīgi ieviestas augstas cenas, kuras nevar noturēt visu cauru gadu.

Likuma projekts nenodrošina atbalsta ienākumus zemniekiem, bet veido mehānismu kā radīt šādu nodrošinājumu. Nav nepieciešams attīstīt reālo zemnieku atbalsta programmu likumā par graudu tirgu. Ir pietiekami nodrošināt atbalsta pamatus. Saskaņā ar patreizējo produkcijas apjomu un cenām, lai izveidotu zemnieku atbalsta programmu nepieciešams aptuveni 550 līdz 600 miljoni LVR.

Ar 11. pantu, (2) rindkopu noteikts zemnieku programmas fonds, kas izlīdzinās labības ražošanu un ienākumus visos reģionos un veicinās noteiktas labības šķirnes audzēšanu katrā rajonā. Tā ir ļoti ierobežota zemnieku programmas forma, kas varbūt piemērojama tuvākajos pāris gados, kamēr ar saimniecību nesaistīto ienākumu iespējas ir stingri ierobežotas. Bet ilgstošā laika periodā resursu ierobežošana, lai nodrošinātu tikai vietējo produkciju, varētu nopietni aizkavēt efektīvāku tehnoloģiju ieviešanu

Jāattīsta mehānisms, lai ievāktu šos ienākumus. 3 procentu nodokļu iekasēšana graudu tirdzniecībā būs grūti ieviešama dzīvē kad izveidosies aktīva privātā tirdzniecība, jo faktiski graudu īpašnieks var vairākkārt mainīties, vēl pirms graudi nonāk līdz pārstrādei.

Ieteikums

1. Graudu apgrozījuma nodoklis ir jāiekasē, kad graudus pārdod pārstrādei (dzirnavām vai kombikorma rūpnīcai). Tas samazinās ar iekasēšanu saistītās izmaksas un to būs vieglāk ieviest dzīvē nekā tad, ja nodoklis būtu jāmaksā katrā pārdošanas reizē.

2. Nodrošināt 11.pantā teikumu, kas dotu iespēju no graudu pārdošanas iegūtos ienākumus, izmantot dažāda veida zemnieku atbalsta programmām vēl papildus tām, kas paredzētas, lai izlīdzinātu zemnieku ienākumus dažādos reģionos.

C. Labības Biroja loma

LB nevajadzētu būt nekādu tiešu vai netiešu attiecību ar jebkādiem valsts vai privātiem pārstrādes uzņēmumiem, kas varētu ietekmēt tā spēju izpildīt tā regulējošās un pakalpojumu funkcijas.

Pērkot vai pārdodot valsts īpašumā esošos graudus tirgus stabilizācijas nolūkos nevar būt nekādas norādes uz to (kā tas tagad ir gadījumā ar 13 pantu), ka šī tirdzniecība tiek veikta radot peļņu. Faktiski peļņu var gūt labības pirkšanas un pārdošanas procesā stabilizācijas nolūkos, bet tas nevar būt nosacījums tirdzniecībai uz valsts rēķina. Vēl jo vairāk, visi ienākumi no graudu pārdošanas (ieskaitot peļņu) jāatdod atpakaļ valsts budžetam, kas tiek īpaši rezervēts šim mērķim. LB vadībai jābūt neierobežotām tiesībām kontrolēt šo fondu izlietojumu tekošajam budžetam. Šiem fondiem jābūt pieejamiem, lai no tiem varētu piešķirt līdzekļus LB gada budžetam kārtībā, kas līdzīga tai, kādā notiek citu valdības aģentūru finansēšana. LB nekādā gadījumā nedrīkst darboties tādā veidā, kas to novirzītu no tā regulējošajām, pakalpojumu un informācijas sniegšanas funkcijām.

1121

Visi graudu tirgotāji, kas iepērk no zemniekiem graudus to tālākai pārdošanai jāreģistrē, bet tiem nevajadzētu iegādāties licenci. Tomēr visiem graudu importētājiem jābūt licenzēm un jāuzņemas saistības attiecībā pret muitu. LB jāvada šīs funkcijas. Šajā situācijā "sabiedriska" (public) graudu uzglabāšana nozīmē, ka graudi pieder kādam citam, nevis elevatora īpašniekam. Visiem šādiem sabiedriskiem elevatoriem jābūt pakļautiem regulārai inspekcijai no LB puses, lai uzturētu graudu kvantitāti un kvalitāti atbilstoši pieņemtajiem starptautiskajiem standartiem.

LB jābūt skaidri noteiktām unikālām pilnvarām, aizsargātām ar likumu, regulāri vākt un izplatīt informāciju par graudu daudzumu, kas ir valsts rīcībā. Ziņojumi jānodod atklātībai reizi mēnesī, un tajos jābūt datiem par vietējiem graudiem, importētajiem komerciālajiem graudiem un graudiem, kas saņemti humānās palīdzības programmu ietvaros. Elevatoriem, kas šos graudus uzglabā, regulāri jāatskaitās par krājumiem LB un tie ir pakļauti civilai atbildībai par informācijas nesniegšanu vai nepareizas informācijas sniegšanu. Katru mēnesi tai pašā dienā LB sniedz informāciju. Tas nodrošinātu atklātību valdības graudu rezerves un humānās palīdzības graudu programmu vadīšanā. Tas novērstu pārpratumus un neuzticību, kas pašlaik valda Lauksaimniecības Ministrijas attiecībās ar zemniekiem, sabiedrību un likumdevējiem.

Rekomendācijas

1. Izslēgt tekstu 13. pantā, paragrāfos 1 un 2, par to, ka LB stabilizācijas pasākumiem jānodod peļņa.
2. Likumā ietvert prasību, ka resursi, ko iegūst valdība graudus pārdodot, tiek turēti speciālā valsts budžeta rēķinā, kas izveidotss valdības tirdzniecības aktivitātēm. Šim rēķinam jābūt atdalītam no rēķina, ko izmanto zemnieku programmu fondam, un tas jāpiešķir katru gadu kā parasts valsts budžeta norisēm. LB nebūtu neierobežotas iespējas piekļūt šiem fondiem, lai papildinātu savu darba budžetu.
3. Ieslēgt prasību LB savākt un izplatīt atskaites par valsts graudu krājumiem, kas tiek uzglabātas "sabiedriskajos" graudu elevatoros. Ziņojumi jāsniedz ik mēnesi un tiem jāietver dati par humānajiem graudiem, vietējiem un komerciālajiem importa graudiem, kas tiek uzglabāti. Elevatoriem ziņojumu sniegšana ir obligāta, un civilie sodi paredzami par nepakļaušanos šīm prasībām.

D. Valsts Graudu Rezerves Saglabāšana

12. un 13. panti nosaka valsts graudu rezerves lielumu un tās lietošanu. Relatīvā un nevis faktiskā līmeņa noteikšana, kā tas ir pašlaik, paver iespējas patēriņa un izlietošanas palielināšanai un samazināšanai laika gaitā saskaņā ar parastu administratīvu kārtību rezerves saglabāšanai.

Parasti rezerves apjoms ir noteikts, lai atspoguļotu piedāvājuma nepieciešamību noteiktā laika posmā. Tādā apjomā kā tas ir noteikts pašlaik pārtikas graudiem nodrošināta rezerve apmēram 8 mēnešiem, kamēr lopbarības graudu rezerve

ir apmēram 3 mēnešiem. Sēklas graudu rezerve ir mazāk nekā 5 procenti no patiesajām vajadzībām.

Minimālais un maksimālais rezerves līmenis ir jānosaka, nevis uzliekot ierobežojumus graudu pārdošanai un pirkšanai, kā tas ir 13 pantā 2. un 3. paragrāfā.

Ieteikums

Likumā noteikt graudu rezerves līmeni pēc ikmēneša piegādes vajadzībām. Ieteicamais minimālais un maksimālais graudu līmenis pārtikai varētu būt attiecīgi 5 un 9 mēnešiem. Minimālais un maksimālais lopbarības graudu līmenis varētu būt 3 un 5 mēnešiem. Nav skaidrs, kāpēc nepieciešama sēklas graudu rezerve.

Zemāks minimuma un maksimuma līmenis lopbarībai izriet no fakta, ka samērā lieli lopbarības graudu krājumi atrodas saimniecību noliktavās. Šie apjomi nākotnē palielināsies.

Sagatavoja:
Agrobiznesa privatizācijas projekts
7. maijs, 1993

Conrad Fritsch

*Likumu
Wypisujemy
darbiniekiem*

**Komentārs par likuma projektu 28.01.93.
par Latvijas labības tirgu un Valsts labības rezervi**

Var secināt, ka likuma mērķis ir radīt uz konkurenci balstītu tirgu privātā sektora graudu pārdevējiem un pārstrādātājiem, vienlaikus dodot valstij pietiekošas pilnvaras kontrolēt vai rīkoties ar graudu krājumiem tādā veidā, ka a) valdības politika tiek veidota tā, ka zemniekiem vai patērētājiem var tikt dotas subsīdijas, un b) valsts var iejaukties tirgus procesos, lai padarītu minimālas graudu cenu svārstības. Projektā tas ir izstrādāts diezgan labi.

Tomēr valstij tiek dotas plašas pilnvaras stabilizēt graudu cenas tirgū. Šīs pilnvaras var arī tikt izmantotas tādā veidā, ka tiek iznīcināta, ierobežta, vai arī veicināta konkurence. Jāpārdomā, kādā veidā šīs pilnvaras samazināt, lai nenotiktu šo pilnvaru ļaunprātīga izmantošana, kas varētu būt iznīcinoša attiecībā pret zemniekiem, dzirnavniekiem vai patērētājiem. Šis acīmredzami delikātais jautājums jāatrisina, ņemot vērā Latvijas pastāvošās politiskās realitātes.

Vispārīgi ieteicams, ka, realizējot šo likumu, nolikumā tiek ietverti norādījumi par rīcību ar graudu krājumiem un valdības lomu tirgus regulēšanā. Tas dod iespēju saglabāt zināmu politikas elastību.

Likums atdala LB Valdi kā galvenās graudu politikas noteicēju, sākot no cenu noteikšanas ražotājiem, valsts graudu reservei un patērētājiem, un LB štata darbiniekus, kas realizēs šo politiku. No definīcijas var spriest, ka Valdes sašņāvs būs jūtīgs pret politiskajām pārmaiņām, kas varētu ietekmēt lēmumus par cenām, rezerves lielumu u.c. jautājumiem, kurus tā ir tiesīga lemt, kā piemēram, subsīdijas patērētājiem.

Rezultātā mūsu komentārs iesaka, ka Lauksaimniecības Ministrijai no jauna jāuzdod vadības funkcijas attiecībā uz LB darbiniekiem, kas pašlaik uzliktas Valdei. Tas nodrošinās, ka LB darbinieki netiks aizstāti ar cilvēkiem, kuri pārstāv kādas noteiktas politiskas intereses, kas varētu noteikt Valdes rīcību.

Konkrēti jautājumi tiek aplūkoti zemāk.

4. pants

Uz ko attiecas termins "bāzes cena"? Vai tā ir bāzes cena graudu ražotājiem, malējiem, vai vieniem un otriem? Ja tas piemērots tikai graudu ražotājiem (kas ir pareizi, ja malšanas industrijai jādarbojas uz konkurējošiem tirgus principiem), tad formulējums "ražotāja bāzes cena" atklātu nolūku, ja tā ir domāts.

5. pants

Paragrāfs 5.2.: Ierosinām, ka norādījums uz konkursu par tiesībām graudu ārējai tirdzniecībai tiktu iekļauts drīzāk Nolikumā par Likuma realizēšanu, navis pašā likumā. Tomēr, ja šo saglabā Likumā, tiek uzsvērts, ka tieši privātais sektors, un nevis sabiedriskais faktiski veic graudu eksportu un importu.

6. pants

Paragrāfs 6.2.: Nav skaidrs no formulējuma, vai ievedmuītas un izvedmuītas nodokļi tiks uzlikti visos gadījumos, vai tikai dažos. Liekas, ka šeit muītas nodokļu mērķis ir atbalstīt valdības politikas realizēšanu, bet tie netiks uzlikti visos gadījumos. Skat. arī diskusiju tālāk.

Paragrāfs 6.3.: Nav skaidra atšķirība starp 6.2. un 6.3. Ko nozīmē "līgumi" šajā kontekstā? Varētu domāt, ka muītas nodokļi tiek uzlikti visām nozarēm komerciālos nolūkos. Ja tas tā nav, politikas mērķi kļūst neskaidri. Tomēr būtu vietā, ka netiek uzliktas muītas nodevas gadījumos, kad importēšana notiek ar nolūku papildināt valsts graudu rezerves. Kāpēc gan valdībai jāmaksā nodevas graudu rezerves papildināšanai? Varbūt vajadzētu pārrakstīt paragrāfus 6.2. un 6.3., lai novērstu šo acīmredzamo nekonekvenci.

7. pants

Paragrāfs 7.1.: Vai viens no rezerves nolūkiem ir "valsts labības tirgus regulēšana", vai vienkārši regulēt "labības tirgu"? Jaunajā sistēmā faktiski nebūs valsts labības tirgus, ko regulēt, ja galvenais politikas mērķis ir privātā sektora konkurējošu tirgu attīstība. Varbūt šo paragrāfu varētu izsvītrot, jo par šo tiek runāts paragrāfa 8.1. pirmajā teikumā.

8. pants

Paragrāfs 8.1.: Turpinot iesākto diskusiju, iesakām pirmo teikumu aizstāt ar "Valsts labības rezerve tiek izmantota galvenokārt, lai likvidētu deficītu vietējā tirgū".

No mūsu rietumu viedokļa būtu dodama priekšroka vispārīgākam formulējumam vietā, kur izteikta prasība ierobežot tirdzniecību līdz 30% no labības rezerves. Tā vietā varētu būt "LB var pirkt un pārdot labību tikai valsts rezerves atjaunošanai vai vietējā tirgus nodrošinājuma stabilizēšanai līmenī, ko atļauj Latvijas Valdības politika".

Svarīgi ir noteikt, ka LB nav jāiesaistās komerciālā labības tirdzniecībā, kad tas vēlas, bet tikai tādā mērā, lai stabilizētu pastāvošo tirgus nodrošinājumu, vai atjaunotu rezerves. Vispārīgs formulējums likvidēs nepieciešamību pēc teikuma, kas sākas ar "Novirzes no augstāk..."

Turklāt, norādījums, ka labības pirkšana un pārdošana, izmantojot rezerves, notiek esošo līdzekļu ietvaros, nav realistisks, ja vienīgais nolūks, iesaistoties tirgū, ir tirgus stabilizācija. Labi, ja tiek gūta peļņa, bet to nevar noteikt kā institūcijas mērķi.

11. pants

Raugoties no rietumu viedokļa par pilnvaru atdalīšanu, domājams, ka a) LB Valde ar Premjerministra ieceltu priekšsēdētāju, un b) LB Direktors, ko ieceļ Lauksaimniecības Ministrs, dos ļoti vēlamu līdzsvaru starp kontroli pār politikas funkcijām un šo funkciju tehnisko izpildījumu.

Laika gaitā valdības politika mainīsies, bet tehniskie aspekti kā labības inspekcija un kontrole, ekonomiskā analīze, labības pirkšana un pārdošana paliks nemainīgi. Tādēļ LB personāla mērķis ir tehniskās kompetences iegūšana un uzturēšana. Ja personāla veidošana tiks pakļauta LB valdes pilnvarām, kā tas pašlaik noteikts likumā, tas nenodrošinās tādu rezultātu. Faktiski var notikt tā, ka tiek iznīcināta augstvērtīgu labības krājumu nodrošināšanai nepieciešamā kompetence. Tādēļ ierosinām, ka direktors un tehniskais personāls tiek nolīgts pēc valsts ierēdņu nodarbināšanas standartiem.

Paragrāfs 11.3.: Valdes personālais sastāvs liecina par plašu pārstāvniecību. Priekšsēdētāju ieceļ Premjerministrs. Citi locekļi pārstāv savas noteiktas interešu grupas. Locekļus ieceļ Valdē pārstāvētās grupas.

No augstāk minētā ieteikuma izriet, ka LB tehniskajam direktoram un visam viņa personālam būtu valsts ierēdņu statuss un tie tiktu nolīgti Lauksaimniecības Ministrijas personāla kā valsts ierēdņu veidošanas politikas ietvaros.

Turpinot domu par politikas noteikšanas un tehniskā darba izpildīšanas funkciju atdalīšanu, Lauks. Ministriju Valdē varētu pārstāvēt Ministra pirmais vietnieks, bet LB Direktoram būtu Valdes izpildsekretāra statuss. Viņš savas organizācijas viedokli liks priekšā no tehniskā aspekta, kā ieteikumu. Svarīgi, lai direktoru nevar atlaist no darba Valde. Tas, ka Valde būtu tiesīga pieņemt darbā un atlaist no darba direktoru, varētu nozīmēt, ka Valde mainītu direktorus atkarībā no Valdes politiskā sastāva.

Paragrāfs 11.4.: Kā augstāk minēts, LB direktoram jābūt pakļautam tai pašai darbā pieņemšanas un atbrīvošanas kārtībai kā citi valsts ierēdņi augstākajos valdības līmeņos. Ja šī pieeja tiek pieņemta, rinda sākot ar "Labības biroja direktora iecelšana... var tikt izņemta.

Sagatavoja:
grorūpniecības privatizācijas konsultantu grupa
1993.g. 8. februārī

Tātad, sekojošās izmaiņas būtu lietderīgas:

Veikt sekojošās izmaiņas 5.panta trešā paragrāfa pirmajā rindā:

"Lauksaimniecības ministrijas speciālistu kā valsts pilnvarotu pārstāvi. Viņš ir šīs komisijas priekšsēdētājs un pārstāv valsti valsts īpašuma gaļas pārstrādes uzņēmumos, kas tiek privatizēti balstoties uz šo likumu, privatizācijas procesa realizācijā."

Veikt sekojošās izmaiņas 6.panta sestajā paragrāfā:

"Uzdot Privatizācijas komisijas priekšsēdētājam realizēt valsts īpašumu privatizējamajā akciju sabiedrībā saskaņā ar konkursa rezultātiem."

7.panta trešais paragrāfs:

Veikt sekojošās izmaiņas teikumā, kas nosaka pašreizējās valsts uzņēmuma administrācijas pienākumu un atbildības izbeigšanos:

"Valsts akciju sabiedrības pārvaldes institūcijas pienākumi un atbildība izbeidzas, tiklīdz īpašumtiesības ir nodotas jaunās akciju sabiedrības izpildinstitūcijai."

7.panta ceturtais paragrāfs:

Šī paragrāfa izmaiņām ir jānosaka, ka Privatizācijas komisija, un nevis pašreizējā administrācija, ir tiesīga veikt valsts īpašuma realizāciju.

"Privatizācijas komisija veic ar objekta privatizāciju saistītās sekojošās darbības:"

8.pants:

Tā kā privatizācijas procesa gaitā tiks izveidota pilnīgi jauna sabiedrība, tad nav lietderīgi, ka jaunās sabiedrības dibināšanas sapulci sasauc pašreizējās valsts akciju sabiedrības pārvaldes institūcija. Tas ir Privatizācijas komisijas uzdevums. Tādējādi:

Otrajā paragrāfā jāveic sekojošās izmaiņas:

"Sapulci sasauc Privatizācijas komisija saskaņā ar Latvijas Republikas likumu "Par akciju sabiedrībām" un sabiedrības statūtiem."

**Komentāri likumam
"Par valsts īpašuma privatizāciju gaļas pārstrādes uzņēmumos"**

A. Vispārīgie komentāri

Likums nosaka, ka valsts īpašuma privatizācija ir jāveic konkursa kārtībā. Īpašumtiesību lielākā daļa ir rezervēta personai vai personu grupai, kas ir iesniegusi visveiksmīgāko priekšlikumu. Bet nav skaidri pateikts, vai konkursā drīkst piedalīties tikai Latvijas iedzīvotāji vai arī ārvalstu ieguldītāji. Turklāt nav arī skaidrs, vai zemnieka vai uzņēmuma darbinieka vadīta grupa var iesniegt priekšlikumu īpašumtiesību lielākās daļas iegūšanai papildus tām daļām, kas viņiem jau ir rezervētas. Šie divi jautājumi būtu jāprecizē.

Kārtība, kādā valsts nodod reālās īpašumtiesības jaunajiem akciju sabiedrības īpašniekiem, nav īpaši piemērota. Likuma projekts dod tiesības pašreizējai uzņēmuma vadībai valsts vārdā sagatavot īpašumtiesību nodošanas dokumentus un sasaukt jaunās sabiedrības dibināšanas sapulci. Tas būtu jā dara Privatizācijas komisijai.

Pārvaldes funkciju realizēšanu varētu uzlabot, ja komisijas priekšsēdētājam dotu tiesības Lauksaimniecības ministrijas vārdā sagatavot privatizācijas procesa pabeigšanai nepieciešamos dokumentus un veikt visus izpētes darbus. Faktiski šī persona ir ministrijas pārstāvis Privatizācijas komisijā un tai ir jādod skaidras pilnvaras darboties valsts vārdā, ievērojot likumā noteiktās prasības.

B. Atsevišķi komentāri

Likums dod tiesības pašreizējai uzņēmuma vadībai sagatavot tos dokumentus, kas nepieciešami privatizējamajā uzņēmumā esošā valsts īpašuma pārdošanai. Tā ir ļoti nepiemērota pieeja šī svarīgā privatizācijas jautājuma risināšanā. Pašreizējai vadībai nav tiesību valsts vārdā risināt jautājumus, kas attiecas uz īpašumtiesībām un īpašnieku nomaiņu. Un šķiet, ka daudzi pašreizējie vadītāji iesniegs savus pieprasījumus pēc īpašumtiesībām un ka daži kļūs par jauno īpašnieku pārstāvjiem. Šajos gadījumos, dodot tiem tiesības sagatavot nodošanas-pieņemšanas dokumentus, viņiem tiek dotas arī nepamatotas priekšrocības. Tas var būtiski ietekmēt arī privatizācijas procesa ilgumu, gadījumā, ja pašreizējie vadītāji nepiekrīt Privatizācijas komisijas lēmumiem.

Daudz lietderīgāk būtu, ja Privatizācijas komisijas priekšsēdētājam (kas pārstāv Lauksaimniecības ministriju) tiktu dotas tiesības valsts vārdā risināt visus tos jautājumus, kas saistīti ar īpašumtiesību nodošanu. Līdzīgi tam, Privatizācijas komisijai būtu jāatbild par visu īpašumtiesību nodošanai nepieciešamo analīzi un dokumentu sagatavošanu. Privatizācijas komisijai būtu arī jāsauc jaunās sabiedrības dibināšanas sapulci.

Draft 8/9/92

Komentārs likumam 'Par valsts lauksaimniecības
produkcijas pārstrādes uzņēmumu pārveidošanu un
privatizāciju'. 28/7/92

Sakarā ar 15. aprīļa LR Augstākās Padomes Rezolūciju ir
daži jautājumi:

1. Kā saprast Augstākās Padomes Rezolūciju, kur I.1.
teikts, ka 'II kārtā ... kapitāls ... sadalāms ...
uzņēmumu darbiniekiem' ar 2.1. kur teikts, ka 'piena
pārstrādes uzņēmumi bez atlīdzības jānodod bijušajam
vai jaunizveidotajām piensaimnieku sabiedrībām'?
Vai pēdējais attiecas tikai uz nelikumīgi atsavināto
īpašumu un pirmais - uz visiem pārejiem gadījumiem?
2. Pārlasot šos divus paragrāfus vēlreiz, to varētu
izskaidrot tā, ka jaunizveidotās vai atjaunotās
biedrības (I.1.) 1. kārtā attiecas tikai uz biedrībām,
kas izveidotas ar nolūku atgūt kooperatīvu īpašumu, kas
ticis nelikumīgi atsavināts 1940. gadā. Paragrāfā 2.1.
teikts, ka šis īpašums (kapitāla daļa) jānodod bez
maksas. Vai tā? Nav skaidra atšķirība starp 'nodot'
īpašumu, kas attiecas uz 1. kārtu un 'sadalīt', kas
attiecas uz 2. kārtu.
3. 3. minēti 10 īpaši gadījumi. Tādējādi rodas iespaids,
ka ir 2 privatizācijas posmi. 1. posmā privatizē visus,
izņemot 10 lielākos uzņēmumus, un 2. posmā atlikušos
10. Par to netiek runāts jūsu projektā. Vai to
vajadzētu pieminēt?
4. Tāpat vismaz 1. posma ir 2 kārtas: kapitāla daļu
nodošana (bez maksas) atjaunotajām vai no jauna
izveidotajām biedrībām, kas parstāv tos, kuru īpašumi
tika nelikumīgi atsavināti 1940. gadā un 2. posms -
pārējo kapitāla daļu sadalīšana.

Tālākie komentāri attiecas uz Likuma Projektu.

5. Pants 1.1: Nepieciešams pateikt, ka kapitāla daļas tiek
nodotas bez atlīdzības saskaņā ar ... Būtu labāk
vienkarši teikt, ka 'kapitāla daļas jānodod saskaņā ar
....' Tādējādi acīmredzama nekoncekvence par bezmaksas
kapitāla daļām netiek tieši ienesta likumā. Tas dotu
lielāku elastību likuma pielietošanā.
6. Pants 1.2: Šo arī varetu formulēt citādi, lai atklātu
atšķirību starp to, kas augstāk minēts kā 1. un 2.
posms. Kad šī skaidrība ir ieviesta, tad vispirms
atsaucas uz 1. kārtu (privatizē, atstājot 10) un 2.
kārtu (10 uzņēmumi), un tad Augstākajai Padomei tiek

dotas pilnvaras noteikt sākuma un beigu termiņus katrai kārtai. Tie varētu daļēji sakrist, savienojot 1. un 2. kārtu, ja tas ir vēlams. Vai ir nolūks, ka Augstākā Padome noteiktu kārtību un termiņus atsevišķu uzņēmumu privatizācijai?

7. Pants 3, 1. posms: Vai terminu "novērtēšana" varētu saprast ka "kapitāla novērtēšana"?
8. Vai daži paragrāfi ir nepieciešami Komisijas darbības noteikšanai. Ir vietā atsauce uz likumdošanu, kas attiecas uz Privatizācijas Komisijām. D. Ābeles projektā šis ir labi izstrādāts. Papildus vajadzētu konkretizēt: priekšsēdētāja un locekļu pilnvaras, balsošanas proceduru, kompetences sfēru, kā arī to, kurš izvēlas pēšonas (vai grupu) privatizācijas veikšanai un kāds ir pamats Komisijas darba izbeigšanai, utt. Liekas, ka Komisijas darbība izbeidzas, kad tiek sasaukta dibināšanas sapulce. Bet būtu labāk, ja tas būtu pateikts. Kāda veidojas situācija, kad kapitāls tiek nodots ražotāju biedrībai?

Kapitāla novērtēšana var uzrādīt, ka uzņēmums drīzāk likvidējams nekā parveidojams privātajā sektorā. Nepieciešams noteikt Privatizācijas Komisijas lomu šajā sakarībā. Tai nav jāveic likvidācija, bet jānodod bankrota tiesai vai citai nozīmīgai institūcijai, vai arī jāpatur valstij.

Privatizācijas komisija varētu būt atbildīga par reģionālu uzņēmumu ar dažiem satelītiem. Vai tie visos gadījumos tiks privatizēti kā grupa vai daži tiks privatizēti atsevišķi? Daži var tikt likvidēti. Kad runā par Komisijas darbības izbeigšanu, jāņem vērā, ka saskaņā ar likumdošanu par Privatizācijas komisijām no šīs grupas var rasties vairāk nekā viena privāta sabiedrība.

Kas nosaka proporciju, kādā tiks pārdotas vai bez atlīdzības sadalītas kapitāla daļas? (Pants 17.2) Komisija? Likums? Kāds cits? Tam kautkur jābūt pateiktam.

9. Pants 5.1: Privatizācijas Komisijas locekļu saraksts izveidots labi. Svarīgi, ka par priekšsēdētāju netiek nozīmēts rajona lauksaimniecības vadītājs. Šis cilvēks šobrīd visstiprāk ietekmē valsts uzņēmuma darbību, un šī iemesla dēļ iespējams nebūs objektīvs, vadot komisiju un nespēs vadīt nepieciešamās sarunas konfliktu atrisināšanai starp pārstrādātājiem un ražotājiem. Skat. manus iepriekšējos komentārus, priekšsēdētāja sakarā.

Ierosinu pārveidot frazi par arodbiedrībām kā
" arodbiedrība vai personāls, kas neietilpst uzņēmuma
vadībā".

10. Pants 6: Šī sadaļa nosaka, ka kapitāls tiks nodots tikai akciju sabiedrībai. Bet 13. pants norāda, ka kapitāls var tikt nodots kooperatīvam. Taču kooperatīva veidošana nav Komisijas kompetence. Tam jābūt atspoguļotam 6. pantā. Būtu lietderīgi 6.3.1. ietvert jaunu sadaļu, kas aprakstītu kārtību, kādā kapitāls tiek nodots likumīgai ražotāju biedrībai. Tad pašreizējais 6. 3. kļūtu par 6.3.2.
11. Pants 7: Formulējums jāpapildina tā, lai šis pants attiektos tikai uz pārveidošanu akciju sabiedrībās.

Ir nepieciešama pīceja uzņēmuma nodošanai ražotāju biedrībai. Statūtu projektā ietverti nosacījumi par pamata un papildus pajam, kas tiks izmantotas jauna kapitāla piesaistīšanai. Kā es jau minēju iepriekšējā komentārā, kapitāla daļas, kas tiek nodotas vai pardotas biedrībai var tikt izmantotas, lai visiem biedriem nodrošinātu pamatpajas. Varetu sasaukt speciālu ražotāju biedrības pilnsapulci kapitāla daļu nodosanaī saskaīa ar noteikumiem, par kuriem abas puses iepriekš vienojusas. Tas, protams, notiks tikai mazākos uzņēmumos vai savakšanas punktos. Tomēr, lai tas darbotos, 5.8.5. jāparveido tā, lai nonemtu ierobežojumus papildu paju īpasumam.
12. Panti 8,9,10,11, un 12 vienadi attiecas uz biedrībām un akciju sabiedrībām.
13. Veidojiet jaunu Pantu 13.3:

" Ražotāju sabiedrības, kura iegust īpasuma kapitālu, statūtiem jābūt saskaīa ar Pīensaimnieku kooperatīvo sabiedrību Paraugstatūtiem, kas apstiprināti 1992.g. 16. jūnijā, attiecība par pamata un papildus pajam. Noteikumi akciju pīrksanaī un biedru naudas samakss jāapstiprina Komisijai pīrms kapitāls tiek nodots biedrībaī."
14. Pasreizejais Panti 13.3. kīust par 13.4.
15. Panti 13.3.3: Parveidot par "Iespejas piesaistīt vietejos un arzemju kapitāla iegulditajus ..."
16. Panti 14.2.1: Seit butu vieta pīeminēt paju sadalīsanu bez maksas saī grupāī. Ja velas, saīa nodala var noradīt, ka tiek sadalīts viss mazo parstrades uzņēmumu un savakšanas punktu kapitāls.

17. Pants 14.2.3: Tas var tikt palielinats līdz 20 % ar balsosanas tiesibam vai vel vairak bez balsosanas tiesibam ka noteikts Likuma par valsts uzņemumu parveidosanu statutsabiedriba 18. paragrafa.
18. Pants 15. Loti neskaidrs. Man joprojam gruti saprast attiecibu starp pagasta limena biedribam un privatizejamajiem uzņēmumiem. Liekas, ka jus censaties rezervet akcijas cilvekiem, kuri kadreiz varetu piegadat pienu vai pievienoties esosajai vai veidot jaunu biedribu, lai pieprasitu kapitala dalas. Un jus gribat to izdarit tada veida, ka katram zemniekam ir potenciala iespeja pievienoties razotaju biedribai. So merki varetu sasniegt tiesi, turot kapitalu rezerve biedribai vai ka zemes kvotas atseviska uzņemumu fonda, ko vada valsts nozimets pilnvarotais, kurs ir atbildigs valdei. Sie fondi paliks ka kapitala dala akciju sabiedriba, kuras ipasuma ir uzņēmums. Par sim akcijam var maksat dividendes tapat ka par jebkuram citam pajam. Tad, ta ka biedri ar tiesibam sanemt ipasumu vai biedribas tika izveidotas, lai pieprasitu kapitalu, notiks sadale. Valstij nav nepieciešams to paturet, kamer akciju sabiedribu statuti noteiks fondu izmantosanu vai tiks nozimets pilnvarotais fondiem.

Si pieeja piemerojama razotaju biedribam, parmainot to statutus ta, lai veidotu specialu fondu, kura butu pietiekosi daudz naudas, lai parstavetu kvotas, kas pieskirtas biedribai laika, kad tika nodots uzņēmums. Biedribas auditors (vai komisija) vai specials pilnvarotais, kuru ievil biedriba, varetu vadit so fondu. Likumi, kas apstiprinati laika, kad tiek nodots kapitals, nodrosinas instrukcijas to sadalisanai.

**Komentāri par
Valsts īpašuma maizes ražošanas uzņēmumos privatizācijas pamatprincipiem**

A. Vispārējie komentāri

Šis dokuments ļoti labi attēlo maizes ražošanas uzņēmumu privatizācijas nepieciešamību un privatizācijas procesa gaitu. Mēs pilnīgi piekritam uzskatam, ka šie uzņēmumi ir jāpārdod pēc iespējas ātrāk. Dažas pārmaiņas ir jāveic, lai veicinātu konkurētspējīgu priekšlikumu izstrādāšanu, kas palīdzēs noteikt pārdodamā īpašuma tirgus cenu. To var izdarīt paplašinot potenciālo pircēju loku un dodot Privatizācijas komisijai pilnvaras pārvaldīt visus uzņēmuma sagatavošanas un realizācijas aspektus.

B. Atsevišķi komentāri

3.nodaļa

3.4. paragrāfs

Šo daļu varētu vēl uzlabot iekļaujot tajā koncepciju, ka privatizācijas projekti, ko sagatavoja potenciālie iesniedzēji, tiks izskatīti konkurētspējīgu priekšlikumu izskatīšanas gaitā.

3.5. paragrāfs

Atsauce uz to, ka privatizācijas projektus sagatavo Privatizācijas komisija, ir nesaprotama. Pastāvot konkurencei starp priekšlikumiem, Privatizācijas komisijas uzdevums ir izskatīt projektus, ko sagatavojuši potenciālie īpašnieki, nevis pašai sagatavot šos projektus.

5.nodaļa

5.1. paragrāfs

Mēs piekritam, ka mērķtiecīgi būtu izveidot vienu privatizācijas komisiju pa visu nozari, kurā iesaistītu objektīvus speciālistus noteikumu sagatavošanai. Turklāt, šo speciālistu pienākumos vajadzētu iekļaut arī īpašuma novērtēšanu, uzņēmumu pārdošanai nepieciešamo dokumentu sagatavošanu, kā arī tiem būtu jāsniedz palīdzība Privatizācijas komisijai iesniegto privatizācijas projektu izvērtēšanas un izraudzīšanas kritēriju izstrādāšanā.

5.5. paragrāfs

Izsludinot uzņēmumu privatizācijas konkursus, informācija būtu jāsniedz arī Rietumu kompānijām, kas varētu būt ieinteresētas šīs nozares uzņēmumu pirkšanā.

Citi komentāri

Paragrāfi 3.9. un 5.6. sniedz atsauces uz 3, 5 un 7 gadu periodiem. Un kaut arī 7 gadu atmaksāšanas termiņš ir pamatots no stabilas attīstības perspektīvas viedokļa, parasti tomēr uzskata, ka ātrāki valdības aizdevuma atmaksāšanas termiņi ir lietderīgāki. Rūpnīcas izmantošanas parādi/saistības, kas pagarinātas līdz pat septiņiem gadiem, tomēr varētu būt pārāk ilgs laika periods. Septiņu gadu laikā ekonomiskie un komerciālie nosacījumi var radikāli mainīties un tas var atturēt rūpnīcas vadītājus pieņemt saprātīgus, pamatotus komerclējumus ilgākam laika periodam.

Komentārus sagatvoja:

Agrobiznesa privatizācijas grupa

1993.gada 28.aprīlī

Bruce Carrie
Conrad Fritsch
Nils Melngailis

On Reorganization of Latvia
**Komentāri par "Latvijas labības" reorganizācijas koncepciju
(1992.gada decembris)**

1 "Latvijas labība" reorganizācija

1.1. Pakāpeniska "Latvijas labība" reorganizācija, kas noteikta koncepcijas projekta 3.nodaļā, ir piemērota pašreizējai situācijai. Tas ir labākais veids kā veikt nozares reorganizāciju, privatizāciju un paaugstināt efektivitāti nepārtraucot labības produktu piegādi starpniekiem un patērētājiem.

2 "Labības birojs" veidošana un uzdevumi

2.1. Būtu lietderīgi, ja "Labības birojs" ir pirmā jaunizveidotā struktūra.

2.2. Koncepcijas projekta 5.nodaļā noteiktās organizācijas pārvaldes, analītiskās un politikas īstenošanas funkcijas un atbildība šķiet piemērotas.

2.3. Koncepcijas projekta 5.nodaļā noteiktais valdes sastāvs ir atbilstošs. Bet vajadzētu apspriest arī patērētāju pārstāvja iekļaušanu direktoru valdē.

2.4. "Latvijas birojam" nevajadzētu turēt akcijas vai piedalīties ierosinātās "Latvijas dzirnavas" komerciālajā vadībā vai jebkurā citā ar graudiem saistītā komerciālā uzņēmumā. Iespējamais izņēmums varētu būt ostas elevators.

3 Pārvaldes un komerciālās darbības atdalīšana

3.1. Pārvaldes un komerciālās darbības atdalīšana ir pamata atšķirība starp iepriekšējo diktātekonomiku un jaunieviešamo tirgus ekonomiku. Tirgus apstākļos valdībai ir jāizstrādā un jāievieš likumi, kuri atbalstītu komerciālās darbības pāriešanu privātā sektora rokās. Privātā sektora uzdevums ir iesaistīties komerciālā darbībā, ievērojot valdības izstrādātus un ieviestus likumus.

3.2. Lai "Labības birojs" efektīvi funkcionētu kā pārvaldes struktūra, ir ļoti svarīgi, ka "Labības birojs" statūti piešķir pietiekamas rīcības pilnvaras, tādējādi dodot iespējas sasniegt atbilstību starp tās direktīvām un lēmumiem.

3.3. Pilnvaru pārdalīšanas procesā zinātnisko pētījumu, kvalitātes pārbaudes un kontroles funkcijas var būt atstātas "Labības birojs" pārziņā.

4 "Latvijas dzirnavas" izveidošana un uzdevumi

4.1. Uzņēmumam "Latvijas dzirnavas" nav jābūt pakļautam "Latvijas birojam". Ja tas tā notiek, tad "Labības biroja" direktors ir tieši iesaistīts "Latvijas dzirnavu" vadībā un pārvaldē. Savukārt tas tikai turpinās jau eksistējošo valsts karteli, nevis ierobežos to. Tas tā nenotiks, ja pārvalde un komerciālā darbība tiks atdalīti.

4.2. Kā jau iepriekš 2.nodaļā pieminēts, "Labības biroja" pienākumi ir izstrādāt un ieviest komerciālās darbības normas. Tādēļ koncepcijas projekta 6.1. nodaļā norādītie "Latvijas dzirnavu" izveidošanas iemesli ir nevajadzīgi.

4.3. Miltu cenu "nepamatotu diferenciāciju" var novērst ar "Labības biroja" noteiktiem un ieviestiem noteikumiem, nevis caur "Latvijas dzirnavām", kas darbojas kā komerciālā sektora sastāvdaļa. Tas atkal norāda uz būtisko atšķirību starp diktātekonomikas darbību, kur valdība izveido likumus un vada visu komerciālo darbību, un tirgus ekonomiku, kur valdība tikai izveido un ievieš likumus, kuru robežās tad arī darbojas privātais sektors.

4.4. Piemēram, tā vietā, lai izmantotu "Latvijas dzirnavas" maksimālo cenu politikas realizēšanai, "Labības birojs" varētu veikt ikgadējas labības malšanas izmaksu analīzes un izmantot tās, lai sākotnēji noteiktu maksimālo izmaksu palielināšanās robežu maizes labības dzirnavās. Konkurences apstākļos individuālās firmas var mēģināt iegūt vietu tirgū nosakot zemāku cenu nekā citas firmas. Bet tās nevar noteikt cenas, kas ir augstākas par "Labības biroja" noteiktajām.

4.5. Koncepcijas projekta 6.1. nodaļa nosaka arī to, ka miltu cenām jābūt vienādām visos reģionos. Šāda politika novedīs pie neefektīvas cenu veidošanas. Firmām ir jādod atļauja iekļaut reģionālo cenu atšķirības miltu un maizes cenās, kas balstās uz pastāvošajām transporta izmaksām. Reģionos, kur darbojas vairāk nekā viena firma, tirgus iedarbība stabilizēs cenas, dodot iespēju uzņēmumiem šajās cenās iekļaut atbilstošās transporta un citas izmaksas.

4.6. Iepriekšējā diskusija samazina nepieciešamību pēc "Latvijas dzirnavām" kā valsts akciju sabiedrības.

4.7. Tomēr, vēl joprojām pastāv racionāla nepieciešamība pēc "Latvijas dzirnavām". Tā var darboties kā organizācija, caur kuru Lauksaimniecības ministrija sākumā var pārraudzīt dzirnavu sektora komerciālo darbību, bet pēc tam arī vadīt nozares pārveidošanas un privatizācijas procesu. Šī funkcija atbilst arī nepieciešamībai pēc labības malšanas nozares ritmiskas un nepārtrauktas darbības pārveidošanas procesa gaitā.

4.8. Būtu piemēroti, ja "Latvijas dzirnavas" statūti ierobežotu tās darbības laiku, teiksim uz diviem gadiem. Līdz tam laikam tirgus mehānismam Latvijā jau ir jābūt stabili izveidotam, "Labības birojam" jādarbojas kā efektīvai pārvaldes struktūrai un būtu jāpabeidz nozares pārveidošana un privatizācija. Kad tas būs realizēts, zudīs nepieciešamība pēc valdības tiešās komerciālā sektora vadības un "Latvijas dzirnavas" var tikt likvidētas.

4.9. Ja izvēlas šo iespēju, tad "Latvijas Dzirnavas" pirmajā fāzē var tikt izveidota kā akciju holdingkompānija saskaņā ar Latvijas likumiem, kas nosaka akciju sabiedrību izveidošanas noteikumus. Kā holdingkompānija tā nav atbildīga par ikdienas darbības lēmumiem, bet gan nosaka kopējo politiku, kas varētu ietvert arī cenu politikas veidošanu.

4.10. "Latvijas dzirnavu" direktoru valde varētu ietvert arī lauksaimniecības ministru, kas būtu valdes priekšsēdētājs, un lauksaimniecības ministra pirmo vietnieku, kas būtu balstiesīgs valdes loceklis. Lauksaimniecības ministrijas Graudu sektora vadītājs varētu būt izpilddirektors un valdes loceklis bez balstiesībām. Viņu atbalstītu Lauksaimniecības ministrijas tehniskais personāls un viņš būtu atbildīgs par tehnisko analīzi un no tām izrietošu rekomendāciju sagatavošanu.

5 Graudu malšanas apakšsektora pārveidošana

5.1. Katru no sešiem maltuves uzņēmumiem sākumposmā var "komercializēt", iekļaujot tos "Latvijas dzirnavās" un pārveidojot par individuālām valsts akciju sabiedrībām.

5.2. Valdība, kas pārstāvēta "Latvijas dzirnavās", sākumposmā iegūtu 100% no akcijām, kas ir izdotas sešiem komercializētajiem valsts graudu malšanas uzņēmumiem. "Latvijas dzirnavas" nozīmēs direktoru valdi katram atsevišķam uzņēmumam. Visticamāk, ka pastāvošie valsts uzņēmuma vadītāji turpinās darboties tāpat kā iepriekš, saskaņā ar jaunās direktoru valdes noteiktajiem politikas virzieniem. Bet tos var nomainīt saskaņā ar "Latvijas dzirnavu" lēmumu, ja tas ir nepieciešams.

5.3. Papildus tam, lai noteiktu darbības politiku, "Latvijas dzirnavas" vadīs privatizācijas procesu sešos graudu malšanas uzņēmumos. Tas notiks stingri ierobežotā laika periodā saskaņā ar "Latvijas dzirnavu" ierobežoto darbības laiku. Īpašumi var tikt sadalīti izmantojot darba pajas, sabiedrības sertifikātus, pārdoti atklātās izsolēs vai jebkurā citā piemērotā veidā. Privatizācijas process jāsaista ar to noteicošo likumdošanu.

5.4. Precīza sektora analīze ir nepieciešama, lai vadītu faktisko pārveidošanas un privatizācijas procesu. Šos pētījumus jāpabeidz pirms "Latvijas dzirnavu" izveidošanas. Pētījumiem jābūt veidotiem, lai sniegtu rekomendācijas un izvēles iespējas un palīdzētu izvēlēties pārveidošanas formas nozares darbības uzlabošanai.

6 Maizes ceptuvju un lopbarības apakšsektoru pārveidošana

6.1. Maizes ceptuvju iekļaušanu "Latvijas dzirnavu" sākumstruktūrā vai graudu malšanas uzņēmumos iespējams aizkavēs malšanas un maizes ceptuvju apakšsektora efektīva attīstība.

6.2. Privātā sektora firmas sacentīsies viena ar otru konkurējošo cenu jautājumos. Pārāk augstas pārdošanas cenas (saskaņā ar ieguldīto izmaksu struktūru) nevarēs pareizi organizēt tirgus apstākļos. Instrukcijas, ko izstrādās un ieviesīs "Labības birojs" var palīdzēt nodrošināt konkurences pastāvēšanu.

6.3. Kad sektors tiks privatizēts, tirgus apstākļi saskaņā ar pareizi izveidotu un ieviestu premonopola vai cenu pretrunu likumu nodrošinās godīgas cenas patērētājiem un pietiekošu preču piegādi, lai nodrošinātu patērētāju pieprasījumu.

6.4. Ir lietderīgi privatizēt maizes ceptuves un lopbarības malšanas apakšsektoru atsevišķās privatizācijas komisijās, kā norādīts koncepcijas projekta 7.3. un 7.4. nodaļās.

6.5. Lopbarības un maizes ceptuvju apakšsektoru tehniskā analīze jāveic pirms privatizācijas komisiju izveidošanas. Tas palielinās privatizācijas komisiju darbības efektivitāti. Pētījumus var veikt saskaņā ar Lauksaimniecības ministrijas Graudu sektora vadītāja norādījumiem.

6.6. Tehniskā apakšsektora analīze var būt izveidota un realizēta, lai sniegtu rekomendācijas un iespējas izvēlēties vispiemērotāko pārveidošanas formu nozares darbības efektivitātes palielināšanai.

KOMENTĀRI PAR LATVIJAS VALSTS LABĪBAS BIROJA STATŪTIEM

Dokumentā aprakstītā struktūra un tās funkcijas liek domāt, ka *Latvijas Labības* monopolpilnvaras vienkārši tiek nodotas jaunajam *Labības birojam*. Dokuments atļauj LB iesaistīties cenu noteikšanā, komercitirdzniecībā, malšanā un citās darbībās, kas varētu nest peļņu. LB var piederēt komerciāli labības malšanas un pārstrādes uzņēmumi. Vienlaikus LB būtu atbildīgs par labības kavalitātes un kvantitātes nodrošināšanu, kā arī citu tirgus regulētājfunkciju izpildi un līdz ar to varētu ietekmēt privātsektora uzņēmējus.

Iesaistišanās komercdarbībā un regulētājfunkciju veikšana ir nepārprotamā konfliktā. No tā izriet, ka projektā aprakstītā organizācija neatbilst tai lomai, ko tirgus ekonomikā parasti piešķir valsts aģentūrām, kuru uzdevums ir regulēt un pārvaldīt tirgu. Pieņemts, ka šādas aģentūras mērķis ir veikt graudu kvalitātes kontroli un radīt objektīvus "spēles noteikumus", lai privātsektora labības tirgotājiem, malējiem un ražotājiem ļautu sacensties tirgus konkurences apstākļos.

Šekojošā komentāra mērķis ir pārorientēt šo organizāciju uz darbību, kas atbilstu regulējošas valsts aģentūras funkcijām tirgus ekonomikas apstākļos.

2. pants

2.2.1. apakšpunkts Šajā nodaļā uzskaitītās pamatdarbības ir līdzīgas un dažos gadījumos pilnīgi atbilst Likumā *Par Labības tirgu un valsts graudu rezervi* uzskaitītajām. Tomēr pastāv vairākas nozīmīgas atšķirības. Abu dokumentu galīgajā variantā tādām nevajadzētu būt.

3. apakšpunkts norāda, ka ar valsts graudu rezervi saistītā darbība norit valsts pārvaldes institūciju noteiktajā kārtībā. Te būtu ieteicams pievienot norādi, kas LB darbībā liktu ievērot attiecīgo Latvijas valdības politiku.

2.2.2. No uzrakstītā nekļūst skaidrs, ko nozīmē "graudu šķirnes sēklu sagāde valstī". Ja tas nozīmē komercitirdzniecību vairumtirdzniecības organizācijām un/vai ražotājiem, tad tas neatbilst regulējošas valsts aģentūras funkcijām tirgus ekonomikā. Ja tas nozīmē, ka LB veiks piegādāto graudu kvalitātes kontroli un uzraudzīs graudu sadali, tad šie uzdevumi atbilst aģentūras funkcijām tirgus ekonomikā. Šajā sadaļā būtu jāprecizē valodas izteiksme, lai nerastos pārpratumi.

3.pants

3.1.1. Regulējošu valsts aģentūru LB būtu piemērotāk veidot kā Lauksaimniecības ministrijas departamentu, nevis neatkarīgu bezpeļņas organizāciju. Kā jau tika atzīmēts komentārā Likumam *Par Labības tirgu un valsts graudu rezervi*, LB padomei ir daudz plašākas politikas veidošanas pilnvaras nekā *Labības birojam* paredzētā tehniskā pārvalde. Šajā projektā *Labības biroja* pārziņā nodotās jomas kopā

ar LB Padomes plašajām politikas funkcijām dod šai organizācijai iespēju kontrolēt cenas no zemnieka līdz pat patērētājam. Vai tas ir patiesais pārveidojumu mērķis?

3.2.3. LB dotā iespēja vadīt uzņēmējdarbību darbu ir pretrunā ar regulētājfunkciju izpildi. Šo apakšpunktu vajadzētu svītrot.

3.2.4. Lai veiktu valst uzticēto kvalitātes kontroli un regulētājfunkcijas, LB nav nepieciešamas iesaistīties ārējā tirdzniecībā vai citās komercoperācijās. Šajā kontekstā labības pirkšanu un pārdošanu ar mērķi uzturēt valsts graudu rezervi un stabilizēt tirgus cenas visprecīzāk būtu uzskatīt par nekomerciāla rakstura darbību tirgū. Šī darbība nav domāta peļņas gūšanai, bet drīzāk privātā sektora darbības veicināšanai tirgū.

4. pants

Saskaņā ar augstāk minēto viedokli, šī nodaļa nav nepieciešama. Ja LB kalpo kā valsts aģentūra, kas veic kvalitātes kontroli un nodrošina "līdzenu spēles laukumu" privātuzņēmējiem, tam nav nepieciešamības uzturēt rezerves kapitālu. Šādā gadījumā LB valdījumā nodoto līdzekļu piederības jautājumu varētu risināt tāpat kā citos nekomerciālu valsts līdzekļu īpašumjautājumu gadījumos.

5. pants

Šai daļai par LB vadību un kontroli būtu jābūt cieši saistītai ar Likumu *Par labības tirgu un valsts graudu rezervi* (skat. komentārus par šo dokumentu). Ja tiek pieņemta tik plaša Padome, tad tās priekšsēdētāju būtu ieteicams iecelt premjerministram. Tomēr arī Lauksaimniecības ministrijai vajadzētu savu pārstāvi Padomē. Padomesgrupas, kas iecerēta kā politikas veidotāji, nosaukumā būtu jāatspoguļo tās plašās politikas veidotājas funkcijas (tādēļ vismaz angļiski šo Padomi būtu piemērotāk saukt nevis kā parasts, par *board*, bet drīzāk par *council*). Un LB direktoram vajadzētu būt nevis šīs grupas ierindas loceklim, bet izpildsekretāram. Lai nošķirtu valsts un privātsektora intereses, visiem LB darbiniekiem būtu jābūt ierēdņiem, kas nav saistīti ar privātstruktūrām nozarē, ko tiem jāpārtrauga.

Attiecībā uz šī panta pēdējo teikumu, nav pieņemami, ka LM nozīmē citu valsts un privātu institūciju locekļus, kam pašiem ir savas politiskās intereses. Šos locekļus jāizraugās pašām šīm institūcijām.

5.3.2. Ir pilnībā pieņemami, ka LM nosaka pārvaldes noteikumus un darba samaksu LB direktoram, bet tādā gadījumā ir jānosaka direktora kā valsts ierēdņa, nevis pusneatkarīgas aģentūras darbinieka loma.

6. pants

Kvalitātes kontroles un konkurences uzturētājas valsts aģentūras līdzekļiem būtu jānāk vienīgi no valsts budžeta, pakalpojumu izmantotāju iemaksām un muitas nodevām, ja

tādas pastāv. Atsevišķi nebūtu jānorāda ieņēmumi no valsts graudu rezerves vai pārstrādes uzņēmumiem.

Ari šī panta pēdējais teikums būtu jāsvītro, jo tas paredz ienākumus no avotiem, kas pielīdzināmi komercdarbībai.

Lauksaimniecības privatizācijas projekts

1993. gada 8. februārī

Komentārs par "Agrokonversijas" dibināšanas likumu.

Koncepcijai par vienotu organizāciju kura iekļautos Lauksaimniecības ministrijā un pārraudzītu visu privatizācijas norisi ir daudzas derīgas iezīmes. Jautājumu loks ar ko šī vienība varētu nodarboties ir ļoti plaša. Darbības laukā var iekļaut:

- vadīt visu uzņēmumu darbu kamēr tie atrodas valsts kontrolē, ieskaitot direktoru rekomendēšanu un nozīmēšanu;

- rekomendāciju sniegšanu pārveidošanai vai arī pārveidošanas vadīšanu, kamēr tie atrodas valsts kontrolē, lai palīdzētu tiem efektīvāk strādāt vai arī sagatavot tos pārdošanai;

- veicināt uzņēmumu pārdošanu reklamējot to pārdošanas iespējas, sagatavot pārdošanas plānu utt.;

- izvēlēties iespējamus pircējus un slēgt ar tiem pārdošanas līgumus;

- palīdzēt potenciālajiem pircējiem izveidot plānus uzņēmumam, apgrozījuma līdzekļu iegūšanas iespējas utt.;

- Šāda aģentūra pat var pārņemt uzņēmumu savā īpašumā, kamēr tas atrodas valsts kontrolē, tādējādi liekot aģentūrai pilnīgi atbildēt par visiem uzņēmuma darbības aspektiem.

Likumprojektā, bez tā ka šai aģentūrai faktiski tiek atdotas īpašuma tiesības uz uzņēmumiem, paredzēts arī lai šī aģentūra uzņemtos arī visus iepriekšminētos uzdevumus un iespējams arī papildus uzdevumus. Tas padarīs aģentūras darbu par ļoti lielu. Ar apmēram 400 uzņēmumiem ko tagad kontrolē ministrija, pat tiešais pienākums lai vadītu šo uzņēmumu darbu varētu būt galvenais uzdevums.

Šī iemesla dēļ var ieteikt aģentūrai koncentrēt savus spēkus lai veicinātu uzņēmumu pārdošanu. Šim darbam aģentūrai vajadzēs:

- pārskatīt uzņēmumu atbilstību pārdošanai un pārbaudīt vai nevajag veikt kādu pārveidošanu pirms pārdošanas:

- sagatavot informāciju par izvēlēto uzņēmumu un reklamēt tos tirdzniecībai;

- vest sarunas par pirkšanu ar potenciālajiem pircējiem un saņemt ministrijas (vai privatizācijas komisiju) akceptu.

Aģentūra nodarbosies arī ar brīvprātīgu priekšlikumu izskatīšanu, kurus saņēmusi ministrija un piemērotu līgumu slēgšanu ar piedāvātājiem. Aģentūra var arī palīdzēt izstrādāt jaunu likumdošanu, sniegt apmācības, utt..

Galvenie uzdevumi, kas iekļauti likumprojektā, un ar ko aģentūrai nevajag nodarboties, ir uzņēmumu darbības pārbaude un privatizācijas projekta sagatavošana.

Privatizācijas projektu izstrādāšana ir uzdevums, ko aģentūra nebūs spējīga veikt. Kaut gan aģentūra var piedāvāt uzņēmuma pārveidošanu, lai padarītu to piemērotu pārdošanai, tomēr tikai potenciālie pircēji un investori var izveidot uzņēmuma privatizācijas projektu.

Aģentūras darbība

Kā mēs saprotam, aģentūras izveidošanu kā bezpeļņas organizāciju, diktējuši finansu apsvērumi. 30. paragrāfā ietvertais ierosinājums, proti, ka aģentūra tieši gūs peļņu no uzņēmējdarbības, neliekas pareizs. Bez faktiskās uzņēmumu pārdošanas (šajā gadījumā ienākumi aiziet tieši privatizācijas fondā?), liekas, ka visas aģentūras darbības radīs izdevumus. Tādēļ visiem aģentūras līdzekļiem jānāk no Privatizācijas Fonda caur ministriju.

Ierosinātā aģentūras darbības vadīšanas un kontroles struktūra, kā arī citi ar tās darbību saistītie aspekti, liekas pareizi.

1993.gada 25. janvāri

Škēles kungs

Pievienojam diskusijas materiālu par pasākumiem, kas veicami, lai pārveidotu un beigās privatizētu graudu malšanas un maizes cepšanas nozari, kas pašlaik organizēta kā Latvijas Labība.

Apcerējums ierosina, ka sākotnējā likumdošanā tiktu skarti sekojoši jautājumi:

1. Precīzi noformulēts aizliegums Latvijas Birojam iesaistīties jebkādā komerciālā tirdzniecības darbībā. Tomēr LB būs atbildīgs par valdības stratēģiskajām rezervēm.
2. Visu komerciālo uzņēmumu, kas apvienoti LL tūlītēja pārveidošana par akciju sabiedrībām.
3. Holdinga sabiedrības veidošana Latvijas Dzirnava ietvaros valdības akciju turēšanai korporāciju uzņēmumos. Holdinga sabiedrības (un LD) pastāvēšana beidzas, kad visi uzņēmumi pāriet privātajā sektorā, vai tiek citādi likvidēti. Holdinga sabiedrības galvenās funkcijas ir:
 - a. kontrolēt pārveidotus uzņēmumus, lai atklātu neparedzētu komerciālu darbību un veiktu koriģējošus pasākumus;
 - b. veikt vai pasūtīt ikgadējas revīzijas katram komerciālajam uzņēmumam;
 - c. sagatavot detalizētu privatizācijas plānu nozarei - ieteicamais termiņš plāna nobeigšanai ir 1993.g.1. jūlijs;
 - d. izstrādāt un realizēt pasākumus sakarā ar pastāvošo LD apvienoto komerciālo uzņēmumu parādu;
 - e. sagatavot nozari un uzņēmumus īpašuma pārejai uz privāto sektoru;
 - f. vadīt faktisko īpašuma maiņas procesu.
4. Valdība atbildīga par tirgus cenu sistēmas nodibināšanu graudu un maizes cepšanas sektorā, lai izbeigtu cenu noteikšanu, kas pastāv komerciālajos uzņēmumos, kuri apvienoti LL. LB jāizstrādā noteikumi un tie jārealizē. Ieteicamais izpildes termiņš ir 1993.g.1. maijs.
5. Uzdot Lauksaimniecības Ministrijai izstrādāt programmu graudu razotājiem, kas konsekventi ievērotu tirgus ekonomikas principus un organizētu finansēšanu tā, lai zemnieki saņemtu samaksu divu nedēļu laikā. Ieteicamais termiņš programmas projektam ir 1993.g.15. jūnijs, realizēšanai pirms 1993.g. ražas novākšanas sākuma.

Mēs ceram pārrunāt šo projektu Jums izdevīgā laikā.

Bruce Carrie
Si Matthies

Conrad Fritsch
Nils Melngailis

1-107

25/1/93

**Materiāls apspriešanai
Latvijas Labības pārorganizēšana un
privatizācija**

Galvenie darbības virzieni

1 Pamats darbībai

- 1.1 Šie darbības virzieni ir balstīti uz Ministru Padomes Rezolūciju Nr.471 (1992.g.9. nov.), "Situācija maizes un citas graudu produkcijas sagādē" 14. punkts informācijā par Ministru Padomes 20. novembra Rezolūcijas Nr. 485 realizāciju, Lauksaimniecības Ministrijas pavēle Nr. 326 (1992.g. 12. decembrī) par koncerna "Latvijas Labība" likvidēšanu.
- 1.2 Augstāk minētie dokumenti attiecas uz "Latvijas Labības" likvidēšanu un tam sekojošiem pasākumiem jaunu alternatīvu struktūru veidošanu, un privatizācijas jautājumiem komerciālajās struktūrās, kas patreiz veido koncernu "Latvijas Labība".

2 Latvijas Labības pārveidošanai un privatizācijai nepieciešamie pasākumi

- 2.1 Pasākumi, kas prasīti minētajos dokumentos:
- 2.11 Iesniegt Ministru Padomei likumprojektus "Graudu tirgus un Par graudu pārstrādes uzņēmumu privatizāciju" līdz 1993.g. 1. martam. (14.punkts)
- 2.12 Izveidot Latvijas biroju (LB) līdz 1993. g. 1. februārim. (14. punkts)
- 2.13 Sagatavot valsts graudu pārstrādes uzņēmumu privatizāciju līdz 1993.g. 1. martam. (14. punkts)
- 2.14 Noorganizēt Latvijas Dzirnava (LD) līdz 1993.g. 1.martam. (14. punkts)
- 2.2 Citi nepieciešamie pasākumi augšminēto dokumentu mērķa realizēšanā:
- 2.21 Sagatavot un Ministru Padomei iesniegt ieteicamo valdības graudu programmu līdz 15.jūnijam realizēšanai sākot ar 1993. g. ražu, un turpinot līdz 1994.g. ražai.

106

- 2.22 Sagatavot un Ministru Padomei iesniegt detalizētu privatizācijas plānu līdz 1993.g. 1. jūlijam.

3 Likumu projekti par graudu tirgus darbību un par graudu pārstrādes uzņēmumu privatizāciju

- 3.1 Ņemot vērā laika trūkumu, šo prasību var vislabāk izpildīt, sagatavojot likumdošanu, kas dotu dažus vispārējus noteikumus par:

- a. graudu tirgus funkcionēšanas galvenajiem principiem (4. nodala)
- b. LB vispārīgo lomu un funkcijām (5. 1 apaksnodala)
- c. LD vispārīgo lomu un funkcijām (5. 2 apaksnodala)
- d. pilnvarojumu veikt pasākumus, kas izstrādāti 2.21 un 2.22

4 Likumprojekti par graudu tirgus darbību

- 4.1 Likumdošana sankcionēs graudu tirdzniecības sistēmu, kas balstīta uz tirgus principiem. Svarīgi, lai likums aizliegtu pastāvošo fiksētu cenu noteikšanu graudiem un to izstrādājumiem.
- 4.2 LB un LD holdinga sabiedrībai (5.23 punkts) būs liegtas komerciālas graudu tirdzniecības un pārstrādes aktivitātes. Tas pastiprinās valdības politiku, kas vērsta uz tirdzniecības sistēmas izveidošanu ar tirgus cenām.
- 4.3 Komerciālo korporizēto uzņēmumu vadītāji (5.23 punkts) būs atbildīgi par graudu iepirkšanu (arī importu) un produktu pārdošanu valdības noteiktās politikas ietvaros. Tas radīs konkurenci uzņēmumu vadītāju, citu pārstrādātāju, kā arī citu ar graudiem saistītu uzņēmēju starpā.
- 4.4 LB būs atbildīgs par valsts stratēģiskajām rezervēm un koncessionārajiem graudu krājumiem valdībai.

5 Likumprojekti par graudu pārstrādes uzņēmumu privatizāciju

5.1 LB loma un funkcijas

- 5.11 Dokumenti, uz kuriem ir atsauksme 1.1 bez ierunām norobežo LB no iesaistīšanās jebkādas komerciālās darbības. Tam jābūt skaidri pateiktam likumprojektos.
- 5.12 LB funkcijā ietilpst lietiskie pētījumi (var būt pēc līguma), kvalitātes pārbaude un kontrole par ražošanu un attiecīgu programmu vadīšanu, kas ietekmē zemniekus un graudu rūpniecību. LB specifiskas funkcijas ir:

- a. graudu noliktavu krājumu uzraudzība (kvantitatīva un kvalitatīva), ja tie pieder valdībai (vai saskaņā ar valdības programmu). LB nodrošina, ka viss valdības graudu krājums atbilst kvalitātes standartiem, un vada so krājumu izlietojumu;
 - b. vada graudu inspekcijas darbību, ieskaitot komercialu kategoriju noteikšanu un saglabāšanu;
 - c. ekonomiskās analīzes nodaļas uzturēšana, kam butu uzdevums (neaprobezoties tikai ar to) nodrošināt pieprasījuma/piedāvājuma prognozi, atskaites par situāciju graudu nozarē un prognozes, kā arī citus svarīgus datus, kas nepieciešami graudu stratēģijas izstrādāšanai un ietekmē zemniekus, kā arī pārstrādātājus;
 - d. stratēģiskās rezerves politikas vadīšana, kā to noteikusi Lauksaimniecības Ministrija;
 - e. kvotu un tarifu politikas vadīšana, kā tos noteikusi likums vai LM;
 - f. lauksaimniecības programmu vadīšana, kā tās nosaka likums vai LM
 - g. patērīna apmierinājuma programmu vadīšana, kā tos nosaka likums vai LM;
 - h. valdības likumu un lēmumu administrēšana, kuri aizliedz fiksētas cenas graudu rūpniecībā (kamēr top pieejami vispārējā likumdosana un nodrošināšanas mehānisms).
- 5.13 LB darbību finansē LM budžets vai tie, kuri izmanto biroja pakalpojumus.
- 5.2 LD loma un funkcijas
- 5.21 LD ietilps visi komerciālie uzņēmumi, kas pašlaik apvienoti LL
- 5.22 Likumdosana noteiks, ka 1. fāzē katrs uzņēmums tiks pārveidots par akciju korporatīvu vienību (korporatizētu vai komercializētu). 2. fāzē uzņēmums pāriet privātajā sektorā.
- 5.23 Akcijas korporatīvos uzņēmumos turēs holdinga sabiedrība Latvijas valdības vārdā. Holdinga sabiedrību veidos Direktors Rīkotājs un Direktoru Valde, ieskaitot vietējos un ārzemju graudu tirdzniecības, pārstrādes (pārtikas un lopbarības) un maizes cepšanas speciālistus. Valde atbild Lauksaimniecības *Ministrijai*.
- 5.24 Ideālā situācijā holdinga sabiedrības Direktors Rīkotājs ir latviski runājošs speciālists ar lielu komerciālas vadīšanas pieredzi tirgus ekonomikā, ieteicams graudu rūpniecībā. Vinam algu varētu maksāt donora organizācija. Neliels

11/11

speciālistu stats veiktu holdinga sabiedrības darbu. Līdzekļus vietējo un ārzemju speciālistu algosanaī un administrēšanai var lūgt no donoru fondiem.

- 5.25 Holdinga sabiedrībai būs ierobezots eksistences ilgums - līdz laikam, kamēr visi komerciālie uzņēmumi būs privatizēti. Ieteicams, lai privatizācijas process būtu pabeigts ne vēlāk kā līdz 1996.g. decembrim.
- 5.26 Holdinga sabiedrība neveiks komerciālu tirdzniecības darbību. Tās funkcijās ietilps:
- a. noteikt un realizēt vispārējo komerciālās darbības politiku korporāciju uzņēmumos;
 - b. pieņemt darbā un atļaut korporāciju uzņēmumu direktorus;
 - c. dot padomu un sniegt apmācību korporāciju uzņēmumiem;
 - d. izstrādāt un realizēt stratēģiju korporāciju uzņēmumu parādu kārtosanas problēmu risināšanā;
 - e. kontrolēt visus LD apvienotos komerciālos uzņēmumus;
 - f. veikt vai arī pasūtīt ikgadējas korporāciju uzņēmumu revīzijas;
 - g. veikt razosanas analīzi, iesakot korporāciju uzņēmumu pārveidosanu attiecīgos ekonomiskos grupējumos un veikt citus sagatavosanas darbus, pirms tie tiek piedāvāti pārdosanaī privātajā sektorā;
 - h. vest sarunas par korporāciju uzņēmumu pārdosanaī privātajam sektoram (galīgo lēmumu pārdot izdara Lauks. Min.);
 - i. privatizācijas plāna sagatavosana
 - j. privatizācijas plāna realizēšana.
- 5.27 Sagaida, ka visi korporāciju uzņēmumi darbosies tirgus ekonomikas apstākļos, un tāda cenu noteiksana, kā paslaik, tiks aizliegta ar likumu. Situācijā, kad trūkst nacionālo likumu, tai jābūt daļai no LD holdinga sabiedrības komerciālas darbības politikas. (Sādam aizliegumam jābut arī ietvertam graudu tirgus likumā, kas tiks aizstāts ar vispārēju komercijas likumu pret fiksētu cenu noteiksanaī.)
- 5.28 Katra korporāciju uzņēmuma direktori ir atbildīgi par visiem vadības lēmumiem, tādiem kā graudu iepirksana (ieskaitot komerciālo importu), *graudu malsana un cenu noteiksana sarazotajiem produktiem, kā arī personāla pieņemsana darbā un atļaisana*. Katrs uzņēmums tiek pakļauts LD pārbaudei.

116

6 Valdības graudu programmas sagatavosana

- 6.1 Graudu programma, kas vadītu maksājumu izdarīšanu zemniekiem 1993. gadā, ir varbūt pats būtiskākais Lauks. Min. politikas jautājums plānošanas procesā. Tuvākajā perspektīvā tas ir svarīgāks nekā privatizācijas plāna izstrādāšana un realizēšana uzņēmumiem, kas privatizācijas procesa I. fāzē izveidoti kā korporāciju uzņēmumi. Ieteicams, ka Lauks. Min. pabeigtu programmas projekta izstrādāšanu līdz 15. jūnijam un ir gatava realizēšanai pirms 1993. gada rzas.
- 6.2 Stratēģijas jautājumi, kas jāizlemj pirms zemnieki uzsāk graudu pārdošanu, ietver atbalsta cenu, ja tāda paredzēta, importa /eksporta kontroli, ja tādi paredzēti, pārdošana un citi koncesionārgraudu krājuma izmantosanas veidi, cenu izlīdzināšanas ierobežosana valstī, piem, vai valdībai jāturpina subsidēt transporta izdevumus?
- 6.3 Latvijas valdības svarīgākās rūpes sodien ir esoso maksāšanas mehānismu noārdīšana, kad jauni vēl nav izveidoti, un tas ietekmē graudu politiku. Situācija kļūst nopietna šajā gada, sakarā ar tuvojosamies vēlēšanām, smago parādu nastu graudu dzirnavām, realizācijas variantu trūkumu, pircēju rūpēm ko rada zemā pirktpēja, un programmas iemiesosanas gaitā aizvien pieaugosais priekšlikumu un pretinieku skaits.
- 6.4. Uz tirgus pamata veidotajās Rietumu ekonomiskajās sistēmās līdzekļus var viegli aizņemt, izmantojot iekilāšanai graudus un miltus. Iemesls - ka tie ir viegli pārvērsami skaidrā naudā. Piemēram, Moodys un Standard un Poors savā korporāciju kredītu reitīnga analizē kā parastu parādu neietver īstermina aizņēmumus, ko garantē graudi un milti.
- 6.41 Tomēr, atslēga īstermina finansēšanas kapitāla nodrošināšanai ir pienācīga regulējosa kontrole, lai nodrošinātu so krājumu kvantitāti (novērstu zagsanu) un kvalitāti (novērstu bojāšanu). (Mums ir stāstīts, ka sistēmas šis nepieciešamās kontroles veikšanai ir, vai arī var tikt ātri radītas.)
- 6.42 Šāda kontroles sistēma dos aizdevēja iestādei nepieciešamās garantijas un samazinās vai pat lielā mērā likvidēs risku.
- 6.43 Pastāvējošajā banku sistēmā nav gatava dot aizdevumu. Tādēļ mehānisms ir jāatrod īsā laikā. Ir iespējams, ka tādas institūcijas kā Pasaules banka vai Starptautiskais Valūtas Fonds varētu sniegt sādu īstermina kredītu. Papildus līdzekļi rublos, ko iegūst no koncesionārā graudu importa var būt pielietojama šim nolūkam.
- 6.44 Kad zināms līdzekļu avots, ir daudz veidu kā so naudu nodot zemniekiem un faktiski nodrošināt aizņēmuma atmaksāšanu.
- 6.5 Virzoties uz tirgus sistēmu graudu tirdzniecībā, lauksaimniecības programma, līdzīga kā ASV, būs atbalsts kredītu programmai, kas balstās uz iekilātiem graudu krājumiem. Šāda programma:

- a. dos zemniekam naudu razas novākšanas laikā;
- b. samazinās risku ciest zaudējumus, kas celas no neiekilātiem graudiem;
- c. realizēs "brīvā tirgus" principus.

Programma var tikt arī izmantota, ja vēlas, lai sniegtu papildinājumu zemnieka ienākumiem, subsidējot līmeni, kādā to noteicis Parlaments.

- 6.51 ASV graudu programmas būtība ir tā, ka valdība sniedz atbalstu, nosakot cenu, par kādu fermeri var saņemt aizdevumu, ko nodrosina ar saviem graudiem. Tā zemnieks var saņemt skaidru naudu razas novākšanas laikā, bet nav spiests pārdot razu laikā, kad tirgus cenas var būt viszemākās.
- 6.52 Zināmā laika periodā fermeris var izvēlēties pārdot graudus par dominējošo tirgus cenu, nomaksāt aizdevumu un izmaksas, kas ar to saistītas, paturot starpību. Vai arī nodot graudus tiesī valdībai par garantētu aizdevuma cenu.
- 6.53 Garantēto aizdevuma cenu parasti nosaka zem prognozējamās tirgus cenas. Bieži to nosaka procentuāli zem vidējām razosanas izmaksām. Tādējādi prasmīgi fermeri tiek stimulēti turpināt razosanu, kamēr neprasmīgi - ieguldīt līdzekļus citur.
- 6.54 Praksē dažas valdības veic cenu noteikšanu ar zināmu mērķi, lai dotu subsīdijas virs vai zem prognozētajām vai valdošajām tirgus cenām, virs - kur papildus ražošana ir vēlama (piem. kvieši), un zem prognozētām vai valdošajām tirgus cenām par precēm, kas saražotas vairumā (piem. rudzi). Ja cena noteikta virs tirgus cenas, starpība veido valdības subsīdiju.

7 Sagatavo detalizētu privatizācijas plānu

- 7.1 LD holdinga sabiedrība ir albildīga par privatizācijas plāna izstrādāšanu un realizēšanu. Ieteicams plānu pabeigt 1. jūlijā, lai to izskatītu Ministru Padomē.
- 7.2 Ir būtiski, lai tiktu radīta lauksaimniecības stratēģija un tirgus vide sai nozarei pirms notiek faktiskā korporāciju uzņēmumu privatizācija.
- 7.3 Uzņēmumiem jāzin, kādi likumi nosaka to darbību, pirms tie iegulda līdzekļus, pērkot kapitālu. Ārzemju ieguldītāji nelems par ieguldījumu, ja nozares stratēģija nebūs labi nodrosināta.
- 7.4 Privatizācijas plāns ietvers:
 - a. rekomendētajām LD uzņēmumu grupām, kas varētu tikt pārdotas kopā, veidot komerciāli dzīvotspējīgu vienību;

1150

- b. pārdosanas veidu variēt no akciju pārdosanas izsolē līdz kapitāla nodosana bez maksas razotāju kooperatīviem;
- c. ieteicamie pārdosanas termiņi - iespējams, ka plāns rekomendēs agrāku pārdosanu sektoros, kur jau pastāv konkurence (maizes ceptuvēs) un novilcinās tur, kur tā ir ierobežota (miltu malsana).
- d. pircēji, kam dodama priekšroka;
- e. Īpaši pārdosanas nosacījumi, piem. atlaides, atlikti maksājumi utt.;
- f. Privatizācijas komisiju (ja tādas tiek veidotas) veidosana un to pienākumi
- g. LD holdinga sabiedrības pienākumi privatizācijas procesā;
- h. vadības apmācības plāns un realizēšanas veidi.

Figure 1 Reassignment of Latvijas Labiba Responsibilities

Functions	Latvijas Birojs	Latvijas Dzirnavas	Individual Operating Units	MOA
Business operating decisions			X	
Buy local grain/				
Sell grain products			X	
Store grain			X	
Inspect grain	X			
Import concessionary grain				X
Economic analysis	X			
Set all grain policies				X
Implement grain policies				
Manage strategic reserves	X			
Manage quotas/tariffs	X			
Manage business credit	X			
Subsidies	X			
Monitor commercial unit operating performance		X		

1993. gada 10. februārī

^v
Šķēles kungs,

Domājot par mūsu vakardienas pārrunām, man šķiet, ka pārāk liela uzmanība tiek veltīta organizācijas formai, kādā valstij piederēs labības krājumi. Varbūt vairāk uzsvāru vajadzētu likt uz funkcijām.

Ja mēs varam piekrist, ka nepieciešamā labības daudzuma analīzi var veikt un ieteikumus labības pirkšanai un pārdošanai no valsts labības rezerves izstrādāt profesionāls personāls, kas strādā pie Labības Biroja, tad organizācijas loma ir diezgan vienkārša. Tā būtu valsts institūcija, kura a) faktiski ņem savā īpašumā labību un b) valsts vārdā lemj par graudu pirkšanu vai pārdošanu noteiktiem mērķiem. Ja tiek veidota bezpeļņas organizācija, tās valdē varētu ietilpt Priekšsēdis (no Lauks. Min.) un divi locekļi (viens no Finanšu Ministrijas un otrs no Premjerministra personāla).

Organizāciju varētu veidot, balstoties uz likumprojektu, kas tiek izstrādāts, lai pārveidotu Latvijas Labību. Valsts organizācijai būtu ierobežota izpildvara izdarīt lēmumus par graudu pārdošanu un iepirkšanu noteiktiem mērķiem, kā tas noteikts Statūtos. Tā nolūks varētu būt nodrošināt pietiekošu vietēji saražotu labības daudzumu pārtikai un lopbarībai. (Tirgus regulēšanu varētu veikt šī mērķa ietvaros.)

Organizācijai nebūtu nepieciešams pašai savs tehniskais personāls, tā darbotos pēc Biroja personāla (vai arī kādas citas institūcijas) ieteikumiem.

Raugoties no privātā sektora labības tirgus attīstīšanas viedokļa, neliekas prātīgi dot šai organizācijai paplašinātas pilnvaras pirkt un pārdot labību. Lietas būtība nav, vai šo organizāciju nosauc par "bezpeļņas", bet gan kāds būs tās faktiskais iespaids uz tirgu.

16 februāris 1993

A.Šķēles kungam,

klāt pievienoju kopiju no Kanādas Kviešu Padomes Akta un Akta Instrukcijas. Tā kā tas ir ļoti garš dokuments mēs netulkojam to latviski. Tulkojumu mēs varētu veikt tām daļām kas būtu īpaši interesantas.

Mēs neuzskatām, ka šis Akts norāda tiešu modeli Latvijai, bet tanī iekļautas vairākas lietderīgas un interesantas norādes. Saskaņā ar Kanādas sistēmu valdība uzpērk visus kviešus pēc tieša kontrakta, kurā minēta fiksēta cenu un pēc tam atbild par tā pārdošanu vietējā un pasaules tirgū. Pasaules tirgus cena nodrošina nepieciešamo disciplīnu lai uzturētu zemākas cenas. Faktiski, Kanādas ražotāju cenas parasti ir zemākas nekā ASV.

Kviešu Padome sastāv no trīs līdz pieciem locekļiem, kurus nozīmē "Domes Gubernators". Padomei palīdzību sniedz Padomnieku Komiteja, kura sastāv no vienpadsmit locekļiem kurus ievēl zemnieki no visiem vienpadsmit rajoniem. Termiņš "Domes Gubernators" ir saglabājies no tiem laikiem, kad Kanāda bija Anglijas kolonija. "Gubernators" Kanādā ir palicis, kā oficiāls Karalienes pārstāvis. Šis postenis aizpilda faktiski tikai ceremoniju funkciju, kur "Dome" sastāv no premjerministra un viņa kabineta. Tā ir arī faktiskā valdība.

Padomes mērķis ir veicināt "mārketingu pareizā veidā, vietējo provinču un eksporta tirdzniecību, graudu audzēšanu Kanādā" (5 nodaļa). Akta 5 līdz 11 nodaļā ir apspriesti mērķi, cenu politika, finansiālās un ekonomiskās Padomes iespējas. Padome atbild par visām finansiālām un līguma norisēm, kas saistās ar graudu pirkšanu un pārdošanu valdības uzdevumā. Tā var arī aizņemties naudu no komercbankām. Veicot šīs darbības Padome atskaitās Finanšu ministrijai. Peļņa kas gūta no graudu tirdzniecības tiek atgriezta atpakaļ Finanšu Ministrijai. Zaudējumus sedz no sabiedriskajiem fondiem.

Lauksaimniecības ministrs sasauc tikšanās Padomnieku Komitejā un ir tieši atbildīgs par graudu kontroles dienestu. Graudu kontroles dienests nav pakļauts ne Kviešu Padomei, ne Padomnieku Komitejai.

Padomnieku Komiteja ir faktiskais darba orgāns un sniedz rekomendācijas Padomei lēmumu pieņemšanai. Padome, savukārt, ir Valdības oficiālais pārstāvis un ir tiesīga slēgt līgumus.

Padomei ir tiesības noteikt kviešu cenas un iepirkt graudus no zemniekiem. Šķiet ka kviešiem tas arī ir vienīgais pircējs. Padomei tāpat ir tiesības rīkoties ar miežiem. Miežiem marketinga noteikumus apstiprina Padome un graudus pārdod saskaņā ar šiem noteikumiem. Auzas agrāk bija iekļautas programmā, bet vairs nav pašreizējā momentā. Ražotāji, kuri ir iekļauti graudu programmā, nedrīkst pārdot graudus ārpus programmas noteikumiem.

Zemnieki ražo graudus stingri saskaņā ar valdības noslēgtiem līgumiem. Katram dalībniekam ir atļauju grāmata kura jāuzrāda, kad pārdod graudus. Graudu cenas tiek noteiktas sezonai un zemniekiem izmaksā līdz 90 % no novērtētās cenas pie graudu pārdošanas. Atlikums tiek izmaksāts sezonas beigās. Izmaksātais daudzums pamatojas uz faktisko cenu, ko iegūst no tirdzniecības, kura ir saskaņota ar pasaules cenu. Pastāv arī veids kā subsidēt zemniekus. Valdība var izlemt arī neeksportēt graudus, ja cena ir pārāk zema. Šinī gadījumā valdībai jāsedz glabāšanas izmaksas.

Likums arī pieprasa, lai bankas pieņem zemnieku graudus kā ķīlu aizdevumam. Bankas pārņem graudus savā īpašumā, ja zemnieks neatdod aizņēmumu. Bankas šinī gadījumā pārdod graudus valdībai galīgai pārdošanai.

Kanādas Padome var sniegt lietderīgu paraugu Latvijai.

1. Kviešu Padomei ir tiesības darboties valdības vārdā, bet Padomnieku Komiteja, kuras darbība pakļauta Lauksaimniecības ministrijai, ir galvenokārt atbildīga par lēmumu izstrādāšanu.
2. Kviešu Padome iesniedz visu peļņu valsts kasē; zaudējumus atlīdzina no valsts fondiem.
3. Sistēmas mērķis ir veicināt regulāru kviešu un miežu ražotāju mārketingu, ko realizētu valdība.
4. Akts pieprasa bankām pieņemt zemnieku graudus, kas noglabāti attiecīgos elevatoros, kā aizdevuma ķīlu.

Latvijai varētu noderēt sekojoši elementi:

1. "Labības biroja" valde var kļūt par valdības pārstāvi, nosakot graudu cenas un izsniedzot graudu eksportēšanas un importēšanas atļaujas. Valdības vārdā tā varētu pārņemt kontroli pār graudu nozari. Lai to realizētu, tā varētu nodarbināt ekonomistus un analītiķus, kas izskatītu ar tirgu saistītus jautājumus, novērtētu alternatīvu graudu cenu ietekmi un izplatītu informāciju par graudu cenām, daudzumu un pakāpēm.
2. Graudu pārbaudes dienests varētu tikt izveidots Lauksaimniecības ministrijas ietvaros (un atsevišķi no "Labības biroja"), lai uzturētu graudu kvalitātes un kvantitātes rādītājus visiem graudiem, kas tiks glabāti dzirnavās un elevatoros. Šie ražotāju uzglabātie graudi var tikt izmantoti kā ķīla ražotāju aizņēmumiem. Valdība varētu garantēt iepirkumu par aizdevuma summu un, gadījumā, ja aizņēmums netiek atmaksāts, mēģināt pārdot tos dzirnavām.
3. Ja Padomei ir nepieciešams pievērsties jautājumiem, kas attiecas uz patēriņa graudu cenu, tad labāk būtu to darīt ar Ministru Padomes nozīmētu atsevišķu organizāciju. Iespējams, ka šāda nepieciešamība neradīsies tad, kad Latvija izgājusi caur pašreizējo ekonomiskās depresijas periodu, jo nav lietderīgi ierobežot to likumā.

1993. gada 6. aprīlī

Gēģera kungam
Šķēles kungam
Atkačuna kungam

Informācijas nolūkā pievienojam mūsu konsultantu grupas sagatavotās tabulas, kas ietver tehniska, ekonomiska un tirdznieciska rakstura informāciju par kombinētās lopbarības un miltu ražošanas uzņēmumiem, kā arī maizes ceptuvēm, kas bija vecās Latvijas Labības sistēmas sastāvdaļas.

Šovakar Rīgā ieradīsies Sai Matīzs, kurš kādreiz nodarbojies ar graudu tirdzniecību General Mills kompānijā, un viņš strādās projekta ietvaros aprīlī. Analīze, ko viņš veiks savas uzturēšanās laikā, palīdzēs Ministrijai izstrādāt reorganizācijas un privatizācijas stratēģiju graudu nozarē. Viņš palīdzēs arī Labības Birojam izstrādāt graudu kvalitatīvās un kvantitatīvās kontroles sistēmu. Šajā nolūkā mēs ceram, ka aprīļa vidū ieradīsies graudu kvalitātes kontroles speciālists, kurš viņam palīdzēs. Paredzams, ka grāmatvede Benita Pulliņš ieradīsies aprīļa beigās, lai palīdzētu piena pārstrādes uzņēmumiem un maizes ceptuvēm pārveidot to grāmatvedības sistēmas atbilstoši rietumu pieejai.

Mēs sagaidām, ka no 16. līdz 20. aprīlim Rīgā uzturēsies USAID projekta pārstāvis Maikls Brukss. USAID ir devis mājienu, ka viņi ir ieinteresēti pašreizējā projekta pagarināšanā, un ieradīsies šeit, lai detalizēti to pārrunātu. Kad viņa brauciena grafiks būs apstiprināts, mēs organizēsim viņa tikšanos ar Jums.

Nils Melngailis,

Projekta Vadītājs

11/1

Projekts, K. Fričs, 1993. g. 5. aprīli

Debitoru un kreditoru parādi, valsts gaļas kombināti, 1993. g. 3. martā

2. lpp.

uzņēmums	kredit. parādi			pēdējās izmaksas datums	banku īsterm. aizdevumi	parādi un kred. parādi kopā	KOPĀ	
	statūt-sabiedr.	zern. un ind. saimn.	citi					kred. parādi kopā
	tūkst US\$				tūkst. US\$	tūkst US\$	tūkst US\$	
Rīgas GK	1,960.0	32.3	153.8	2,146.2	19/1/93	0.0	2,146.2	(1,586.9)
Valmieras GK	1,173.1	303.8	46.2	1,523.1	3/2/93	258.5	1,781.5	(918.5)
Liepājas GK	2,067.2	45.4	(947.5)	1,165.1	25/10/92	62.3	1,227.4	(981.6)
Balvu GK	467.5	23.1	(259.8)	230.8	18/02/93	92.3	323.1	(41.5)
Tukuma GK	202.3	3.8	0.0	206.2	26/02/93	0.0	206.2	95.4
Daugavpils RA	1,268.5	16.9	60.8	1,346.2	15/10/92	406.2	1,752.3	(1,265.4)
Jelgavas GK	92.3	0.0	0.0	92.3	26/02/93	0.0	92.3	3.1
Saldus GK	92.3	23.1	7.7	123.1	3/03/93	0.0	123.1	0.0
Cēsu ARA GK	70.8	17.7	0.0	88.5	15/02/93	0.0	88.5	40.0
Rēzeknes ARA	156.9	15.4	0.0	172.3	1/02/93	83.8	256.2	(163.0)
Talsu ARA	20.8	1.5	0.0	22.3	22/03/93	15.4	37.7	25.4
Ventspils GK	147.7	9.2	4.6	161.5	4/12/92	16.9	178.5	(66.2)
Jēkabpils AF GK	359.2	14.6	430.8	804.6	20/12/92	0.0	804.6	(650.0)
Ludzas PK	142.3	74.6	21.5	238.5	15/10/92	0.0	238.5	(57.7)
KOPĀ	8,220.8	581.6	(481.9)	8,320.5	---	935.4	9,255.9	(5,566.9)

Aprmaiņas kurss

US\$1=

130 LVR

11/2/93

Projekts, K. Fričs, 05.04.93

Kreditoru un debitoru parādi valsts maizes ceptuvēs

1993. g. 18. martā

ceptuve	debitoru parādi	kreditoru parādi	bankas aizdevumi	parādi kopā	KOPA
	mil LVR	mil LVR		mil LVR	mil LVR
Druva	62	95	7	102	-40
Daugavpils Maiznieks	20	4	16	20	0
Ielgavas Maiznieks	14.55	13.25		13.25	1.3
Ventspils Maiznieks	2	1.5		1.5	0.5
Rēzeknes Maiznieks	6.72	3.59		3.59	3.13
Liepājas Maiznieks	1.7	4		4	-2.3
Baltmaiznieks	36.5	18		18	18.5
Abra	11.5	14.5	6	20.5	-9
Vidzemes Maiznieks	22.2	25.7		25.7	-3.5
KOPĀ	177.17	179.54	29	208.54	-31.37

1/19
11/11

Projekts, K. Fričs, 05.04.93

Kreditoru un debitoru parādi valsts maizes ceptuvēs 1993. g. 18. martā (US\$)

ceptuve	debitoru parādi	kreditoru parādi	bankas aizdevumi	parādi kopā	KOPA
	mil US\$	mil US\$		mil US\$	mil US\$
Druva	0.477	0.731	0.054	0.785	-0.308
Daugavpils Maiznieks	0.154	0.031	0.123	0.154	0.000
Ielgavas Maiznieks	0.112	0.102		0.102	0.010
Ventspils Maiznieks	0.015	0.012		0.012	0.004
Rēzeknes Maiznieks	0.052	0.028		0.028	0.024
Liepājas Maiznieks	0.013	0.031		0.031	-0.018
Baltmaiznieks	0.281	0.138		0.138	0.142
Abra	0.088	0.112	0.046	0.158	-0.069
Vidzemes Maiznieks	0.171	0.198		0.198	-0.027
KOPĀ	1.363	1.381	0.223	1.604	-0.241

Apmaiņas kurss US\$1= 130 LVR

11/10

Projekts, K. Fričs, 05.04.93

Kreditoru un debitoru parādi valsts kombinētās lopbarības rūpniecās un maļšanas uzņēmumos 1993. g. 18. martā

uzņēmums	debitoru parādi			kreditoru parādi					bankas aizdev.	kred. par. un parādi kopā	KOPA
	miltu maļšanas	komb. lopbar.	d. par. kopā	zern. saimniec.	kopsaimn.	budž.	citi	kred. par. kopā			
	mil. LVR			mil LVR					mil LVR		mil LVR
(milti)											
Rīgas Dzirnavnieks	182.2	—	182.2	19.5	0	78.7	347	445.2	164	1054.4	-872.2
Daugavpils Dzirnavnieks	75.2	20.7	95.9	0	0	0	124.9	124.9	88	337.8	-241.9
	74.7	60.7	135.4	0	0	0	106.7	106.7		213.4	-78
Jelgavas Dzirnavnieks	304	4	308	3	19	0	50	72	208	352	-44
Dobeles Dzirnavnieks	64.2	100	164.2	1.6	23.4	17.5	135	177.5	456.1	811.1	-646.9
Liepājas Labība	41.4	66.1	107.5	8	18	0	148	174	60.9	408.9	-301.4
(lopbarība)											
Rīgas Komb. lopbar. rūpnīca	—	121	121	0	0	0	101	101	0	202	-81
Jēkabpils Labība	—	134.6	134.6		13.9	30	84.5	128.4	336	592.8	-458.2
Vidzemes Labība	—	60.6	60.6	29.6	22.9	10	97.6	160.1	22	342.2	-281.6
Stende	—	114.7	114.7	0.5	10	1.3	96.4	108.2	46.7	263.1	-148.4
Madonas Labība	—	104.8	104.8	10	36	0	37.2	83.2	91.9	258.3	-153.5
Iecavas Labība	—	80.5	80.5	5	9.3	0	12.5	26.8	141	194.6	-114.1
Saldus Labība	—	107	107	3.3	3	0	66.3	72.6	164.6	309.8	-202.8

uzņēmums	debitoru parādi			kreditoru parādi					bankas aizdev.	kred. par. un parādi kopā	KOPA
	miltu maļšanas	komb. lopbar.	d. par. kopā	zern. saimniec.	kopsaimn.	budž.	citi	kred. par. kopā			
	mil. LVR			mil LVR					mil LVR		mil LVR
miltu maļšana kopā	741.7	—	—	—	—	96.2	—	—	—	—	—
komb. lopbar. raž. kopā	—	974.7	—	80.5	155.5	—	1407.1	—	—	—	—
kopā lopbar./dziru. uzņēm.	—	251.5	—	32.1	60.4	96.2	911.6	—	977	3177.6	-2184.4
kopā lopbar. uzņēm.	—	723.2	—	48.4	95.1	41.3	495.5	—	802.2	2162.8	-1439.6
nozārē kopā	741.7	974.7	1716.4	80.5	155.5	137.5	1407.1	—	1779.2	5340.4	-3624

Projekts, K. Fričs, 05.04.93

Kreditoru un debitoru parādi valsts kombinētās lopbarības rūpniecības un mašīnveidošanas uzņēmumos 1993. g. 18. martā (US\$)

uzņēmums	debitoru parādi			kreditoru parādi					bankas aizdev.	kred. par. un parādi kopā	KOPA
	miltu mašīnveidošanas	komb. lopbar.	d. par. kopā	zemn. saimniec.	kopsaimn.	budž.	citi	kred. par. kopā			
(milti)	mil. US\$			mil US\$					mil US\$		mil US\$
Rīgas Dzīrnāvnieks	1.402	--	1.402	0.150	0.000	0.605	2.669	3.425	1.262	8.111	-6.709
Daugavpils Dzīrnāvnieks	0.578	0.159	0.738	0.000	0.000	0.000	0.961	0.961	0.677	2.598	-1.861
	0.575	0.467	1.042	0.000	0.000	0.000	0.821	0.821		1.642	-0.600
Jelgavas Dzīrnāvnieks	2.338	0.031	2.369	0.023	0.146	0.000	0.385	0.554	1.600	2.708	-0.338
Dobeles Dzīrnāvnieks	0.494	0.769	1.263	0.012	0.180	0.135	1.038	1.365	3.508	6.239	-4.976
Liepājas Labība	0.318	0.508	0.827	0.062	0.138	0.000	1.138	1.338	0.468	3.145	-2.318
(lopbarība)											
Rīgas Komb. lopbar. rūpnīca	--	0.931	0.931	0.000	0.000	0.000	0.777	0.777	0.000	1.554	-0.623
Jēkabpils Labība	--	1.035	1.035		0.107	0.231	0.650	0.988	2.585	4.560	-3.525
Vidzemes Labība	--	0.466	0.466	0.228	0.176	0.077	0.751	1.232	0.169	2.632	-2.166
Stende	--	0.882	0.882	0.004	0.077	0.010	0.742	0.832	0.359	2.024	-1.142
Mādoņas Labība	--	0.806	0.806	0.077	0.277	0.000	0.286	0.640	0.707	1.987	-1.181
Iecavas Labība	--	0.619	0.619	0.038	0.072	0.000	0.096	0.206	1.085	1.497	-0.878
Saldus Labība	--	0.823	0.823	0.025	0.023	0.000	0.510	0.558	1.266	2.383	-1.560

uzņēmums	debitoru parādi			kreditoru parādi					bankas aizdev.	kred. par. un parādi kopā	KOPA
	miltu mašīnveidošanas	komb. lopbar.	d. par. kopā	zemn. saimniec.	kopsaimn.	budž.	citi	kred. par. kopā			
	mil. US\$			mil US\$					mil US\$		mil US\$
miltu mašīnveidošanas kopā	5.705	--	--	--	--	0.740	--	--	--	--	--
komb. lopbar. raž. kopā	--	7.498	--	0.619	1.196	--	10.824	--	--	--	--
kopā lopbar./dzīrn. uzņēm.	--	1.935	--	0.247	0.465	0.740	7.012	--	7.515	24.443	-16.803
kopā lopbar. uzņēm.	--	5.563	--	0.372	0.732	0.318	3.812	--	6.171	16.637	-11.074
nozārē kopā	5.705	7.498	13.203	0.619	1.196	1.058	10.824	--	13.686	41.080	-27.877

Apmaiņas kurss US\$1= 130 LVR

K. Fričs, 5. aprīlis 1993. g.

Labība un labības produkti Latvijā

Komerčiālais labības imports, "Latvijas Labības" uzņēmumi, 1988.-1992. g.

gads	kvieši	rudzi	auzas	mieži	kukurūza	citi graudi	kopā	milti	kombinētā lopbarība
LABĪBA (tonnas)									
1988	502,770	66,988	18,602	165,649	370,612	4,637	1,129,258	7,280	
1989	316,370	41,593	31,912	148,103	668,651	69,560	1,276,289	7,412	
1990	363,799	27,173	26,676	54,235	350,232	30,784	852,899	5,291	
1991	262,372	23,698	6,205	171,987	386,342	7,077	857,681	5,286	
1992	165,304	83,428	15,306	66,373	102,373	904	433,688	0	6,793

Komerčiālais labības eksports, "Latvijas Labības" uzņēmumi, 1988.-1992. g.

gads	kvieši	rudzi	auzas	mieži	kukurūza	citi graudi	kopā	milti	kombinētā lopbarība
LABĪBA (tonnas)									
1988				1,078			1,078	54,378	79,140
1989				1,088			1,088	51,892	49,803
1990							0	39,901	35,143
1991							0	40,926	13,367
1992							0	7,045	0

K. Fričs, 5. aprīlis 1993. g.

Labība un labības produkti Latvijā (turpinājums)

Malto izstrādājumu ražošana "Latvijas Labības" uzņēmumos 1988.-1992. g.

gads	liellopu barība	cūku barība	putnu barība	cita barība	lopbarība kopā	kviešu milti	rudzu milti	putraimi	citi maltie labības izstrādāj.	pārējie kopā
1988	586,200	625,900	349,184	45,100	1,606,384	212,278	135,136	32,712	428	380,554
1989	631,306	668,400	342,429	42,100	1,684,229	222,155	130,803	33,817	261	387,036
1990	451,500	537,200	289,311	35,100	1,313,111	207,047	136,090	33,614	304	377,055
1991	398,900	504,100	298,513	26,100	1,227,613	212,634	133,708	35,018	314	381,674
1992	96,800	292,800	187,300	4,600	581,500	151,381	76,713	33,610	1,287	262,991

"Latvijas Labības" uzņēmumu veiktais proteīna piedevu imports 1988.-1992.g.

gads	sojas milti	kokvilnas sēklu milti	zivju milti	lopbarības raugs	rauga un vitamīnu piedeva	KOPA
1988	158,000	40,000	12,000	10,000	15,000	215,000
1989	142,300	38,000	15,000	11,800	15,000	222,100
1990	139,100	28,000	14,000	8,400	15,000	204,500
1991	121,300	13,100	10,900	7,200	15,000	167,500
1992	32,100	8,800	3,200	2,800	7,100	54,000

1124

A.god. D.Ģēģera k-gs!

Klāt pievienotais dokuments ir priekšlikuma projekts par iespējamo palīdzību Lauksaimniecības ministrijai to uzņēmumu privatizācijā, uz kuriem neattiecas rūpniecības privatizācijas likumdošana. Šo jautājumu mēs jau esam apsprieduši ar Lauksaimniecības ministrijas pārstāvjiem V.Atkačunu, I.Martinsoni un A.Jansoni. ASV valdības aģentūra, kas finansē mūsu darbību, vēlētos vistuvākajā laikā tikties ar Jums, lai apspriestu šo priekšlikumu un izvērtētu mūsu līdzšinējo darbību. Mēs labprāt saņemtu Jūsu vai citu ministrijas speciālistu iespējamus komentārus par mūsu ieteikumu.

Nils Mengailis

Projekta grupas vadītājs

1993.gada 16.aprīlī

Buduenam de Mārkena kg-m
Aģentūras USAID pārstāvim
Rīgā, Latvijā

Cienījamais de Mārkena kungs!

Ar šo vēstuli mēs vēlētos lūgt atļauju izdarīt izmaiņas USAID palīdzības programmā, kas norit saskaņā ar *Neierobežota Apjoma Līgumu Eur-0014-C-00-1058-00*.

Pēdējās sarunās ar Melngaiļa k-gu un Friča k-gu viņi norādīja, ka radušās grūtības ar projektā plānoto darbu veikšanu lauksaimniecības tehnikas apkalpes un gaļas pārstrādes sfērā, jo privatizācija šajās nozarēs rit lēnāk nekā bija iecerēts.

Sākotnējā darba plāna sastādīšanas laikā bija paredzams, ka privatizācija noritēs vienlīdz strauji visās četrās Projekta izvēlētajās nozarēs. Tomēr mēs uzskatām, ka ir svarīgi kopā ar ieinteresētajām grupām un atsevišķām personām jau iepriekš sīki apspriest visus iespējamus privatizācijas variantus, kā arī šī procesa gala iznākumu un sekas. Bet, kā zināms, šāda apspriešana aizņem ļoti daudz laika.

Visu izvēles variantu izskatīšana un mēģinājumi izvērtēt to paredzamās sekas kļuvuši par iemeslu tam, ka privatizācija gaļas pārstrādes un lauksaimniecības mašīnu apkalpes nozarē aizkavējusies par vairākiem mēnešiem.

Tomēr piensaimniecības un labības pārstrādes nozarē privatizācija rit uz priekšu. Paredzams, ka visdrīzākajā laikā Parlaments pieņems likumus par lielo un mazo piena pārstrādes uzņēmumu privatizāciju.

Mēs lūdzam projektu tuvāko mēnešu laikā sniegt tiešu palīdzību vismaz divu piena pārstrādes uzņēmumu privatizācijā. Ja laiks atļautu, mēs vēlētos ar Projekta konsultantu palīdzību risināt atsevišķas problēmas arī citu piena pārstrādes uzņēmumu privatizācijā.

Šobrīd valdība veic koncerna *Latvijas labība* pārveidošanu. Tādēļ mēs vēlamies vēlreiz apstiprināt nepieciešamību pēc Projekta palīdzības labības nozares privatizācijā, un, jo īpaši, dzirnavu un elevatoru pārveidošanā un privatizēšanā, jo šie uzņēmumi saistīti ar lopbarības ražošanu. Līdzīgi kā piensaimniecības nozarē, mēs vēlētos lūgt Projekta palīdzību arī citu labības nozares uzņēmumu privatizācijas jautājumu risināšanā, protams, ja to atļaus laiks.

Līdztekus palīdzībai piena un labības nozarē, mēs vēlētos saņemt Projekta atbalstu vairāku ārpus četriem izvēlētajiem sektoriem esošu privatizējamo lauksaimniecības uzņēmumu analizē un līdzekļu novērtēšanā.

Šobrīd vairāki ārvalstu ieguldītāji izteikuši vēlēšanos iegādāties ministrijas pārziņā esošus putnkopības, konfekšu, konditorejas un citu pārtikas produktu

11/6

ražošanas uzņēmumus. Ministrijas tehniskais personāls ir skaitliski mazs un tam nav vajadzīgās pieredzes uzņēmumu privatizācijas tehniskajā sagatavošanā. Tādēļ nekavējoties būtu vajadzīga Projekt palīdzība šajā darbā, kā arī ministrijas personāla apmācībā.

Mēs saprotam, ka minētie darbi nesaskan ar līguma nosacījumiem, turklāt Projekta grupai vispirmām kārtām jāveic līguma uzdevumi. Tomēr mēs lūdzam, lai daļa Projektam atvēlēto līdzekļu tik novirzīti augšminēto neatliekamo uzdevumu veikšanai. Tādēļ mēs vēlētos apspriest iespēju izdarīt izmaiņas esošajā līgumā un darba plānā, lai ietvertu tajos šos papildu uzdevumus. Varētu rasties nepieciešamība projektu nedaudz paplašināt, pievēršot vairāk uzmanības palīdzībai uzņēmumu līdzekļu novērtēšanā.

Veicamo uzdevumu neatliekamība liek mums lūgt vajadzīgās izmaiņas izdarīt pēc iespējas ātrāk.

Lai arī gaļas pārstrādes un lauksaimniecības tehnikas apkalpes nozarē privatizācija norit lēnāk nekā plānots, mēs paredzam, ka Projekts vajadzīgajā laikā spēs sniegt nepieciešamo palīdzību.

Vienlaikus gribam izteikt atzinību par Projekta izpildes organizatoru Melngaiļa k-ga un Friča k-ga lielo atbildību par uzticēto uzdevumu, kā arī profesionālo prasmi tā īstenošanā. Līdz šim paveiktais devis kompleksu ieguldījumu privatizācijas jautājumu sekmīgā risināšanā, sākot ar detalizētu koncepciju, normatīvo aktu analīzi, priekšlikumu izstrādi, un beidzot ar nacionālo kadru apmācību.

Ar cieņu,

Latvijas Republikas Lauksaimniecības ministrs
D. Ģēģers

1167

1.0 KOPSAVILKUMS PAR VIDES AIZSARDZĪBU LATVIJAS REPUBLIKĀ

Šī nodaļa dod vispārīgu pārskatu par vides aizsardzības likumdošanu un praksi Latvijas Republikā, un tā balstīta uz informāciju, kas gūta no *Latvia: A Transition to a Market Economy, A World Bank Country Study, The International Bank of Reconstruction and Development, 1993* un sarunām ar vairākiem piena pārstrādes uzņēmumu pārstāvjiem, trim Vides aizsardzības komitejas (VAK) locekļiem, trim reģionālo vides aizsardzības komiteju pārstāvjiem un diviem vietējo attīrīšanas iekārtu darbiniekiem.

Vairums šajā ziņojumā izteikto komentāru balstās uz rakstiskas vai mutiskas informācijas tulkojumiem no latviešu un no krievu valodas. Lasot šo dokumentu, būtu jāņem vērā tulkojot radušās iespējamās jautājumu un atbilžu neatbilstošās interpretācijas.

1.1 Vides aizsardzības institūcijas

Vides aizsardzības komiteja dibināta 1990. gada 2. jūnijā tūlīt pēc neatkarības deklarēšanas. Vides aizsardzības komitejas priekšsēdētāju iecel un locekļus ievēl Latvijas Republikas Augstākā Padome, kas ir arī Vides aizsardzības komitejas dibinātāja. Šobrīd Vides aizsardzības komitejas priekšsēdētājs ir Indulis Emsis. VAK neietilpst Ministru Padomes struktūrā, bet ir līdzīga ranga institūcija. Tas darīts ar nolūku izsargāties no vides aizsardzības jautājumu nobīdīšanas otrajā plānā ekonomikas prioritāšu priekšā. Pēc 1993. gada jūnija vēlēšanām VAK tiks iekļauta Ministru Padomes struktūrā un tiks iecelts vides aizsardzības ministrs. Tādēļ VAK nākotni ir grūti paredzēt. Visticamāk, ka ļoti maz, ja vispār kāda, no esošajām VAK amatpersonām saglabās savu posteni. Tomēr ierindas darbinieki, jo īpaši reģionālo komiteju darbinieki, varētu palikt līdzšinējie. Neskatoties uz to, šajā ziņojumā tiks apskatīti vides aizsardzības likumi, VAK politika un vispārējā nostāja pret vides aizsardzības jautājumiem. Tomēr jābrīdina, ka, iekļaujoties Ministru Padomes struktūrā, VAK var notikt būtiskas izmaiņas.

Vides aizsardzības komiteja ir sadalīta tehniskajā un izpildes daļā. Tehnisko nodaļu vada pirmais vietnieks un tā nosaka politiku un normatīvus, kamēr izpildes daļa, ko vada galvenais inspektors, realizē juridisko normu ievērošanu, tai skaitā arī sodu un nodokļu iekasēšanu. Šo prasību ievērošanu realizēt palīdz deviņas reģionālās vides aizsardzības komitejas un citas valsts institūcijas.

Ir arī vairākas vides aizsardzības organizācijas, kas VAK palīdz izstrādāt, ieviest un nodrošināt normatīvo aktu ievērošanu: Zinātniskais centrs, Informācijas un analīzes centrs, Mežu un medību inspekciju komiteja, Ūdensresursu izmantošanas inspekcija, Ūdens rezervuāru ūdens un minerālu resursu inspekcija un vairākas dabas rezerves. Hidroģeoloģijas un meteoroloģijas institūts, padomju laikā veidota institūcija ar visā valstī labākajām monitoringa iespējām, veic neatkarīgu monitoringu un tai pieder arī

datu bāze. Daudzi VAK pasākumi tiek koordinēti ar šo grupu, bet VAK nav administratīvas kontroles pār to.

Deviņas reģionālas vides aizsardzības komitejas atbild par atļauju izsniegšanu projektiem, likumdošanas aktu ieviešanu un sabiedriski informatīvu pasākumu veikšanu. Latvijā ir 26 rajoni, tādēļ katrai no reģionālajām komitejām jāaptver apmēram trīs rajoni. Katrai reģionālajai komitejai ir piecas apakšodaļas: (1) inspekcija (lielākā grupa); (2) analīžu laboratorija; (3) ekspertu grupa vides ekoloģiskās ekspertīzes veikšanai pirms jauna uzņēmuma celšanas vai esoša uzņēmuma paplašināšanas atļaujas izsniegšanas; (4) kadastra daļa, kurā apkopo statistikas datus par emisiju, dabas resursu izmantošanu, apjomu, utt. un (5) tehniskā daļa.

Reģionālas VAK galvenokārt nodarbojas ar piesārņojuma maksas noteikšanu, kontrolē likumu ievērošanu, uzliek sodus par limitu pārkāpumiem un sarunu ceļā cenšas vienoties par grafiku emisijas apjomu samazināšanai. Visbargākās sankcijas, proti, uzņēmuma slēgšana, vēl nav tikušas pielietotas.

1.2 Vides likumdošana

Kopš 1990. gada Latvijas Republikas Augstākā Padome pieņēmusi vairākus likumus vides aizsardzības jomā:

Likums Par Latvijas Republikas Vides aizsardzības komiteju (1990. g. jūnijs) nosaka Vides aizsardzības komitejas (VAK) kā Latvijas vides aizsardzības un dabas resursu izmantošanas pārvaldes un uzraudzības institūcijas izveidošanu. VAK atskaitās un ir pakļauta Augstākajai Padomei. Tādējādi VAK formulē, realizē un kontrolē vienotu vides aizsardzības un dabas resursu izmantošanas politiku. Šis likums pilnvaro VAK bez ierobežojumiem izvērtēt atbilstību vides likumiem. Visubeidzot, šis likums prasa, lai VAK ne retāk kā reizi gadā sagatavo un iesniedz Augstākajai Padomei atskaiti par paveikto.

Likums Par Valsts ekoloģisko ekspertīzi (1990.g. oktobris) nosaka un regulē ekoloģiskās ekspertīzes procesu Latvijā. Ekoloģiskā ekspertīze ir priekšnoteikums ikviena valsts rūpnieciska projekta finansēšanai. Ja ekspertīze parāda, ka projekts tieši vai netieši iespaido vai nākotnē iespaidos apkārtējo vidi, sabiedrības veselību, dzīves apstākļus, kompetentas valsts institūcijas un administrācija nosaka projekta tālāko likteni.

Nolikums Par Latvijas Republikas Valsts vides aizsardzības inspekciju (1990. novembris) pilnvaro VAK inspektoros bez ierobežojumiem kontrolēt vides aizsardzības likumu ievērošanu kā vides aizsardzības, tā arī dabas resursu izmantošanas jomā un aizliegt darbību, kas pārkāpj likumu, kā arī sodīt pārkāpējus.

Likums Par dabas resursu nodokli (1990.g. decembris) nosaka maksu par dabas resursu izmantošanu un notekūdeņu novadīšanu noteikto limitu robežās, kā arī sankcijas pret tiem, kas pārsniedz noteiktos limitus vai kuri nopludina standartam neatbilstošus notekūdeņus. 25 procenti no līdzekļiem, kas iegūti no

dabas resursu nodokļiem un soda naudām, tiek ieskaitīti Latvijas Republikas budžetā, bet 75 procenti- attiecīgās pašvaldības budžetā, turklāt tie jāizmanto ar vides aizsardzību saistītiem mērķiem.

Likums *Par vides aizsardzību* (1991. g. augusts) primāro atbildību par vides aizsardzību, dabas resursu izmantošanu, ekoloģiskās ekspertīzes kārtību, standartiem, atļaujām un sabiedrības informēšanu uzliek VAK. Likums nosaka vides aizsardzības un dabas resursu izmantošanas mērķus.

Pašlaik šie likumi vairāk nosaka vispārīgus mērķus, nevis specifiskus darbības ierobežojumus un prasības. VAK un Augstākā Padome apspriež nepieciešamību pēc jauniem likumiem, kas uzlabotu prasību izpildi un labāk nodrošinātu likuma aizstāvības spēku. Piemēram, nesen spēkā stājies jauns likums *Par bīstamajiem atkritumiem*, kas nosaka īpašas prasības eksplozīviem, ugunsnedrošiem, uzliesmojošiem, korodējošiem, nevadāmi reaģējošiem un toksiskiem atkritumiem.

Latvijā ir ieviesti īpaši ūdens izmantošanas noteikumi, ūdens izmantošanas atļaujas, notekūdeņu novadīšanas atļaujas un notekūdeņu standarti, ko VAK apstiprinājusī 1991.gada 29. novembrī (Lēmums Nr. 3). Šie noteikumi, kas stājās spēkā ar 1992. gadu, limitē ūdens izmantošanu un nosaka maksimāli pieļaujamo notekūdeņu novadīšanu Latvijas ūdeņos (t.i. ūdens kvalitātes standartus).

Neatkarīgi no spēkā esošo likumu kvalitātes, visos vides aizsardzības likumos tiks izdarītas izmaiņas, ja ne citādi, tad vismaz tiks mainītas likumu administratīvās sadaļas (t. i. pašreizējā pakļautība parlamentam).

Diemžēl jāatzīmē, ka pašreizējā privatizācijas gaitā ļoti maz vai vispār nemaz uzmanības netika pievērsts vides aizsardzības jautājumiem, kas attiecīgajos uzņēmumos varētu būt radīt problēmas. Paralēli tam, ņemot vērā smago ekonomisko situāciju, VAK mēģina atkāpties no striktas vides aizsardzības standartu uzspiešanas. VAK visai regulāri atturas no soda naudu uzlikšanas uzņēmumiem, ja vien tie savu iepēju robežās domā par vides aizsardzības jautājumiem un cenšas situāciju uzlabot. Uzņēmumiem, kas nedomā par vides aizsardzības jautājumiem parasti uzliek sodus, lai tos rosinātu darboties šajā virzienā.

1.3 Vides aizsardzības noteikumi

Latvijā lieto bijušās Padomju Savienības ūdens standartus, kas papildināti ar dažiem nacionāliem standartiem. Padomju standarti ir stingrāki par Eiropas Kopienas vai Savienoto Valstu līdzīgiem standartiem, tomēr Padomju Savienībā tie reti tika ievēroti. Nereālu līmiu noteikšana noveda pie vispārējas vides aizsardzības likumu un noteikumu neievērošanas. Vecajā padomju sistēmā tika pielietoti vairāk nekā 2000 ūdens kvalitātes indikatori. Rūpniecisko notekūdeņu limiti tikā aprēķināti katrā atsevišķā gadījumā, ņemot vērā noteces baseina stāvokli. Sarunās ar piena pārstrādes uzņēmumu darbiniekiem atklājās, ka vairumā gadījumu tā vietā, lai noteiktu konkrētajai situācijai atbilstošus limitus, VAK lietoja nacionālos notekūdeņu standartus (VAK padomes lēmums Nr. 3, 1991. gada 29. novembrī). Minētie notekūdeņu pesārņojuma limiti, kas attiecināmi uz piensaimniecības nozari, doti

sekojošajā tabulā. Limitus noteikusi VAK, pamatojoties uz vecajiem padomju laika standartiem un Eirpas Kopienas (EK) standartiem.

Tabula 1.1 Piesārņojuma limiti un ūdens kvalitātes kritēriji, kas attiecināmi uz piena pārstrādes uzņēmumiem

Nr	parametrs	.....(mg/l)	.....(mg/l)
1	suspendētās vielas	-	15
2	hlorīdi	300	100
3	sulfāti	100	500
4	boilgiskais skābekļa patēriņš (BSP)	3	12
5	ķīmiskais skābekļa patēriņš (KSP)	15	90
6	nitrātu slāpeklis	9.1	25
7	nitritu slāpeklis	0.02	0.15
8	amonija slāpeklis	0.39	8
9	fosfāti	0.25	2.5
10	SVAS (anjonaktīvās)	0.1	0.5
11	SVAV (nejonogēnās)	0.1	2
12	taukvielas	-	5
13	naftas produkti	0.05	0.5

Arī gaisa piesārņojuma standarti tika pārņemti no vecajiem padomju laika noteikumiem, un tajos ietvertas vairāk nekā 500 gaisu piesārņojošas vielas. Piena pārstrādes uzņēmumos gaisa emisijas pastāvīga uzraudzība netiek veikta, bet piena pārstrādes uzņēmumiem ir jāmaksā nodokļi par apkures katlu, krāšņu un amonjaka saldēšanas sistēmu emisiju, pamatojoties uz ķīmisko vielu un kurināmā izlietojumu. Izmešu limiti tiek noteikti gaisa izmantošanas atļaujās. Šie apjomi balstās nevis uz reālā piesārņojuma mērījumu rezultātiem, bet uz izlieto to ķīmikāliju un kurināmā daudzumu.

1.4 Likumu izpilde

Kā jau atzīmēts nodaļā 1.1, atļaujas tiek izsniegtas reģionālajās VAK. Atļaujās tiek noteikti piesārņojuma limiti galvenajām piesārņojošajām vielām. atļaujas tiek pārskatītas katru gadu. Ja ražotnē nav kontroliekārtu emisijas mērīšanai, sarunu gaitā tiek noteikti pagaidu limiti, kas balstās uz labāko rezultātu, ko var iegūt strādājot pēc uzņēmumā esošās tehnoloģijas.

Dabas resursu un piesārņojuma nodokļus un soda naudas nosaka likums *Par dabas resursu nodokli*. Nodokļi balstīti uz dabas resursu izlietojumu (piemēram, pazemes ūdeņu vai virszemes ūdeņu) kā arī gaisa un ūdens piesārņojumu atkarībā no izmantotā vai novadītā apjoma. Tabulā 1.2 parādīti attiecīgie dabas resursu izmantošanas nodokļi uz 1993. gada jūniju. Tabulā 1.3 uzrādīti nodokļi par piesārņojumu. Jāpiezīmē, ka dabas resursu izmantošanas un piesārņošanas maksas var mainīties. Piemēram, tabulā 1.2 un 1.3 dotie tarifi piedzīvoja desmitkārtīgu pieaugumu 1993. gada 1. janvārī.

Ja atļautajā dotie limiti tiek pārkāpti, uzņēmums reģionālās VAK fondā iemaksā soda nauda trīskārtīgā apmērā, tā tiek atvilktā no pēcnodokļu peļņas. Septiņdesmit procenti no soda naudas paliek reģionālajai VAK, bet trīsdesmit procenti aiziet centrālajai VAK. 1991. gadā fondā tika iekasēti aptuveni 6 miljoni padomju rubļu.

Pašlaik Latvijā netiek prasīts, lai uzņēmumi veiktu neatkarīgus emisijas mērījumus un analīzi. Šo darbu dara VAK un tai pakļautās organizācijas, kā arī hidroģeoloģijas un meteoroloģijas aģentūra. Tomēr dažas reģionālās VAK prasa, lai uzņēmumi veiktu notekūdeņu monitoringu un par rezultātiem ziņotu reģionālajam VAK. Latvijā nepastāv vienotas formas mērījumu un analīžu protokoli, kas būtu obligāti visiem. Tā vietā VAK laiku pa laikam salīdzina savus laboratorijas datus ar uzņēmumā veikto analīžu rezultātiem, un ja pastāv vērā ņemamas atšķirības, VAK mēģina noskaidrot to cēloņus. Loti bieži problēma slēpjas analīzes procedūrā, un jāatzīmā, ka smagās ekonomiskās situācijas dēļ, ir grūti iegādāties visus nepieciešamos reaģentus, tādēļ samazinās paļāvība uz laboratorijas darba rezultātiem.

Piena pārstrādes uzņēmumi, kas savus notekūdeņus novada municipālajās attīrīšanas iekārtās (piemēram, pilsētas iekārtās), prasību ziņā pakļaujas municipālo ietaišu personālam, nevis VAK darbiniekiem. Šādos gadījumos pilsētas pārstāvji izsniedz uzņēmumam atļauju, kurā norādīts notekūdeņu apjoms kā arī notekūdeņu raksturs un koncentrācija. Paraugu ņemšanu izdara VAK un/vai pilsētas pārstāvji, no uzņēmuma var tikt pieprasīts pašam veikt uzraudzību. Vides aizsardzības likumos nav paredzētas īpašas prasības pret uzņēmumiem, kuri notekūdeņus izvada pilsētas attīrīšanas ietaisēs. Tā vietā pilsētas pārstāvji izstrādā limitus, pamatojoties uz notekūdeņu daudzumu un piesārņojumu, ko attiecīgās attīrīšanas ietaises spēj pārstrādāt iekļaujoties tām izsniegtajos limitos.

Tabula 1.2 Dabas resursu izmantošanas nodokļi

NODOKĻI PAR ŪDENS IZMANTOŠANU		
Nr	ŪDENS TIPS	NODOKĻIS (LVR/m ³)
1	Pazemes ūdens	1.0
2	Virszemes ūdens	0.2
3	Medicīniskais minerālūdens	5.0
4	Galda minerālūdens	20.0
NODOKĻI PAR DABAS RESURSU IZMANTOŠANU		
Nr	RESURSU TIPS	NODOKĻIS (LVR/m ³)
1	Augsne	1.0
2	Smilts	2.5
3	Smilts un grants maisījums	8.0
4	Grants	6.0
5	Māls	3.0
6	Dolomīts	8.0
7	Kāļakmens	15.0
8	Ģipsis	20.0
9	Kūdra	3.0
10	Sapropelis	2.5
11	Medicīniskās dūņas	36.0

1112

Tabula 1.3 Piesārņojuma nodokļi

NODOKĻI PAR PIESĀRŅOJUMU NORMATĪVU ROBEŽĀS UN ATKRITUMU IZGĀŠANU		
Nr	ATKRITUMU KLASIFIKĀCIJA	NODOKĻIS (LVR/m ³)
1	Netoksiskie atkritumi	30
2	Toksiskie atkritumi	100
3	Ļoti toksiski atkritumi	3 000
NODOKĻI PAR GAISA PIESĀRŅOJUMU		
Nr	PIESĀRŅOJUMA KLASIFIKĀCIJA*	NODOKĻIS (LVR/m ³)
1	Netoksiskā emisija	200
2	Vidēji bīstama emisija	300
3	Bīstama emisija	650
4	Ļoti bīstama emisija	650 000
NODOKĻI PAR ŪDENS PIESĀRŅOJUMU		
Nr	PIESĀRŅOJUMA KLASIFIKĀCIJA*	NODOKĻIS (LVR/m ³)
1	Netoksiskās vielas	200
2	Vidēji bīstamas vielas	2 000
3	Bīstamas vielas	500 000
4	Ļoti bīstamas vielas	3 000 000

* Piesārņojošo vielu dalījums bīstamības pakāpēs pēc Latvijas Republikas Vides aizsardzības komitejas klasifikācijas.

PIESĀRŅOJUMA DALĪJUMS PĒC BĪSTAMĪBAS (Gaisa un ūdens piesārņojums)

- | | | |
|----|-----------------|--|
| 1. | Netoksiskie | Putekļi, suspendētas vielas, sulfāti, sārmu metālu hlorīdi. |
| 2. | Vidēji bīstamie | Oglekļa oksīdi, fosfors, nitrīti, nitrāti, dzelzs savienojumi, viegli noārdāmās organiskās vielas (BSP), taukvielas, virsmaktīvās vielas (SVAV). |
| 3. | Bīstamie | Sēra un slāpekļa oksīdi, nafta un tās produkti, fenoli, spirti. |
| 4. | Ļoti bīstamie | Aromātiskie ogļūdeņraži, cianīdi un to atvasinājumi, smagie metāli, pesticīdi. |

1.5. Vides audits

Rūpniecības vides audits varētu palīdzēt darbā ar atjaunošanas programmām un darba prioritāšu noteikšanai. Viena no svarīgākajām visa uzņēmuma vides aizsardzības audita priekšrocībām ir iespēja noteikt spēcīgākos piesārņojuma avotus ražošanas procesā. Tas palīdzētu uzņēmumiem, nevis pievērsties vides kontrolei, kas var izrādīties dārga un neefektīva, bet vairāk domāt par piesārņojuma samazināšanu.

Izmainot darba procesu var dot arī citus labumus, piemēram, darba izmaksu samazināšanu un uzņēmuma efektivitātes palielināšanu. Turklāt, ir svarīgi vides situācijas auditu padarīt par paša uzņēmuma vadības pasākumu, kas ir tikpat svarīgs kā ražošanas procesa dinamiskošana visos ražošanas posmos sakarā ar procesa un produkta izmaiņām, tehnoloģijas izmaiņām, //utility pricing// un tirgus izmaiņām. Piena pārstrādes uzņēmumos prioritāte jāpiešķir virszemes ūdeņu aizsardzībai. Kādreizējā PSRS ražoto rezerves daļu trūkums un Rietumos ražoto iekārtu dārdzība rada problēmas rūpniecisko notekūdeņu attīrīšanā kā uzņēmumu, tā arī municipālajā līmenī.

1.6 Secinājumi

Lielākajam vairumam piena pārstrādes uzņēmumu vides aizsardzības problēmu ir iespējami tehniski risinājumi. Kontroles jomā galvenā uzmanība būtu jāpievērš modernu piesārņojuma kontroles, atkritumu utilizācijas un vides monitoring iekārtu pielietojuma paplašināšanai. Vides aizsardzības mērķu sasniegšanai varētu būt vajadzīgi ievērojami ieguldījumi, tomēr jāpievērš uzmanība, lai ieguldījumi vides stāvokļa kontroles uzlabošanā tiktu izdarīti tajos uzņēmumos, kas tuvākajā laikā varētu saglabāt rentabilitāti un nebūtu drīzumā jāslēdz. Investīcijām ir jādod atdeve, un tām ir jāklūst par vienīgo alternatīvu piesārņojuma samazināšanas mērķu sasniegšanā.

2.0 Bauskas piena kombināts

Bauskas piens (Bauskas piena kombināts) ir izveidots kā sabiedrība ar ierobežotu atbildību un tika dibināts, lai aizstātu agrāko piensaimnieku biedrību. Kombināts sastāv no trim rūpnīcām, no kurām viena atrodas Bauskā, otra- Stelpē un trešā- Iecavā. Ziņojumā galvenā uzmanība pievērsta Bauskas rūpnīcai, tomēr dots pārskats par vides aizsardzības jautājumiem arī abās pārējās rūpnīcās.

2.1 Ievads

Bauskas rūpnīca strādā vienā maiņā un dienā pieņem aptuveni 80 t piena. Uzņēmums ražo sviestu, skābo krējumu, sieru, biezpienu un citus pilnpiena produktus (piemēram, kefīru). Rūpnīca nule kā sākusi ražot jogurtu, bet pēc divām nedēļām sāks izlaist saldējumu. Tomēr šie divi produkti tiek ražoti visai mazā apjomā.

Uzņēmums dienā saražo ap 10 t dažādu piena produktu. Uzņēmums 1991. gadā pārstrādājis kopumā 40 283 t piena, 1992. gadā- 30 985 t, bet šogad paredzamas aptuveni 25 000 t vai pat mazāk. Pilnpiena produkcijas ražošana pēdējo 4-5 gadu laikā ievērojami samazinājusies- no 10 t dienā līdz nepilnām 2 t šobrīd. Kefīra ražošana samazinājusies no 4 t līdz nepilnai pustonnai dienā pašlaik. Krējuma ražošana samazinājusies no 5 t līdz aptuveni 1 t dienā. Bauska ik dienu uz Stelpi nosūta 4-6 t krējuma sviesta ražošanai. Uzņēmuma ražošanas sektorā nodarbināti aptuveni 60 cilvēki.

Suliņas tiek pārdotas zemniekiem, bet neliels to daudzums, noieta trūkuma gadījumā tiek laists attīrīšanas ietaisēs. Bez tam, suliņu pārprodukcijas gadījumā uzņēmums reizēm tās izmanto zemes mēslošanai.

Uzņēmumam ir vides aizsardzības darba koordinatore, kas uzrauga ūdens attīrīšanu un un kārtu visus citus vides aizsardzības jautājumus. Šis darbinieks atbilda arī par vides aizsardzības jautājumiem Stelpē un Iecavā, lai arī tur viņa atbildības loks ir šaurāks.

2.2 Ūdens izmantošana

Bauskas uzņēmums reizi kvartālā pilsētai maksā par dzeramo ūdeni un tikpat bieži rajonam par notekūdeņu novadīšanu. 1993. gada pirmajā kvartālā Bauskas uzņēmums samaksāja 57 317 rubļus par ūdeni un 6 884 rubļus par notekūdeņiem. Maksa par notekūdeņiem ir ļoti zema. Reizumis tā varētu būt pat četras reizes lielāka. Vidēji dienā uzņēmums izmanto ap 350 m³ ūdens.

2.3 Notekūdeņu attīrīšana

kurās vienā attīrīšanas dīķī ierīkotas barjeras, kas veido oksidācijas kanālu. Attīrīšanas ietaisēs tika uzbūvētas 1985. gadā. Ietaiši hidrauliskā jauda ir 600-700 m³

notekūdeņu dienā (vides aizsardzības koordinatore nezināja ietaišu organisko vielu pārstrādes jaudu). Šķiet, ka diķis spēj uzņemt ap 4 000 m³ notekūdeņu (6-7 dienām). Oksidācijas kanālā izmanto 8 ūdens virsmas aeratorus notekūdeņu piesātināšanai ar skābekli un cirkulācijas veicināšanai. Aeratoru un maisītāju darbība ap trijiem no rīta tiek uz stundu pārtraukta, lai diķi nostādinātu. Ap četriem no rīta notekūdeņi pa grāvi un cauruļvadiem 3-4 km garumā tiek izlaisti Lielupē.

Ik pa trim mēnešiem ziemā un ik mēnesi vasarā dūņas tiek iesūknētas cisternās un izlietas lauku mēslošanai.

Attīrīšanai ietaisēs nonāk piena pārstrādes notekūdeņi un kanalizācijas ūdeņi no tuvējā dzīvojamā sektora. Ik dienu sistēmā tiek izvadīti kopumā 500-700 m³ notekūdeņu. No šī daudzuma ap 60 % dod uzņēmums, bet 40 % nāk no dzīvojamā sektora.

Pie pašreizējā notekūdeņu daudzuma attīrīšanas ietaises var (nepārkāpjot notekūdeņu normatīvus) pārstrādāt notekūdeņus, kuru BSP ir 1000 mg/l.

Nesen Bauska sākusi attīrīšanas ietaišu paplašināšanu, ceļot otru, nedaudz lielāku attīrīšanas baseinu (attīrīšanas jauda ap 800 m³ dienā). Būve ir pārstrādes uzņēmuma plānotās paplašināšanas rezultāts. Bez tam, uzņēmuma attīrīšanas sistēmai paredzēts pievienot arī maizes ceptuvi un vēl vienu dzīvojamo ēku bloku. Ir pabeigta dzīvojamā kompleksa kolektorsistēmas būve, abām pusēm vienīgi atlicis parakstīt līgumu. Jaunā attīrīšanas sistēma ar piena pārstrādi nesaistīto notekūdeņu pievadīšanas dēļ ļaus uzlabot attīrīšanu, jo attīrāmie piena pārstrādes notekūdeņi tiks atšķaidīti ar kanalizācijas ūdeņiem, turklāt tiks paildzināta notekūdeņu atrašanās attīrīšanas sistēmā.

Jaunā attīrīšanas baseina celtniecība bija jāpabeidz šo vasaru, bet tā netiks pabeigta ātrāk kā nākamgad (vai līdz tam brīdim, kamēr tiks atrasti nepieciešamie resursi). Baseina būve ir pabeigta par aptuveni 75%, ir iegādāti un nolikti glabāšanā arī divi jauni aeratori. Vides aizsardzības koordinatore lēš, ka darba pabeigšanai būtu nepieciešami ap 2 000 000 rubļu. Lai arī izmaksu struktūra netika uzrādīta, šķiet, ka nosauktā summa ietver baseina būves pabeigšanu, vēl vairāku aeratoru iegādi un papildus nepieciešamo attīrīšanas iekārtu (piemēram, maisītāju, cauruļu, utt.) iegādi.

Pēc otra baseina pabeigšanas uzņēmums nedomā tos abus izmantot vienlaicīgi- vienu dienu tiks izmantots viens baseins, bet otru dienu- otrs, vai arī katrs no tiem tiks lietots divas dienas pēc kārtas (lai paildzinātu izturēšanas laiku). Sistēma tiks izveidota par elastīgu mehānismu, ko var piemērot dažādiem darba apstākļiem.

Sarunās vides aizsardzības darba koordinatore atzīmēja, ka attīrīšanas ietaisēm vislielākās problēmas rada biežpiena un siera sūkalas, kam ir ļoti augsts BSP un kas ir grūti attīrāmas. Runājot par iespēju uzņēmumā ražot kazeīnu, koordinatore atzīmēja, ka, pēc viņas domām, attīrīšanas ietaises nespētu, iekļaujoties limitos, pārstrādāt radušos notekūdeņus.

2.4 Lietus ūdeņi

Vairums uzņēmuma teritorijā uzkrāto lietus ūdeņu nonāk attīrīšanas stāvē, bet ļoti maz pārstrādes iekārtu, kas radītu piesārņojumu, atrodas zem klajām debesīm. Praktiski vienīgie lietus ūdeņi, kas nenonāk attīrīšanas ietaisēs, ir no iekārtu glabāšanas laukuma un autonovietnes, kas atrodas otrpus ceļam. Šo novietņu apskatē netika atklāti fakti, kas varētu radīt satraukumu.

2.5 Autotransporta mazgāšana un apkope

Uz vietas tiek turētas vairākas smagās mašīnas, visi bet remontdarbi notiek telpās, no kurienes izmantotās eļļas tiek aizgādātas prom utilizācijai. Vienīgais vērā ņemamais āra piesārņojuma avots ir piena mašīnu mazgāšana, kas notiek pēc piena nodošanas.

2.6 Pazemes ūdeņi

Bauskas uzņēmums izmanto pazemes ūdeni, kas tiek sūknēts no artēziskajām akām. Uzņēmumam atļauts dienā izlietot 663 m³ ūdens (242 000 m³ gadā). Uzņēmums neizteicās, ka tam pastāvētu kādas ar ūdens kvalitāti vai kvantitāti saistītas problēmas. Reģionālā VAK novērtējusi šo ūdeni par atbilstošu dzeramā ūdens prasībām.

2.7 Atbilstība likumdošanai

Reģionālā VAK izsniegusi uzņēmumam notekūdeņu novadišanas atļauju, kurā noteikts, ka BSP pieļūjamā robeža ir 12 mg/l, kopējais suspendēto vielu daudzums ir 15 mg/l, ŪSP ir 90 mg/l, nitrātu- 25 mg/l, nitrītu- 0,15 mg/l, amonjaka- 8 mg/l, hlorīdu- 300 mg/l, sulfātu- 500 mg/l, sintētisko virsmas aktīvo vielu (SVAV)- 0.5 mg/l, naftas produktu- 0.5 mg/l, tauku- 5 mg/l un fosfātu- 2.5 mg/l.

Ziemas mēnešos uzņēmums var panākt BSP 8 mg/l, jo tad ūdens ir vēsāks un tiek pārstrādāts mazāks piena apjoms. Vasarā BSP mēdz sasniegt 40 mg/l.

Bauskas reģionālās VAK pārstāvis aptuveni divas reizes mēnesī apmeklē Bauskas kombinātu un ņem paraugus, kas tiek parbaudīti VAK laboratorijā Jelgavā. Inspektors izteicās, ka tuvējo namu iedzīvotāji, ilgāku laiku pieturoties karstam laikam, reizēm sūdzas par smaku, kas nāk no uzņēmuma. Tas gan piena pārstrādes uzņēmumā ir pilnīgi dabiski.

1993. gada pirmajā ceturksnī Bauska par tīro ūdeni samaksājusi 9 126 rubļus, par notekūdeņiem- 1 230 rubļus, bet par gaisa piesārņošanu- 3 985 rubļus. Citos kvartālos nodokļi var būt četras reizes augstāki, jo šī gada pirmajos trijos mēnešos ražošanā bija vērojams kritums.

Bauskas VAK inspektors atzīmēja, ka Bauskas kombināts ir labs paraugs citiem uzņēmumiem, no tā varētu mācīties, kā jāattiecas pret vides aizsardzības problēmām. Tikpat labi arī to, kā laikus jānomaksā parādi. Piena pārstrādes uzņēmuma attieksme (piemēram tas, ka te uz pilnu slodz strādā vides jautājumu koordinatore) ir skaidrs apliecinājums nopietnai attieksmei pret šiem jautājumiem. Sarunas ar vides aizsardzības koordinatori atstāja iespaidu un pārliecību, ka, nodrošinot atbilstošus resursus, attīrīšanas ietaises spēj pārstrādāt uzņēmuma radītos notekūdeņus.

2.8 Kopsavilkums

Uzņēmuma direktors uzskata, ka kazeīna, jogurta un sausā piena ražošanas atrisinātu kombināta ekonomiskās problēmas, kaut gan uzņēmuma jaudas pašlaik neatļauj šo produkciju ražot lielos apjomos.

Vides aizsardzības koordinatore uzskata, ka labākais sūkalu problēmas atrisinājums būtu to žāvēšana un izmantošana lopbarībai. Runājot par iespēju pārstrādāt 100 t vājpiena kazeīnā, vides aizsardzības koordinatore atzīmēja, ka tas radītu smagas problēmas attīrīšanas ietaisēm. Turklāt, viņa uzskata, nākotnē vides aizsardzības noteikumi kūs stingrāki, tā ka būs vēl grūtāk tos izpildīt.

3.0 Iecava

Iecavas uzņēmums dienā saražo ap divām tonnām mīkstā ķimeņu siera, kaut gan mēnesī saražotais apjoms ir tikai aptuveni 20 tonnas. Uzņēmums tiek darbināts vienu maiņu. Iecavas uzņēmums kļūst aizvien nerentablāks, un tādēļ, kā atzīmēja Bauskas kombināta direktors, tas drīzumā varētu tikt slēgts.

Iecava dienā pārstrādā ap 20 tonnām piena (salīdzinot ar 80 tonnām dienā pagājušo vasaru). Uzņēmuma jauda ir vairāk nekā 100 t piena maiņā. Uzņēmums 1991. gadā pārstrādāja 15 919 t piena, 1992. gadā- 8 964 t piena, bet šogad apjoms varētu kristies līdz 6 000 t vai pat mazāk. Ik dienu Iecavas uzņēmums uz Stelpi sviesta ražošanai nosūta aptuveni 1,5 tonnas krējuma.

Iecavas ražošanas apjomi ziemā un vasarā atšķiras aptuveni četras reizes, vasara ir visražīgākā. Attiecīgi mainās arī ūdens patēriņš (tā izmaiņas gan ir ievērojami mazākas- vasaras patēriņš ir aptuveni divas reizes lielāks nekā ziemas).

Līdz šī gada maijam separācijas procesā iegūto vājpienu sūtīja pārstrādāt uz Lietuvu. Maijā Lietuva atteicās vājpienu pieņemt. Tagad daļu vājpiena sūta uz citu Latvijas piena pārstrādes uzņēmumu Preiļos, tomēr šis nešķiet esam galīgs problēmas atrisinājums. Visticamāk, ka Iecava, lai patērētu šo vājpiena daudzumu, sāks ražot biezpienu (2-10 t dienā).

Uzņēmumam ir problēmas arī ar sūkalu realizāciju. Uzņēmums mēģināja sūkalas par zemu cenu pārdot zemniekiem, bet pēdējie atteicās tās pirkt. Uzņēmums gandrīz bija spiests sūkalas nopludināt tuvējā upē, bet soda naudas būtu izrādījušās pietiekami lielas, lai uzņēmumam būtu izdevīgāk sūkalas atdot zemniekiem par brīvu. Tagad

zemnieki izrāda lielu interesi par sūkalām, patiesībā pieprasījums ir lielāks par piedāvājumu.

Uzņēmuma apskatē mēs pārlicinājāmies, ka ražotne ir ļoti novecojusi (kā pati ēka, tā arī iekārtas), arī ūdens patēriņš ir ļoti liels. Ražotnē nav mazgāšanas iekārtu, tas padara iekārtu mazgāšanu grūtu un neefektīvu. Mazgāšanai un dezinficēšanai tiek lietoti tādi līdzekļi kā NaOH, HCl un Na₂CO₃.

1993. gada pirmajā ceturksnī uzņēmums par ūdeni samaksāja 5 656 rubļus. Šis ir vēl viens rādītājs, kas apliecina ražošanas kritumu. Ražīgākos ceturkšņos šī maksa mēdz būt četras reizes augstāka.

Šī gada janvārī ražotne izlietoja 2 030 m³ ūdens, februārī- 1 720 m³, bet martā- 1 905 m³, kopumā kvartālā- 5 655 m³. Pagājušogad šajā pašā laikā uzņēmums izlietoja 13 967 m³ ūdens, bet visā gadā kopumā- 50 000 m³. Uzņēmumam atļauts izlietot līdz 59 000 m³ ūdens. Pagājušajā gadā uzņēmums par ūdeni samaksāja 142 788 rubļus. Šogad šī maksa varētu būt trīs līdz piecas reizes augstāka.

Uzņēmums nenodarbojas ar savu notekūdeņu attīrīšanu. Acīm redzot, vairāki Iecavas uzņēmumi novada savus ūdeņus uz ietaisēm, kas atrodas tiešā pienotavas tuvumā. Ražošanas vadītāja norādīja, ka attīrīšanas ietaises atrodas otrpus ceļam, tomēr šīs ēkas apskate neliecināja par attīrīšanas ietaišu esamību. Saskaņā ar Bauskas uzņēmuma vides aizsardzības koordinatore teikto, Iecavas ciematā ir bioloģiskās attīrīšanas ietaises, kas ir ļoti sliktā stāvoklī un tiek rekonstruētas.

Pienotavā gandrīz nemaz netiek kontrolēti nedz notekūdeņi, nedz ūdens patēriņš, apmeklējuma laikā kā vieni tā otri bija redzami lielā daudzumā.

Visi ražotnes lietus ūdeņi nonāk vietējā attīrīšanas sistēmā. Uzņēmuma tuvumā nav uzglabāšanas cisternu, kas varētu radīt piesārņojumu. Kā pastāstīja ražošanas vadītāja, piena pieņemšanā zemē notecējušais piens nonāk kanalizācijas sistēmā.

Piena mašīnas pēc piena nodošanas tiek mazgātas kā no iekšpuses, tā arī no ārpuses ar ūdeni, kaustisko sodu un tvaiku. Šis ūdens tiešā ceļā nonāk attīrīšanas ietaisēs. Uzņēmumam ir četras piena mašīnas, kurās, pēc ražošanas vadītājas vārdiem, eļļa netiek mainīta, bet tikai papildināta.

Iecavas ražotne izmanto pazemes ūdeni. Ūdens tiek sūknēts no artēziskās akas un uzglabāts tvertnē uz pienotavas jumta. Reizi gadā šī tvertne tiek hlorēta, lai iznīcinātu baktērijas. Agrāk, strādājot ar pilnu jaudu, uzņēmums saskārās ar ūdens trūkumu.

Iecavas ražotne ir nosēgusi līgumu ar vietējām varas iestādēm par notekūdeņu novadīšanu un attīrīšanu, līgumā noteikti ūdens ņemšanas un piesārņojuma limiti. Šo informāciju mums sniedza Bauskas vides aizsardzības koordinatore.

Iecavas uzņēmuma ražošanas vadītāja nevarēja daudz pastāstīt par uzņēmuma darbību. Tādēļ bija grūti iegūt vajadzīgo informāciju gan par ražošanu, gan vides aizsardzību.

Kā pastāstīja Bauskas kombināta vides aizsardzības darba koordinatore, reizi mēnesī reģionālās VAK pārstāvis ierodas ievākt Iecavas notekūdeņu paraugus. Ražošanas vadītāja nebija informēta par šo pārbauci rezultātiem, bet bija pilnīgi pārliecināta, ka par notekūdeņu limitiem ir jāatbild nevis pienotavai, bet gan Iecavas ciematam.

Saskaņā ar VAK inspektora sniegtajām ziņām, Iecavas pienotavai reizēm mēdz būt nesaskaņas ar dzīvojamo sektoru vides aizsardzības jautājumos, šo nesaskaņu iemesls tuvāk netika paskaidrots. Ņemot vērā to, ka pienotavai nav savu attīrīšanas ietaišu, nesaprašanās, visticamāk, varētu rasties nepatīkamās smakas dēļ, vai arī tāpēc, ka notekūdeņi varēja tikt novadīti tuvējā upītē.

Apmeklējuma laikā radās iespaids, ka uzņēmumā, salīdzinot ar saražotās produkcijas daudzumu, tiek izlietots ļoti daudz ūdens. Ūdens tecēja arī no šļūtenēm, kas tobrīd netika lietotas. Vairākas tvertnes, kurās tika liets ūdens, tecēja pāri, bet neizskatījās, ka kāds steigtos šīs kļūmes labot. Apskates laikā no kāda piena separatora pilēja vājpiens, kas tika novadīts kanalizācijā. Ražošanas vadītāja norādīja, ka separators laiž garām vājpienu un ka tas būtu remontējams. Trīs citi piena separatori netika darbināti, un tādēļ atlika domāt, ka vājpiens tiek tišuprāt laists kanalizācijas sistēmā.

4.0 Stelpes pienotava

Stelpes pienotava ražo vienu produktu- sviestu. Pastāv uzskats, ka uzņēmumā ražotais sviests ir labākais visā valstī. Stelpe dienā saražo aptuveni 6-7 t sviesta (pirms vairākiem gadiem, labākos saimnieciskajos apstākļos Stelpe dienā saražoja ap 20 t sviesta). Sviests tiek ražots pēc t. s. *vecās tehnoloģijas*, proti, saldā krējuma vietā tiek izmantots skābais krējums. Sviesta patēriņš ir tik ievērojami krities, ka šobrīd ražotais sviests tiek pakots ilgstošai uzglabāšanai.

Pašlaik Stelpe sviesta ražošanai ik dienu no Bauskas saņem aptuveni 6 t krējuma, bet no Iecavas- ap divām tonnām. Bez tam, Stelpe ik dienu pieņem apmēram 40 t piena. 1991. gadā uzņēmums pārstrādāja 22 901 t piena, 1992. gadā- 17 025 t piena, bet 1993. gadā paredzams, ka pārstrādātā piena apjoms būs aptuveni 15 000 tonnas. Uzņēmums strādā vienā maiņā.

Separācijas procesā iegūtais vājpiens tiek atdots zemniekiem izēdināšanai lopiem. Agrāk vājpiens tika sūtīts uz sausā vājpiena rūpnīcu, bet tagad tā atteikusies pieņemt Stelpes vājpienu.

1993. gada pirmajā ceturksnī Stelpe par ūdens izmantošanu samaksājusi 9 126 rubļus, bet par notekūdeņiem- 1 230 rubļus. Šie skaitļi tiek uzskatīti par ļoti labu rezultātu šim uzņēmumam. Vasaras mēnešos šī maksa var pieaugt pat četras reizes. Pienotava dienā izlieto vidēji 100 m³ ūdens.

Uzņēmumam ir divi 1965. gadā celti oksidācijas kanāli notekūdeņu attīrīšanai. Attīrītais ūdens tiek nopludināts periodiski. Kanāliem nepieciešams tūlītējs remonts un atjaunošana. Kanālu sienās izveidojušās lielas plaisas un caurumi, pa kuriem,

iespējams, kanālā ieplūst gruntsūdeņi. Attīrīšanas ietaisēs ir arī divi viens aiz otra ierīkoti stabilizācijas dīķi, kam seko grāvis, kurā turpinās ūdens aerācija. Stabilizācijas dīķi ir aizauguši un, šķiet, darbojas kā purva tipa attīrīšanas ietaises.

Attīrīšanas sistēma dienā apstrādā 100-150 m³ notekūdeņu no pienotavas un dzīvojamā sektora. Vairums notekūdeņu nāk no pienotavas. Ietaišu jauda ir 300 m³ notekūdeņu abos kanālos.

Reizi gadā dūņas no oksidācijas kanāliem iztīra. Tās lieto kā mēslojumu piemājas dārziņos. Cieto frakciju saturs dūņās ir pārāk mazs, lai tās varētu izmantot lauku mēslošanai (t.i., tajās ir pārāk daudz ūdens).

Agrāk lietus ūdeņi no uzņēmuma teritorijas tika novadīti uz oksidācijas kanālu. Pēc tam nācās sistēmu pārbūvēt, lai lietus ūdeņi novadītu tieši uz stabilizācijas dīķiem, jo pretējā gadījumā radās problēmas attīrīšanas iekārtas izmantojot lietainā laikā. Acīmredzot, lietus ūdens no piena pieņemšanas daļas joprojām tiek novadīts uz oksidācijas kanāliem.

Piena mašīnu mazgāšana notiek pieņemšanas laukumā, no kurienes mazgāšanas ūdens tiek novadīts uz oksidācijas kanāliem.

Rūpnieciskām vajadzībām pienotava izmanto pazemes ūdeņus. Ap simt metrus dziļā artēziskā aka, no kuras ņem ūdeni patlaban, drīz būs izsmelta. Šīs akas ūdenim ir augsts delzs saturs, tādēļ pienotavai, pirms ūdeni lieto apkures sistēmā, tas jāfiltrē. Nākotnē paredzēts izmantot 180 m dziļu artēzisko aku.

Kā paskaidroja reģionālās VAK inspektors, Stelpe ļoti labi iekļaujas tai atvēlētajos limitos. Pienotavai noteikti suspendēto vielu daudzuma, BSP, ŅSP, nitrātu, nitrītu, amonjaka, hlorīdu, sulfātu, SVAV, naftas produktu, tauku un fosfātu limiti. Liela daļa limitu atbilst Bauskas uzņēmumam noteiktajiem. Kaut gan pēdējā informācija par Stelpes uzņēmumu netika izanalizēta, Bauskas kombināta vides aizsardzības koordinatore, Stelpes pienotavas ražošanas vadītāja un reģionālās VAK inspektors uzsvēra Stelpes uzņēmuma priekšzīmīgos rezultātus piesārņojuma pieļaujamās koncentrācijas ievērošanas ziņā.

1993. gada pirmajā ceturksnī Stelpes pienotava par gaisa piesārņojumu samaksājusi 3 985 rubļus. Summā iekļauta maksa par amonjaka dzesēšanas sistēmu, boileru un krāšņu radīto piesārņojumu.

5.0 Kopsavilkums par Bauskas pienu

Divos no trijiem Bauskas piena uzņēmumiem produkcijas ražošanai tiek izlietots vairāk ūdens nekā piena pārstrādei nepieciešams. Bauskas uzņēmumā šobrīd uz katru pārstrādātā piena litru izlieto 4-5 l ūdens, Iecavā izlieto 7-8 l ūdens uz litru piena, bet Stelpē izlieto 1.5-2 l ūdens uz litru pārstrādātā piena (par apmierinošu būtu uzskatāmi 2-3 l ūdens uz vienu litru piena, bet litrs ūdens uz litru piena būtu uzskatāmas par ļoti labu rezultātu).

Stelpes apmeklējuma laikā redzējām, ka pienotavā ir laba sviesta ražošanas iekārta. Turklāt bija redzams, ka uzņēmumā iekārtu mazgāšanai netika izlietots pārlietu liels ūdens daudzums (t. i., grīdas bija sausas, bet mazgāšana notika tiešā operatora uzraudzībā). Kā Bauskas tā arī Iecavas uzņēmumā šai problēmai ir divas puses. Pirmkārt, abās ražotnēs mazgāšanai tiek lietots pārlietu daudz ūdens, un, otrkārt, sevišķi labi netiek veikta arī telpu apsaimniekošana, jo liels daudzums piena pārstrādes produktu nonāk kanalizācijā. Vēl asāk šī problēma izpaužas Iecavā. Ražošanas vajadzībām patērējamā ūdens daudzuma samazināšana atļautu paildzināt tā izturēšanas laiku un tādējādi tiktu uzlabota attīrīšanas kvalitāte (kā vietējās attīrīšanas ietaisēs, tā arī pilsētas sistēmā).

Bez tam visās trijās ražotnēs būtu jāpievērš uzmanība attīrīšanas ietaisēs vai pilsētās kanalizācijā nonākošā piena un tā blakusproduktu daudzuma samazināšanai. Vislabākā pieeja būtu ražošanas ēku vides aizsardzības revīzija, kurā īpaša uzmanība tiktu pievērsta rūpnieciskajai ūdens izmantošanai un piena zudumiem. Visvairāk būtu jā rūpējas par sekojošiem jautājumiem:

- * apsaimniekošana (piemēram, izlijušā un nopilējušā piena vai tā produktu satīrīšana un sūču likvidēšana);
- * ūdens kontrole (piemēram, ūdens tecināšana tikai tajā laikā, kad tas tiek izmantots, izsmidzinātāju lietošana šļūteņu uzgaļos, ja nepieciešams lielāks spiediens, bet pietiek ar mazu ūdens daudzumu, tvertņu uzraudzīšana uzpildīšanas laikā, lai izvairītos no pārplūšanas);
- * noteces grāvīšu izveidošana ap tvertnēm, kuru saturu nevajadzētu izvadīt kanalizācijā;
- * fasējamo iekārtu uzraudzība un sistēmas apstādīšana, kļūmēm pārāk bieži atkārtojoties;
- * sūkļu problēma (izvairīšanās no sūkļu un pirmā skalojamā ūdens tiešas nopludināšanas kanalizācijā, kanalizācijā vajadzētu laist tikai otro un trešo skalojamo ūdeni);
- * nopilējumu satīrīšana (nopilējumu savākšana ar slotu un izmantošana lopbarībā, nevis noskalošana ar šļūteni);
- * darbinieku izpratne šajā jautājumā (izvairīšanās no tīšu zudumu radīšanas ar mērķi ietaupīt laiku un darbu).

Tikpat labi arī nelieli kapitālieguldījumi un nelielas izmaiņas darbā varētu jūtami samazināt ūdens patēriņu un piesārņojumu. Te būtu jāmin:

- * piena mašīnu un piena kannu pilnīgāka iztukšošana, lai samazinātu izskalojamā piena daudzumu;

- * noteku pārklāšana ar drāšu sietu, lai savāktu piena un piena blakusproduktu cietās frakcijas, kas varētu nonākt uz grīdas;
- * stāvokļu 'atvērts' un 'aizvērts' atzīmēšana uz krāniem, lai novērstu darbinieku nevēribu;
- * pēc mazgāšanas skalojamā ūdens izmantošana citu iekārtu mazgāšanā vai dezinficēšanā;
- * nopilējumu savācējvairogu izmantošana, lai izsargātos no liekiem produktu zudumiem.

Ja arī visi augstāk minētie pasākumi nav piemēroti, vai kāds no tiem jau ir veikts, tad tomēr uzņēmumu darbinieku pārliecināšana par šāda veida attieksmes nepieciešamību uzlabotu notekūdeņu kvalitāti un samazinātu to daudzumu. Turklāt, ir svarīgi, lai uzņēmuma vadītāji atbalstītu vides aizsardzības revīzijas veikšanu.

Kā jau tika pārrunāts uzņēmumu aprēķinājuma laikā, sūkļu un vājpiena nopludināšana arī turpmāk sagadās rūpes Bauskas un Iecavas uzņēmumā. Ja sūkalas tiek novadītas vietējā vai pilsētas attīrīšanas sistēmā, tad izlaistās sūkalas un pirmais mazgājamo ūdens jāsavāc vai jāpārdod lauksaimniekiem. Otro un trešo mazgājamo ūdeni var izlaist attīrīšanas sistēmā. Ja nav citas izejas, kā sūkalas novadīt attīrīšanā, tad jāizveido tām īpaša uzkrāšanas tvertne, no kurienes tās attīrīšanā ievada pakāpeniski.

Kopumā ņemot, Stelpe tiek galā ar saviem notekūdeņiem. Oksidācijas kanālu un stabilizācijas baseinu izmantošana šķiet esam piemērots risinājums notekūdeņu attīrīšanai līdz limitos noteiktajai pakāpei. BSP un suspendēto vielu kopīgais daudzums šajā attīrīšanas sistēmā nemēdz pārsniegt 100 mg/l, bet notekūdeņos šī koncentrācija ir mazāka par 20 mg/l. Stelpē lielāko satraukumu rada oksidācijas kanālu sliktais stāvoklis. Lai savestu sistēmu kārtībā, būtu nepieciešams šo kanālu remonts, kas izmaksātu vairākus miljonus rubļu. Lai arī virsmas aeratori ir veci, tie joprojām ir labā darba kārtībā.

Bauskas kombināts ne vienmēr iekļaujas notekūdeņu piesārņojuma koncentrācijas limitos, bet uzņēmums pieliek visus spēkus lai noteikumi netiktu pārkāpti, un pārkāpumi parasti nav smagi. Otra attīrīšanas baseina pabeigšana ļautu Bauskas uzņēmumam labāk ievērot noteiktos limitus. Bauskas uzņēmumam ir jāapzinās, ka, ja tajā sāks kazeīna ražošanu lielos apjomos, kā tas tiek plānots, būs jāatrod ilglaicīgs sūkļu problēmas atrisinājums. Uzņēmums nevarēs laist attīrīšanas sistēmā tik lielu sūkļu daudzumu un vienlaicīgi ievērot vides aizsardzības normas. Šķiet, ka zemnieki labprāt sūkalas izmantotu lopu barošanai, ja vien tās varētu saņemt par brīvu. Tuvākajam laika posmam tas šķiet esam vienīgais atrisinājums. Lai šai problēmai varētu rast ilglaicīgu atrisinājumu, būtu jādomā par sūkļu žāvēšanas tehnoloģiju, padarot tās par daudz vērtīgāku un vieglāk izmantojamu lopbarības produktu vai mēslojuma piedevu.

Iecavā vides aizsardzības situācija ir sliktāka nekā Stelpē vai Bauskā. Bija grūtības ar informācijas iegūvi par Iecavas uzņēmumu, tas norāda uz ražotnes vadības

neorientēšanos vides aizsardzības jautājumos. Nebija iespējams novērtēt Iecavas notekūdeņu atbilstību noteiktajiem limitiem, jo uzņēmuma darbinieki šo informāciju nevarēja sniegt. Bet ražotnes apskate lika domāt, ka uzņēmumā ražošanas vajadzībām tiek patērēts daudz ūdens, un arī piena un tā blakusproduktu zudumi ir ievērojami. Tādēļ, šķiet, pienotava uz vietējām attīrīšanas ietaisēm (kuru stāvoklis arī nav spīdošs) novada ūdeņus ar pārlietu lielu BSP. Iecavas pienotavas vadībai vispirmām kārtām būtu jādomā par ūdens izmantošanas un piena zudumu revīziju, lai noteiktu ražošanas procesa kļūmīgās vietas, kā arī pasākumus ūdens patēriņa un piena zudumu samazināšanai. Iecavas pienotavas nolietoto iekārtu dēļ šajos pasākumos varētu būt jāiegulda daudz darba un radošas izdomas. Te ļoti noderīga varētu izrādīties citu uzņēmumu darbinieku palīdzība un pašu pienotavas strādājošo iniciatīva.

2.1 Ievads

Priekules pienotava ražo sviestu (nepārtrauktais ražošanas process) un Krievijas sieru (60 dienu nogatavināšanas laiks). Pienotavā tiek izmēģināta vājpiena siera ražošana, lai varētu pārstrādāt visu lieko vājpiena daudzumu.

1992. gadā Priekule pieņēma 21 117,6 t piena un krējuma. 1992. gada jūnijā uzņēmums pieņēma 2 705,1 t piena un krējuma (lielākais gada rādītājs), bet decembrī tika pieņemtas tikai 817,9 t (zemākais gada rādītājs). Salīdzinot ar ieriekšējo gadu, šogad piena ražošana samazinājusies par aptuveni 30%, bet, salīdzinājumā ar ražošanas apjomu pirms vairākiem gadiem, kritums ir 60 %.

Šobrīd pienotava ik dienu pieņem 60-80 t piena un 15-20 t krējuma, bet ziemā šis apjoms varētu samazināties vēl uz pusi. Pienotava dienā saražo 7-8 t sviesta un 3 tonnas Krievijas siera. Šobrīd pienotavā ik dienu saražo arī vienu tonnu vājpiena siera, tomēr to gatavo tikai 1-2 mēnešus gadā.

Priekules pienotavas jauda ir 15 t sviesta un 3 t siera dienā. Šo jaudu var sasniegt strādājot divās maiņās.

Pienotavas ražošanas pajomi vasarā un ziemā ievērojami atšķiras. Vasaras mēnešos (no jūnija līdz augustam) ražošanas apjomi ir vidēji divas reizes lielāki nekā ziemā (no decembra līdz februārim). Arī ūdens izlietojums un notekūdeņu apjoms svārstās tādā pašā mērā.

Galvenās ražošanas operācijas ir šādas: piena un krējuma pieņemšana, piena separācija, krējuma pasterizācija 90-100^o C (ražošanas vadītājs nezina, cik ilgi krējums tiek pasterizēts) un sviesta un siera ražošana. Sviestu ražo krējumu sakuļot sviestā, bet sieru- vispirms iegūstot biezpienu, ko sasmalcina, silda un veido, sāla, saiņo un gatavina.

Paniņas un sūkalas (30 t dienā), kas ir sviesta un siera ražošanas blakus produkti, nosūta krējuma piegādātājiem, pienotavām un uz pilsētas izgāztuvi. Acīmredzot 80 % šo produktu šobrīd nosūta uz izgāztuvi. Uzņēmums cer ar laiku visu šo apjomu nosūtīt atpakaļ uz fermām. Pienotava dienā saražo ap 40 t vājpiena, kas līdz pavisam nesēnai pagātnei tika sūtīts uz Liepājas uzņēmumu vai reizēm uz sausā vājpiena rūpnīcu Aizputē, kā arī uz vietas tika pārstrādāts vājpiena sierā. Tagad uzņēmums liek piena piegādātājiem, ja tie vēlas nodot pienu, pieņemt pretī vājpienu (izbarošanai lopiem). Atbrīvošanās no vājpiena Priekules uzņēmumam ir liela problēma, un tāda tā būs arī nākotnē, jo Liepāja atsakās pieņemt Priekules vājpienu pārstrādei, bet Aizputes rūpnīca Priekules vājpienu pieņem reti.

Iekārtu mazgāšanai un dezinficēšanai tiek lietotas sešas ķīmiskās vielas. Tabulā 1.1 dots kopsavilkums par šo vielu lietojumu.

1135

Tabula 1.1 Ķīmisko vielu lietošana Priekules pienotavā

VIELA	MAKSIMĀLĀ DOZA	PIELIETOJUMS
Na OH	200 kg mēnesī	cauruļu mazgāšana
HNO ₃	300 kg mēnesī	cauruļu un siera formu mazgāšana
H ₂ SO ₄	50 kg mēnesī	laboratorijas analīzes
HCl	40 kg mēnesī	krāsnis, kompresori, utt.
Na ₂ CO ₃	200 kg mēnesī	grīdu un vannu mazgāšana
N ₃ PO ₄	300 kg mēnesī	sviesta kuļamo mašīnu mazgāšana

Vairums šo ķīmikāliju nonāk notekūdeņos un, līdz ar to, arī attīrīšanas sistēmā, bet nedz pašas vielas, nedz arī izlietotie daudzumi nenodara ļaunumu ne attīrīšanas ietaisēm, ne upei, kurā ieplūst attīrītais ūdens.

2.2 Ūdens izmantošana

1992. gadā uzņēmums izlietoja 128,5 tūkstošus m³ ūdens (aptuveni 411 m³ dienā, pieņemot, ka uzņēmums strādā 6 dienas nedēļā). Pienotavā ir ūdens skaitītājs, kas nosaka patēriņu. Pašā karstākajā darba laikā- jūnijā- pienotava dienā izlieto gandrīz 568 m³ ūdens, bet klusākajā mēnesī- janvārī- pienotava dienā izlieto tikai 314 m³ ūdens. Saskaņā ar reģionālās VAK atļauju, pienotava gadā dīkst izmantot līdz 150 tūkstošiem m³ (481 m³ dienā) ar maksimālo patēriņu 16,9 tūkstoši m³ augustā (636 m³ dienā). Kā pastāstīja pienotavas pārstāvji, šos aprēķinus izdarījusi reģionālā VAK, par pamatu ņemot vidējos datus par uzņēmumu, kas pārstrādā 60 t piena dienā. Katrus trīs gadus VAK pārskata ūdens izmantošanas normatīvus, pamatojoties uz pēdējo trīs gadu rezultātiem.

1993. gadā, salīdzinot ar iepriekšējo gadu, ūdens patēriņš samazinājies par 20-25 %, tas noticis ražošanas sašaurināšanās dēļ.

Ražošanas notekūdeņu piesārņojumu galvenokārt veido mazgāšanas un tīrīšanas līdzekļi. Visvairāk notekūdeņu rodas piena mašīnu mazgāšanā, piena separācijas nosēdumu noņemšanā, pārstrādes iekārtu un uzglabāšanas iekārtu tīrīšanā, no pasterizācijas ūdeņiem (t.i. palaišanā, izslēgšanā un mazgāšanā), sūkalu notecināšanā un mazgāšanā, no fasēšanas zudumiem, grīdu mazgāšanas un laboratorijas atkritumiem. Notekūdeņus nemēra, bet tiek pieņemts, ka notekūdeņos aiziet vismaz 90% no patērētā ūdens apjoma (galvenais ūdens zudumu iemesls ir iztvaikošana).

Viena kubikmetra ūdens izmantošana/notekūdeņu novadīšana pienotavai maksā vienu rubli. Šie maksājumi tiek kārtoti vienu reizi ceturksnī (1993. gada 1. ceturksnī maksa bija 19 000 rubļu).

2.3 Notekūdeņu attīrīšana

Priekules pienotava pēc ūdens bioloģiskās attīrīšanas to novada tieši upē. Attīrīšanas iekārtas ir astoņus gadus vecas un to pamatā ir divi oksidācijas kanālu tipa baseini (katrs 1100 m^3) ar diviem virsmas aeratoriem un vienu maisītāju katrā, aiz baseiniem izbūvēts stabilizācijas dīķis (2500 m^3). Katru otro dienu oksidācijas kanāli tiek mainīti. Šajā sistēmā nav nepieciešami pumpji, jo ūdens kustības nodrošināšanai pietiek ar virsmas aeratoriem. Ūdens cirkulācija šķita esam pietiekami laba, kaut gan nedaudzās vietās tomēr ūdens stāvēja. Šo projektu septiņdesmitajos gados izstrādāja kāda lietuvišu firma. Pie notekūdeņu padeves 400 m^3 dienā, ūdens sistēmā var uzturēties deviņas dienas (oksidācijas kanāls plus stabilizācijas dīķis). Vienu vai divas reizes gadā no iekārtām tiek iztīrītas dūņas.

Pienotavai ir jauna oksidācijas kanāla tipa attīrīšanas sistēma (2000 m^3 baseins), kurā ir divi sūkņi (ar jaudu 40 m^3 stundā) gaisa pumpēšanai un ūdens cirkulācijas nodrošināšanai. Diemžēl pienotava šo sistēmu nevar izmantot, jo sūkņi neatbilst šīs sistēmas prasībām un ūdens kanālā stāv, līdz ar to attīrīšana nav pietiekama. Problēmu varētu atrisināt ar virsmas aeratoru palīdzību, bet uzņēmumā nav skaidrības par šo iekārtu projektiem, tādēļ pienotavas pārstāvji, iespējams, dosies uz Bausku apskatīt turienes kombināta attīrīšanas sistēmas darbību. Virsmas aeratori (būtu vajadzīgi seši vai astoņi) pēc Rietumu standartiem maksā ap $5-10 \text{ 000 \$}$, bet Latvijā to cena varētu būt ap 100 000 rubļu (bet ne tik laba kvalitāte). Pienotavā mums paskaidroja, ka Latvijā ir tikai viena firma, kas piegādā notekūdeņu attīrīšanas ierīces, tādēļ pastāv problēmas ar šāda veida palīdzību. Palīdzību šīs sistēmas projektēšanā sniedza Liepājas kombināts.

Pienotavai ir līgums ar vietējo slimnīcu (140 vietām) par 30 000 m^3 notekūdeņu attīrīšanu gadā. Pienotava labprāt attīra šo ūdeni, jo tas atšķaida piesātināto pienotavas notekūdeni. Pienotava prasa $16,16$ rubļus par viena m^3 slimnīcas notekūdeņu attīrīšanu (tas ir aptuveni 485 000 rubļus gadā). Jāatzīmē, ka šogad, ekonomisko grūtību dēļ, pienotava no slimnīcas naudu pagaidām nav saņēmusi.

Pienotavai kā ziemā, tā vasarā ir problēmas ar attīrīšanas ietaisēm. karstās vasaras dienās tā nespēj ūdenim pievadīt tik daudz skābekļa, cik nepieciešams bioloģiskajai attīrīšanai. Ziemā, kad temperatūra noslīd zem mīnus desmit grādiem, virsmas aeratori aizsalst. Ledus kārtā, kas veidojas uz virsmas aeratoriem, traucē dzinēja darbību, tādēļ nav iespējama pietiekama ūdens aerācija.

Attīrīšanā ienākošā ūdens (ieskaitot slimnīcu) suspendēto vielu daudzums ir $250-350 \text{ mg/l}$, bet BSP sasniedz $250-500 \text{ mg/l}$. Stabilizācijas baseina notekūdeņos Suspendēto vielu daudzums ir $10-15 \text{ mg/l}$, bet BSP ir $8-15 \text{ mg/l}$. Šie skaitļi rāda, ka iekārtu iespējas suspendēto vielu attīrīšanā sasniedz $93-97 \%$, bet BSP attīrīšanā $93-98 \%$. Šie pienotavas galvenā inženiera dotie skaitļi raksturo attīrīšanas iekārtu iespējas normālos ražošanas apstākļos sausā laikā. Acīmredzot, "problēmas" rodas lietainā laikā. Ņemot vērā, ka pienotavā ir daudz cieto segumu teritoriju, no kurām ūdeņi tiek

novadīti uz attīrīšanas ierīcēm, redzams, ka pienotava lietainā laikā nespēj nodrošināt pietiekamu ūdens attīrīšanu un izturēšanu sistēmā.

Janvārī attīrīšanas iekārtas patērēja 12 780 kilovatus elektroenerģijas, bet maijā- 12 882 kilovatus.

Kā paskaidroja galvenais inženieris, salīdzinot ar citām Latvijas pienotavām, Priekules attīrīšanas ierīces ir visnotaļ labas.

2.4 Lietus ūdeņi

Visi lietus ūdeņi no pienotavas teritorijas (5,9 ha) nonāk vietējās attīrīšanas ietaisēs. Tas sagādā problēmas lietus laikā, jo attīrīšanas kanālam piepildoties ar ūdeni, tas jāizlaiž stabilizācijas baseinā pirms pilnīgas bioloģiskās attīrīšanās. Par laimi, ārā nenotiek gandrīz nekādas ražošanas operācijas, tādēļ lietus ūdens ir tīrs. Visvairāk piena atlieku lietus ūdenī nonāk no piena pieņemšanas vietas. Ārā novietotas divas vājpiena tvertnes, bet arī to galvenā daļa atrodas zem jumta, tādēļ pastāv ļoti maza iespēja, ka piena atliekas varētu nonākt kotaktā ar lietus ūdeni. Bet, tā kā visi pienotavas notekūdeņi, kā ražošanas tā arī lietus, nonāk attīrīšanā, uztraukumam par ražošanas iekārtu atrašanos zem klajas debess nav īpaša pamata.

2.5 Autotransporta mazgāšana un apkope

Pēc piena nodošanas piena mašīnas tiek mazgātas kā no iekšpuses, tā arī no ārpuses. Mazgāšanai izmanto ūdeni un tvaiku, ūdens tiek novadīts uz attīrīšanu.

Pienotavai ir aptuveni piecpadsmit mašīnas. Sīkie remontdarbi tiek izdarīti uz vietas. Izmantotās eļļas tiek sadedzinātas apkures krāsnīs. Padomju laikā pienotavai bija jāatdod atpakaļ vismaz puse no izmantotās eļļas, lai tās vietā dabūtu jaunu. Bet tagad eļļas reģenerācijas iespējas ir tādas, ka pienotavai nav citas izejas, kā pašai rūpēties par eļļas likvidāciju.

2.6 Cietie atkritumi

Attīrīšanas iekārtu dūņas tiek izmantotas lauku mēslošanai vai arī nogādātas izgāztuvē. Palielinot cieto daļiņu saturu (izmantojot žāvēšanas iekārtas), dūņas varētu kļūt par vērtīgu mēslojumu vietējās saimniecībās. Pašreizējā situācijā, lai lauku nomēslotu ar vajadzīgo barības vielu daudzumu, tas ir jāappludina.

Siera sālāmais šķīdums (22-23 % sāls) divas reizes gadā tiek nogādāts pilsētas atkritumu izgāztuvē (27,5 t katru reizi).

Siera atkritumi, kas nenonāk saskarē ar grīdu vai mazgāšanas un tīrīšanas līdzekļiem, tiek sūtīti uz kausētā siera ražošanas uzņēmumu. Dažādas piena cietās daļas no piena pieņemšanas un uz grīdas nonākušie atlikumi tiek savākti un tos kāda kompānija izmanto lopu barošanai.

2.7 Pazemes ūdeņi

Pienotavai nav bijušas problēmas ar pazemes ūdeņu kvalitāti vai kvantitāti. Ūdeni ņem no aptuveni 160 m dziļa urbuma. Galvenais inženieris uzskata, ka urbumā vēl ir pietiekami daudz ūdens, diemžēl sūkņa jauda ir tikai 400 m³ dienā. Tādēļ pienotava izsūknē ūdens daudzumu, kas ir tuvs maksimālajai iespējai.

2.8 Likumu un noteikumu ievērošana

Pienotava no Liepājas reģionālās VAK saņēmusi ūdens izmantošanas un notekūdeņu novadīšanas atļauju. Katru gadu pienotavai tiek izsniegta jauna atļauja, kaut gan limiti parasti saglabājas iepriekšējie (tie nav mainīti pēdējos sešus gadus).

Limiti (izteikti kā mirkļa maksimumi) ir sekojoši: suspendētās vielas 12 mg/l, BSP- 15 mg/l, ŅSP- 100 mg/l, amonjaks- 8 mg/l, nitrīti- 0,15 mg/l, nitrāti- 10 mg/l, nafta- 0,5 mg/l, SVAV- 0,5 mg/l, fosfāti- 4 mg/l, tauki- 5 mg/l. Vislielākās grūtības pienotavai rodas ar suspendēto vielu un BSP limitu ievērošanu.

Pienotavas novadītajos notekūdeņos ir vidēji 10-15 mg/l suspendēto vielu un 8-15 mg/l BSP. Pienotava pārkāpj arī citu piesārņojošo vielu limitus, bet tas gadās retāk. Kā noskaidrojās sarunā ar galveno inženieri, augstāk minētie skaitļi par suspendēto vielu un BSP koncentrāciju ir raksturīgi normālam un sausam laikam, bet tie ir augstāki lietainā laikā un intensīvas ražošanas apstākļos.

Augstāk minētie limiti pienotavai noteikti neatkarīgi no tā, cik notekūdeņu nāk no pašas pienotavas un cik novada pārējie objekti (t.i., slimnīca un dzīvojamie nami), tādējādi pienotavai ir izdevīgi pārstrādāt citu objektu notekūdeņus, kas atšķaida stipri koncentrētos piena pārstrādes ūdeņus un padara vieglāku limitu ievērošanu.

Liepājas reģionālā VAK reizi ceturksnī attīrīšanas ietaisēs noņem paraugus. Liepājas VAK uzskata, ka pienotava pilda noteikumus un tai nav iebildumu pret Priekules pienotavu. Pienotava analīzēs izdara ik pa divām nedēļām, bet pēc tam ik mēnesi Liepājas VAK iesniedz ziņojumu.

1992. gada maijā pienotavai nācās samaksāt sodu par ūdeņu novadīšanas pārkāpumu, tas bija 150 rubļu. Sodu maksāja pienotavas inženieris un pienotavas direktors, nevis pati pienotava. Pienotava regulāri pārkāpj limitus, bet tā kā tai ir ļoti labas attiecības ar reģionālo VAK, tai nav jāmaksā sodi.

Pienotavas pārstāvji atzīmēja, ka pienotava samazina pārkāpumu smagumu, vienkārši neziņojot par tiem pārbaužu rezultātiem, kas ļoti atšķiras no pieļaujamajām normām.

Pienotava maksā arī nelielu gaisa piesārņojuma nodokli par boileru, krāšņu un amonjaka saldētavu darbināšanu. Šis jautājums pienotavā gan netika apspriests, jo pienotavas nemēdz radīt īpašu gaisa piesārņojumu, bet nodokļi tiek aprēķināti atkarībā no izmantotā kurināmā daudzuma, nevis atkarībā no faktiskā piesārņojuma.

Gaisa piesārņojuma uzraudzība netiek veikta, par spīti tam, ka atļaujās limiti uzrādīti kā piesārņojuma emisija gramos sekundē.

2.9 Kopsavilkums

Priekules pienotava veic apzinātus pasākumus vides aizsardzības noteikumu labākai ievērošanai. Lai arī būtu jādomā par gaisa, ūdens, un cieta atkritumu problēmu, tomēr notekūdeņi ir pienotavas galvenais satraukuma objekts. Ražotnei ir bijušas grūtības ar iekļaušanos notekūdeņu novadīšanas limitos, tomēr pārkāpumi nešķiet pārlieku lieli, un var tikt pierakstīti esošo attīrīšanas iekārtu nepietiekamajai jaudai. Jauno attīrīšanas iekārtu celtniecība palīdzētu pienotavai ievērot novadīšanas limitus, vispirmām kārtām, paildzinot notekūdeņu atrašanos sistēmā. Būtu ieteicams notekūdeņus pirms izlaišanas stabilizācijas baseinā oksidācijas kanālos (kā vecajā, tā arī jaunajā, kad tas tika pabeigts) noturēt, cik ilgi vien iespējams (divas dienas vai ilgāk, ja tas ir iespējams). Šajā papildlaikā varētu notikt ūdens talāka aerācija un piena parstrādes atkritumu tālāka biodegradācija.

Priekules pienotava patērē vairāk ūdens nekā būtu nepieciešams piena pārstrādei. Šobrīd ražotnē uz katru pārstrādātā piena litru izmanto 5-6 l ūdens (2-3 l uz 1 l piena būtu pieņemami un 1 l ūdens uz litru piena būtu ļoti labi). Ūdens patēriņa samazināšana dotu iespēju notekūdeņus ilgāku laiku paturēt oksidācijas kanālā un tādējādi ievērojami uzlabot attīrīšanas kvalitāti.

Bez tam, pienotavai būtu jāmeklē ceļi, ka samazināt notekūdeņos nonākošā piena un piena blakusproduktu daudzumu. Vislabākais veids, kā to izdarīt, būtu ražotnes vides aizsardzības revīzijas veikšana. Revīzijas gaitā īpaša uzmanība būtu jāvelta ūdens izmantošanai un piena zudumiem. Viskritiskākā situācija izveidojusies sekojošās jomās:

- * apsaimniekošana (piemēram, izlijušā un nopilējušā piena vai tā produktu satīrīšana un sūču likvidēšana);
- * ūdens kontrole (piemēram, ūdens tecināšana tikai tajā laikā, kad to izmanto, izsmidzinātāju lietošana šļūteņu uzgaļos, ja nepieciešams lielāks spiediens, bet pietiek ar mazāku ūdens daudzumu, tvertņu uzraudzīšana uzpildīšanas laikā, izvairītos no pārplūšanas);
- * noteces grāvīšu izveidošana ap tvertnēm, kuru saturu nevajadzētu izvadīt kanalizācijā;
- * fasējamo iekārtu uzraudzība un sistēmas apstādīšana, kļūmēm pārāk bieži atkārtojoties;
- * sūkļu problēma (izvairīšanās no sūkļu un pirmā skalojamā ūdens tiešas nopludināšanas kanalizācijā, kanalizācijā vajadzētu laist tikai otro un trešo skalojamo ūdeni);

* nopilējumu satīrīšana (nopilējumu savākšana ar slotu un izmantošana lopbarībā, nevis noskalošana ar šļūteni);

* darbinieku izpratne šajā jautājumā (izvairīšanās no tišu zudumu radīšanas ar mērķi ietaupīt laiku un darbu).

Tikpat labi arī nelieli kapitālieguldījumi un nelielas izmaiņas darbā varētu jūtami samazināt ūdens patēriņu un piesārņojumu. Te būtu jāmin:

* piena mašīnu un piena kannu pilnīgāka iztukšošana, lai samazinātu izskalojamā piena daudzumu;

* noteku pārklāšana ar drāšu sietu, lai savāktu piena un piena blakusproduktu cietās frakcijas, kas varētu nonākt uz grīdas;

* stāvokļu 'atvērts' un 'aizvērts' atzīmēšana uz krāniem, lai novērstu darbinieku nevērību;

* pēc mazgāšanas skalojamā ūdens izmantošana citu iekārtu mazgāšanā vai dezinficēšanā;

* nopilējumu savācējvairogu izmantošana, lai izsargātos no liekiem produktu zudumiem.

Ja arī visi augstāk minētie pasākumi nav piemēroti, vai kāds no tiem jau ir veikts, tad tomēr uzņēmuma darbinieku pārliecināšana par šāda veida darba nepieciešamību uzlabotu notekūdeņu kvalitāti un samazinātu to daudzumu. Turklāt ir svarīgi, lai uzņēmuma vadītāji atbalstītu vides aizsardzības revīzijas veikšanu.

Kā jau tika pārrunāts uzņēmuma apmeklējuma laikā, sūkalu un vājpiena nopludināšana arī turpmāk sagadās rūpes Priekules uzņēmumam. Ja no sūkalām ir jāatbrīvojas, tad izlaistītās sūkalas un pirmais mazgājamais ūdens jāsavāc izmešanai vai jāpārdod lauksaimniekiem. Otro un trešo mazgājamo ūdeni var izlaist attīrīšanas sistēmā.

2.0 Tukuma piena kombināts

Uzņēmumā *Tukuma piens* (Tukuma piena kombinātā) ietilpst trīs ražotnes, no tām viena atrodas Tukumā, otra- Jaunpilī, bet trešā- Kandavā. Šajā ziņojumā galvenā uzmanība tiks veltīta Tukuma ražotnei, tomēr tiks dots arī pārskats par vides aizsardzības situāciju Jaunpilī un Kandavā.

2.1 Ievads

Tukuma piena kombināts ik dienu pieņem ap 75 t piena un 10 t krējuma. Uzņēmums strādā ar aptuveni 50 % jaudu. Kombinātā ražo šķidros piena produktus, sviestu, kefīru, biezpienu un krējumu. Visvairāk piena ik dienu tiek patērēts 3-5 tonnu biezpiena un 5 tonnu sviesta ražošanai. Lai atbrīvotos no liekā vājpiens, kombināts izmēģina kazeīna ražošanu.

Kombināts notekūdeņus novada kā pilsētas attīrīšanas sistēmā, tā arī tuvējā upē. Piena pārstrādes notekūdeņi tiek novadīti uz pilsētas attīrīšanas ietaisēm, bet dzesēšanas ūdens, kas nenonāk saskarē ar pienu, tiek novadīts tieši tuvējā upē.

Sūkalas tiek nodotas atpakaļ lauksaimniekiem un izmantotas cūku barošanai. Bieži kombināts nespēj izpārdot visas sūkalas, un tādēļ tās ir jāizlej kanalizācijā.

2.2 Ūdens izmantošana

Pienotava dienā izmanto aptuveni 450 m³ ūdens. Apmēram puse no tā nonāk pilsētas attīrīšanas ietaisēs. Kombināta ūdens patēriņš ir liels. Ievērojami ūdens patēriņa punkti ir piena un krējuma pudeļu mazgāšana, biezpiena mazgāšana, kā arī iekārtu un grīdu mazgāšana.

2.3 Notekūdeņu attīrīšana

Tukuma piena kombinātam nav savu notekūdeņu attīrīšanas ietaišu. Lai neizraisītu kanalizācijas sistēmas aizsprostojumus, kombināta rūpnieciskie notekūdeņi pirms novadīšanas kolektorā, tiek laisti caur smilšu filtru, kas uztver lielākās piena atkritumu daļiņas. Kombināts apgalvo, ka tam nav naudas attīrīšanas ierīču celšanai, bet reģionālās VAK inspektors uzskata, ka uzņēmumam uzliktās soda naudas ir pietiekami lielas, lai rosinātu kombinātu uzsākt attīrīšanas būvju celtniecību.

Kombināts atrodas vietā, kur ir par maz platības attīrīšanas ierīču celtniecībai. Tomēr nelielā attālumā no kombināta ir zeme, uz kuras būtu iespējams celt attīrīšanas ietaises. Šķiet, ka kombināts risina sarunas ar pilsētu, par šīs teritorijas izmantošanas iespēju. Kombināts plāno attīrīšanas ietaišu celtniecību, bet reģionālā VAK uzskata, ka darbs uz priekšu virzās pārāk lēni.

Saskaņā ar kombināta plānu, attīrīšanas ietaises aptvertu anaerobisko un aerobisko attīrīšanu divās 350 m³ tvertnēs. Aiz tām būtu ierīkots 100 m³ biofiltrs un stabilizācija bioloģiskajā dīķī. Strādājot pēc šīs shēmas, kombināts cer panākt BSP noņemšanu par 96-97%. Kombināts apzinās, ka anaerobiskās tvertnes darba temperatūras uzturēšana 30⁰ C līmenī prasīs lielu enerģijas patēriņu. Kombināts apgalvo, ka iekārtu izbūvēšana prasīs aptuveni 5-6 miljonus rubļu.

Pilsētā darbojas sekundārās attīrīšanas ietaises, kuru plānotā jauda ir 3 400 m³ dienā. Iekārtās notiek bioloģiskā attīrīšana ar aktīvo dūņu palīdzību, dienā caur tām iziet ap 6000 m³ ūdens. Lai palielinātu attīrīšanas jaudu, 1989. gadā pilsēta uzsāka iekārtu paplašināšanu, tomēr trūkst līdzekļu būves pabeigšanai. Pilsēta uzskata, ka darba pabeigšanai būtu nepieciešami aptuveni 25 miljoni rubļu, bet tās rīcībā ir tikai 5 miljoni. Tādēļ pašreizējās iekārtas darbojas ar gandrīz dubultu jaudu un nespēj iekļauties noteiktajos limitos. Piena kombināts ir viens no diviem lielākajiem notekūdeņu un BSP avotiem pilsētas attīrīšanas ietaisēm.

2.4 Pazemes ūdens kvalitāte

Kombināts apgalvo, ka tam nav problēmu ar pazemes ūdens kvalitāti vai kvantitāti.

2.5 Atbilstība noteikumiem

Kopš 1989. gada kombinātam ir noteikti limiti notekūdeņu novadīšanai pilsētas attīrīšanā. Par limitu pārkāpumiem (galvenokārt BSP) 1993. gada 1. ceturksnī pilsēta kombinātam uzlika 597 000 rubļu sodu. Šos limitus kombinātam noteikusi pilsēta un Ventspils reģionālā VAK, un tie ierakstīti izsniegtajā atļaujā. Limiti aprēķināti, pamatojoties uz pilsētai uzlikto attīrīšanas noslodzi//. Limiti tika atjaunoti nepilnu mēnesi atpakaļ. Pilsēta kombinātu nesoda par katru noteikumu pārkāpumu, jo grūtajos ekonomiskajos apstākļos kombināts nespētu samaksāt sodus. Tādēļ sodi netiek uzlikti regulāri, t. i., ar mērķi sodīt kombinātu, bet vairāk gan, lai rosinātu samazināt piesārņojuma koncentrāciju notekūdeņos.

Piesārņojošo vielu koncentrācija kombināta notekūdeņos, un, līdz ar to, arī noteiktie novadīšanas limiti, ir šādi: Suspendēto vielu vidējie rādītāji- 500- 1 500 mg/l (limits 450 mg/l), BSP vidējie rādītāji ir 800- 2 200 mg/l (limits 450 mg/l), ŪSP rādītājs ir 1 100- 3 600 mg/l (limits 700 mg/l), tauku rādītājs ir 50- 200 mg/l (limits ir 50 mg/l). Uzņēmumam izsniegtajā atļaujā noteikts arī SVAV, amonjaka, nitrātu, nitrītu, fosfātu, un kopējais slāpekļa limits.

Tukuma attīrīšanas ietaišu darbu pārrauga reģionālās VAK Tukuma nodaļa. Paraugu ņemšanu un analīzi kopā veic pilsēta, VAK Jūrmalas laboratorija un piena kombināts. Paraugi tiek ņemti katru mēnesi, tie tiek ievākti gan vienā paņēmienā, gan savācot virākus analīzes materiālus dažādos diennakts laikos.

Kombināta ūdens izmantošanas atļaujā norādīts arī pieļaujamais diennakts ūdens ņemšanas apjoms (550 m³), pieļaujamā dzesējamā ūdens novadīšana tieši upē (230 m³) un atļautā ražošanas notekūdeņu novadīšana uz attīrīšanas ietaisēm. Kombinātā ir uzstādīti ūdens mērītāji šo apjomu mērīšanai.

2.6 Kopsavilkums

Attīrīšanas ierīču trūkums Tukuma piena kombinātā rada grūtības pilsētas attīrīšanas sistēmai iekļauties tai noteiktajos limitos. Tā kā kombināts pilsētas attīrīšanai ir viens no diviem lielākajiem notekūdeņu avotiem kā apjoma, tā arī piesārņojums ziņā, šķiet, ka pilsēta kombinātam sodus uzliek tikai tik lielā mērā, lai segtu tai uzlikto soda naudu apjomu. //Based on the effluent data provided for Tukums(Tuk, p.3).// Līdz attīrīšanas ietaišu izbūvēšanai piena kombināts varētu saglabāties kā lielākais organiskā piesārņojuma avots pilsētas attīrīšanas ietaisēm.

3.0 Jaunpils pienotava

Jaunpils pienotava ik dienu pieņem 30-40 t piena, šobrīd tā strādā ar apmēram 50% jaudu. Dienā pienotava saražo aptuveni 1 t biezpiena, 1,5-2 t skābā krējuma un 0,35 t ķimeņu siera. Pienotavā ir arī sviesta ražošanas iekārta, kas gan tagad reti tiek lietota. Pienotava ik dienu uz Tukumu nosūta apmēram 3-4 t krējuma. Jaunpils pienotava rekonstruē siera ražotni, kam ir jābūt pabeigtai 1995. gadā. Tad siera ražošana tiks palielināta līdz 2 t dienā.

Piena separācijā iegūtais vājiens, kā arī daļa no siera ražošanā iegūtajām sūkalām tiek nodota atpakaļ zemniekiem. Pārējās sūkalas tiek novadītas kanalizācijā. Ražošanas vadītājs nemācēja pateikt, kāda daļa no sūkalām tiek izlaista kanalizācijā un kāda nonāk pie zemniekiem, jo šī proporcija mainās ik dienu.

Ražošanas procesā ik dienu tiek izmantoti aptuveni 50-75 m³ ūdens. Viss šis apjoms tiek novadīts uz municipālajām attīrīšanas ietaisēm. Bez tam, vēl 100 m³ ūdens ik dienu tiek izmantoti dzesēšanai, šo ūdeni novada tieši upē. Pienotavai ir atļauts ik dienu attīrīšanā novadīt 80 m³ notekūdeņu un upē izlaist 102 m³ ar pienu saskarē nenonākušo dzesēšanas ūdeņu. Lielāko daļu rūpniecisko notekūdeņu veido vienreiz cauri iekārtām izlaistais sūkalu mazgāšanas un skalošanas ūdens. Iekārtu dezinficēšanai tiek izmantots tvaiks un kaustiskā soda.

Jaunpils pienotavā nav citu attīrīšanas iekārtu, kā vien trīs lielas (8-10 m³) pazemes tvertnes, kurās, pirms novadīšanas uz municipālo attīrīšanas iekārtu, tiek nostādinātas notekūdeņu cietās frakcijas.

Pienotavas notekūdeņi nonāk municipālajās attīrīšanas ietaisēs, kuras sastāv no izlīdzināšanas, mehāniskā skrīninga, aerācijas, sedimentācijas un stabilizācijas. Iekārtu jauda ir ap 700 m³ dienā, un tā tiek arī izmantota. Apmeklējuma laikā aerācijas sistēma nespēja nodrošināt pietiekamu skābeļa padevi, kā dēļ vienā no diviem aerācijas baseiniem dūņas kļuva melnas. Lai arī ietaises tiek uzraudzītas 24 stundas diennaktī, apmeklējuma laikā operatora nebija uz vietas.

Lielākā daļa pienotavas lietus ūdeņu nonāk attīrīšanā. Daļa pienotavas teritorijas atrodas nogāzē, tā ka lietus ūdeņi var brīvi aizplūst no pienotavas. Nešķiet, ka šo ūdeņu tīrība varētu radīt bažas, jo tie nenonāk saskarē ar piesārņojumu.

Pienotava izmanto kā virszemes tā arī pazemes ūdeņus. VAK noteikusi limitus abu veidu ūdens izmantošanai. Pienotavai dienā atļauts izmantot 110 m³ pazemes ūdens (dzeramā ūdens kavlitāte) un 82 m³ virszemes ūdens.

Radās iespaids, ka municipālās attīrīšanas ietaises pienotavai nav noteikušas nekādus notekūdeņu piesārņojuma limitus, un pat ja tādi būtu, to ievērošana netiktu prasīta.

4.0 Kandavas pienotava

Kandavas pienotava ik dienu pieņem ap 30-40 t piena. Tajā ražo pilnpiena produktus, krējumu, biezpienu un sieru. Pienotava darbojas ar 50% jaudu. Ik dienas uz Tukuma kombinātu nosūta 3-4 t krējuma. Dienā pienotava iegūst ap 8-10 t vājpiena.

Pienotavai atļauts dienā ražošanas vajadzībām un dzeramajam ūdenim izmantot 238 m³, bet dzesēšanai- 9 m³ ūdens.

Kandavas pienotavai nav attīrīšanas ietaišu. Visi notekūdeņi nonāk ciema attīrīšanas ietaisēs. Ciemā uzbūvētās iekārtas ar jaudu 650 m³ veic primāro attīrīšanu (mehānisko skrīningu un sedimentāciju). Attīrīšanas iekārtas ir nolaistas un rada iespaidu, ka tās pilnīgi netiek uzraudzītas un netiek veikta arī apkope. Apmeklējuma laikā varēja redzēt, ka ūdens, kas nāca caur attīrīšanas iekārtām, bija piena krāsā, norādot, ka no Kandavas pienotavas tiek izlaists liels daudzums piena atkritumu.

Ciems ir uzcēlis jaunas attīrīšanas ietaise, kuru jauda ir 700 m³ dienā, bet caur kurām pašlaik dienā tiek izlaisti tikai 300 m³ ūdens. Tomēr pienotava nevar savus notekūdeņus novadīt uz jauno attīrīšanu, kas uzcelta ciemata otrā pusē, jo nepieciešamo cauruļvadu un sūkņu ierīkošana prasītu 40 miljonus rubļu vai pat vairāk (ciemā nav šādas naudas).

Pienotavai nav jāmaksā nodoklis vai soda naudas par notekūdeņu novadīšanu, tā maksā vienīgi ūdens izmantošanas nodokli. Visi lietus ūdeņi no pienotavas teritorijas nonāk tieši upē, bet, tā kā zem klajas debess nenotiek praktiski nekāda ražošana, lietus ūdeņi briesmas videi nerada. Notekūdeņi no piena pieņemšanas tiek novadīti uz attīrīšanu un tieši upē nenonāk.

5.0 Kopsavilkums par Tukuma pienu

Šķiet, ka vienīgi Kandavas pienotava ražošana vajadzībām izmanto daudz vairāk ūdens nekā būtu nepieciešams. Tukuma kombināts uz 1 l pārstrādātā piena izmanto 2-3 l ūdens, Jaunpilī izmanto 2 l ūdens uz 1 l piena, bet Kandavā- 6-7 l ūdens uz 1 l piena (par apmierinošu būtu uzskatāmi 2-3 l ūdens uz vienu litru piena, bet litrs ūdens uz litru piena būtu uzskatāmas par ļoti labu rezultātu). Ūdens izlietojums ir atkarīgs no tā, kāda veida piena produkti uzņēmumā tiek ražoti, tādēļ minētie skaitļi būtu jāuzskata tikai un vienīgi par orientieriem. Tomēr, gandrīz visur, kur piena pārstrādē tiek izlietots vairāk nekā 3 l ūdens uz litru piena, izmainot dažus darba paņēmienus vai veicot pavisam nelielus ieguldījumus, iespējams samazināt ūdens patēriņu. Pat

Tukuma un Jaunpils uzņēmumi, kuros ūdens patēriņš nav pārmērīgi liels, varētu ar vienkāršiem paņēmieniem samazināt ūdens izlietojumu.

Bez tam visās trijās ražotnēs būtu jāpievērš uzmanība attīrīšanas ietaisēs vai pilsētās kanalizācijā nonākošā piena un tā blakus produktu daudzuma samazināšanai. Vislabākais risinājums būtu ražošanas ēku vides aizsardzības revīzija, kurā īpaša uzmanība tiktu pievērsta rūpnieciskajai ūdens izmantošanai un piena zudumiem. Visvairā būtu jāpārdomā par sekojošiem jautājumiem:

- * apsaimniekošana (piemēram, izlijušā un nopilējušā piena vai tā produktu satīrīšana un sūču likvidēšana);
- * ūdens kontrole (piemēram, ūdens tecināšana tikai tajā laikā, kad tas tiek izmantots, izsmidzinātāju izmantošana šļūteņu uzgaļos, ja nepieciešams lielāks spiediens, bet pietiek ar mazāku ūdens daudzumu, tvertņu uzraudzīšana uzpildīšanas laikā, lai izvairītos no pārplūšanas);
- * noteces grāvīšu izveidošana ap tvertnēm, kuru saturu nevajadzētu izvadīt kanalizācijā;
- * fasējamo iekārtu uzraudzība un sistēmas apstādināšana, kļūmēm pārāk bieži atkārtojoties;
- * sūkļu problēma (izvairīšanās no sūkļu un pirmā skalojamā ūdens tiešas nopludināšanas kanalizācijā, kanalizācijā vajadzētu laist tikai otro un trešo skalojamo ūdeni);
- * nopilējumu satīrīšana (nopilējumu savākšana ar slotu un izmantošana lopbarībā, nevis noskalošana ar šļūteni);
- * darbinieku izpratne šajā jautājumā (izvairīšanās no tīšu zudumu radīšanas ar mērķi ietaupīt laiku un darbu).

Tikpat labi arī nelieli kapitālieguldījumi un nelielas izmaiņas darbā varētu jūtami samazināt ūdens patēriņu un piesārņojumu. Te būtu jāmin:

- * piena mašīnu un piena kannu pilnīgāka iztukšošana, lai samazinātu izskalojamā piena daudzumu;
- * noteku pārklāšana ar drāšu sietu, lai savāktu piena un piena blakusproduktu cietās frakcijas, kas varētu nonākt uz grīdas;
- * stāvokļu 'atvērts' un 'aizvērts' atzīmēšana uz krāniem, lai novērstu darbinieku nevērību;
- * pēc mazgāšanas skalojamā ūdens izmantošana citu iekārtu mazgāšanā vai dezinficēšanā;

- * nopilējumu savācējvairogu izmantošana, lai aizsargātos no liekiem produktu zudumiem.

Ja arī visi augstāk minētie pasākumi nav piemēroti, vai kāds no tiem jau ir veikts, tad tomēr uzņēmumu darbinieku pārliecināšana par šāda veida attieksmes nepieciešamību uzlabotu notekūdeņu kvalitāti un samazinātu to daudzumu. Turklāt, ir svarīgi, lai uzņēmuma vadītāji atbalstītu vides aizsardzības revīzijas veikšanu.

Kā jau tika pārrunāts uzņēmumu apmeklējuma laikā, sūkalu un vājpiena nopludināšana arī turpmāk sagādās rūpes Latvijas piena pārstrādes uzņēmumiem. Ja sūkalas tiek novadītas vietējā vai pilsētas attīrīšanas sistēmā, tad izlaistās sūkalas un pirmais mazgājamais ūdens jāsavāc izmešanai vai jāpārdod lauksaimniekiem. Otro un trešo mazgājamo ūdeni var izlaist attīrīšanas sistēmā. Ja nav citas izejas, kā sūkalas novadīt attīrīšanā, tad jāizveido tām īpaša uzkrāšanas tvertne, no kurienes tās attīrīšanā ievada pakāpeniski.

Noslēguma gribētos atgādināt, ka, ja centrālā VAK uzsāks reālu vides aizsardzības likumu ieviešanu un pārkāpēju sodīšanu, Tukuma piena kombinātam būs jāizveido savas attīrīšanas ietaises. Šķiet, ka Tukuma kombināts ar tā attīrīšanas ietaišu projektu, ir orientēts pareizajā virzienā. Plāni un paredzamās izmaksas šķiet visnotaļ atbilstošas apstākļiem. Pastāv gan šaubas, vai no šīm ietaisēm nākošo ūdeni varēs novadīt tieši upē, jo BSP un suspendēto vielu koncentrācija joprojām būs krietni augstāka par valsts noteikto standartu, atteicīgi 12 mg/l un 15 mg/l. Šī attīrīšana tomēr jūtami iespaidos pilsētas attīrīšanas ietaišu darbu, jo kombinātā veiktā priekšattīrīšana samazinās organiskā piesārņojuma slodzi no vairāk nekā 1133 kg uz aptuveni 45 kg BSP.

Jaunpils problēma slēpjas ne tik daudz pienotavā, kā municipālajās attīrīšanas ietaisēs. Jaunpils pienotava ir mazs uzņēmums, kas atrodas nomaļā Latvijs ciemā. Šajos apstākļos pienotava veic apzinātus pasākumus, lai samazinātu piena pārstrādes atkritumu novadīšanu uz ciemu. Mūsu apmeklējuma laikā nostādīšanas tvertnēs ūdens bija tikai viegli iekrāsots, liecinot, ka kanalizācijā aiziet tikai nedaudz piena un piena atkritumu. Ņemot vērā, ka pienotavā ražo sieru un biezpienu, uzņēmuma darbību var novērtēt atzinīgi. Protams, būtu noderīgi atrast ilglaicīgu risinājumu sūkalu problēmai.

Kandavas pienotava uz attīrīšanu novada pārliki lielu ūdens un piena atlieku daudzumu. Atceroties attīrīšanas ierīču stavokli, jādomā, ka ūdenskrātuvē, kur nonāk notekūdeņi, iestājas skābekļa izsīkums. Vienīgais un steidzamais atrisinājums ir kolektorsistēmas izbūve, lai pienotavu varētu pieslēgt sekundārās attīrīšanas ietaisēm, nevis nolaistajai primārās attīrīšanas sistēmai. Jādomā, ka jaunajai attīrīšanas būvei ir pietiekama jauda, lai uzņemtu visus notekūdeņus, kas šobrīd tiek novadīti uz vecajām iekārtām. Tomēr arī tad, ja tiks pabeigta kolektora būve, Kandavas pienotavai ir ļoti jādomā par ūdens izlietojuma un piena zudumu samazināšanu.

Dairy Report by Joseph Kagan;

LATVIJAS AGRORŪPNIECĪBAS PRIVATIZĀCIJAS PROJEKTS

DŽOZEFS KEIGANS

PIENA PĀRSTRĀDES UZŅĒMUMU ANALĪZE AR MĒRĶI IZVĒLĒTIES
IESPĒJAMOS PARAUĞPRIVATIZĀCIJAS KANDĪDĀTUS

Ziņojuma autors ir COOPERS & LYBRAND/ CHEMONICS INTERNATIONAL konsultants. Abas minētās firmas darbojas ASV starptautiskās palīdzības aģentūras (USAID) programmas ietvaros, sadarbībā ar Latvijas Lauksaimniecības ministriju.

Rīga. 1992. gada 5. oktobris.

SATURS

1. NODAĻA	
(A) Kopsavilkums un ieteikumi.....	1
(B) Atklājumi un secinājumi.....	2
2. NODAĻA	
Metodoloģija.....	5
3. NODAĻA	
ATSEVIŠĶU RŪPNĪCU NOVĒRTĒJUMS.....	6
(A) Centrālie pārstrādes uzņēmumi.....	6
(B) Reģionālie/vietējas nozīmes uzņēmumi.....	12
(A) PIELIKUMS	
Piena pārstrādes uzņēmumu rādītāju salīdzinājums...	17
(B) PIELIKUMS	
B1. Aizputes sausā vājpiena rūpnīcas raksturojums..	18
B2. Cēsaines sviesta un siera rūpnīcas raksturojums.....	19
B3. Preiļu siera rūpnīcas raksturojums.....	20
B4. Rēzeknes piena kombināta raksturojums.....	21
B5. Valmieras piena kombināta raksturojums.....	22
B6. Kalsnavas pienotavas raksturojums.....	23
B7. Priekules pienotavas raksturojums.....	24
B8. Talsu pienotavas raksturojums.....	25
B9. Tukuma pienotavas raksturojums.....	26
(C) PIELIKUMS	
Aptaujatās amatpersonas.....	27
(D) PIELIKUMS	
Aptaujas veidlapa.....	29

IEVADS

Ši pārskata autors vēlas izteikt savu atzinību Dr. Konradam Fričam, CHEMONICS INTERNATIONAL grupas vadītājam un Nilam Melngailim, COOPERS & LYBRAND grupas vadītājam, kas sniedza palīdzību un atbalstu šī ziņojuma sagatavošanā. Baudouin de Markena kungs un Maiks Bruksa kungs saturīgās diskusijās snieguši vērtīgus vairāku ziņojumā apskatīto jautājumu komentārus. Lauksaimniecības ministrijas piensaimniecības speciālists A. Jakobsona kungs un Piensaimnieku biedrības priekšsēdētājs M. Seska kungs palīdzēja autoram ar visaptverošu informāciju par piensaimniecību Latvijā. Gribu pateikties arī apmeklēto piena pārstrādes uzņēmumu vadītājiem un darbiniekiem. Ļoti augstu vērtējama viņu atklātība un sniegtā informācija, bez kuras šis ziņojums nebūtu uzskatāms par pilnīgu. Un, visu biezot, šis pārskats nebūtu varējis tapt bez Lindas Andrusas, Rasmus Miltiņas, Ivetas Vanagas un Māra Graudiņa neatsveramās palīdzības pārvarot valodas barjeru.

PIRMĀ NODAĻA
KOPSAVILKUMS UN IETEIKUMI
Džozefs Keigans (1)

A. PĒTĪJUMA MĒRĶI UN UZDEVUMI

COOPERS & LYBRAND un CHEMONICS Lauksaimniecības privatizācijas projekta mērķis ir viena vai divu Latvijas piena pārstrādes uzņēmumu paraugprivatizācija. Privatizācija ietver uzņēmuma īpašuma un vadības nodošanu no valsts īpašuma privātipašumā.

Šis analīzes mērķis ir izvēlēties pa vienam kandidātuzņēmumam centrālo un reģionālo/vietējo uzņēmumu grupā, lai ieteiktu tos apspriešanai Latvijas Lauksaimniecības ministrijai un ASV Palīdzības aģentūras (USAID) pārstāvjiem kā vispiemērotākos paraugprivatizācijai. Projekta pārstāvji pieaicināja konsultantu, kura uzdevums bija pēc piemērotības pakāpes ranga secībā sakārtot deviņus Projekta pārstāvju jau iepriekšizraudzītus uzņēmumus. No 1992. gada 17. septembra līdz 4. oktobrim eksperts uzturējās Latvijā un apmeklēja visus deviņus uzņēmumus. Apmeklējumu laikā viņam bija jāveic uzņēmumu subjektīva analīze un jāiesaka, kuri uzņēmumi būtu privatizējami vispirmām kārtām. Uzņēmumi tika sarindoti secībā, kas atspoguļo to iespēju efektīvi strādāt privātipašuma apstākļos.

Privatizācijas procesa gaitā COOPERS & LYBRAND un CHEMONICS birojs Latvijā sniegs tehnisko palīdzību sekojošās jomās: (1) paraugprivatizācijai izraudzīto uzņēmumu darbības pārskata veidošana, (2) esošās grāmatvedības sistēmas pārveidošana atbilstoši rietumu paraugam, (3) ieviest un vadīt īpašuma novērtēšanas metodes, kas balstītas uz tirgus principiem, (4) darbības plāna sagatavošana, (5) īpašuma formas pārveidošanai nepieciešamo dokumentu izstrādāšana. Šī projekta darbinieki apmācīs Latvijas speciālistus visās iepriekšminētajās jomās.

¹DANNON MILK PRODUCTS, INC. bijušais prezidents un vadības konsultantfirmas DINAST ASSOCIATES pašreizējais prezidents?

B. ATKLĀJUMI UN SECINĀJUMI

Piena ražošana ir ļoti būtiska nozare Latvijas ekonomikā. Pirms atdališanās no PSRS 1991.gadā tā bija valsts galvenā lauksaimniecības eksporta produkcija. Tajā laikā ap 40% no Latvijā ražotajiem piena produktiem tika eksportēti uz dažādām bijušās PSRS republikām.

1992.gada septembrī piena produktu ražošana vēl aizvien ieņem būtisku vietu Latvijas ekonomikā. Latvijā, kur iedzīvotāju skaits sasniedz 2.8 miljonus, ir apmēram 500.000 piena govīs. Šie skaitļi rāda, ka uz katriem 5.6 iedzīvotājiem ir viena govīs.

Govju skaits un piena produkcijas ražošana salīdzinājumā ar 1980 gadu beigām, kad tā bija visaugstākā, ir samazinājusies. Kopš 1991.gada govju skaita samazināšanās ir kļuvusi vēl straujāka, galvenokārt trīs iemeslu dēļ. Pirmkārt, kolektīvo un valsts saimniecību sadalīšanās mazākās privātās saimniecībās ir izraisījusi nepieciešamību pārdot piena lopus nokaušanai. Otrkārt, daudzu piena lopu nodošanu lopkautuvēm ir izraisījis arī neārstējams vīruss (biežāk sastopams bijušajās kolektīvajās saimniecībās). Treškārt, 1992.gada vasaras sausums ir samazinājis lopkopības graudu ražu un radījis nepieciešamību samazināt piena lopu skaitu šajā ziemā. Bet kaut arī govju skaits tiek samazināts, pašreiz tās nodrošina lielāku piena un piena produktu daudzumu nekā vietējie iedzīvotāji spēj patērēt.

Gandrīz visi piena pārstrādes uzņēmumi ir valsts īpašumā. Valdība ir noteikusi apmēram 150 vietējos, reģionālos un centrālos uzņēmumus, kuri eventuāli varētu tikt privatizēti. Atbilstoši pastāvošajai likumdošanai, zemnieki, kuri ir apvienojušies ražotāju asociācijās, privatizācijas procesā gaitā saņems lielāko piena pārstrādes uzņēmumu īpašuma daļu. Vietējie un mazākie reģionālie uzņēmumi var pilnībā piederēt šiem ražotāju kooperatīviem. Lielākos reģionālos un centrālos uzņēmumus labāk būtu pārveidot akciju sabiedrībās, kas apvienotu ražotāju asociācijas, darbiniekus un citus vietējos ieguldītājus, kas saņemtu lielāko īpašuma akciju daļu. Ražotāju asociācijas un darbinieki var nopirkt akcijas par cenu, kas ir zemāka nekā izsoles cena.

Ceturtais paragrafs trešajā rindā būtu jāveic sekojošas izmaiņas:

"Jaunās privātās sabiedrības izpildinstitūcijas vēlēšanas statūtu noteiktajā kārtībā."

Ceturto paragrafu papildiniet ar jaunu ceturto rindu, un tādējādi pārveidojiet pašreizējo (4) rindu par (5):

"Paraksta visus dokumentus, kas liecina par valsts īpašuma pārdošanu jauniem īpašniekiem."

Komentārus sagatavoja:

Konrāds Fričs,
Agrobiznesa privatizācijas grupa
1993.gada 14. aprīlī

Lielo (centrālo) privatizācijai paredzēto uzņēmumu saraksts ir sekojošs:

1. Valmiera
2. Rēzekne
3. Aizpute
4. Preiļi
5. Cēsvaine

Valmiera tika izraudzīta tādēļ, ka tehnoloģiski tā ir ļoti labi iekārtota, tai ir spējīga vadība un tā ražo daudzus produktus, kuriem ir labs vietējais tirgus un potenciāls ārvalstu pieprasījums.

Papildus apstākļi, kādēļ tieši Valmiera tika izraudzīta paraugprivatizācijai, ir tās ģeogrāfiskais izvietojums. Tas ir ļoti svarīgi, jo parauguzņēmums (i) tiks izmantots (i) arī Latvijas speciālistu apmācībai.

Rūpnicu secība ir salikta balstoties uz ekonomiskiem rādītājiem, un katras grupas divi pirmie uzņēmumi varētu būt vispiemērotākie paraugprivatizācijas procesam.

Pēc konsultanta domām, neatkarīgi no tā, kuras rūpnīcas tiks izraudzītas paraugprivatizācijai, ir ļoti svarīgi pārraudzīt paraugprivatizācijas plāna īstenošanu vienlaicīgi apmācot arī Latvijas speciālistus. Privatizācija sevī ietver jaunu vadības veidu un īpašuma pārvaldīšanas ieviešanu. Lielākā īpašuma daļa, kas būs pakļauta plānotajai privatizācijai, piederēs Latvijas lauku iedzīvotājiem. Bet vairumam cilvēku ir tikai minimāla pieredze darbojoties tirgus ekonomikā. Tādēļ, tehniskā palīdzība privatizācijas procesa īstenošanā varētu būt nepieciešama arī kādu laiku pēc īpašuma pāriešanas jauno īpašnieku pārvaldē.

OTRĀ NODAĻA
METODOĻĢIJA

COOPERS & LYBRAND un CHEMONICS Latvijas birojs konsultanta tīklam analīzei izvēlējās deviņus piena pārstrādes uzņēmumus. Reģionālajām/vietējām rūpnīcām galvenais izvēles kritērijs bija izdzīvošanas potenciāls un spēja attīstīties pašreizējos Latvijas ekonomikas apstākļos kā privātā sektora uzņēmums. Centrālajām rūpnīcām kā otrais izvēles kritērijs bija potenciāla ārzemju ieguldījuma izmantošanas iespēju izvērtējums.

Pielikumā D iekļautā anketa tika izmantota uzņēmumu vadības viedokļa izpētei. Izmantojot šo anketu konsultants izdarīja secinājumus, papildinot tos ar papildus diskusijām par citiem svarīgiem tematiem, ko veica tiekoties ar rūpnīcu direktoriem, citiem darbiniekiem, valdības pārstāvjiem un zemniekiem. Konsultanta rekomendācijas ir balstītas uz viņa vairāk kā 40 gadu pieredzi strādājot par Savienoto Valstu lielākās piena pārstrādes kompānijas direktoru un prezidentu.

Katra pieminētā rūpnīca tika vērtēta pēc sekojošiem principiem: (1) garantēti piena piegādātāji no zemnieku vidus, (2) piena ražotāju kooperatīvu esamība, kas butu ieinteresēti un spējīgi pārņemt līderību un konstruktīvi sadarboties ar rūpnīcu direktoriem, (3) rūpnīcas vadības un darbinieku efektivitāte, (4) rūpnīcas iekārtu kvantitāte un efektivitāte, (5) ražoto produktu veidi, kvalitāte un kvantitāte, (6) rūpnīcas kopējā efektivitāte, un (7) pašreizējais un nākotnē iespējamais vietējais un ārzemju tirgus ražotajiem produktiem.

TREŠĀ NODAĻA
ATSEVIŠĶU RŪPNĪCU NOVĒRTĒJUMS

(A) CENTRĀLIE PĀRSTRĀDES UZŅĒMUMI

(1) AIZPUTE

Šis ir liels piena pārstrādes uzņēmums, kas galvenokārt nodarbojas ar piena pulvera un sviesta ražošanu. Piena pulveri ražo gan no pilnpiena, gan vājpiena.

Rūpnīcas direktoram Laimonim Zariņam ir inženiera izglītība. Viņš vada rūpnīcu kopš tās dibināšanas 1974. gadā. Viņš ir ļoti enerģisks un zinošs cilvēks.

Rūpnīcas iekārtas ir labā stāvoklī. Abas zāvētavas ražotas Čehoslovākijā, un nepārtrauktā procesa sviesta mašīna izgatavota bijušajā VDR.

Aizputes rūpnīcas ražošanas rādītāji atrodami (A) un (B1) pielikumā. Ilustrēts buklets par rūpnīcu atrodams (E1) pielikumā.

Rūpnīca ražo saldējuma pulveri, ko izmanto PINGVĪNA saldējuma tirgotavās Rīgā. Rūpnīcai ir iekārtas, kuras drīzumā tiks uzstādītas, lai varētu sākt kazeīna ražošanu.

Zariņa kungs pastāstīja, ka saņemamā piena daudzums atkarīgs no cenas, par kādu pienu iepērk no ražotājiem. Nesenais iepirkšanas cenu pacēlums izraisīja piena pieplūdumu no bijušajām kopsaimniecībām.

Aizputes rūpnīca pārdod piena pulveri par apmēram \$ 0.54 mārciņā. Tā ir ļoti zema cena salīdzinājumā ar pasaules cenu līmeni.

Lauksaimniecības ministrija šo rūpnīcu uzskata par stratēģisku uzņēmumu, jo tas produkciju var pārdot par brīvi konvertējamo valūtu. Turklāt šī rūpnīca spēj pārstrādāt pienu un krējumu, ko citas rūpnīcas nespēj pieņemt. Visvairāk piena rūpnīca saņem augustā, bet janvārī rūpnīca nesaņem pat pusi no augusta apjoma.

Zariņa kungs uzskata, ka privatizācijai, lai tā dotu cerēto rezultātu, jānotiek pēc Vācijas parauga. Direktors apgalvo, ka veiksmīgas privatizācijas gadījumā, uzlabosies attieksme pret darbu un produkcijas kvalitāte.

(2) CESVAINES SVIESTA UN SIERA RŪPNĪCA

Šī rūpnīca vairumu piena saņem no Madonas rajona zemniekiem un bijušajām kopsaimniecībām. Tā ražo vairāku veidu sviestu un siera šķirni, ko dēvē par Holandes sieru. Rūpnīca lielos daudzumos ražo arī sausās sūkalas.

Sviestu fasē 200 g paciņās un 20 kg kastēs. Holandes sieru nogatavina un saiņo plēves pakās pa 5-15 kg katrā.

Rūpnīcā ir vājpiena kondensācijas iekārta un divas kaltes vājpiena žāvēšanai. Vājpienu fasē 30 kg pakās un pārdod Latvijā.

Uzņēmuma ražošanas rādītāji atrodami (A) un (B2) pielikumā. Bet (E2) pielikumā redzams 1988. gadā izdots buklets par Cesvaines rūpnīcu.

Rūpnīcai ir spējīgi vadītāji un labas iekārtas, kas spēj pārstrādāt visu saņemto pienu. Šī rūpnīca spēj saņemt un prasmīgi pārstrādāt brīnišķīgos produktos visu pieņemto pienu. Pat vairāk - rūpnīca atrodas piensaimniecībai piemērotā apvidū, un piena apjoma samazināšanās te ir mazāk jūtama nekā citos rajonos.

Liela iespaidu atstāja uzņēmuma galvenās inženieres profesionālās zināšanas. Apmeklējuma laikā uzņēmuma direktors bija izbraukumā.

Rodas parliecība, ka šajā rūpnīcā privatizācija jābalsta uz ekonomikas principiem. Rūpnīcas pārstāvji uzskata, ka privatizācija viņiem palīdzēs, bet īsti nezin, kā tas notiks.

Privatizācija, kas ietver atteikšanos no valsts īpašumtiesībām uz šo uzņēmumu, varētu dot cerēto rezultātu vienīgi tad, ja tiktu izveidota spēcīga mārketinga grupa, kas palīdzētu veiksmīgi pārdot saražoto produkciju. Uzdevums ir pāriet no 50 gadus valdījušās plāna saimniecības uz tirgus ekonomiku.

(3) PREIĻU SIERA RŪPNĪCA

Šī rūpnīca savāc pienu no zemniekiem un bijušajām kopsaimniecībām, kas atrodas 50 km rādiusā ap Preiļiem. Uzņēmums galvenokārt ražo Čedaras sieru, sviestu, kefīru un laktozi.

(A) un (B3) pielikumā pieejami uzņēmuma ražošanas rezultāti.

Rūpnīcas iekārtas ir samērā modernas. Čedaras siera ražošanai izmanto visaugstākās kvalitātes ASV 1986. gada izlaiduma iekārtas. Rūpnīcai ir neliela cūku ferma. Cūkām izbaro piena pārstrādes atkritumus, kas tiek sajaukti ar sauso kombinēto barību.

Siltumnīcā tiek audzētas puķes un dārzeņi. Darbinieku vajadzībām iekārtota plaša bibliotēka. Nule kā darbu rūpnīca beigusi latviešu un amerikāņu enerģētikas ekspertu grupu, kas izvērtēja enerģijas izmantošanu un deva vairākus ieteikumus enerģijas lietderīgākai izmantošanai.

Uzņēmuma direktors Viktors Solovjovs šķita esam ļoti spējīgs vadītājs. Viņš labi apzinās, ka rūpnīcai turpmāk vairāk jāorientējas uz tirgu un jāatsakās no orientācijas uz produkcijas ražošanu. Direktors domā par jauna tirgus veidošanu Austrumeiropā un jaunu produktu, piemēram, kausētā siera, ražošanu. Direktoram ir labas attiecības ar piena ražotājiem. Piena iepirkuma cenas tiek noteiktas divas reizes mēnesī. Šajās sanāksmēs piedalās fermeru pārstāvji, rajona vadības pārstāvis un rūpnīcas direktors vai viņa pārstāvis.

Turklāt Solovjova kungs atzīmēja, ka rajonā nepieciešami labāki ceļi un labākas dzesēšanas iekārtas fermās. Rūpnīcai būtu vajadzīgs labāks iekārtu mazgāšanas pulveris. Direktors uzskata, ka privatizācija ir pareizais ceļš, bet tā jāveic pakāpeniski.

Preiļu uzņēmums saskaras ar sekojošām problēmām:

1. piena apjoma samazināšanās (par 27% kopš 1988. gada);
2. produkcijas pieprasījuma samazināšanās.

Uzņēmumam jāveltī spēki pieprasījuma palielināšanai, kas radītu apstākļus piena piegādes apjoma palielināšanai.

Kļūstot par brīvu uzņēmumu, Preiļi varēs strādāt bez tiešas valdības iejaukšanās un darboties saskaņā ar piedāvājumu un pieprasījumu, kā arī lietot riska kapitālu peļņas iegūšanai. Rūpnīcas vadītājs atzīmēja, ka jau šobrīd rūpnīcas vadīšanas jautājumos viņš lielā mērā bauda neatkarību.

(4) RĒZEKNES PIENA KOMBINĀTS

Rēzeknes piena kombināts - visnotaļ moderna rūpnīca - ražo kondensēto pienu ar un bez cukura. To pilda 340 g kārbās un pārdod Latvijā, Igaunijā, Kubā, Holandē, Krievijā un citās bijušajās PSRS republikās. Uz Holandi eksportētais piens, iespējams, tiek tālāk pārdots uz Āziju, proti, Bangladešu, un, iespējams arī uz Indiju.

No (4B) pielikuma tabulas redzams, ka pēdējo gadu laikā pieņemtā piena daudzums ievērojami sarucis. (A) pielikuma tabula parāda šīs rūpnīcas 1991.gada ražošanas rādītājus salīdzinājumā ar citiem piena pārstrādes uzņēmumiem. (E3) pielikumā atrodams Rēzeknes rūpnīcas cehu plāns.

Darbspēka izmaksas šajā rūpnīcā ir ļoti zemas - tās veido tikai 3% no kopējām izmaksām. Cukurs saldā kondensētā piena ražošanai līdz šim tika ievests no Kubas. Šobrīd rūpnīcā strādā ar cukuru, kas no Kubas tika ievests februārī. Par cukuru uzņēmums norēķinājās ar saražoto pienu.

Līdztekus piena pārstrādei, uzņēmumā ir arī iekārtas 340 g skārda kārbu ražošanai.

Rūpnīcas direktors Pēteris Upenieks ir ļoti enerģisks cilvēks. Viņš uzskata, ka privatizācija ir vienīgais pareizais ceļš un ka tā radīs veselīgu konkurenci.

Konkurences apstākļos norisinās sacensība par vietu tirgū. Preces un pakalpojumus pirks no tiem, kas, pēc pircēju domām, par to pašu naudu "dos visvairāk". Konkurence "atalgos" visefektīvākos ražotājus, un tādā veidā ekonomika virzīsies uz efektīvāku resursu izmantošanu.

Direktors uzskata, ka uzņēmuma nākotne ir jaunu produktu radīšana, jauni tirgi un jaunas tehnoloģijas.

Kondensētajam pienam ir plašākas noieta iespējas dažādās pasaules daļās nekā sviestam un sieram.

Trīsdesmitajos gados Latvijas sviests lielos apjomos tika eksportēts uz Eiropu (skat. (F) pielikumu). Augstās kvalitātes dēļ tam bija ļoti laba reputācija. Deviņdesmitajos gados Latvijas kondensētajam pienam ir tādas pašas iespējas.

Latvijas kondensētā piena popularizēšanai noderētu

pārliecinoša un informatīva reklāma, kas spēj veidot patēriņa tirgu.

(5) VALMIERA

Šī neapšaubami ir labākā un mūsdienīgākā no visām deviņām apskatītajām rūpnīcām. Rūpnīcas direktors ir Kārlis Šķobe, bet galvenais ekonomists - Jānis Snikers. Šķiet, ka abi vadītāji labi pārziņa savu jomu. Valmieras kombināta ražošanas rādītāji atrodami (A) un (B5) pielikumā. Savukārt (E4) pielikumā iekļauts buklets par kombināta un tam pakļautajos uzņēmumos ražoto produkciju.

Valmieras kombināts ražo sekojošus produktus:

1. pienu puslitra pudelēs:
2,5% pilnpienu un vājpienu. Pazeminātas pirktspējas apstākļos patērētāji iegādājas vājpienu tā lētuma dēļ.
2. sviestu ar 25% ūdens saturu:
sviestu fasē 200 g pakās papīra iesaiņojumā. Drīz sāks izlaist sviestu 100 g fasējumā.
3. Holandes sieru:
šī siera tauku saturs ir 45%, bet sāls- 1,5%-2%. Sieru fasē 4-5 kg plēves pakās un gatavina 50-60 dienas.
4. kefīru:
šī produkta tauku saturs ir 1%, to pilda puslitra pudelēs vai litrīgās kartona kārbās.
5. biezpienu:
ražo biezpienu ar 2% un 0% tauku saturu.

Visu augšminēto produktu ražošanā izmanto samērā mūsdienīgas iekārtas. Iekārtas fasēšanai kartona kārbās ir ļoti modernas.

Kombināts aptuveni 50-60% produkcijas pārdod ārzemēs. Pārējo pārdod Krievijai un citām bijušās PSRS republikām. Nerealizētais sviests šobrīd uzkrājas saldētavās, jo Latvijā sviesta cenas ir augstākas par Krievijas cenām, turklāt arī Krievijas patērētājiem kritusies pirktspēja.

Kombināta apmeklējuma laikā (30. septembrī) strādnieki trīs nedēļas nebija saņēmuši algas.

Kombināta direktors uzskata, ka privatizācija uzlabos uzņēmuma produktivitāti. Pēc viņa domām, pats svarīgākais ir radīt papildus tirgu kā Latvijā tā arī citās valstīs.

B. REĢIONĀLĀS RŪPNĪCAS

1. KALSNAVAS SIERA RŪPNĪCA.

Šī ir maza lauku rajoniem raksturīga siera rūpnīca. Tā atrodas agrākās kopsaimniecības teritorijā. Rūpnīca ir nodarbināti apmēram 30 cilvēki un to vada strādīga sieviete, kas labi pārzina piena produktu pārstrādes procesu. Rūpnīca ir relatīvi vienkārša un tās iekārtas kaut arī vecas, tomēr ir pielietojamas. Rūpnīcas siera pārstrādes meistars strādā šeit jau daudzus gadus. Visas mārketinga un finansiālās darbības tiek veiktas Cesvaines reģionālajā uzņēmumā, kas ir saistīts ar Kalsnavas rūpnīcu. Pielikums A un B6 satur papildus informāciju par šīs rūpnīcas produkciju.

Kalsnavas rūpnīca ražo Kostomas sieru ar 45% tauku saturu, kas tiek nogatavināts 45 dienas. Pēc nogatavināšanas siers tiek pārklāts ar parafīnu un tad tas ir gatavs nosūtīšanai uz tirgu. Kostomas siera izgatavošanas metodes tika izstrādātas Krievijā. Pēc siera izgatavošanas pāri palikušās sūkalas tiek izbarotas cūkām.

Pašlaik rūpnīcā šķiet ir gatavā siera pārpalikums, jo tam nav pietiekama noieta tirgus. Divu pēdējo gadu laikā siera ražošana bija nemainīga, taču tā nedaudz pārsniedza 1988. gada līmeni. Tomēr rūpnīcas vadība izpauda savas bažas, ka piena piegāde šoziem var samazināties dēļ straujā ražošanas apjoma samazināšanās bijušajās kolektīvajās saimniecībās.

Rūpnīcas apskate un sarunās ar konsultantu piedalījās arī Jānis Siliņš. Viņš ir atjaunotās piena ražotāju asociācijas prezidents. Šī asociācija pieprasa īpašuma tiesības uz rūpnīcu, pamatodama savu prasību ar to, ka ir 1940.gadā nelikumīgi nacionalizētās piena ražotāju asociācijas mantiniece. Viņš grib, lai asociācija pārvalda rūpnīcu tāpat kā tā to darīja 1940.gadā. Atjaunotajā asociācijā ir 12 dibinātāji un līdz 1992.gada oktobrim ir paredzēta vēl 200 biedru iestāšanās. Ir paredzēts, ka asociācijas biedriem piederētu ap 1000-1200 piena govīs.

Pēc konsultanta domām, rūpnīca var ekonomiski veiksmīgi attīstīties tikai tad, ja tā sadarbosies ar kādu lielāku uzņēmumu,

kas vares nodrošināt mārketinga un grāmatvedības pakalpojumus. Mārketingš ietver sevī tādus procesus un darbības, kas veicinātu preču tirdzniecību. Grāmatvedība ir sistēma, kas nodrošina kvalitatīvu informāciju par biznesa struktūras finansēm.

2. PRIEKULE

Šī ir maza, bet ļoti kompakta sviesta un siera rūpnīca. Gan tās direktors Ēriks Piesiņš, gan galvenais inženieris Jānis Jākobsons šķiet ir ļoti spējīgi speciālisti. Arī galvenā ekonomiste Anna Ķikāne ir ļoti zinoša, īpaši privatizācijas jomā. Konkrēti ražošanas dati par šo rūpnīcu ir atrodami Pielikumā A un B7.

Rūpnīcas iekārtas ir vecas, bet lietojamas. Viņi ražo tā saucamo Krievijas sieru. Šo sieru nogatavina 60 dienas un tam ir 50% tauku saturs. Tas garšo ļoti labi. Pārsvārā siers tiek pārdots vietējā tirgū, bet apmēram 20% tiek sūtīti uz Krieviju un Poliju.

Ražotajam sviestam ir 72% tauku saturs un tam ir laba krāsa un garša. Sviestam neliek klāt ne sāli ne cukuru. To pārdod vietējā tirgū, un arī sūta uz Krieviju bartera darījumos apmainot pret koka kastēm.

Direktors aptuveni aprēķināja, ka 1992.gadā zemnieku sarazotā piena daudzums būs apmēram 20% zemāks nekā 1991.gadā. Viņš uzskata, ka iespējamais piena daudzums 1993.gadā būs atkarīgs no valdības politikas un piena cenām.

Ražojot sviestu un sieru, izmaksas lielāko daļu veido samaksa par pienu. Arī enerģijas cenas strauji pieaug. Tāpat kā citās apmeklētajās rūpnīcās darbaspēka izmaksa ir ļoti zema (mazāk kā 2% no kopējās izmaksas).

Rūpnīcas vadība domā, ka apspriežot piena pārstrādes uzņēmuma privatizāciju, ir nepieciešama specializētāka pieeja. Viņi uzskata, ka 15.aprīļa lēmums, kas ir pamatdokuments piena pārstrādes rūpnīcu privatizācijai, rada neskaidrības un to būtu jāpārveido. Viņi domā, ka turpmāk papildus vajadzētu organizēt atklātās diskusijās par privatizāciju, un, ka nākamos

privatizācijas procesu noteicošos dokumentus vajadzētu gatavot pieredzējušiem speciālistiem. Viņi tic, ka privatizāciju nosaka gan politiskie, gan ekonomiskie apstākļi. Un kad vien iespējams ekonomiskajiem nosacījumiem vajadzētu būt noteicošajiem.

3. TALSI

Ši ir maza un ļoti veca rūpnīca. Ražošanas dati ir iekļauti Pielikumā A un B8. Piens tiek saņemts un sadalīts krējumā un vājpienā. Vājpiens tiek pārstrādāts biezpienā, bet krējumu nosūta uz Oktes uzņēmumu (kas ir pakļauts Talsu rūpnīcai), lai tur to pārstrādātu sviestā. Biezpienam neliek klāt krējumu un to pārdod gan cilvēku, gan dzīvnieku patēriņam. Cilvēku patēriņam domātais biezpiens tiek tirgots no nelielām piena kannām, bet dzīvniekiem domāto biezpienu iesaiņo plastikāta maisos.

Vecā rūpnīca ir pārpildīta ar iekārtām un jaunas, jau daļēji iekārtotas telpas tiek būvētas klāt. Jaunajās piebūvēs darbs neiet uz priekšu, jo trūkst noteikta veida detaļas iekārtu uzstādīšanai. Ūdens apsildīšanai un tvaika iegūšanai tiek dedzinātas ogles un malka. Tieši blakus rūpnīcai brodas moderna slidotava, kas ir rūpnīcas īpašums.

400 tonnas rūpnīcai piederoša sviests glabājas kādā privātā saldētavā. Viņi mēģina atrast noieta tirgu šim sviestam. Tā rezultātā, rūpnīcai pietrūkst naudas, lai samaksātu zemniekiem par viņu piegādāto pienu.

Patērētāju pirkstspējas samazināšanās ir izraisījusi kritumu arī piena produktu pārdošana. Pēc biezpiena ražošanas pāri paliekošās sūkalas tiek atdotas zemniekiem lopu barošanai.

Rūpnīcas direktors Staņislavs Maržeckis šķiet ir ļoti spējīgs un ir ientresēts jauna tirgus atrašanās saviem produktiem. Viņš uzskata, ka valdības politika pietiekami neatbalsta lauksaimniecību un nav ticības valdības spējām noradīt īsto virzienu.

Šeit pastāv arī skaidrās naudas apgrozības trūkums, jo paaugst ilgs laiks kamēr pārskaita naudu no vienas bankas citā. Samaksa par jau pārdoto precī parasti kavējas mēnesi un pat vairāk. Šo problēmu nebūs viegli atrisināt, kamēr vien atsevišķi cilvēki vai

uzņēmumi apmaksai nevarēs izmantot čekus. Šī problēma skar arī citus uzņēmumus.

Rūpnīcā saņemtā piena daudzums laika posmā no 1988. līdz 1991.gadam ir samazinājies par 18 procentiem. Turklāt, 1992.gadā saņemtā piena daudzums ir par 23% zemāks nekā tas bija pagājušajā gadā. Viens no šī procesa iemesliem ir kolektīvo saimniecību sabrukums, kas izraisīja govju skaita samazināšanos.

Talsu grupā ir iekļautas četras krejotavas:

- Okte - sviesta ražošana,
- Nurmuiža - vājpiena siers,
- Dundaga - kazeīna razošana,
- Talsi - biezpiens.

4. TUKUMS

Rūpnīca atrodas Tukuma pilsētā, kurā ir apmeram 16.000 iedzīvotāju. Konsultants tikās ar ražošanas daļas vadītāju Raiti Purmali, ekonomisti Astrīdu Grīnbergu un komercdirektori Ingrīdu Beļinskū. Rūpnīcai ir labs izkārtojums un iekārtas, kas atbilst rūpnīcas prasībām.

Ražošanas dati ir iekļauti Pielikumā A un B9. Neliela brošūra par rūpnīcu ir Pielikumā E5.

Rūpnīca ražo sekojošus produktus:

1. Pienu:

Tas ir sapakots 1/2 l stikla pudelēs un 35 l kannas.

Tajā ir 2.5% tauku satura un dēļ lielajām enerģijas cenām tas nav pasterizēts. Visu pienu pārdod Latvijas tirgū. Pēdējā laikā piena pārdošanas daudzums ir krities par 50%, jo, salīdzinājumā ar iedzīvotāju pirktspēju, piena cena ir ļoti augsta.

2. Kefīru:

Šis produkts tiek pārdots 1/2 l pudelēs un tiek izgatavots no 2.5 procentīga piena. Kefīra pārdošanas apjoms attiecība pret pilnpienu ir 1 pret 3.

3. Biezpiens:

Šeit ražo biezpienu, kas nesatur taukus, kam ir 2% un kam ir 5% tauku saturs. Tas tiek fasēts 200gr pakās un kannās.

4. Sviests:

Šis produkts satur 25% ūdens un tiek fasēts 200gr un 20kg pakās.

Rūpnīcai ir ļoti labas produktu kvalitātes pārbaudes iekārtas. Bet ir nepieciešams uzlabot notekūdeņu un atkritumu attīrīšanas sistēmu.

1992.gadā rūpnīca saņēma par 20% procentiem mazāk piena nekā pagājušajā gadā. Apmēram 40% tika saņemti no zemnieku privātajām saimniecībām. Šis skaitlis nepārtraukti aug, kamer tā piena daudzums, ko saņem no agrofīrmām, samazinās.

Tāpat kā parējās rūpnīcas arī šeit darbaspēka izmaksa sastāda ļoti mazu daļu no kopējās izmaksas - apmēram 3 procentus. Samaksa par pienu sastāda apmēram 86% no kopējās summas.

Vadība pastāstīja, ka govju veselība šajā rajonā nav apmierinoša. Tomēr kopsaimniecībām ir lielākas problēmas ar govju veselību nekā privātajām saimniecībām. Šķiet, ka tad, kad lielākais vairums piena tiks ražots tieši privātajās saimniecībās, govju veselības problēmas aktualitāte samazināsies. Rūpnīcas vadība uzskata, ka lietas var uzlaboties, ja cilvēki, kas ir apmācīti mārketingā un pārdošanas jomā sāks radīt jaunus produkcijas veidus un atradīs jaunu noieta tirgu.

PIEL. A. PIENA PĀRSTRĀDES RŪPNĪCU RAŽOŠANAS RĀDĪTĀJU SALĪDZINĀJUMS, 1991

Rādītāji	Centrālās rūpnīcas				Reģionālās rūpnīcas				
	Aizpute	Cesvaine*	Preiļi	Rēzekne	Valmiera	Kalsnava	Priekule	Talsi*	Tukums*
PĀRSTRĀD. PIENS (tonnās)	36380	85153	83148	77000	67150	5117	66757	49281	65980
PĀRSTRĀD. KRĒJUMS (tonnās)					2766		1163		
SARAZOTIE PRODUKTI (tonnās)									
Sviests	2362	2695	2585	290	2527		2538	2288	1724
Saldējums	623			730					
Siers		2689	3556		2583		1198	1503	418
Sausā piena prod.	3165	1225							
Pilnpiena prod.		7658			30709				26683
Laktoze				665					
Kazeīns					426				
Vājiens		2768			5214			1664	4140
Kondensētais piens				72090					
RAŽOŠANAS JAUDA (tonnās)									
Sviests	9.6	12	12	1.3	12		14.8	8.2	15
Saldējums				3					
Kazeīns									
Siers		3.9	7.3		4.4		0.4	0.3	0.7
Kondensētais piens				151					
Pilnpiena produkti		26.5		120	50.6			12.9	75.7
Sausā piena prod.	7.5	2.6	1.6						
DARBINIEKI(skaitis)	184	452	420	703	466	30	133	125	240
DARBĪBAS ZONAS									
Pienotavas	0	0	0	0	0	0	0	0	2
Kreļotavas	2	10	0	3	5	0	1	3	
Savākšanas punkti	15	7	2	8	10	0	13	0	24

Piezīmes:

* Rādītāji satur informāciju par visu reģionu, iekļaujot arī centrālo rūpnīcu

1217

PIELIKUMS B.1. AIZPUTES PĀRSTRĀDES RŪPNĪCAS RAŽOŠANAS RĀDĪTĀJI

Rādītāji	1988	1989	1990	1991	% izmaiņas 1988 – 1991
PĀRSTRĀD. PIENS** (tonnās)	42082	40137	40080	36380	-13.5
SARĀŽOTIE PRODUKTI (tonnās)					
Sviests	3862	3411	2965	2362	-38.8
Saldējums***			536	623	16.2
Siers					
Sausā piena prod.	6092	6134	4947	3155	-48.2
Pilnpiena produkti					
Laktoze					
Kazeīns					
Vājpiens	222	224	0	0	-100.0
Kondensētais piens					
RAŽOŠANAS JAUDA (tonnās)					
Sviests	9.6	9.6	9.6	9.6	0.0
Siers					
Kazeīns					
Kondensētais piens					
Pilnpiena prod.	4.2	4.2	0	0	-100.0
Sausā piena prod.	7.5	7.5	7.5	7.5	0.0
DARBINIEKI (skaits)	189	207	197	184	-2.6
DARBĪBAS ZONAS					
Pienotavas					
Krejtavas	2	2	2	2	
Savākšanas punkti	15	15	15	15	

* Rādītāji satur informāciju tikai par Aizputes rūpnīcu

** Neieskaitot saņemto krējumu

*** Izmaiņas rēķinātas pēc 1991.gada datiem

PIELIKUMS B.2. CESVAINES PĀRSTRĀDES RŪPNĪCAS RAŽOŠANAS RĀDĪTĀJI

Rādītāji	1988	1989	1990	1991	% izmaiņas 1988 - 1991
PĀRSTRĀD. PIENS (tonnās)	94180	95475	90238	85153	-9.6
SARAŽOTIE PRODUKTI (tonnās)					
Sviests	2995	2986	2784	2695	-10.0
Saldējums					
Siers	2809	2849	2859	2689	-4.3
Sausā piena prod.	1486	1480	1375	1225	-17.6
Pilnpiena produkti	10373	12841	11895	7658	-26.2
Laktoze					
Kazeīns					
Vājpiens	5000	2490	2980	2468	-50.6
Kondensētais piens					
RAŽOŠANAS JAUDA (tonnās)					
Sviests	12	12	12	12	0.0
Siers	3.9	3.9	3.9	3.9	0.0
Kazeīns					
Kondensētais piens					
Pilnpiena produkti	27	27.1	26.9	26.5	-1.9
Sausā piena prod.	2.6	2.6	2.6	2.6	0.0
DARBINIEKI(skaitis)	495	486	488	452	-8.7
DARBĪBAS ZONAS					
Pienotavas					
Krejatavas	10	10	10	10	
Savākšanas punkti	7	7	7	7	

* Rādītāji satur informāciju par visu reģionu

PIELIKUMS B.3. PREIĻU PĀRSTRĀDES RŪPNĪCAS RAŽOŠANAS DATI

Rādītāji	1988	1989	1990	1991	% izmaiņas 1988 - 1991
PĀRSTRĀD. PIENS (tonnās)	113518	117989	97661	83148	-26.8
SARĀŽOTIE PRODUKTI (tonnās)					
Sviests	2945	3029	2635	2585	-12.2
Saldējums					
Siers	5256	4691	4559	3556	-32.3
Sausā piena prod. Pilnpiena produkti					
Laktoze	892	876	784	665	-25.4
Kazeīns					
Vājpiens					
Kondensētais piens					
RAŽOŠANAS JAUDA (tonnās)					
Sviests	12	12	12	12	0.0
Siers	7.3	7.3	7.3	7.3	0.0
Kazeīns					
Kondensētais piens					
Pilnpiena produkti					
Sausā piena produkti	1.6	1.6	1.6	1.6	0.0
DARBINIEKI (skaits)	445	445	440	420	-5.6
DARBĪBAS ZONAS					
Pienolavas					
Krejtavas					
Savākšanas punkti	7	2	2	2	

* Rādītāji satur informāciju tikai par centrālo rūpnīcu

12/10

PIELIKUMS B.4. RĒZEKNES PĀRSTRĀDES RŪPNĪCAS RAŽOŠANAS RĀDĪTĀJI

Rādītāji	1988	1989	1990	1991	% izmaiņas 1988 - 1991
PĀRSTRĀD. PIENS (tonnās)	95800	97300	95400	77000	-19.6
SARĀŽOTIE PRODUKTI (tonnās)					
Sviests	273	302	266	290	6.2
Saldējums	627	736	745	730	16.4
Siers					
Sausā piena prod.					
Pilnpiena produkti					
Laktoze					
Kazeīns					
Vājpiens					
Kondensētais piens	90811	92378	90416	72090	-20.6
RAŽOŠANAS JAUDA (tonnās)					
Sviests					
Saldējums	2.5	2.5	2.5	2.5	0.0
Siers					
Kazeīns					
Kondensētais piens	151	151	151	151	0.0
Pilnpiena produkti	120	120	120	120	0.0
Sausā piena prod.					
DARBINIEKI (skaits)	985	980	900	703	-28.6
DARBĪBAS ZONAS					
Pienotavas					
Krejotavas	3	3	3	3	
Savākšanas punkti	8	8	8	8	

* Rādītāji satur informāciju tikai par Rēzeknes centrālo rūpnīcu

PIELIKUMS B.5. VALMIERAS PĀRSTRĀDES RŪPNĪCAS RAŽOŠANAS RĀDĪTĀJI

Rādītāji	1988	1989	1990	1991	% izmaiņas 1988 - 1991
PĀRSTRĀD. PIENS (tonnās)	81490	80185	77350	67150	-17.6
PĀRSTRĀD.KRĒJUMS (tonnās)	4005	3149	3064	2766	-30.9
SARĀŽOTIE PRODUKTI (tonnās)					
Sviests	3530	3580	2925	2527	-28.4
Sāļdejums					
Siers	2990	3222	2999	2583	-13.6
Sausā piena prod.					
Pilnpiena produkti	30296	30880	34515	30709	1.4
Laktoze					
Kazeīns	883	848	664	426	-51.8
Vājpiens	9300	8950	6765	5214	-43.9
Kondensētais piens					
RAŽOŠANAS JAUDA (tonnās)					
Sviests	12	12	12	12	0.0
Siers	4.4	4.4	4.4	4.4	0.0
Kazeīns	3.6	3.6	3.6	3.6	0.0
Kondensētais piens					
Pilnpiena produkti	51.6	51.6	51.6	50.6	-1.9
Sausā piena produkti					
DARBINIEKI(skaitis)	496	481	476	466	-6.0
DARBĪBAS ZONAS					
Pienotavas					
Krejtavas	5	5	5	5	
Savākšanas punkti	12	12	11	10	

* Rādītāji satur informāciju tikai par centrālo Valmieras rūpnīcu

1222

PIELIKUMS B.6 KALSNAVAS PĀRSTRĀDES RŪPNĪCAS RAŽOŠANAS RĀDĪTĀJI

Rādītāji	1988	1989	1990	1991	% Izmaiņas 1988 - 1991
PĀRSTRĀD. PIENS (tonnās)	5600	5540	5300	5117	-8.6
SARAŽOTIE PRODUKTI (tonnās)					
Sviests					
Saldējums					
Siers	220	218	252	250	13.6
Sausā piena produkti					
Pilnpiena produkti					
Laktoze					
Kazeīns					
Vājpiens					
Kondensētais piens					
RAŽOŠANAS JAUDA (tonnās)					
Sviests					
Siers	0.4	0.4	0.4	0.4	0.0
Kazeīns					
Kondensētais piens					
Pilnpiena produkti					
Sausā piena produkti					
DARBINIEKI (skaits)	32	31	30	30	-6.3
DARBĪBAS ZONAS					
Pienotavas					
Krejtavas					
Savākšanas punkti					

* Rādītāji satur informāciju tikai par Kalsnavas rūpnīcu

1223

PIELIKUMS B.7. PRIEKULES PĀRSTRĀDES RŪPNĪCAS RAŽOŠANAS RĀDĪTĀJI

Rādītāji	1988	1989	1990	1991	% izmaiņas 1988 - 1991
PĀRSTRĀD. PIENS (tonnās)	78203	76641	74760	64927	-17.0
PĀRSTRĀD. KRĒJUMS (tonnās)	1306	1382	1315	1163	-10.9
SARAZOTIE PRODUKTI (tonnās)					
Sviests	3094	3103	3022	2538	-18.0
Saldējums					
Siers	1384	1168	1184	1198	-13.4
Sausā piena prod.					
Pilnpiena prod.					
Laktoze					
Kazeīns					
Vājpiens					
Kondensētais piens					
RAŽOŠANAS JAUDA (tonnās)					
Sviests	9.8	15.8	14.8	14.8	51.0
Siers	3	3	3	3	0.0
Kazeīns					
Kondensētais piens					
Pilnpiena produkti					
Sausā piena prod.					
DARBINIEKI(skaitis)	134	137	137	133	-0.7
DARBĪBAS ZONAS					
Pienotavas					
Krejtavas	1	1	1	1	
Savākšanas punkti	15	14	13	13	

* Rādītāji iekļauj saņemto krējumu no divām rūpnīcām (Saldus un Kuldīga), kā arī informāciju par Dunikas krejtavas ražošanas jaudām, kas pieskaitītas pie Priekules rūpnīcas ražošanas rādītājiem

PIELIKUMS B 8. TALSU PĀRSTRĀDES RŪPNĪCAS RAŽOŠANAS DATI

Rādītāji	1988	1989	1990	1991	% izmaiņas 1988 - 1991
PĀRSTRĀD. PIENS** (tonnās)	60167	57250	56594	49281	-18.1
SARAZOTIE PRODUKTI (tonnās)					
Sviests	2664	2524	2318	2288	-14.1
Saldējums					
Siers	170	195	191	211	24.1
Biēzpiens	1336	1260	1459	1292	-3.3
Sausā piena prod.					
Pilnpiena produkta	3740	3690	3870	3750	0.3
Laktoze					
Kazeīns	91	153	98		
Vājpiens	4000	4219	5235	1664	-58.4
Kondensētais piens					
RAŽOŠANAS JAUDA (tonnās)					
Sviests	8.2	8.2	8.2	8.2	0.0
Siers	0.3	0.3	0.3	0.3	0.0
Kazeīns	0.7	0.7	0.7	0.7	
Kondensētais piens					
Pilnpiena produkti	12.4	12.4	12.4	12.4	0.0
Sausā piena produkti					
DARBINIEKI(skaitis)	129	128	125	125	-3.1
DARĪBAS ZONAS					
Pienotavas					
Krejtavas	3	3	3	3	
Savākšanas punkti					

* Rādītāji papildus Talsu rūpnīcai satur arī informāciju par trim krejtavām (Okte, Nurmuiža un Dundaga)

** Izņemot saņemto krējumu

PIELIKUMS B.9. TUKUMA PĀRSTRĀDES RŪPNĪCAS RAŽOŠANAS RĀDĪTĀJI

Rādītāji	1988	1989	1990	1991	% Izmaiņas 1988 - 1991
PĀRSTRĀD. PIENS (tonnās)	80483	78274	72980	65980	-18.0
SARĀŽOTIE PRODUKTI (tonnās)					
Sviests	2345	1751	1786	1724	-26.5
Saldējums					
Siers	415	398	422	418	0.7
Sausā piena prod.					
Pilnpiena produkti	25492	25920	27565	26683	4.7
Laktoze					
Kazeīns					
Vājpiens	10866	9891	4355	4140	-61.9
Kondensētais piens					
RAŽOŠANAS JAUDA (tonnās)					
Sviests	15	15	15	15	0.0
Siers	0.7	0.7	0.7	0.7	0.0
Kazeīns					
Kondensētais piens					
Pilnpiena produkti	75.3	75.3	75.5	75.5	0.3
Sausā piena prod.					
DARBINIEKI(skaitis)	240	240	240	240	0.0
DARBĪBAS ZONAS					
Pienotavas	2	2	2	2	
Krejtavas					
Savākšanas punkti	25	24	24	24	

* * Rādītāji papildus Tukuma rūpnīcai satur informāciju arī par divām pienotavām (Jaunpilī un Kandavā)

12/86

PIELIKUMS C

APTAUJATAS AMATPERSONAS

VARDS	AMATS
1. Adelmane Kerola	ASV Palīdzības agentūra (USAID), Vasingtona
2. Beļinska Ingrīda	Tukuma parstrādes rūpnīcas komercdirektore
3. Brainihs Ēriks	VOCA, Rīga
4. Bruks Maiks	ASV Palīdzības agentūra (USAID), Vasingtona
5. Deiviss Roberts	VOCA, Cabot Dairies
6. De Markens, Bouduens	ASV Palīdzības agentūra (USAID), Rīga
7. Fričs Konrāds	Agrorūpniecības privatizācijas projekts
8. Grīnberga Astrīda	Tukuma parstrādes rūpnīcas ekonomiste
9. Hamiltons Džerijs	ASV Valsts Departaments, Vasingtona
10. Jākobsons Jānis	Priekules parstrādes rūpnīcas galvenais inženieris
11. Jākobsons Aivars	Lauksaimniecības ministrijas piensaimniecības speciālists
12. Jansone Agita	Privatizācijas koordinatore, Lauksaimniecības ministrija
13. Jansone Edīte	Direktore, "LATA"
14. Ķikāne Anna	Priekules parstrādes rūpnīcas ekonomiste
15. Kvēps Aivars	Madonas rajona Lauksaimniecības parvaldes direktors
16. Merčijs Gordons	ASV Palīdzības agentūra, (USAID), Vasingtona
17. Maržeckis Staņislavs	Talsu parstrādes rūpnīcas direktors
18. Metčfrīds Bobs	ASV Palīdzības agentūra (USAID), Vasingtona
19. Melngailis Nils	Agrorūpniecības privatizācijas projekts
20. Piešiņš Ēriks	Priekules parstrādes rūpnīcas direktors
21. Purmalis Raitis	Tukuma parstrādes rūpnīcas razosanas daļas vadītājs
22. Sesks Mārtiņš	Latvijas Piensaimniecības Komiteja
23. Siliņš Jānis	Madonas piena razotāju asociācijas prezidents
24. Simsons Valdis	Vandzenes agrofirmas direktors

12/1

- | | | |
|-----|--------------------|---|
| 25. | Šķobe Kārlis | Valmieras parstrades rupnicas
direktors |
| 26. | Sniķers Jānis | Valmieras parstrades rupnicas
ekonomists |
| 27. | Solovjovs Viktors | Preilu parstrades rupnicas
direktors |
| 28. | Sismanskis Deimons | VOCA, kooperativu attīstīšanas
dienests |
| 29. | Upnieks Pēteris | Rezeknes parstrades rupnicas
direktors |
| 30. | Zariņš Laimonis | Aizputes parstrades rupnicas
direktors |

PIELIKUMS D

LATVIJAS PĀRSTRĀDES RŪPNĪCU APTAUJAS VEIDLAPA

1. Kādus produktus šeit ražo? un kādā daudzumā?

pienu_____

sviestu_____

sieru_____

saldējumu_____

sauso pienu_____

kondensēto pienu_____

kazeīnu_____

jogurtu_____

kefīru_____

citus produktus_____

2. Kā produkti tiek fasēti?

3. Kā tie tiek izplatīti?

4. Kam produkti tiek izplatīti?

5. Vai jums ir sāncenši?

6. Vai jums ir firmas zīme?

7. Kāda ir jūsu produktu reputācija:
kvalitātes ziņā?
cenas ziņā?
apkalpošanas ziņā?

8. No kurienes jūs saņemat pienu?

9. Cik daudz piena jūs pieņemat katru dienu?

Cik liela daļa nāk no zemniekiem?

12/24

Cik liela daļa nāk no kopsaimniecībām?

10. Cik daudz piena jūs pieņemat 1991.gadā? _____
Cik daudz jūs plānojat pieņemt 1992.gadā? _____
1993.gadā? _____
11. Vai piena kvalitāte ir laba?
12. Vai jums ir vēl kāds cits piena piegādātājs?
13. Vai piena piegādes intensitāte dažādos gadalaikos atšķiras?
14. Vai jums kādreiz ir piena pārpalikumi?
15. Vai jūsu iekārtas atbilst jūsu vajadzībām?
16. Ko jūs varētu darīt pašizmaksas samazināšanai?
17. Ko jūs darāt ar nepārdotajiem piena produktiem?
Vai jūs pieņemat saražoto produkciju atpakaļ?
18. Vai jūsu attīrīšanas iekārtas ir piemērotas? Vai notekūdeņi tiek attīrīti?
19. Vai jums ir pietiekams darbinieku skaits? Vai jums ir pārāk daudz nodarbināto?
20. Cik gara ir darba diena un kāda ir apmaksa?
21. Vai vadība ir efektīva?
22. Vai jums ir kvalitātes pārbaudes sistēma?
23. Vai govīs ir veselas?
24. Vai jūs atsakāties pieņemt sliktu pienu?
25. Vai jūs strādājat septiņas dienas nedēļā?
26. Vai jums ir piemērota saldēšanas sistēma?
27. Kādēļ piena patēriņš samazinās?
28. Cik daudz (rubļos) jūs maksājat par vienu litru piena?
29. Par cik jūs pardodiet vienu litru piena?
veikaliem?

patērētājiem?

30. Vai ir kādas ar zemniekiem saistītas problēmas?
31. Cik bieži mainās piena cena?
32. Vai piena blakusprodukti kā jogurts, skābais krējums, siers, ir peļņas ziņā vairāk vai mazāk izdevīgi?
33. Privatizācijas procesā valsts parvaldītais uzņēmums pāriet privātā īpašumā.
Kāds ir jūsu viedoklis par privatizāciju?
34. Vai tā jums būs izdevīga?
35. Vai jūs gribētu kļūt par privātuzņēmumu?
36. Vai jūs spēsiet strādāt privātā uzņēmumā?
37. Cik daudz produkcijas (rubļos) jūs pārdodat gada laikā?
Cik pardēvāt 1991.gadā?
Ko jūs paredzat 1992.gadā?
38. Kāds ir jūsu ikgadējais ienākums?
1991.gadā?
1992.gadā paredzētais?
39. Kādus uzlabojumus jūs veiktu pēc uzņēmuma privatizācijas?
40. Kā jūs par tiem samaksātu?
41. Vai pēc privatizācijas jums būs:
zemākas izmaksas?
labākas attiecības ar zemniekiem?
vairāk vai mazāk darbinieku?
labāk apmaksāti strādnieki?
vai darbinieki būs apmierināti?
42. Kam būtu jābut uzņēmuma īpašniekam?
43. Kooperatīvs, kas parasti tiek radīts, lai ražotu vai pārdotu kādu preci, ir kooperatīva biedru kopējs īpašums. Zemnieku kooperatīvi var kļūt par Latvijas piena pārstrādes uzņēmumu

jaunajiem īpašniekiem. Vai, jūsuprāt, tas ir labs risinājums?

44. Ja jums būtu pilnīga rīcības brīvība, ko jūs darītu, lai uzlabotu uzņēmuma darbību?
45. Kādas ir jūsu uzņēmuma stiprās puses?
46. Kādas ir jūsu vājās puses?

LATVIJAS AGROBIZNESĀ PRIVATIZĀCIJAS PROJEKTS

Nozares raksturojums
un
uzņēmumu privatizācijas stratēģija

GRAUDU UN GRAUDU PĀRSTRĀDES RŪPniecībā

Sagatavoja: Si Matthies - Grain Services Inc.

Sadarbībā ar: Bruce Carrie - Coopers and Lybrand
Conrad Fritsch - Chemonics International
Nils Melngailis - Coopers and Lybrand

Iesaistot: Amerikas Savienoto Valstu Starptautiskās
attīstības aģentūru

un

Latvijas Republikas Lauksaimniecības ministriju

Rīga, Latvija
1993.gada 1.februāris

1233

SATURS

1.nodaļa	Kopsavilkums	3
2.nodaļa	Nozares analīze	5
	A. Struktūra	
	B. Vadība	
	C. Tehnoloģisks raksturojums	
	D. Īpašumtiesību nokārtošana	
	E. Izvietojums	
	F. Attiecības starp uzņēmumiem	
	G. Attiecības ar zemniekiem	
3.nodaļa	Privatizācijas stratēģija un darbības plāns	7
	A. Ieteiktās darbības "Latvijas labības" reorganizācijai un privatizācijai	
	B. Temati un jautājumi, kas jāietver graudu tirgus darbības un graudu pārstrādes uzņēmumu privatizācijas likumdošanas projektos	
	C. Temati un jautājumi, kas jāietver graudu tirgus darbības likumdošanas projektā	
	D. Graudu pārstrādes uzņēmumu privatizācijas likumdošanas projekta apspriešana	
	E. Valdības graudu programmas sagatavošana	
	F. Privatizācijas plāna sagatavošana	
Pielikums A	Nozares struktūra/jauda	
	A1. Graudu un graudu pārstrādes rūpnīcas	
	A2. Maizes produktu ražošanas rūpnīcas	
Pielikums B	Kartes	
	B1. Dzirnavu izvietojums	
	B2. Kombinētās lobparības fabriku izvietojums	
	B3. Graudu elevatoru izvietojums	

1.NODAĻA KOPSAVILKUMS

A. Izpētes mērķi un uzdevumi.

Privatizācijas projekta pirmā posma uzdevumi ir noteikt graudu un graudu pārstrādes rūpniecības raksturīgās iezīmes un sagatavot ministrijai detalizētu stratēģijas un rīcības plānu, ievērojot privātā īpašuma palielināšanos šajā nozarē.

B. Sākotnējie novērojumi.

Pievēršoties projekta uzdevumam ātri vien kļuva skaidrs, ka pirmajā posmā nepieciešami daži pārveidojumi, jo līdz ar Ministru Padomes 1992.gada lēmuma noteikto valsts uzņēmuma - koncerna "Latvijas labība" vadības atlaišanu radās jauni risināmi jautājumi.

Tā rezultātā vajadzēja izveidot pašreizējās rūpniecības pamatpārskatu, kam sekos papildus paplašināts, detalizēts pārskats un graudu sektora privatizācijas darbības plāns. Šis ziņojums otrā nodaļā sniedz informāciju par sākotnējo stratēģiju, kas ir jāapspriež ar Latvijas valdību. Ir paredzēts, ka stratēģijas plāns tiks pabeigts un privatizācijas darbības plāns izstrādāts nākamajā pārskatā.

C. Sākotnējie spriedumi.

Nozari veido 24 uzņēmumi, kas sastāv no dažāda veida miltu dzirnavām, lopbarības ražotnēm, graudu elevatoriem, graudu rūpniecām un maizes produktu ražošanas uzņēmumiem. Turklāt pastāv vēl četri citi objekti, kas nodrošina uzņēmumu darbību, tai skaitā, izpēti, celtniecību, drošības nodrošināšanu u.c. Līdz 1993.gada 1.janvārim šie uzņēmumi bija zem stingras "Latvijas labības" pārvaldes un kontroles, kas tika izveidots 1990.gadā likvidējot Maizes produktu ministriju, kura savukārt pirms tam savas atskaites sniedza Maskavai.

Šis konsultanta vizītes laikā tika apmeklēts ievērojams skaits uzņēmumu. Noskaidrojās situācija, kas raksturīga, ja ne visiem, tad vairumam uzņēmumu:

1. uzņēmumi ir dziļos parādos (krājumi un aizdotā nauda);
2. uzņēmumiem nav pieejami kredīti;
3. nozarei ir liela apjoma neizmantotas jaudas - ieplānotais darbības laiks 1993.gadā ir: kombinētās lopbarības ražotnēs 15% no jaudas; miltu dzirnavas 66% no jaudas un
4. uzņēmumiem ir augsti kvalificēta tehniskā vadība, bet ir ierobežota informācija par tirgus virzītu ekonomiku.

D. Sākotnējie secinājumi un ieteikumi.

1. Sadalīt "Latvijas labības" iepriekšējās funkcijas divās atsevišķās sfērās;

- a. valdības pakalpojumu un regulējošās funkcijas; un

b. akciju sabiedrība, kas izveidota komerciālu uzņēmumu pārraudzīšanai un privatizācijas procesa vadīšanai. (uzņēmums ar ierobežotu darbības laiku).

2. Atbalstīt tirgus cenu sistēmas izveidošanu, kas atbilstu tirgus ekonomikas sistēmai.

3. Pirms 1993.gada ražas novākšanas izveidot un realizēt ražotāju programmas, kas atbilstu tirgus ekonomikai. Tas varētu pasiiprināt nozarei nepieciešamo līdzekļu un ražotāju ienākumu finansēšanu.

Ši ziņojuma turpmākās nodaļas sniegs papildus informāciju par kopsavilkumā pieminētajiem jautājumiem.

2.NODAĻA NOZARES ANALĪZE

A. Nozares struktūra.

Patstāvīgi darbojošās vienības sastāv no sešām kviešu, rudzu un auzu pārstrādes rūpnīcām. Kopumā ir vienpadsmit kombinētās lopbarības rūpnīcas, četras no kurām ir saistītas ar graudu malšanas rūpnīcu. Graudu elevatori ir novietoti visu pārstrādes uzņēmumu tuvumā. Pie tam ir vēl divas atsevišķi novietotas graudu elevatoru iekārtas. Ir deviņi maizes un maizes produktu ražošanas uzņēmumi. Pielikumā A iekļauts uzņēmumu saraksts un to ražošanas jaudas.

"Latvijas labības" struktūrā bija iekļautas arī tādas funkcijas kā graudu pārbaude, graudu kvalitātes uzraudzība, ekonomiskā analīze, individuālo uzņēmumu vadoša kontrole un cenu noteikšana visos nozares līmeņos.

B. Vadība/darbspēks

Noskaidrojās, ka vairumā uzņēmumu vadošajos amatos ir augsti kvalificēts personāls, kas spēj nodrošināt pārstrādes uzņēmumu darbību. Vairums vadītāju ir apmācīti tehniskajos institūtos bijušās Padomju Savienības teritorijā vai Latvijas Nacionālajā Lauksaimniecības akadēmijā. Intervētie vadītāji bija ļoti pieredzējuši. Tomēr jāatzīmē, ka viņiem nav pietiekamas informācijas par uz tirgu orientētas ekonomikas funkcionēšanu.

Noskaidrojās, ka attiecībā pret ražošanas prasībām ir pārāk liels darbinieku skaits. Turklāt, pārāk daudz darbinieku ir arī ražošanu apkalpojošos objektos.

"Latvijas labības" iepriekšējās funkcijas pašlaik tiek reorganizētas divās vienībās, kas atdala pakalpojumu/regulējošās aktivitātes un komerciālo darbību. Latvijas Birojs pārņem pakalpojumu, koordinēšanas un politikas veidošanas funkcijas, kas pirms tam bija koncerna "Latvijas labība" pārziņā.

Ir paredzēts, ka "Latvijas dzirnavnieks", kas joprojām ir vēl iepriekšējās izstrādes posmā, pārskatīs uzņēmumu komerciālo darbību. Turklāt, būs atbildīgs par privatizācijas procesa vadīšanu.

Šo dažādo darbības veidu pārveidošanā jaunās struktūrās ir nepieciešama piesardzība, tā kā to funkcijām ir operatīvi jādarbojas arī privatizētā, tirgus virzītā vidē.

C. Tehnoloģiskais raksturojums.

Vairums rūpnīcu ir būvētas pēdējo 25 gadu laikā. Pārbaudīto dzirnavu iekārtas pārsvarā ražotas PSRS ar Buhler-Miag licenci, kas ir visievērojamākā dzirnavu iekārtu ražošanas kompānija pasaulē. Varbūt nākotnē radīsies vēlēšanās vai nepieciešamība pēc speciālista, kas pārbaudītu un novērtētu dzirnavu iekārtas atsevišķu uzņēmumu privatizācijas procesā.

D. Īpašumtiesību nokārtošana.

Visi uzņēmumi ir Latvijas valdības īpašums un līdz nesenaī pagātmei tie visi darbojās tiešā "Latvijas labības" kontrolē. Tas bija ~~valsts koncerns~~, ko vadīja direktors un direktoru valde. Direktoru valde sastāvēja no katra atsevišķa uzņēmuma vadītājiem. Pirms "Latvijas labības" izveidošanas 1990.gadā šos uzņēmumus kontrolēja bijušās Padomju Savienības Maizes produktu ministrija. Tajā laikā to vadīja persona, kas bija ministra pirmā vietnieka amatā un atskaitījās tieši ministram Maskavā.

E. Uzņēmumu izvietojums.

Sešas dzirnavas ir izvietotas visā valstī vairāk apdzīvoto centru tuvumā. Tomēr dažu atsevišķu rūpnicu jaudas ir neproporcionāli lielas salīdzinājumā ar rajona apdzīvotību. Šī neatbilstība ir acīmredzams iepriekšējās pārstrādes prasību rezultāts, tai skaitā miltu eksports uz bijušajām Padomju Savienības republikām un maizes produktu pārpalikums attiecībā pret maizes pieprasījumu Latvijā. Autoram ir nelielas bažas par to, ka šo uzņēmumu lielums un attālums starp tiem var veicināt bezkonkurences vides rašanos. Šo jautājumu būs vēl papildus jāanalizē projekta nākamā posma laikā.

Septiņas neatkarīgi darbojošās kombinētās lopbarības rūpnīcas un vēl četras, kas ir saistītas ar dzirnavām, ir izvietotas visā valstī lopbarībai domāto graudu audzēšanas un lopkopības rajonos. Nesenaī gaļas ražošanas samazināšanās un nelabvēlīgie ekonomiskie apstākļi būtiski ietekmē šo objektu darbības laiku. Graudu elevatori ir izvietoti netālu no dzirnavām un lopbarības pārstrādes rūpnīcām, izņemot divus, kas ir novietoti atsevišķi.

Deviņiem maizes ražošanas uzņēmumiem ir labs izvietojums, lai varētu veiksmīgi apmierināt patērētāju vajadzības. Dažās vietās valsts maizes ražošanas uzņēmumi konkurē ar mazām privātām maizes ceptuvēm. Situācija konkurencēs jomā šajā apakšsektorā tiks detalizēti apskatīta projekta nākamajā posmā.

Pielikums B ietver kartes, kas parāda nozares sastāvdaļu ģeogrāfisko sadalījumu.

F. Attiecības starp uzņēmumiem.

Pastāvot pavēļu sistēmai atsevišķi uzņēmumi darbojās kā bezkonkurences vienības ar valdības/"Latvijas labības" noteiktām cenām visās nozares sastāvdaļās no zemnieka līdz pat patērētājam. Ir ļoti svarīgi, lai turpmākā likumdošana nodrošinātu nozares cenu veidošanos caur tirgus spēku darbību.

G. Attiecības ar zemniekiem.

Nozare darbojas kā valdības cenu programmas pārvaldītājs. Viņi ir sākotnējie ražotāju graudu saņēmēji un ir atbildīgi par samaksas veikšanu ražotājiem atbilstoši valdības noteiktajām graudu cenām. Turklāt nozare nodrošina ar tādu pakalpojumu sniegšanu kā graudu sēklu piegādi, žāvēšanu, graudu kombinēšanu un kondicionēšanu.

Attiecības starp nozari un ražotāju nav parastās patērētāja/piegādātāja attiecības. Normālu patērētāju/piegādātāju attiecību izveidošana starp piegādātājiem un graudu nozari ir īpaši svarīga prasība izdzīvošanai tirgus ekonomikā.

3. NODAĻA PRIVATIZĀCIJAS STRATĒGIJA

Šī nodaļa tika sagatavota konsultācijas projekta laikā un iesniegta Latvijas valdībai kā atsauksme uz dokumentu par "Latvijas Labības" likvidēšanu un tās reorganizāciju un privatizāciju.

Attiecīgie lēmumi un pavēles ietver: Ministru Padomes lēmums Nr. 471 (1992.g.9.nov.), "Situācija maizes un citu graudu produkcijas sagādē"; 14. punkts informācijā par Ministru Padomes 20. novembra lēmuma Nr. 485 realizāciju, Lauksaimniecības Ministrijas pavēle Nr. 326 (1992.g. 12. decembrī) par koncerna "Latvijas Labība" likvidēšanu.

Augstāk minētie dokumenti attiecas uz "Latvijas Labības" likvidēšanu un tam sekojošiem pasākumiem jaunu alternatīvu struktūru veidošanu, un privatizācijas jautājumiem komerciālajās struktūrās, kas pašreiz veido koncernu "Latvijas Labība".

A Latvijas Labības pārveidošanai un privatizācijai nepieciešamie pasākumi

Pasākumi, kas prasīti minētajos dokumentos:

1. Iesniegt Ministru Padomei likumprojektu "Graudu tirgus un Par graudu pārstrādes uzņēmumu privatizāciju" līdz 1993.g. 1. martam. (14.punkts)
2. Izveidot Latvijas hiroju (LB) līdz 1993. g. 1. februārim. (14. punkts)
3. Sagatavot valsts graudu pārstrādes uzņēmumu privatizāciju līdz 1993.g. 1.
4. Noorganizēt Latvijas Dzirnava (LD) līdz 1993.g. 1.martam. (14. punkts)

Turklāt ir nepieciešami arī citi pasākumi augšminēto dokumentu mērķa realizēšanai:

1. Sagatavot un Ministru Padomei iesniegt ieteicamo valdības graudu programmu līdz 15.jūnijam realizēšanai sākot ar 1993. g. ražu, un turpinot līdz 1994.g. ražai.
2. Sagatavot un Ministru Padomei iesniegt detalizētu privatizācijas plānu līdz 1993.g. 1. jūlijam.

B Likumu projekti par graudu tirgus darbību un par graudu pārstrādes uzņēmumu privatizāciju

Ņemot vērā laika trūkumu, šo prasību var vislabāk izpildīt, sagatavojot likumdošanu, kas dotu dažus vispārējus noteikumus par:

1. graudu tirgus funkcionēšanas galvenajiem principiem;
2. LB vispārīgo lomu un funkcijām; un
3. LD vispārīgo lomu un funkcijām;

Turpmāk šie jautājumi tiek apskatīti detalizētāk.

C Likumprojekti par graudu tirgus darbību

Likumdošana sankcionēs graudu tirdzniecības sistēmu, kas balstīta uz tirgus principiem. Svarīgi, lai likums aizliegtu pastāvošo fiksētu cenu noteikšanu graudiem un to izstrādājumiem. Turklāt, LB un LD akciju sabiedrībām ir jāaizliedz komerciālas aktivitātes graudu tirdzniecības un graudu produktu pārstrādes jomā. Tas veicinās valdības politiku mērķētu uz tirgus balstītu cenu un tirdzniecības sistēmas ieviešanu.

Komerčiālo korporizēto uzņēmumu vadītāji (5.23 punkts) būs atbildīgi par graudu iepirkšanu (arī importu) un produktu pārdošanu valdības noteiktās politikas ietvaros. Tas radīs konkurenci uzņēmumu vadītāju, citu pārstrādātāju, kā arī citu ar graudiem saistītu uzņēmēju starpā.

LB būs atbildīgs par valsts stratēģiskajām rezervēm un koncessionārajiem graudu krājumiem valdībai.

D Likumprojekti par graudu pārstrādes uzņēmumu privatizāciju

LB loma un funkcijas

Dokumenti, uz kuriem ir atsauksme I.1 bez ierunām norobežo LB no iesaistīšanās jebkādās komerciālās darbībās. Tam jābūt skaidri pateiktam likumprojektos.

LB funkcijā ietilpst lietiskie pētījumi (var būt pēc līguma), kvalitātes pārbaude un kontrole par ražošanu un attiecīgu programmu vadīšanu, kas ietekmē zemniekus un graudu rūpniecību. LB specifiskas funkcijas ir:

- a. graudu noliktavu krājumu uzraudzība (kvantitatīva un kvalitatīva), ja tie pieder valdībai (vai saskaņā ar valdības programmu). LB nodrošina, ka viss valdības graudu krājums atbilst kvalitātes standartiem, un vada šo krājumu izlietojumu;

b. vada graudu inspekcijas darbību, ieskaitot komerciālu kategoriju noteikšanu un saglabāšanu;

c. ekonomiskās analīzes nodaļas uzturēšana, kuras uzdevums būtu (neaprobežojoties tikai ar to) nodrošināt pieprasījuma/piedāvājuma prognozi, atskaites par situāciju graudu nozarē un prognozes, kā arī citus svarīgus datus, kas nepieciešami graudu stratēģijas izstrādāšanai un ietekmē zemniekus, kā arī pārstrādātājus;

d. stratēģiskās rezerves politikas vadīšana, kā to noteikusi Lauksaimniecības Ministrija;

e. kvotu un tarifu politikas vadīšana, kā to nosaks likums vai LM;

f. lauksaimniecības programmu vadīšana, kā to nosaka likums vai LM;

g. patēriņa apmierinājuma programmu vadīšana, kā to nosaka likums vai LM;

h. valdības likumu un lēmumu administrēšana, kuri aizliedz fiksētas cenas graudu rūpniecībā (kamēr top pieejami vispārējā likumdošana un nodrošināšanas mehānisms).

LB darbību finansē LM budžets vai tie, kuri izmanto biroja pakalpojumus.

2. "Latvijas dzirnavu" loma un funkcijas.

LD ietilpst visi komerciālie uzņēmumi, kas pašlaik apvienoti LL. Likumdošana noteiks, ka 1. posmā katrs uzņēmums tiks pārveidots par akciju korporatīvu vienību (korporatizētu vai komercializētu). 2. posmā uzņēmums pāriet privātajā sektorā.

Akcijas korporatīvos uzņēmumos turēs holdinga sabiedrība Latvijas valdības vārdā. Holdinga sabiedrību veidos Direktors Rīkotājs un Direktoru Valde, ieskaitot vietējos un ārzemju graudu tirdzniecības, pārstrādes (pārtikas un lopbarības) un maizes cepšanas speciālistus. Valde atbild Lauksaimniecības Ministrijai.

Ideālā situācijā holdinga sabiedrības Direktors Rīkotājs ir latviski runājošs speciālists ar lielu komerciālas vadīšanas pieredzi tirgus ekonomikā, ieteicams graudu rūpniecībā. Viņam algu varētu maksāt donora organizācija. Neliels speciālistu štats veiktu holdinga sabiedrības darbu. Līdzekļus vietējo un ārzemju speciālistu algošanai un administrēšanai var lūgt no donoru fondiem.

Holdinga sabiedrībai būs ierobežots eksistences ilgums - līdz laikam, kamēr visi komerciālie uzņēmumi būs privatizēti. Ieteicams, lai privatizācijas process būtu pabeigts ne vēlāk kā līdz 1996.g. decembrim.

Holdinga sabiedrība neveiks komerciālu tirdzniecības darbību. Tās funkcijās ietilps:

- a. noteikt un realizēt vispārējo komerciālās darbības politiku korporāciju uzņēmumos;
- b. pieņemt darbā un atlaist korporāciju uzņēmumu direktorus;
- c. dot padomu un sniegt apinācību korporāciju uzņēmumiem;
- d. izstrādāt un realizēt stratēģiju korporāciju uzņēmumu parādu kārtošanas problēmu risināšanā;
- e. kontrolēt visus LD apvienotos komerciālos uzņēmumus;
- f. veikt vai arī pasūtīt ikgadējas korporāciju uzņēmumu revīzijas;
- g. veikt ražošanas analīzi, iesakot korporāciju uzņēmumu pārveidošanu attiecīgos ekonomiskos grupējumos un veikt citus sagatavošanas darbus, pirms tie tiek piedāvāti pārdošanai privātajā sektorā;
- h. vest sarunas par korporāciju uzņēmumu pārdošanu privātajam sektoram (galīgo lēmumu par pārdošanu pieņem Lauks. Min.);
- i. privatizācijas plāna sagatavošana;
- j. privatizācijas plāna realizēšana.

Sagaida, ka visi korporāciju uzņēmumi darbosies tirgus ekonomikas apstākļos, un tāda cenu noteikšana, kā pašlaik, tiks aizliegta ar likumu. Situācijā, kad trūkst nacionālo likumu, tai jābūt daļai no LD holdinga sabiedrības komerciālās darbības politikas. (Šādam aizliegumam jābūt ietvertam arī graudu tirgus likumā, kas tiks aizstāts ar vispārēju komercijas likumu pret fiksētu cenu noteikšanu.)

Katra korporāciju uzņēmuma direktors ir atbildīgs par visiem vadības lēmumiem, tādiem kā graudu iepirkšana (ieskaitot komerciālo importu), graudu malšana un cenu noteikšana saražotajiem produktiem, kā arī personāla pieņemšana darbā un atlaišana. Katrs uzņēmums tiek pakļauts LD pārbaudei.

E Valdības graudu programmas sagatavošana

Graudu programma, kas regulētu maksājumu izdarīšanu zemniekiem 1993. gadā, ir varbūt pats būtiskākais Lauks. Min. politikas jautājums plānošanas izstrādāšana un realizēšana uzņēmumiem, kas privatizācijas procesa I. posmā izveidoti kā korporāciju uzņēmumi. Ieteicams, ka Lauks. Min. pabeigtu programmas projekta izstrādāšanu līdz 15. jūnijam un ir gatava realizēšanai pirms 1993. gada ražas.

Stratēģijas jautājumi, kas jāizlemj pirms zemnieki uzsāk graudu pārdošanu, ietver atbalsta cenu, ja tāda paredzēta, importa /eksporta kontroli, ja tāda paredzēta, pārdošana un citi koncesionārā graudu krājuma izmantošanas veidi, cenu izlīdzināšanas ierobežošana valstī, piem., vai valdībai jāturpina subsidēt transporta izdevumus?

Latvijas valdības svarīgākās rūpes šodien ir esošo maksāšanas mehānismu noārdīšana, kad jauni vēl nav izveidoti, un tas ietekmē graudu politiku. Situācija kļūst nopietna šajā gadā, sakarā ar drīzajām vēlēšanām, smago parādu nastu graudu dzirnavām, realizācijas variantu trūkumu, pircēju rūpēm, ko rada zemā pirktspēja, un programmas iemiestošanas gaitā aizvien pieaugošo priekšlikumu un pretinieku skaitu.

Uz tirgus pamata veidotajās Rietumu ekonomiskajās sistēmās līdzekļus var viegli aizņemt, izmantojot ieķīlāšanai graudus un miltus. Iemesls - ka tie ir viegli pārvēršami skaidrā naudā. Piemēram, Moodys un Standard un Poors neiekļauj savā normālo parādu analizē korporatīvo kredītu reitingus, istermiņa aizņēmumus, ko garantē graudi un milti.

Tomēr, atslēga istermiņa finansēšanas kapitāla nodrošināšanai ir pienācīga regulējoša kontrole, lai nodrošinātu šo krājumu kvantitāti (novērstu zagšanu) un kvalitāti (novērstu bojāšanu). (Mums ir stāstīts, ka sistēmas šīs nepieciešamās kontroles veikšanai ir, vai arī var tikt ātri radītas.)

Šāda kontroles sistēma dos aizdevēja iestādei nepieciešamās garantijas un samazinās vai pat lielā mērā likvidēs risku.

Pašlaik vietējās bankas nav spējīgas sniegt kredītus. Tādēļ šāds mehānisms ir jāizveido isā laikā. Ir iespējams, ka tādas institūcijas kā Pasaules banka vai Starptautiskais Valūtas Fonds varētu sniegt šādu istermiņa kredītu. Papildus līdzekļi rubļos, ko iegūst no koncesionārā graudu importa var būt pielietojami šim nolūkam.

Kad zināms līdzekļu avots, ir daudz veidu kā šo naudu nodot zemniekiem un faktiski nodrošināt aizņēmuma atmaksāšanu.

Virzoties uz tirgus sistēmu graudu tirdzniecībā, lauksaimniecības programma, līdzīga kā ASV, būs atbalsts kredītu programmai, kas balstās uz ieķīlātiem graudu krājumiem. Šāda programma:

- a. dos zemniekam naudu ražas novākšanas laikā;
- b. samazinās risku ciest zaudējumus, kas ceļas no neieķīlātiem graudiem;
- c. realizēs "brīvā tirgus" principus.

Programma var tikt arī izmantota, ja vēlas, lai sniegtu papildinājumu zemnieka ienākumiem, subsidējot līmeni, kādā to noteicis Parlaments.

ASV graudu programmas būtība ir tā, ka valdība sniedz atbalstu, nosakot cenu, par kādu fermeri var saņemt aizdevumu, ko nodrošina ar saviem graudiem. Tā zemnieks var saņemt skaidru naudu ražas novākšanas laikā, bet nav spiests pārdot ražu laikā, kad tirgus cenas var būt viszemākās.

Zināmā laika periodā zemnieks var izvēlēties pārdot graudus par dominējošo tirgus cenu, nomaksāt aizdevumu un izmaksas, kas ar to saistītas, paturot starpību. Vai arī nodot graudus tieši valdībai par garantētu aizdevuma cenu.

Garantēto aizdevuma cenu parasti nosaka zem prognozējamās tirgus cenas. Bieži to nosaka procentuāli zem vidējām ražošanas izmaksām. Tādējādi prasnīgi fermeri tiek stimulēti turpināt ražošanu, kamēr neprasmīgi - ieguldīt līdzekļus citur.

Praksē dažas valdības veic cenu noteikšanu ar zināmu mērķi, lai dotu subsīdijas virs vai zem prognozētajām vai valdošajām tirgus cenām, virs - kur papildus ražošana ir vēlama (piem. kvieši), un zem prognozētām vai valdošajām tirgus cenām par precēm, kas saražotas vairumā (piem. rudzi). Ja cena noteikta virs tirgus cenas, starpība veido valdības subsīdiju.

F. Sagatavo detalizētu privatizācijas plānu

LD holdinga sabiedrība ir albīdīga par privatizācijas plāna izstrādāšanu un realizēšanu. Ieteicams plānu pabeigt 1. jūlijā, lai to izskatītu Ministru Padomē.

Ir būtiski, lai tiktu radīta lauksaimniecības stratēģija un tirgus vide šai nozarei pirms notiek faktiskā korporāciju uzņēmumu privatizācija.

Uzņēmumiem jāzin, kādi likumi nosaka to darbību, pirms tie iegulda līdzekļus, pērkot kapitālu. Ārzemju ieguldītāji nelems par ieguldījumu, ja nozares stratēģija nebūs labi nodrošināta.

Privatizācijas plāns ietvers:

- a. rekomendētajām LD uzņēmumu grupām, kas varētu tikt pārdotas kopā, veidot komerciāli dzīvotspējīgu vienību;
- b. pārdošanas veidu variēt no akciju pārdošanas izsolē līdz kapitāla nodošanai bez maksas ražotāju kooperatīviem;
- c. ieteicamie pārdošanas termiņi - iespējams, ka plāns rekomendēs agrāku pārdošanu sektoros, kur jau pastāv konkurence (maizes ceptuvēs) un novilcinās tur, kur tā ir ierobežota (miltu malšana).
- d. pircēji, kam dodama priekšroka;
- e. īpaši pārdošanas nosacījumi, piem., atlaides, atlikti maksājumi utt.;
- f. privatizācijas komisiju veidošana (ja tādas tiek veidotas) un to pienākumi;
- g. LD holdinga sabiedrības pienākumi privatizācijas procesā;
- h. vadības aprīkošanas plāns un realizēšanas veidi.

Projekts
Nav domāts citēšanai vai pavairošanai
1993. gada 5. maijā

LATVIJAS LAUKSAIMNIECĪBAS PRIVATIZĀCIJAS PROJEKTS

LABĪBAS UN LABĪBAS PĀRSTRĀDES NOZARES

raksturojums un uzņēmumu privatizācijas stratēģija

2. ziņojums

sagatavoja: *Bruce Carrie - Coopers & Lybrand*
Conrad Fritsch - Chemonics International
Si Matthies - Grain Services Inc.
Nils Melngailis - Coopers & Lybrand
sadarbībā ar: Savienoto Valstu Starptautiskās palīdzības
aģentūru (USAID)
un
Latvijas Republikas Lauksaimniecības
ministriju

Rīgā, 1993. gada 10. maijā

1245

SATURS

Kopsavilkums

- 1. nodaļa** **Nozares stāvoklis līdz 1992. gadam**
- 2. nodaļa** **Uz konkurences pamatiem balstīta tirgus attīstība**
- 3. nodaļa** **Labības nozares privatizācijas stratēģija**

- Pielikums A** **Labības nozare, tabulas**
- Pielikums B** **Komentāri likumprojektiem par labības tirgu**
- Pielikums C** **Diskusija par lauksaimniecības programmām**

KOPSAVILKUMS

A. Pētījuma mērķi un uzdevumi

Labības nozares pētījuma otrā posma uzdevumi ir pabeigt nozares struktūras, funkciju un darbības novērtējumu, kā arī sagatavot rekomendācijas valdībai par vispiemērotākā privatizācijas ceļa izvēli un atbalstīt citus ar privatizāciju saistītos pasākumus, ko veic vietējie konsultanti.

B. Novērojumi un secinājumi

Visas lielākās labības malšanas un kombinētās lopbarības ražošanas apakšnozares ir būtiski svarīgas tautsaimniecības sastāvdaļas, kas tādā vai citādā formā tuvākajā laikā būtu jā saglabā. Pastāvošajos valsts lopbarības un labības malšanas uzņēmumos ir ievērojami jaudas pārpalikumi. Bet tuvākajā laikā vairums uzņēmumu varēs darboties ar nepilnu jaudu uz pozitīvas naudas plūsmas pamata, jo ārpusražošanas izmaksas ir minimālas. (over head) ?

Valdībai būtu ātri jāprivatizē visi labības pārstrādes uzņēmumi. Uzņēmumu samazināšana un pārstrukturēšana būtu jāatstāj jauno īpašnieku ziņā un būtu jāveic normālas komercdarbības apstākļos. Tādējādi tiks samazināta vajadzība pēc trūcīgajiem valdības resursiem un iznākumā tiks iegūti dzīvotspējīgi uzņēmumi, kas spētu apmierināt valsts vajadzību pēc lopbarības un miltiem par pieņemamām, konkurences noteiktām ražošanas izmaksām. →
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Ja valdības mērķis ir nodrošināt valsts pašapgādi ar labību, būtu jā saglabā visi esošie valsts labības glabāšanas uzņēmumi, bet jaunu elevatoru celtniecība nav nepieciešama. 1992. gadā valsts sektorā samalto miltu un lopbarības apjoms bija mazāks nekā Latvijā atrodošos valsts elevatoru jauda. Vēsturiskais labības vajadzības līmenis cilvēku patēriņam iekšzemē ir apmēram puse no pieejamās valsts elevatoru jaudas. Bez tam, lielas labības uzglabāšanas jaudas ir arī privātajās fermās, tās varētu tikt izmantot lopbarības uzglabāšanai.

Līdz 1993. gada ražai būtu jānodrošina komercaizņēmumu ņemšanas iespēja iekļaujot labību un līdz ar to jāsamazina valdības izdevumi. Valdībai būtu jāapzinās, ka mākslīgi augstas labības cenas ražas laikā būs gūti uzturamas ilgāku laika posmu. Iekšējā tirgus spēkiem ir jābūt par galveno labības cenu kā arī miltu un lopbarības pārstrādes cenu noteikšanas kritēriju.

Daudzu lopbarības un miltu ražošanas uzņēmumu parādi, ar dažiem izņēmumiem, pārsniedz samērīgus apjomus, un tie būtu uzskatāmi par nodevām privatizācijai. Privatizācijai ievērojoties, ar parādiem saistīto jautājumu risināšana varētu kļūt vēl sarežģītāka. Vairumā uzņēmumu arī joprojām ir pārāk daudz strādājošo. Lai nodrošinātu nozares efektīvu darbību, nākotnē būs jāpēta, vai nu, uzņēmumu slēgšanas vai to jaudas samazināšanas.

Ir sasniegts ievērojams progress Latvijas labības agrāko regulētāj- un apkalpojošo funkciju pārstrukturēšanā. Jaunajai struktūrai- Labības birojam- piešķirtas funkcijas, kas atbilst uz konkurences pamatiem balstīta labības tirgus izveidei. Tam nav noteiktas Latvijas labības pārziņā bijušās autoritatīvās, kartelizētās uzņēmumu vadības funkcijas, kas noteica Latvijas labības monopoldarbības iespējamību. Tomēr nav lietderīgi, ka centienus izveidot valsts pakalpojumu aģentūru privātās labības tirdzniecības attīstīšanai un veicināšanai, vēl joprojām realizē ar administratīvo un likumdošanas procesu palīdzību.

Autoru grupa ir nopietni uztraukta par to, ka uzņēmumu vadības uzraudzības funkcijas, kuras agrāk veica Latvijas labība (kaut arī nepareizā veidā), pēdējos mēnešos atstātas pilnīgā novārtā. Līdz tam laikam, kamēr valdība patur īpašumtiesības uz nozares uzņēmumiem, tai ir jā rūpējas arī par šo firmu stāvokli un darbību. Saglabājoties stāvoklim, kad šīs kontroles funkcijas netiek veiktas, sevišķi, ja nenotiek ātra privatizācija, nākotnē varētu rasties nevēlami rezultāti un arī ievērojami zaudējumi valstij.

Jaunie vadības pārraudzības kritēriji un procedūra jāievieš atsevišķi katrā uzņēmumā, un tiem jābalstās uz pasaules standartiem atbilstošiem grāmatvedības un revīzijas ziņojumiem un naudas plūsmas analīzi. Tie jāformulē, jāievieš un jāpārrauga, lai veicinātu konkurenci individuālo firmu vidū un paātrinātu privatizāciju.

C. Rekomendācijas

1. Nekavējoties vajadzētu ieviest likumus, kas norādītu mehānismu, pēc kura vadoties nozarē tiek piešķirtas regulētāj- un apkalpes funkcijas. Šajos pašos likumos jāietver arī mehānisms tirgus konkurences radīšanai.
2. Nekavējoties vajadzētu ieviest vadības uzraudzības sistēmu visiem pastāvošajiem labības un labības pārstrādes uzņēmumiem. Šo darbu jākoordinē lauksaimniecības ministra vietniekam. Pirmkārt, visos labības nozares uzņēmumos jāveic revīzija un naudas plūsmas analīze atbilstoši starptautiskajiem standartiem. Šī darba, kā arī pārraudzības funkciju izstrādāšanai un ieviešanai būtu nepieciešama donorvalstu tehniskā palīdzība.
3. Nekavējoties jāievieš labības kvalitātes kategoriju un standartu sistēmu, kas atbilstu starptautiskajiem kritērijiem. Bez šiem standartiem Latvija nevar eksportēt labību ^Ucaur starptautiski atzītiem tirgiem. Šajā darbā būtu nepieciešama donorvalstu tehniskā palīdzība.
4. Turpināt Labības biroja kā regulētāj- un pakalpojumu aģentūras attīstīšanu, lai atbalstītu uz konkurences pamatiem balstīta tirgus radīšanu un darbību. Priekšroka dodama šādām jomām:

- a. Esošās ekonomiskās informācijas, situācijas un uzskatu, pieprasījuma un piedāvājuma bilances sagatavošanas un atskaišu sniegšanas stiprināšana;
- b. Ikmēnēša ziņojumu sagatavošana un publicēšana par valsts un "sabiedriskajos" elevatoros uzglabātās labības daudzumu un sadalījumu - valsts rezerve un humānā palīdzība - un privātajiem krājumiem;
- c. Starptautisko kvalitātes kategoriju un standartu pieņemšana un ieviešana visos valsts labības elevatoros, lai nākotnē veicinātu pašražotās labības eksportu;
- d. Labības tirdzniecības un uzglabāšanas reģistrācijas un licenzēšanas kārtības ieviešana;

Uzskaitīto pasākumu veikšanā ļoti noderīga varētu izrādīties donorvalstu tehniskā palīdzība.

- 5. Pēc iespējas ātrāk ieviest vienot labības nozares privatizācijas likumu. Likumā būtu jānosaka uzraudzītā, uz konkurenci balstīta konkursa izsludināšanas procedūra visu agrāk ar Latvijas labību saistīto uzņēmumu pārdošanai.
- 6. Cik vien ātri iespējams būtu jāveic miltu malšanas un lopbarības ražošanas uzņēmumu un elevatoru privatizācija. Konkursa pieteikumi jāpieprasa no pēc iespējas plašāka vietējo un ārvalstu ieguldītāju loka. Konkursa dokumentu sagatavošanā un priekšlikumu izskatīšanā ir nepieciešama donorvalstu tehniskā palīdzība.
- 7. 1993. gada ražas sezonā jāievieš komercaizdevumu programmu zemniekiem, par ķīlu izmantojot jauno ražu. Tādējādi samazināsies vajadzība pēc jau tā ierobežotajiem valdības līdzekļiem liela labības daudzuma iepirkšanai ražas laikā un jau iepriekš tiks savākta informācija par vietējiem labības resursiem, kas būs pieejami maizes labības vajadzības nodrošināšanai.
- 8. Jāformulē valdības ilgtermiņa mērķi privatizācijas jomā.
- 9. Jānosaka privatizējamo līdzekļu juridiskā definīcija vēl pirms uzņēmuma izvirzīšanas pārdošanai. Pašreizējās konceptuālās neskaidrības jautājumā par īpašnieka tiesībām un pienākumiem un pārvaldes tiesībām un pienākumiem tas šobrīd izraisa neskaidrības jautājumā par īpašumtiesībām uz līdzekļiem nedrīkst tikt izmantotas kā attaisnojums atliktai uzņēmumu privatizācijai.

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1.NODAĻA

NOZARES STĀVOKLIS LĪDZ 1992.GADAM

Pielikumā A ir iekļautas tabulas, kas parāda labības pārstrādes nozares stāvokli laika periodā no 1989. līdz 1992.gadam. Straujais kritums lopbarības ražošanas sektorā no 1.6 miljons tonnām gadā laika periodā pirms 1989.gada līdz pat 600 000 tonnām 1992.gadā attēlo straujo austrumtirgu pieprasījuma samazināšanos pēc gaļas un piena produktiem. Aptuveni aprēķinātā pašreizējā valsts sektora lopbarības ražošanas vajadzība 1993.gadā ir nepilnas 300 000 tonnas. Lielākā šī apjoma daļa ir paredzēta cūku un putnu barošanai.

Līdz 1990.gadam lopbarības proteīna piedevu iepirkums vidēji sasniedza 210 000 tonnas gadā. 1991.gadā tas samazinājās līdz 157 500 tonnām un 1992.gadā līdz pat 54 000 tonnām. Līdz 1991.gadam importēto proteīna piedevu procentuālā attiecība pret kopējo saražotās kombinētās lopbarības daudzumu bija aptuveni 13 procenti. 1992.gadā šī procentuālā attiecība samazinājās līdz pat 9 procentiem.

Valsts sektorā ražoto miltu apjoma samazināšanās nav tik strauja kā lopbarības ražošanas samazināšanās. Ja līdz 1991.gadam valsts sektors vidēji gadā saražoja 380 000 tonnas miltu, tad 1992.gadā - 260 000 tonnas. Tas parāda patērētāju pirktspējas straujo samazināšanos, kas saistīta ar cenu liberalizāciju un darbavietu zaudēšanu pilsētās, kā arī ar lētāku miltu importa palielināšanu no Latvijas kaimiņvalstīm. Ja 1992.gadā rudzu un kviešu miltu ražošana samazinājās attiecīgi par aptuveni 30 un 40 procentiem, tad putrainu un citas maltās labības produktu ražošanas apjoms gandrīz neizmainījās.

Statistikas dati rāda, ka laika periodā no 1988.gada līdz 1990.gadam Latvijas miltu eksporta apjoms svārstījās no 40 000 līdz 80 000 tonnām. 1991.gadā miltu eksports samazinājās līdz 13 000 tonnām un 1992.gadā tika pilnīgi pārtraukts.

Lopbarības ražošanas nozares gada jauda ir gandrīz 2 miljoni tonnas. Faktiskais ražošanas līmenis nozarē 1992.gadā bija zemāks par 30 procentiem, svārstoties no 4.9 līdz 72.8 procentiem.

Miltu ražošanas nozares gada jauda sasniedz gandrīz 450 000 tonnas. Tas ir pietiekams apjoms, lai apmierinātu līdzšinējo pieprasījumu pēc pārtikas miltiem. 1992.gadā nozare izmantoja 50 procentus no tās ražošanas jaudas. Atsevišķu uzņēmumu ražošanas apjoms svārstījās no 71.5 procentiem no kopējās jaudas līdz pat 38 procentiem.

1235

Straujais lopbarības un miltu ražošanas kritums 1992.gadā rāda, ka pirms privatizācijas valdībai nevajadzētu veikt jaunus ieguldījumus jau esošajos uzņēmumos. Lietderīgāk būtu pārdot uzņēmumus tādus, kādi tie ir pašlaik, ļaujot jaunajiem īpašniekiem veikt nepieciešamos ieguldījumus.

Valsts sektorā faktiski saražotais lopbarības un miltu apjoms 1992.gadā (581 000 tonnas lopbarības un 230 000 tonnas miltu) ir mazāks par iespējamām labības uzglabāšanas jaudām, kas sasniedz aptuveni 860 000 tonnas. Pirms 1992.gada vietējo pārtikas graudu patēriņš svārstījās no 400 000 līdz 450 000 tonnām gadā. Šis apjoms ir apmēram puse no glabāšanas jaudām, kas pieejamas valsts elevatoros.

Pašlaik Latvijā bijušo kolhozu un valsts saimniecību privatizācijas rezultātā veidojas nelielu zemnieku saimniecību veidota decentralizēta lauksaimnieciskās ražošanas struktūra. Tas parāda, ka nākotnē zemnieki graudu uzglabāšanai un lopbarības miltu ražošanai daudz intensīvāk izmantos saimniecībās jau esošās graudu glabātuves un jaunas, nelielas, lokāla mēroga lopbarības ražotnes. Tādējādi mēs uzskatām, ka jaunu valsts graudu uzglabāšanas iekārtu celtniecība pašlaik nav nepieciešama.

2 NODAĻA

UZ KONKURENCES PAMATIEM BALSTĪTA TIRGUS ATTĪSTĪBA

A. Nozares reorganizācija kopš 1993.gada janvāra

1.posma ziņojumā, kas sastādīts 1993.gada 1.februārī, mēs ieteicām bijušās "Latvijas labības" (LL) funkciju pārdalīšanu un nodošanu divām atsevišķām vienībām - Labības birojam (LB) un "Latvijas dzirnavas" (LD).

"Latvijas dzirnavas" iekļautu sevī visus LL ražošanas uzņēmumus, kas veidotu pagaidu akciju sabiedrību. Šī akciju sabiedrība darbotos līdz tam brīdim, kamēr visi ražošanas uzņēmumi tiktu privatizēti. "Latvijas dzirnavu" iepriekšparedzētās funkcijas bija uzņēmumu uzraudzības nodrošināšana un privatizācijas plānu sagatavošana un realizēšana. Valdība tomēr nolēma neveidot LD. Tai šķita, ka šādas kompānijas izveidošana veicinās valsts īpašuma saglabāšanu, t.i., tieši to, ko valdība grib likvidēt.

Valdības lēmums neveidot LD ir radījis situāciju, ka netiek veikta uzņēmuma vadības uzraudzība. Šis jautājums ir nekavējoties jārisina. Valdībai, kas ir pašreizējais īpašnieks, ir regulāri jāuzrauga uzņēmumu darbība, lai nodrošinātu to pareizu vadību. Gadījumā, ja tas netiek darīts, nopietnas sekas var rasties ne tikai uzņēmumiem, bet arī valdībai. LD izveidotu kontroles mehānismu, kas sniegtu valdībai (kā uzņēmuma īpašniekam) pašreizējās darbības pārskatu. LD varētu arī noteikt darbības nepilnības to agrīnajā stadijā, tādējādi palīdzot valdībai veikt attiecīgus pasākumus to novēršanai. Šāds kontroles mehānisms ir īpaši svarīgs gadījumā, ja nenotiek tūlītēja uzņēmumu privatizācija. Sīkāk šī funkcija ir apskatīta otrās nodaļas C. daļā.

Labības birojs tika izveidots un tas pilda trīs galvenās funkcijas:

1. atbalsīt valsts labības politikas izstrādāšanu un nodrošināt tās ieviešanu;
2. labības tirgus darbībai nepieciešamās kontroles regulēšana un nodrošināšana;
3. savāc un izplata informāciju uz konkurenci balstīta labības tirgus darbības atbalstīšanai.

Tai skaitā šīs funkcijas ietver arī sekojošos konkrētos darbības virzienus:

1. pārraudzīt noliktavās glabātos krājumus (gan to kvantitāti, gan kvalitāti);
2. nosaka un pārvalda klasifikācijas kritērijus;

3. vada valsts graudu rezerves programmu;
4. uztur ekonomiskās analīzes departamentu, kas sniedz lauksaimniecības politikas un programmu sastādīšanai nepieciešamo informāciju, nosaka graudu piegādes un pieprasījuma bilanci un sniedz informāciju zemniekiem, tirgotājiem un pārstrādātājiem par pašreizējām graudu cenām un apjomu;
5. pārvalda kvotu un tarifu politiku;
6. sniedz rekomendācijas uzņēmumu privatizācijas jautājumos;
7. ievieš labības tirdzniecības likumu;
8. izsniedz licences firmām, kas nodarbojas ar graudu tirdzniecību;
9. sniedz arbitražas pakalpojumus labības nozarei;
10. ievieš valdības labības politiku un programmas.

Nav skaidras pašreizējās attiecības starp dažādām labības pārstrādes firmām un LB. Šķiet, ka Lauksaimniecības ministrija sagaida, ka LB būs atbildīga par miltu un kombinētās lopbarības ražošanas uzņēmumu pārvaldes uzraudzību. Tomēr, šis darbības virziens nav skaidri attēlots pašreizējos LB statūtos, kā arī LB rīcībā nav personāla, kas nepieciešams uzraudzības funkciju veikšanai. **Mēs esam cieši pārliecināti, ka LB nevajadzētu piešķirt vadības uzraudzības funkciju.** Ja tas tiks izdarīts, tad būs apšaubāmas tā spējas vienlaicīgi darboties kā valsts regulējošai un pakalpojumu aģentūrai un kā objektīvai informācijas sagādātājai, kas nepieciešama graudu tirdzniecības privātā sektora atbalstīšanai un veicināšanai. Pie tam, LB saglabās koncerna "Latvijas labība" slikto slavu, kas tika likvidēts dēļ tā, ka tas ieņēma monopolstāvokli labības nozarē.

B. Labības tirgus likumdošana un noteikumi

1. Labības tirgus likumdošana

Likums par labības tirgu, kas nesen tika iesniegts parlamentam, satur galvenos nosacījumus, kas nepieciešami LB pienākumu realizēšanai. Pie tam, šis likumprojekts iedibina struktūru, kas nodrošinās ~~un~~ konkurences balstīta → labības tirgus funkcionēšanu. Liels laika posms tika veltīts šī likumprojekta izpētei, tā nosacījumu izvērtējumam, kā arī iespējamo negatīvo seku apspriešanai ar dažādiem nozares pārstāvjiem. Likumprojekta autori bija ļoti pretimnākoši sniedzot mums detalizētāku likumprojekta izskaidrojumu, kā arī labprāt uzklausa un ņēma vērā mūsu ieteiktās izmaiņas. Darba grupa sagatavoja komentārus un iesniedza tos valdībai un parlamentam. Šie komentāri ir iekļauti Pielikumā B.

Mēs ceram, ka šo likumu parlaments pieņems pirms tā darbības pārtraukšanas maija sākumā. Tā pieņemšana pašlaik ir būtiska, jo tuvojas vēlēšanas un ražas novākšanas laiks. Ja likums netiks pieņemts, tas var izraisīt lūzumu tirgū, kā arī nozarei nepieciešamās koordinēšanas un pakalpojumu trūkumu. Tā ieviešana, kam ir nepieciešams ilgs laika posms, radīs konkurētspējīga tirgus darbībai nepieciešamos apstākļus, kas veicinās nozares privatizāciju.

1253

2. Labības tirgus noteikumi

Konsultantu grupas darbības laikā sarunās ar attiecīgām valdības amatpersonām tika detalizēti apspriestas un izvērtētas LB regulējošās un pakalpojumu funkcijas. Mūsu komentāri un secinājumi ir izklāstīti zemāk.

a. Graudu klasifikācija un standarti

Valsts klasifikācijas sistēma, ko pārvalda LB, ir izveidota un funkcionē. Tā sniedz nozīmīgu informāciju par faktoriem, kas ietekmē kvalitāti un galējo cenu. Tā ir līdzīga iepriekšējai sistēmai, kas darbojās bijušajā Padomju Savienībā. Tomēr, no nozares pārstāvjiem mēs esam dzirdējuši, ka šī sistēma nesniedz adekvātu priekšstatu par graudu kvalitāti, kā arī pilnībā neatbilst starptautiskajiem standartiem. Tādējādi, pašreizējie standarti visiem labības veidiem būtu detalizēti jāpārskata un jāpārveido atbilstoši starptautiskajiem standartiem. Atbilstība starptautiskajiem standartiem ir ļoti būtiska, lai veicinātu vietējās labības eksporttirdzniecības attīstību nākotnē.

Pie tam, ir jāievieš tāda pārbaudes kārtība, kas ļaus kvalitatīvāk un ātrāk noteikt lipekļu saturu graudos. Tādējādi pārstrādes uzņēmumi saņems vienādas kvalitātes produkciju un būs izstrādāta metode kvalitatīvāku graudu ražotāju papildus atalgošanai. Viens no iesakāmajiem analīzes veikšanas veidiem šīs informācijas iegūšanai ir proteīna satura noteikšana izmantojot infrasarkanos starus. Šādas iekārtas cena nav pārlietu augsta, un īsā laikā to var apmaksāt izmantojot lietotāju nodevas.

b. Labības iekārtu pārraudzība (kvantitāte/kvalitāte)

LB svarīga funkcija ir nodrošināt, lai uzņēmuma labības uzglabāšanas iekārtas (graudu elevatori) pareizi pārraudzītu viņu rīcībā esošos krājumus. Tā kā šīs iekārtas tiks privatizētas, tās darbosies kā sabiedriskās noliktavas (licenzējoša kontrakta ar valdību ietvaros), kas sniegs uzglabāšanas un kondicionēšanas pakalpojumus dažādiem viņu izvēlētiem klientiem (gan privātiem, gan valsts).

Sniedzot šos pakalpojumus, glabāšanas uzņēmumu pārstāvji ir atbildīgi par sabiedrisko "patērētāju" - t.i., valdības (rezerves), zemnieku vai labības tirgotāju, graudu kvalitātes un kvantitātes saglabāšanu. Kad uzņēmumi tiks privatizēti, tad tiem ir jādod iespēja izvēlēties - sniegt šos "sabiedriskās" graudu glabāšanas pakalpojumus vai nē. Ja viņi nolemj sniegt šos pakalpojumus, tad tiem ir attiecīgi jābūt LB licenzētiem (licensed and bonded). Ja viņi sniedz šos pakalpojumus, tad maksas tarifi ir jāpublicē, tiem ir jābūt pamatotiem, un konkurētspējīgiem attiecībā pret līdzīgiem pakalpojumiem.

LB ir atbildīgs par "sabiedriskajās" noliktavās glabāto graudu krājumu pareizu saglabāšanu, lai nodrošinātu, ka to īpašnieks jebkurā laikā var saņemt atpakaļ atbilstošas kvalitātes un apjoma graudus. Pie tam, ir jārada situācija, ka šos krājumus graudu īpašnieki var izmantot kā ķīlu, kas nepieciešama komerciāla aizdevuma saņemšanai. Viens no veidiem, kā to varētu sasniegt, ir izstrādāt II.nodaļas D.punktā, kas apskata lauksaimniecības programmas.

c. Informācijas un ekonomiskās analīzes veikšanas pakalpojumi

Precīzas informācijas savākšana par vietējo situāciju labības nozarē un pārskata ziņojuma sagatavošana ir ļoti būtiska uz konkurences balstīta labības tirgus pareizas darbības nodrošināšanai, piedāvājuma un pieprasījuma bilances sagatavošanai, kā arī valdības labības politikas izstrādāšanai. Turklāt, lai pareizi novērtētu Latvijas situāciju, ir jāizpēta un jāanalizē arī informācija par citiem pasaules reģioniem, ņemot vērā to iespējamo ietekmi uz Latviju.

Pašlaik labības nozares statistikas datu savākšanu un analīzi nacionālā mērogā veic LB, bet tā rīcībā esošās datu savākšanas un analīzes jaudas ir ļoti niecīgas. Likumprojekts par labības tirgu pilnvaro LB šo funkciju veikšanai, kas mūsu vārdā ir lietderīgi. Bet, kamēr jaunais likums nav pieņemts, šai struktūrai pašlaik vērā ņemot pilnvaras pārveidot jau esošos valsts graudu glabāšanas elevatorus atbilstoši kārtējam informācijas pieprasījumam. Jaunā likuma prasību nodrošināšanai var būt nepieciešama arī civilsodu sistēma, ko pielietotu ziņojumu/informācijas nesniegšanas gadījumos.

Valdībai būtu jāpiešķir prioritāte LB ekonomiskās informācijas un analīzes funkcijai. To vajadzētu skaidri definēt kā vienīgo oficiālo informācijas avotu par labības tirgu. Informācijas objektivitātei ir jābūt juridiski aizsargātai. Lai apmierinātu uz konkurences balstīta tirgus informatīvās vajadzības, LB vajadzētu ik mēnesi informēt sabiedrību par labības krājumu apjomu visos valsts un "sabiedriskajos" elevatoros, uzrādot krājumu sadalījumu -- valdības pašmāju krājumi, valdības pārvaldītie humānās palīdzības krājumi, un privātā īpašumā esošie krājumi. Lai nodrošinātu šīs paplašinātās funkcijas izpildīšanu, ir jāpalielina darbinieku skaits un jāiegādājas papildus kompjūteri, kā arī jānodrošina apmācība, kas nepieciešama datu savākšanas, analīzes un ziņojumu sagatavošanas funkciju veikšanai.

d. Firmu līcenzēšana/reģistrēšana

Balstoties uz ASV un citu valstu pieredzi, mēs uzskatām, ka pareiza graudu uzglabāšanas firmu līcenzēšana un/vai reģistrēšana, kurai nav nepieciešamas pārmērīgas administratīvās izmaksas vai noteikumi, var

sniegt nozarei būtiskus pakalpojumus. Vislietderīgāk būtu, ja šo funkciju veiktu LB. Tas ir veids, kā garantēt tirgus dalībniekiem, ka personas, ar kurām viņi sadarbojas, ir tiesīgas sniegt licenzē pieminētos pakalpojumus. Ir jānodrošina, lai visas iesaistītās personas skaidri apzinās licences vai reģistrācijas dokumenta būtību. Licenzēšanas/reģistrācijas programmai būtu jāiekļauj:

1. labības tirgotāji -- īpaši tie, kas sniedz pakalpojumus ražotājiem;
2. labības importētāji/eksportētāji;
3. "sabiedriskās" graudu uzglabāšanas noliktavas (elevatori).

Licenzēšanas un reģistrācijas prasības labības tirgotājiem, importētājiem un eksportētājiem balstās uz brīvprātīgas ieviešanas pamatiem. Licenzēšanas prasības ir obligātas visiem "sabiedriskajiem" graudu uzglabāšanas elevatoru pārvaldniekiem, bet tik lielā mērā, lai nodrošinātu šo glabātavu atbilstību pastāvošajiem graudu glabāšanas noteikumiem, kā arī to regulārus ziņojumus LB par graudu krājumu izmaiņām. →

Jebkurā gadījumā ir jāmēģina panākt, lai licenzēšanas un reģistrācijas nosacījumi ietvertu pēc iespējas mazāk prasību. Pārmērīgi noteikumi ierobežos pareiza tirgus darbību. Pie tam, ir ļoti svarīgi, lai būtu skaidrs, ko valdība licenzēšanas rezultātā piešķir vai nepiešķir citām ieinteresētajām pusēm.

e. Arbitrāžas pakalpojumi

Arbitrāžas dienestu sniegtie pakalpojumi ir ļoti vērtīgi, jo tie palīdz atrisināt darba konfliktus, neizmantojot dārgi izmaksājošās tiesas pakalpojumus. //Šos pakalpojumus būtu jāorganizē un jāsniedz pašiem labības nozares tiešajiem dalībniekiem, nevis LB vai kādai citai valdības aģentūrai, tā kā pakalpojumu izmantotāji parasti piekrīt iesniegt prasību arbitrāžā balstoties uz līguma noteikumiem.//

C. Uzņēmuma vadība uz konkurences balstīta tirgus apstākļos

Privatizējot uzņēmumus, viena no noteiktajām prasībām būs uzņēmuma vadības spēja darboties uz konkurences balstīta tirgus apstākļos. Tomēr, ir paredzēts, ka pārejas periodā pirms atsevišķu firmu privatizācijas, uz konkurences balstīti tirgi jau darbosies. Pašreizējai vadībai būs jāspēj darboties šo tirgu radītajos apstākļos.

Vairums no pašreizējās uzņēmumu vadības personāla jau ilgāku laiku ir strādājuši savā amatā. Daudzi no viņiem ir profesionāli kvalificēti, bet viņiem nav pieredzes vai arī ļoti niecīga pieredze jautājumos, kā darbojas uz konkurences balstīts tirgus, kā arī starptautiskiem standartiem atbilstošas grāmatvedības un citu darbību nosakošu lēmumu pieņemšanas metožu

izmantošanā. Valdībai, izmantojot tās pārraudzības tiesības, kas minētas II.nodaļas A.punktā, būtu jāpieprasa visiem uzņēmumiem, lai tie jau pirms privatizācijas pārveido to grāmatvedības sistēmu atbilstoši straptautiskiem standartiem. Kā pirmais solis būtu jāveic tūlītējs, starptautiskiem standartiem atbilstošs visu uzņēmumu audits. Katram uzņēmumam ir jā sagatavo piemērota bilance un naudas plūsmas darbības pārskats. Šie dokumenti var būt par pamatu Lauksaimniecības ministrijas pārraudzības funkcijas efektīvai ieviešanai un vadības personāla apmācības programmas realizēšanai.

Kā jau mēs iepriekš atzīmējām, tad šo pārraudzības funkciju nedrīkst veikt LB. Šī uzdevuma veikšanai vajadzētu norīkot ne vairāk kā trīs darbiniekus. Lauksaimniecības ministrijas vietniekam būtu jākoordinē šīs aktivitātes.

Vadītājiem būtu jāsaņem pamatapmācība, kas nepieciešama, lai darbotos uz konkurences balstīta tirgus apstākļos, kā arī lai attīstītu jaunas vadības metodes. Vajadzētu ietvert arī saimnieciskās darbības principu un ētikas → jautājumus. Šāda veida apmācība ne tikai ļaus pašreizējiem vadītājiem veiksmīgāk darboties pārejas perioda laikā, bet arī sagatavos viņus pārejai uz privātipašuma radītām attiecībām, kā arī darbībai uz konkurences balstīta tirgus apstākļos. Audita un apmācības veikšanai, kā arī uzņēmumu vadības pārraudzības funkcijas izveidošanai un realizēšanai būtu jā lūdz tehniskā donorpalīdzība un palīdzība apmācības jomā.

D. Lauksaimniecības programmas vajadzības

Iepriekšējos gados lauksaimniecības produktu cenas Latvijā tika noteiktas centralizēti un attiecīgās amatpersonas bija atbildīgas par to, lai zemnieki saņemtu samaksu, kas balstīta uz ražošanas izmaksām. Tirgus ekonomikā lauksaimniecības produktu cenas nosaka tirgus, ko ietekmē piedāvājuma/pieprasījuma faktori un valdības programmas, kas daļēji attēlo ražošanas izmaksas. Šīs programmas var būt ļoti efektīvas daudzo valdības mērķu sasniegšanas veicināšanā.

Ir skaidrs, ka, lai izpildītu valdības uzdevumus lauksaimniecības jomā, ir nepieciešama īpaša lauksaimniecības programma. Pastāv ļoti daudz alternatīvi programmu veidi, kas varētu tikt izmantoti iepriekšnoteikto mērķu sasniegšanai. Pielikums C parāda tās iespējas, kuras, mūsdiā, būs efektīvas daudzu valdības mērķu sasniegšanai, vienlaicīgi minimāli iejaucoties tirgus darbībā.

Pielikumā C apskatīto lauksaimniecības programmu nevar ieviest līdz 1993.gada ražas novākšanai. Nav pieejami fondi zemnieku subsidēšanai. Tomēr, mēs uzstājam, ka valdībai un donorvalstīm būtu jāizstrādā vienkārša, komerciāla labības nozares aizdevumu programma 1993.gada sezonai. Aizdevumu programmas pirmā prioritāte būtu nodrošināt pietiekamu pārtikas graudu nodrošinājumu.

Šīs programmas ietvaros zemniekiem izsniegtu naudas aizdevumus ražas novākšanas laikā, kā arī izmantojot graudus. Lai tas būtu reāli izpildāms,

3. NODAĻA PRIVATIZĀCIJAS STRATĒGIJA LABĪBAS NOZARĒ

A. Valdības mērķi privatizācijā

Atbrīvojoties no valstij piederošajiem labības uzglabāšanas un pārstrādes uzņēmumiem valdība patur prātā vairākus mērķus. Tie varētu būt:

- palielināt cenas pārdošanā par skaidru naudu;
- nodrošināt pašreizējo strādājošo nodarbinātību;
- saglabāt nozares ražošanas jaudas jeb pašreizējo ražošanas līmeni;
- likvidēt vai pārdot uzkrātos uzņēmumu parādus;
- daļu īpašumtiesību nodot:
 - zemniekiem;
 - uzņēmumu darbiniekiem;
 - valdībai;
- piesaistīt ārvalstu ieguldītāju kapitālu.

Šie mērķi viens otru neizslēdz, tomēr var radīt sarežģījumus, kas vēlāk atsaucas uz privatizācijas gaitu. Attiecīgajā likumdošanā, cik vien tas ir iespējams, skaidri jāformulē valdības mērķi, lai visiem potenciālajiem konkursantiem būtu skaidri izprotamas prasības.

Ja valdības mērķi ir piesaistīt ārvalstu ieguldījumus, kontakti ar potenciālajiem pircējiem jau sākumstadijā (viņu interešu un informācijas vajadzību izzināšana) varētu pārdošanas procesu paātrināt. Potenciālie ārvalstu un vietējie ieguldītāji var iegūt un būs vairāk ieinteresēti konkursa pieteikumu iesniegšanā, ja tiek nodrošināti sekojošie priekšnoteikumi:

1. iespējamajiem ieguldītājiem tiek sniegti precīzi dati par uzņēmuma darbību pagātnē, tagadnē un arī nākotnes projekti;
2. tiek apkopotas instrukcijas un noteikumi par attiecīgās nozares darbību un valdības veikto uzraudzību;
3. tiek apkopota likumdošana, kas nosaka un veicina uz konkurences pamatiem balstītas tirgus ekonomikas darbību;

4. anti-trestu likumdošana un likumi, kas aizliedz bezkonkurences tirdzniecību;

5. tiek izlemts līdzekļu juridiskās definīcijas jautājums.

B. Privatizācijas process

Praksē varbūt nav iespējams nodrošināt visus šos priekšnoteikumus, pirms tiek izsludināta uzņēmumu pārdošana. Tomēr ir svarīgi, lai valdība → domātu par biznesa vides attīstības veicināšanu, lai piesaistītu ^{investorus} ieguldītājus, kas uz ilgāku laiku būtu gatavi ieguldīt līdzekļus attiecīgajā nozarē.

Uzņēmumu revīzijas rezultāti un naudas plūsmas analīzes, uz ko pamatojas valdības uzraudzība, jādara pieejamas visiem iespējamajiem pircējiem. ^{au} Cita nepieciešamā informācija, ^{jadatu} piemēram, privatizējamo līdzekļu juridiskā definīcija, uzņēmumu jaudas, pašreizējie un iespējamie tirgi, darbaspēka nodrošinājums, darba likumdošana un tās piemērošana, utt., arī jābūt pieejamai potenciālajiem pircējiem. → ? →

Labības tirgus likumprojekta pieņemšana nodrošinās vairākus priekšnoteikumus uz konkurences pamatiem balstīta iekšējā labības tirgus izveidošanai. Bez tam, ir nepieciešams vispārīgs ^v privatizācijas likums, kas → nodrošinātu stabilus un vienlīdzīgus apstākļus esošo uzņēmumu pārdošanā. Gaļas pārstrādes likums ar nelielām modifikācijām varētu kļūt par paraugu. Labības nozares privatizācijas likumam jāietver sekojošas: →
lietas: →

1. Labības elevatoru, miltu malšanas un lopbarības ražošanas uzņēmumu privatizācija pēc viena likuma. Likumam ir jānosaka Lauksaimniecības ministrijai pakļautas Labības nozares privatizācijas komisijas izveidošanu. Labības nozares privatizācijas komisijai jānod vienpersoniskas // tiesības veidot apakškomisijas katrai apakšnozarei pēc? vajadzības.

2. Privatizācijas komisija jāpilnvaro veikt visas administratīvās darbības, kas saistītas ar uzņēmumu privatizāciju. It skaidri jānosaka, ka →

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Komisijas loma būs administratīva, un, ka komisijas locekļi nevarēs būt tieši vai netieši ieinteresēti neviena saskaņā ar šo likumu privatizētā uzņēmuma privatizācijas iznākumā. Komisiju nedrīkst pilnvarot sagatavot vai izmainīt potenciālo ieguldītāju konkursa pieteikumus.//

3. Ekonomisko reformu ministrijai jādod skaidras pilnvaras Labības nozares privatizācijas komisijas darba kārtības uzraudzīšanai, lai tādējādi nodrošinātu atbilstību likumdošanai.

4. Nedrīkst pieļaut privatizējamo uzņēmumu vadītāju vai štata darbinieku līdzdalību Komisijā.

5. Jārada konkurences apstākļus, izsludinot konkursu un apzinot pieteikumus no visiem ieinteresētajiem vietējiem un ārvalstu pircējiem.

6. Jānozīmē vietējos un ārvalstu vadības ekspertus par Komisijas konsultantiem un konkursa pieteikumu izskatīšanas grupu locekļiem.

Īpaši jautājumi

1. Konkursa kārtība

Šobrīd Latvijā pieņemtā privatizācijas stratēģija neprasa atklātu konkursu rīkošanu. Pēc mūsu domām, ir svarīgi, lai labības nozares privatizācijas likumā tiktu noteikti iekļauta šī prasība. Tas ir labākais veids, kā apzināt tirgu piedāvātajiem uzņēmumiem, un, līdz ar to, labākais veids kā izzināt visizdevīgākos pārdošanas noteikumus.

Ir skaidrs, ka pārdošanas sludinājuma publicēšana vai pēc iespējas lielāka skaita piedāvājumu izzināšana nenozīmē, ka uzņēmums katrā ziņā jāpārdod kādam no respondentiem vai, ka tas jāpārdod uz valdībai nepieņemamiem noteikumiem. Bet ir svarīgi, lai solicitation documents skaidri formulētu katra uzņēmuma pārdošanā izvirzītos noteikumus. Turklāt, nav ieteicams izziņot pārdošanas piedāvājumu, ja valdība nav gatava vai nevēlas pārdot uz piedāvātajiem noteikumiem.//

2. Līdzekļu pārvaldes un īpašuma jautājumi

Neskaidrības līdzekļu valdījumā// un īpašuma jautājumā līdz šim ir bijušas un turpina būt par kavēkli arī valsts uzņēmumu privatizācijai. Saskaņā ar agrāko likumdošanu visi līdzekļi bija pilsoņu kolektīvs īpašums, ko viņu vārdā pārvaldīja valsts. Pastāvošā Latvijas likumdošana jautājumā par valsts akciju sabiedrībām lieto valodu, kas norāda, ka valsts, kas gan ir sākotnējā jaunās sabiedrības akciju izlaiduma īpašniece////, ~~nav atbildīga~~ par jaunās valsts korporācijas parādiem. Vēl vairāk, valsts uzņēmumu vadītāji, kas sākotnēji ir valsts darbinieki, var pieņemt lēmumus par investīcijām, kas parasti saistīti ar īpašumtiesībām.

Situācija vēl vairāk sarežģās gadījumos, kas pašreizējie vadītāji izveido sabiedrību ar ierobežotu atbildību un kompānijas vārdā nomā valsts līdzekļus. Vairākos gadījumos, agrākās valdības ir uzņēmušās ilgtermiņa saistības ar šādām vadītāju kompānijām, tas nozīmē zināmu līdzekļu nodošanu vai arī pirmā atteikuma tiesības///gadījumos, kad līdzekļi tiek izvirzīti pārdošanai.

Līdzekļu īpašuma nenoteiktais statuss, ko izraisījušas neskaidrības līdzekļu valdījuma un īpašuma jautājumā, ir vēlreiz jāpārskata un jānoformulē, pārdojamo līdzekļu juridiskais statuss. Šis darbs būtu veicams kā daļa no uzņēmumu analīzes, kas veicama pirms uzņēmumu pārdošanas konkursa piedāvājumu sagatavošanas.

Problēmas, kas radušās valdījuma un īpašuma tiesību un pienākumu neskaidrību dēļ, pēc mūsu domām, nav uzskatāmas par attaisnojumu labības nozares uzņēmumu privatizācijas aizkavēšanai. Šīs problēmas ir zināmas un var tikt objektīvi izvērtētas///. Piena pārstrādes nozarē līdzīgi jautājumi tiek veiksmīgi risināti. Šī pieredze, līdztekus atbilstošas juridiskās analīzes veikšanai vēl pirms uzņēmumu piedāvāšanas pārdošanai, sniedz pietiekamas zināšanas, lai šos jautājumus labības pārstrādes un glabāšanas nozarē varētu veiksmīgi risināt.

3. Uzņēmumu parāds

Visu valsts labības uzņēmumu parādi, bankas aizdevumu un produktu, kā arī citu piegādātāju kreditoru parādu veidā ir vairāk nekā 27 miljoni ASV \$. Turpretī debitoru parādi ir ap 13 miljoni ASV \$. Tomēr daudzi

būtu jānosaka starptautiskiem standartiem atbilstošas procentu likmes. Lai varētu saņemt šo aizdevumu, ieķīlājamiem graudiem ir jābūt uzglabātiem esošajās noliktavās, ko pārrauga LB, tādējādi nodrošinot to kvantitātes un kvalitātes kontroli. Zemnieks saglabātu īpašumtiesības uz šiem graudiem, kamēr tie ir noglabāti "sabiedriskajās" glabātuvēs, bet var to pārdot jebkurā laikā nākotnē, lai izmantotu to aizdevuma atmaksāšanai.

Šāda programma iedrošinās zemniekus glabāt graudus esošajos "sabiedriskajos" uzglabāšanas elevatoros, nevis savās saimniecībās. Tiks nodrošināta graudu kvalitāte, un valdība varēs izveidot precīzāku priekšstatu par labības importa apjomu, kas nepieciešams pārtikas graudu vajadzības apmierināšanai visa tirdzniecības gada laikā.

Projekts, K. Fričs, 05.04.93

Kreditoru un debitoru parādi valsts kombinētās lopbarības rūpnīcās un malšanas uzņēmumos 1993. g. 18. martā

uzņēmums	debitoru parādi			kreditoru parādi					bankas aizdev.	kred. par. un parādi kopā	KOPA mil LVR	
	miltu malšanas	komb. lopbar.	d. par. kopā	zemn. saimniec.	kopsaimn.	budž.	citi	kred. par. kopā				
	mil. LVR			mil LVR					mil LVR			
(milti)												
Rīgas Dzirnavnīeks	182.2	--	182.2	19.5	0	78.7	347	445.2	164	1054.4	-872.2	
Daugavpils Dzirnavnīeks	75.2	20.7	95.9	0	0	0	124.9	124.9	88	337.8	-241.9	
Jelgavas Dzirnavnīeks	74.7	60.7	135.4	0	0	0	106.7	106.7		213.4	-78	
Dobeles Dzirnavnīeks	304	4	308	3	19	0	50	72	208	352	-44	
Liepājas Labība	64.2	100	164.2	1.6	23.4	17.5	135	177.5	456.1	811.1	-646.9	
	41.4	66.1	107.5	8	18	0	148	174	60.9	408.9	-301.4	
(lopbarība)												
Rīgas Komb. lopbar.rūpnīca	--	121	121	0	0	0	101	101	0	202	-81	
Jēkabpils Labība	--	134.6	134.6		13.9	30	84.5	128.4	336	592.8	-458.2	
Vidzemes Labība	--	60.6	60.6	29.6	22.9	10	97.6	160.1	22	342.2	-281.6	
Stende	--	114.7	114.7	0.5	10	1.3	96.4	108.2	46.7	263.1	-148.4	
Madonas Labība	--	104.8	104.8	10	36	0	37.2	83.2	91.9	258.3	-153.5	
Iecavas Labība	--	80.5	80.5	5	9.3	0	12.5	26.8	141	194.6	-114.1	
Saldus Labība	--	107	107	3.3	3	0	66.3	72.6	164.6	309.8	-202.8	

1263

Latvijas dzirnavu uzņēmumu un kombinētās lopbarības rūpniecība jauda un ražošanas apjomi 1992. gadā

uzņēmums	jauda		ražošana 1992		raž % no jaudas		% no nozares jaudas		% no noz.raž. apjoma		akumulējot % no noz. jaudas		akumulējot % no noz. raž. apj.	
	milti	lopbarība	milti	lopbarība	milti	lopbarība	milti	lopbarība	milti	lopbarība	milti	lopbarība	milti	lopbarība
	--- tonnas ---				procenti		--- procenti ---				--- procenti ---			
milti & lopbarība														
Rīgas Dzirnavnīeks	143,000	0	79,142	0	55.3	--	32.0	0.0	34.6	0.0	32.0	0.0	34.6	0.0
Daugavpils Dzirnavnīeks	110,500	235,000	52,158	52,800	47.2	22.5	24.7	12.0	22.8	9.1	56.8	12.0	57.4	9.1
Rēzeknes Dzirnavnīeks	63,000	122,000	33,550	54,900	53.3	45.0	14.1	6.2	14.7	9.4	70.9	18.3	72.1	18.5
Jelgavas Dzirnavnīeks	55,000	50,900	21,147	2,500	38.4	4.9	12.3	2.6	9.2	0.4	83.2	20.9	81.3	19.0
Dobeles Dzirnavnīeks	48,000	166,000	34,313	80,200	71.5	48.3	10.8	8.5	15.0	13.8	94.0	29.4	96.3	32.8
Liepājas Labība	27,000	192,000	8,371	35,600	31.0	18.5	6.0	9.8	3.7	6.1	100.0	39.2	100.0	38.9
pavisam	446,500	765,900	228,681	226,000	51.2	29.5	100	39.2	100	38.9				
vienīgi lopbarība														
Rīgas komb. lopbar. rūpn.	--	427,000	--	150,500	--	35.2	--	21.8	--	25.9	--	61.0	--	64.8
Jēkabpils Labība	--	198,000	--	41,900	--	21.2	--	10.1	--	7.2	--	71.1	--	72.0
Vidzemes Labība	--	146,000	--	60,200	--	41.2	--	7.5	--	10.4	--	78.6	--	82.3
Stende	--	131,000	--	28,200	--	21.5	--	6.7	--	4.9	--	85.3	--	87.2
Madonas Labība	--	122,000	--	18,600	--	15.2	--	6.2	--	3.2	--	91.6	--	90.4
Iecavas Labība	--	122,000	--	24,600	--	20.2	--	6.2	--	4.2	--	97.8	--	94.6
Saldus Labība	--	43,000	--	31,300	--	72.8	--	2.2	--	5.4	--	100.0	--	100.0
pavisam		1,189,000		355,300		29.9		60.8		61.1				
KOPĀ		1,954,900		581,300		29.7		100.0		100.0				

Sagatavots USAID Lauksaimniecības privatizācijas projektā

1993. g. 5. martā

1264

Dati ir ņemti no Latvijas Statistiskā biroja publicētajiem datiem.

Projekts, K. Fričs 1993. g. 5. aprīli

Parādi un debitoru parādi, valsts saldētavas, 1993.g. 3. marts

1. lpp.

uzņēmums	līdzekļi norēķ. kontā Latvijā	līdzekļi īpašā NVS kontā	debitoru parādi					soda naudas iekasētas	ierosinātas lietas tiesā	naudas līdz. un debit. parādi
			tirdzniec. organ.	mazumtirdzn. 17.08.92	NVS valstis	citi debit. parādi	debit. parādi kopā			
mil US\$			US\$LVR					mil US\$		mil US\$
Rīgas 1. saldētava	24.6	0.0	3.4	0.0	0.0	1,521.0	1,524.4	0.0	0.0	1,549.0
Rīgas 2. saldētava	11.5	0.5	20.8	0.0	0.0	180.8	201.5	0.0	0.0	213.6
Valmieras SSB	0.0	407.7	15.4	0.0	0.0	0.0	15.4	0.0	0.0	423.1
Rēzeknes saldētava	0.0	47.7	7.7	0.0	0.0	215.4	223.1	0.0	0.0	270.8
Jēkabpils SSB	0.4	130.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	130.4
Liepājas saldētava	0.8	0.0	26.9	0.0	0.0	362.3	389.2	7.7	0.0	397.7
KOPĀ	37.3	585.9	74.2	0.0	0.0	2,279.5	2,353.6	7.7	0.0	2,984.6

Projekts, K. Fričs 1993. g. 5. aprīli

Parādi un debitoru parādi, valsts gaļas un piena pārstrādes uzņēmumsaldētavas, 1993.g. 3. marts

1. lpp.

uzņēmums	līdzekļi norēķ. kontā Latvijā	līdzekļi īpašā NVS kontā	debitoru parādi					soda naudas iekasētas	ierosinātas lietas tiesā	naudas līdz. un debit. parādi
			tirdzniec. organ.	mazumtirdzn. 17.08.92	NVS valstis	citi debit. parādi	debit. parādi kopā			
mil US\$			mil US\$					mil US\$		mil US\$
gaļas pārstrādes noz.	166.3	121.5	1,605.7	23.8	701.1	1,010.4	3,341.1	51.1	9.0	3,689.0
piena pārstrādes noz.	89.6	468.2	1,365.4	28.5	81.5	6,316.1	7,791.5	23.0	221.1	8,593.4
saldētavas	37.3	585.9	74.2	0.0	0.0	2,279.5	2,353.6	7.7	0.0	2,984.6
kopā	293.2	1,175.7	3,045.2	52.3	782.6	9,606.0	13,486.2	81.8	230.1	15,266.9

Apmaiņas kurss

US\$1=

130 LVR

1-25

A/P 2102 AVK III CORD Storteb...

1267

TABULA 1 LOPBARĪBAS SASTĀVDAĻU ENERĢĒTISKĀ VĒRTĪBA (1)

Sastāvdaļas (dabiski kaltētas)	Metabolizējamā enerģija kcal/mārc.(4)	Relatīvā lopbarības vērtība izteikta kukurūzas vienībās, % (2)	Maksimālais ieteictais sastāvdaļu procentuālais daudzums pūnvērtīgā uzturā (3)				Piezīmes
			Iznēsās periodā	Laktācija	Sākumā	Beigās	
Rupja maluma lucernas milti, kaltēti	775	70-80	50	5	0	5	Bagātīgs ar vitamīnu B
Rupja maluma lucernas milti, saulē kaltēti	300	60-70	50	5	0	5	Maziem siviņiem tas negaršo
Dzīvnieku tauki (stabilizēti)	3585	185-210	10	6	5	10	Augsta enerģētiskā vērtība, samazina putekļu daudz.
Maizes rūpniecības pārpalikumi	1650	95-110	40	40	20	40	Augsta enerģētiskā vērtība, mainīgs sāls saturs
Mieži (48 mārc./buš.)	1380	90-100	80	80	25	85	Kukurūzas aizvietotājs, zemāks enerģijas saturs
Biešu mikstums, žāvēts	1020	70-80	10	5	0	0	Liela apjoma, šķiedrains, caurejas līdzeklis
Kaltēti graudi, alus raž. subprodukti	1000	90-100	40	5	0	10	Šķiedrains, daudz B vitamīna, zems lizīna saturs
Griķi	1200	80-90	50	0	0	50	Nedot gaišādainām cūkām, kas ganās ārpusē
Dzeltenā kukurūza	1550	100	80	80	60	85	Augsta enerģētiskā vērtība, zems lizīna saturs
Kukurūza, ar augstu lizīna saturu	1520	100-105	90	90	60	90	Lizīna analīze ir ieteicama
Rupja maluma kukurūza un tās vāļiņu milti	1300	80-90	70	0	0	0	Liela apjoma, zema enerģētiskā vērtība
Kukurūzas līpekļi	1285	74	90	5	5	25	Zems lizīna saturs
Kukurūzas biežputra	1400	100-105	60	60	0	60	Pakļauts bojājumiem
Emmer	1140	80-90	20	0	0	0	
Sorghum labība	1480	95-100	80	80	60	85	Zems lizīna saturs
Prosa	1230	90-95	80	80	60	85	Zems lizīna saturs
Melase (77% D.M.)	1060	55-65	5	5	5	5	Zema enerģ. vērtība, daļējs graudu aizvietotājs
Auzas	1240	85-95	80	5	0	20	Zema enerģ. vērtība, daļējs graudu aizvietotājs
Auzu putraini	1550	115-125	0	0	20	0	Garšīgi
Kartupeļi (22% D.M.)	370	20-25	80	0	0	30	Ir jāvērtē, zems proteīna saturs
Rīsi	1070	75	40	0	0	20	Zema enerģ. vērtība, zems proteīna saturs
Rudzi	1300	90	20	0	0	25	Iespējama ergot toxicity, nav īpaši garšīgi
Spelt	1180	85	40	0	0	25	Maz enerģijas, zems lizīna saturs
Cukurs	1383	70-80	0	0	5	0	Ļoti garšīgi, nav proteīna
Triticale	1450	90-95	80	80	20	85	Iespējams ergot
Kvieši, cieti	1475	100-105	80	80	60	85	Zems lizīna saturs
Kvieši, mīksti	1500	90-95	80	80	60	85	Zems lizīna saturs
Kvieši, ar augstu proteīna saturu	1500	100-105	80	80	60	85	Zems lizīna saturs
Kviešu klijas	980	60-65	30	5	0	0	Liela apjoma, šķiedrains, caurejas līdzeklis
Kviešu graudi	1340	125-140	3	5	0	10	Daļējs graudu aizvietotājs
Kvieši, kaltēti	1405	135-145	5	5	20	5	Augsts laktozes saturs, mainīgs saturs

Tabula 1 - 2 (pielikums)

(1) Ja nav atsevišķas norādes, tad dabiski kaltētas. Lai noteiktu enerģijas un aizstāvēju rādītājus, lopbarība ar augstu mitruma koeficientu ir jāizsaka dabiski kaltētās vienībās, kuru sausuma koeficients ir 88-90%.
Pilnīga informācija par visām sastāvdaļām nav pieejama.

(2) Kad baro ne vairāk kā kopējā uzturā ieteikto maksimālo procentuālo daudzumu.
Relatīvās vērtības ir aprēķinātas pēc metabolizējamās enerģijas, lizīna un fosfora satura, izmantojot vienādojumus. Piemēram:

Met.enerģija	Lizīns	Fosfors	Cena
1550X +	0.024Y +	0.25Z=	\$/cwt kukurūzas
1460X+	2.90Y+	0.60Z=	\$/cwt rupja maluma sojas pupas (44%)
0X+	0Y+	18.50Z=	\$/cwt dikalcija fosfāts

(3) Uzturā var ietvert arī vairāk, kaut arī produktivitāte var samazināties.

(4) 1 mārciņa = 0.453 kg.

1269

TABULA 2 PROTEĪNA SATURS DAŽĀDĀS LOPBARĪBAS SASTĀVDAĻĀS (1)

Sastāvdaļas (dabiski kaltētas)	Metabolizējamā	Relatīvā lopbarības	Maksimālais ieteiktais sastāvdaļu procentuālais				Piezīmes
	enerģija	vērtība izteikta 44%	daudzums pilnvērtīgā uzturā (3)				
	kcal/mārc. (4)	sojas pupu vienībās,% (2)	Grūtn.periods	Laktācija	Sākumā	Beigās	
Rupja maluma asinsmilti	1200	185-200	5	0	5	5	Zems isoleucīna saturs, negaršīgs
Paniņas, sausā veidā	1400	75-85	0	5	20	5	Labs aminoskābes līdzsvars
Rupja maluma rapšu sēklas	1200	75-85	5	5	5	10	Lielos apjomos toksiskas problēmas
Rupja maluma kukurūzas līpekļi	1395	40-60	5	5	0	5	Zems lizīna saturs
Rupja maluma kokvilnas sēklas	1150	65-75	5	5	0	5	Gossypol toxicity, zems lizīna saturs
Rupji maltas spalvas, hidrolizētas	1000	60-70	3	3	0	3	Zems lizīna saturs
Rupji samaltas zivis, anchovy	1120	140-165	5	5	5	5	Lielisks aminoskābes līdzsvars
Rupji samaltas zivis, menhaden	1500	140-165	5	5	5	5	Lielisks aminoskābes līdzsvars
Zivju šķīdums	780	50-60	3	3	3	3	Lielisks aminoskābes līdzsvars
Rupji maltas līnu sēklas	1280	55-65	5	5	5	5	Zems lizīna saturs
Rupji samalta gaļa un kauli	1035	95-110	10	5	5	5	Zems lizīna saturs, tryptophan un methionine saturs, labs fosfora saturs
Rupji malti zemesrieksti	1400	70-80	5	5	0	5	Zems lizīna saturs
Vājpiens, sausā veidā	1620	95-100	0	0	20	0	Lielisks aminoskābe ieguves avots, garšīgs
Rupja maluma sorghm līpekļi	1460	40-55	5	5	0	5	Zems lizīna saturs
Sojas pupas, veselās, vāritas	1640	90-100	30	25	40	30	Līdzīgs rupja maluma sojas pupām, bet var veicināt mīksta cūkgaiņa ražošanu
Rupja maluma sojas pupas	1460	100	25	20	35	22	Līdzīgs sojas pupu klījām
Sojas pupu klījas	1535	110-112	22	18	30	20	Labs aminoskābes saskaņojums ar graudiem
Rupja maluma gaļa	980	115-130	10	5	0	5	Slikti sagremojams, negaršīgs
Raugis, sausā veidā	1400	100-105	3	3	3	3	B vitamīna ieguves avots

1270

CŪKU ĒDINĀŠANA

BARĪBAS VARIANTI

CUKA-1.XLS

1. tabula Parastās lopbarības komponenti*

komponenti	Ķķedrviena	metab. enerģ.	Ca	P	proteīns	līzīns	triptofāns	treonīns	metionīns
	%	kcal/mārc.****	%	%	%	%	%	%	+ cistīns
lucernas siens, laukā žāvēts	29.00	800	1.20	0.20	14.00	0.55	0.25	0.50	0.35
lucerna, dehidratizēta, 17%	24.00	775	1.40	0.23	17.00	0.80	0.34	0.70	0.56
mieži	6.00	1380	0.05	0.34	11.50	0.40	0.15	0.36	0.37
asins milti, strauji žāvēti	1.00	1200	0.40	0.30	86.00	7.00	1.00	3.60	2.00
canola' rapsis	11.40	1200	0.68	1.17	38.00	2.30	0.44	1.68	1.66
kukurūzas graudi	2.50	1550	0.02	0.25	8.50	0.24	0.09	0.32	0.40
taukvielas**	-	3585	-	-	-	-	-	-	-
zivju milti	0.90	1500	5.20	2.88	61.00	4.75	0.65	2.50	2.33
gaļas un kaulu milti, 50%	2.80	1035	9.40	4.58	50.00	2.80	0.28	1.60	1.14
sausais vājpiens	-	1520	1.25	1.00	33.00	2.50	0.45	1.57	1.30
auzas	10.70	1240	0.08	0.33	11.80	0.40	0.14	0.38	0.37
auzu putraini	2.50	1550	0.07	0.40	15.80	0.50	0.18	0.44	0.41
sorgo graudi	2.20	1480	0.02	0.27	8.90	0.22	0.09	0.27	0.29
sojas pupas, vārtas, neaizaudotas***	5.20	1640	0.25	0.58	36.70	2.25	0.52	1.42	1.01
sojas milti	7.30	1460	0.30	0.60	44.00	2.90	0.63	1.70	1.18
sojas milti (aizaudoti)	3.40	1535	0.20	0.65	48.00	3.12	0.64	1.90	1.41
cukurs	-	1383	-	-	-	-	-	-	-
saulespuķu milti (aizaudoti)	11.70	1195	0.42	0.94	45.00	1.68	0.60	1.63	1.55
gaļas milti, 60%	2.00	980	4.60	2.50	60.00	3.80	0.58	2.48	1.25
kvieši, cieti ziemas	2.60	1475	0.05	0.30	12.20	0.38	0.17	0.37	0.50
kvieši, mīkstie ziemas	2.30	1500	0.05	0.35	11.40	0.30	0.12	0.32	0.35
kvieši, cietie, sarkanie, vasaras	2.40	1515	0.04	0.39	13.50	0.34	0.18	0.37	0.45
kvieši, 'durum'	2.50	1505	0.10	0.40	12.70	0.39	0.16	0.43	0.45
kviešu spraukumi	11.00	980	0.13	1.15	15.00	0.56	0.25	0.41	0.43
kvieši, otrās šķiras	7.50	1340	0.13	0.80	16.00	0.68	0.19	0.54	0.41
sulīņas, sausās	-	1405	0.85	0.70	13.00	0.90	0.17	0.80	0.49

* pieņemot, ka mitruma saturs ir 10%

** dāždos avotos var būt uzrādīts dažāds metabolizējamās enerģijas daudzums

*** sojas pupas vāra vai cep līdz 240-260 grādiem pēc Fārenheita, lai iznīcinātu tripsīnu.

Uzrādītie skaitļi attiecas uz karstām sojas pupām.

**** 1 mārciņa = 0.453 kg

1272

2. tabula Dažādu kalciju un fosforu saturošu produktu izmantošana cūku barībā,
salīdzinošā fosfora bioloģiskā vērtība

minerālu avots	kalcija saturs %	fosfora saturs %	fosfora bioloģiskā vērtība*
kaļķakmens (kalcija karbonāts)	38	0	---
kaļķakmens (dolomīts)	22	0	---
dikalcijs fosfāts	20-24	18.5	100
monokalcijs-dikalcijs fosfāts	15-18	21	105-110
deflorinēts fosfāts	30-36	14-18	95-100
mononātrijs fosfāts**	0	22	
nātrijs tripolfosfāts***	0	25	95-102
tvaicēti kaulu milti	24-28	12	90-100

* dotā vērtība ir fosfora relatīvā pieejamība, par pamatu pieņemot dikalcija fosfātu (100)

** šis produkts satur ap 16% nātrijs

*** šis produkts satur ap 31% nātrijs

4. tabula Sivēnmātēm ieteicamā diēta- sorgo, mieži un kvieši kā graudu pamatavots

komponents (mārciņās, 1 mārc. =0,453 kg)	diēta Nr 1	diēta Nr 2	diēta Nr 3	diēta Nr 4	diēta Nr 5	diēta Nr 6	diēta Nr 7	diēta Nr 8
sorgo graudi	1617	1642	1651	1469	-	-	-	-
mieži	-	-	-	-	1735	1759	-	-
kvieši, ziemas cietie	-	-	-	-	-	-	1724	1565
sojas milti, 44%	306	-	205	260	190	128	200	165
sojas milti, 48%	-	280	-	-	-	-	-	-
gaļas un kaulu milti, 50%	-	-	100	-	-	60	-	-
dehidratizēti lucernas milti, 17%	-	-	-	200	-	-	-	200
kalcija karbonāts	20	20	9	13	22	16	20	12
dikalcija karbonāts	42	43	20	43	38	22	41	43
sāls	10	10	10	10	10	10	10	10
vitaminizēts minerālvielu maisījums**	5	5	5	5	5	5	5	5
KOPĀ	2000	2000	2000	2000	2000	2000	2000	2000
Aprēķins:								
proteīns, %	13.90	14.00	14.40	13.90	14.20	14.40	14.90	14.90
lizīns, %	0.62	0.62	0.62	0.62	0.62	0.62	0.62	0.62
triptofāns, %	0.17	0.16	0.15	0.18	0.19	0.18	0.21	0.22
treonīns, %	0.48	0.49	0.48	0.49	0.47	0.44	0.49	0.50
metionīns + cistīns, %	0.42	0.44	0.42	0.42	0.43	0.47	0.55	0.54
kalcijs, %	0.90	0.90	0.91	0.91	0.91	0.90	0.90	0.90
fosfors, %	0.70	0.71	0.70	0.70	0.70	0.70	0.70	0.71
metabolizējamā enerģija*	1419	1429	1423	1354	1335	1338	1417	1357

* kilokalorijas uz mārciņu

** Skat 20. tab. Grūtniecības laikā šai barībai ieteicams pievienot papildus 'choline' (550 g uz tonnu).

Tas panākams piejaucot 2.5 mārciņas 'choline' hlorīdu ar 50% 'choline' saturu vai 2 mārciņas hlorīdu ar 60% choline saturu.

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5. tabula Ieteicamā sivēnu barība

komponents(mārciņās, 1 mārc.= 0, 453 kg)	10-25 mārciņu sivēni						25-40 mārciņu sivēni					
	diēta Nr 1	diēta Nr 2	Nr 3	Nr 4	Nr 5	Nr 6	Nr 7	Nr 8	Nr 9	Nr 10	Nr11	Nr 12
kukurūzas graudi	990	1060	955	754	776	1211	1396	1255	1344	625	1159	1279
sorgo gaudi	—	—	—	—	—	—	—	—	—	625	—	—
maltas auzas	—	—	—	—	—	—	—	—	—	—	200	—
auzu putraimi	—	—	—	—	—	—	—	—	—	—	—	—
sojas milti,44%	421	530	590	635	570	390	543	490	545	495	530	410
zivju milti	100	—	—	—	—	100	—	—	—	—	—	—
sausās suliņas	400	—	400	200	400	200	—	200	—	200	—	200
sausais vājpiens	—	200	—	—	—	—	—	—	—	—	—	—
cukurs**	—	100	—	100	—	—	—	—	—	—	—	—
taukvielas	50	50	—	50	—	50	—	—	50	—	50	50
lizīns, 78% L-lizīns	—	—	—	—	—	3	—	—	—	—	—	3
kalcijs karbonāts	7	15	15	16	15	10	15	13	15	13	15	13
dikalcijs fosfāts	20	33	28	33	27	24	34	30	34	30	34	33
sāls	7	7	7	7	7	7	7	7	7	7	7	7
vitaminizēts minerālvielu maisījums***	5	5	5	5	5	5	5	5	5	5	5	5
KOPĀ:	2000	2000	2000	2000	2000	2000	2000	2000	2000	2000	2000	2000
Aprēķins:												
proteīns,%	19.10	19.50	19.60	20.10	20.00	18.30	17.90	17.40	17.70	17.60	17.80	15.80
lizīns,%	1.15	1.15	1.15	1.15	1.15	1.15	0.95	0.95	0.95	0.95	0.95	0.95
triptofāns,%	0.24	0.26	0.26	0.27	0.27	0.21	0.23	0.23	0.23	0.23	0.23	0.20
treonīns,%	0.80	0.78	0.81	0.78	0.81	0.76	0.68	0.70	0.68	0.69	0.67	0.63
metionīns + cistīns,%	0.66	0.64	0.64	0.62	0.63	0.64	0.60	0.59	0.59	0.56	0.58	0.55
kalcijs,%	0.85	0.86	0.86	0.86	0.85	0.85	0.75	0.75	0.75	0.75	0.76	0.77
fosfors,%	0.71	0.70	0.70	0.70	0.70	0.70	0.65	0.65	0.65	0.66	0.65	0.66
metabolizējamā enerģija*	1516	1529	1451	1502	1423	1500	1478	1470	1525	1449	1495	1520

* KiloKalorijas uz mārciņu

** Dekstroze jeb dehidrolizēts kukurūzas cietes produkts

*** Skat. 20. tab.

7. tabula Augošiem (40-125 mārciņu) sivēniem ieteicamā diēta- sorgo graudi un mieži kā galvenais graudu avots

komponents(mārciņās, 1mārc.=0.453 kg)	diēta Nr 1	diēta Nr 2	diēta Nr 3	Nr 4	Nr 5	Nr 6	Nr 7	Nr 8	Nr 9	Nr 10
sorgo graudi	1549	1577	1371	1393	1431	---	---	---	---	---
mieži	---	---	---	---	---	1660	1685	1508	1500	1529
sojas milti,44%	400	---	---	454	---	293	---	---	350	---
sojas milti, 48%	---	372	---	---	415	---	266	---	---	3189
sojas pupas	---	---	577	---	---	---	---	443	---	---
taukvielas	---	---	---	100	100	---	---	---	100	100
kalcijs karbonāts	17	18	17	17	17	18	20	18	17	19
dikalcijs fofsfāts	24	23	25	26	27	19	19	21	23	23
sāls	---	7	7	7	7	7	7	7	7	7
vitaminizēts minerālvielu maisījums**	---	3	3	3	3	3	3	3	3	3
KOPĀ	2000	2000	2000	2000	2000	2000	2000	2000	2000	2000
Aprēķins:										
proteīns,%	15.70	16.00	16.70	16.20	16.40	16.00	16.10	16.80	16.30	16.50
lizīns,%	0.75	0.75	0.80	0.80	0.80	0.75	0.75	0.80	0.80	0.80
triptofāns,%	0.20	0.19	0.21	0.21	0.21	0.22	0.22	0.23	0.22	0.22
treonīns%	0.55	0.57	0.59	0.57	0.59	0.55	0.56	0.59	0.57	0.58
metionīns + cistīns	0.46	0.49	0.49	0.47	0.50	0.48	0.50	0.51	0.48	0.50
kalcijs	0.66	0.65	0.68	0.68	0.68	0.65	0.66	0.68	0.68	0.68
fosfors	0.55	0.55	0.58	0.58	0.58	0.55	0.55	0.58	0.58	0.58
metabolizējamā enerģija*	1438	1452	1488	1541	1558	1360	1366	1404	1470	1479

* kilokalorijas uz mārciņu

** Skat 20. tab. Grūtniecības laikā šai barībai ieteicams pievienot papildus 'choline' (550 g uz tonnu).

Tas panākams piejaucot 2.5 mārciņas 'choline' hlorīdu ar 50% 'choline' saturu vai 2 mārciņas hlorīdu ar 60% choline saturu.

8. tabula Augošiem (40-125 mārciņu) sivēniem ieteicamā diēta- dažādu graudu maisījums, kvieši kā galvenais graudu avots

komponents (mārciņās, 1mārc. =0,453 kg)	diēta Nr 1	diēta Nr 2	diēta Nr 3	Nr 4	Nr 5	Nr 6	Nr 7	Nr 8	Nr 9
kvieši, cietie ziemas	804	717	727	829	747	750	800	714	724
kukurūzas graudi	804	717	728	---	---	---	---	---	---
mieži	---	---	---	829	747	748	---	---	---
sorgo graudi	---	---	---	---	---	---	800	715	723
sijas milti,44%	342	---	394	293	---	350	350	---	400
sojas pupas, vārītas, ar pilnu taukv. sat.	---	514	---	---	455	---	---	520	---
taukvielas	---	---	100	---	---	100	---	---	100
kalcijs karbonāts	16	16	16	18	18	17	17	17	15
dikalcijs fosfāts	24	26	25	21	23	25	23	24	28
sāls	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00
vitaminizēts minerālvielu maisījums **	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
KOPĀ	2000	2000	2000	2000	2000	2000	2000	2000	2000
Aprēķins:									
proteīns, %	15.90	16.90	16.20	16.30	17.20	16.60	16.10	17.10	16.40
lizīns, %	0.75	0.80	0.80	0.75	0.80	0.80	0.75	0.80	0.80
triptofāns, %	0.21	0.23	0.22	0.22	0.24	0.23	0.21	0.23	0.22
treonīns, %	0.57	0.61	0.59	0.55	0.60	0.57	0.55	0.60	0.57
metionīns + cistīns, %	0.56	0.58	0.56	0.53	0.51	0.50	0.52	0.54	0.52
kalcijs, %	0.65	0.68	0.66	0.66	0.69	0.69	0.66	0.68	0.68
fosfors, %	0.55	0.59	0.55	0.55	0.58	0.58	0.55	0.58	0.59
metabolizējamā enerģija*	1465	1505	1567	1397	1437	1501	1437	1482	1540

* kcal uz mārciņu

** Skat. 20. tab.

10 tabula. Ieteicamā nobarošanas diēta (125 mārciņām) ar miežiem vai sorgum graudiem kā galveno graudu pamatavots.

Komponents (mārciņās)	Diētas numurs											
	1	2	3	4	5	6	7	8	9	10	11	12
Mieži	1770	1784	1628	1923	1834	1748	—	—	—	—	—	—
Sorgo graudi	—	—	—	—	—	—	1649	1675	1668	1814	1712	1617
Sojas spraukumi 44%	185	—	225	25	80	110	304	—	245	130	200	180
Sojas spraukumi 48%	—	171	—	—	—	—	—	277	—	—	—	—
Gaļas un kaulu milti, 50%	—	—	—	—	—	—	—	—	60	—	—	—
Asins milti strauji žāvēti	—	—	—	—	40	—	—	—	—	—	40	—
Canola rapsis	—	—	—	—	—	100	—	—	—	—	—	160
Tauki	—	—	100	—	—	—	—	—	—	—	—	—
Lizīns, 78% L-lysine	—	—	—	5	—	—	—	—	—	6	—	—
Kalcija karbonāts	19	19	18	19	19	20	17	18	10	17	16	18
Divkalcija fosfāts	16	16	19	18	17	12	20	20	7	23	22	15
Sāls	7	7	7	7	7	7	7	7	7	7	7	7
Vitamīna- minerālu maisīj.	3	3	3	3	3	3	3	3	3	3	3	3
Kopā	2000	2000	2000	2000	2000	2000	2000	2000	2000	2000	2000	2000
Aprēķins												
Proteīns,%	14.3	14.4	14.3	11.6	14	14.3	14	14.1	14.3	10.9	13.7	14.2
Lizīns,5	0.62	0.62	0.65	0.62	0.62	0.62	0.62	0.62	0.62	0.62	0.62	0.62
Triptofāns,%	0.19	0.19	0.19	0.15	0.18	0.18	0.17	0.16	0.16	0.12	0.16	0.16
Treonīns,%	0.48	0.48	0.48	0.37	0.48	0.49	0.48	0.49	0.48	0.36	0.47	0.5
Metionīns+cistīns,%	0.44	0.48	0.43	0.37	0.43	0.47	0.42	0.44	0.42	0.34	0.41	0.47
Kalcijs,%	0.61	0.6	0.63	0.61	0.61	0.61	0.61	0.61	0.6	0.61	0.6	0.6
Fosfors,%	0.5	0.51	0.53	0.5	0.5	0.5	0.5	0.15	0.5	0.5	0.5	0.5
Metabolizējamā enerģija, *	1356	1362	1466	1340	1350	1344	1442	1452	1444	1437	1435	1420

* kilokalorijas uz mārciņu

1275

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11.tabula. Ieteicamās diētas cūku nobarošanai (125 mārciņas) lietojot kviešus vai dažādus graudus sajauktus ar kviešiem kā galveno graudu pamatavotu.

Komponents (mārciņās)	Diētas numurs									
	1	2	3	4	5	6	7	8	9	10
1 mārc.= 0.453 kg.										
Kvieši, cietie ziemas	1754	1773	—	—	800	851	883	—	1667	
Kvieši, mīkstie ziemas			1703	1724				842		
Kukurūza, dzeltenā					902			842		
Mieži							882			
Sorgo graudi						852				
Sojas spraukumi 44%	200		252		251	250	190	270	225	276
Sojas spraukumi 48%		180		232						
Taukvielas									60	60
Kalcija karbonāts	17	18	17	21	16	17	18	18	16	19
Divkalcija fosfāts	19	19	18	13	21	20	17	18	22	17
Sāls	7	7	7	7	7	7	7	7	7	7
Vitamīna- minerālu maisīj.	3	3	3	3	3	3	3	3	3	3
Kopā	2000	2000	2000	2000	2000	2000	2000	2000	2000	2000
Aprēķins										
Proteins,%	15.1	15.1	15.3	15.4	14.2	14.5	14.6	14.3	15.1	15.3
Lizīns,5	0.62	0.62	0.62	0.62	0.62	0.62	0.62	0.62	0.64	0.64
Triptofāns,%	0.21	0.21	0.18	0.18	0.19	0.19	0.2	0.17	0.21	0.18
Treonīns,%	0.49	0.5	0.49	0.5	0.51	0.48	0.48	0.5	0.5	0.49
Metionīns+cistīns,%	0.56	0.57	0.45	0.47	0.53	0.48	0.5	0.48	0.55	0.45
Kalcijs,%	0.61	61	0.6	0.61	0.6	0.61	0.6	0.61	0.62	0.62
Fosfors,%	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.52	0.52
Metabolizējamā enerģija*	1439	1445	1461	1471	1472	1440	1398	1481	1501	1522

* kilokalorijas uz mārciņu

Cenu struktūra Latvijas piena pārstrādes uzņēmumos būtiski atšķiras no cenu veidošanās Savienotajās Valstīs. Apmeklētajos uzņēmumos no zemniekiem iepirktā piena cena sastāda 85-92 procentus no kopējās izmaksas. Darbaspēka izmaksas - no 1.5 līdz 3 procentiem. Savienotajās Valstīs iepirktā piena izmaksas nepārsniedz pusi no kopējās izmaksas, bet darbaspēka apmaksa sasniedz 15-20 procentus.

Izdarot kopējos secinājumus, var konstatēt, ka Latvijas piena pārstrādes nozares galvenās problēmas ir sekojošas:

1. piena ražošanas samazināšanās;
2. piena produktu tirgus samazināšanās;
3. piena ražošanai nepieciešamās lopbarības augstās cenas;
4. Latvijas iedzīvotāju zemā pirktspēja, kas samazina patēriņu;
5. skaidras naudas trūkums - nav darba kapitāla;
6. kapitāla trūkums, kas nepieciešams jaunas tehnoloģijas apguvei un jaunas produkcijas veidu un iepakojšanas attīstībai.

C. IETEIKUMI

Zemāk minētās nelielās reģionālās/vietējās pārstrādes rūpnīcas tiek rekomendētas privatizācijai attiecīgi to secībai:

1. Tukums
2. Priekule
3. Talsi
4. Kalsnava

Tukumam šai izvēlē ir dota priekšroka, jo tā vadība un darbinieki ir novērtēti kā ļoti piemēroti privatizācijas procesa realizācijai. Tā ražotie produkti - piens, kefīrs, skābais krējums un biezpiens ir orientēti uz patērētāju pieprasījumu. Šiem produktiem nākotnē ir potenciāla iespēja kļūt vēl ienesīgākiem. Arī uzņēmuma atrašanās vieta ir piemērota, lai sekotu paraugprivatizācijai tās realizācijas laikā.

20. tabula Ieteicamais vitamīnizētais minerālvielu maisījums ***

komponents	daudzums uz mārciņu* piemaisīj.**	ieteicamais avots
Vitamīns A	900,000 IU	Vitamīna A palmitāts- želant.apvalkā
Vitamīns D	100 000 IU	Vitamīns D 3 - stabilizēts
Vitamīns E	5000 IU	dI-tokoferila acetāts
Vitamīns K	660 mgs	Menadiona nātrija bisulfīts
Riboflavīns	1200 mgs	Riboflovīns
Pantothetic' skābe	4500 mgs	Kalcija pantotenāts
Niacīns	7000 mgs	Nikotīnamīns
Cholin' hlorīds	20000 mgs	choline' hlorīds (60%)
Vitamīns B 12	5 mgs	Vitamīns B 12 manitolā,(0,1%)
Folijskābe	300 mgs	Folijskābe
Biotīns	40 mgs	d- biotīns
Varš	0.40%	CuSO4.5H2O
Jods	0.008 (%)	KIO4
Dzelzs	4%	FeSO4.2H2O
Mangāns	0.80%	MnSO4.H2O
Cinks	4%	ZnO(80% Zn)
Selēnijs	0.012 (%)	NaSeO3 vai NaSeO4

* mārciņa = 0,453 kg

** Piemaisījumi ir veidoti lietošanai pie attiecības 5 mārciņas uz tonnu pilnīga maisījuma sīvēnmātēm un sīvēniem un 3 mārciņas uz tonnu augošām nobarojamām cūkām.

*** Vitamīnus un minerālus var pirkt atsevišķi. To ir ieteicams darīt ja to kombinācija ir jāglabā vairāk nekā trīs mēnešus. Vitamīni var zaudēt savas spējas ja glabājas kopā ar minerāliem ilgāku laiku.

20. tabula Ieteicamais vitaminizētais minerālvielu maisījums ***

komponents	daudzums uz mārciņu* piemaisīj.**	ieteicamais avots
Vitamīns A	900,000 IU	Vitamīna A palmitāts- želant.apvalkā
Vitamīns D	100 000 IU	Vitamīns D 3 - stabilizēts
Vitamīns E	5000 IU	dl-tokoferila acetāts
Vitamīns K	660 mgs	Menadiona nātrija bisulfīts
Riboflavīns	1200 mgs	Riboflovīns
Pantothetic' skābe	4500 mgs	Kalcija pantotenāts
Niacins	7000 mgs	Nikotīnamīns
Cholin' hlorīds	20000 mgs	choline' hlorīds (60%)
Vitamīns B 12	5 mgs	Vitamīns B 12 manitolā,(0,1%)
Folijskābe	300 mgs	Folijskābe
Biotīns	40 mgs	d- biotīns
Varš	0.40%	CuSO4:5H2O
Jods	0.008 (%)	KIO4
Dzelzs	4%	FeSO4.2H2O
Mangāns	0.80%	MnSO4.H2O
Cinks	4%	ZnO(80% Zn)
Selēnijs	0.012 (%)	NaSeO3 vai NaSeO4

* mārciņa = 0,453 kg

** Piemaisījumi ir veidoti lietošanai pie attiecības 5 mārciņas uz tonnu pilnīga maisījuma sīvēnmātēm un sīvēniem un 3 mārciņas uz tonnu augošām nobarojamām cūkām.

*** Vitamīnus un minerālus var pirkt atsevišķi. To ir ieteicams darīt ja to kombinācija ir jāglabā vairāk nekā trīs mēnešus. Vitamīni var zaudēt savas spējas ja glabājas kopā ar minerāliem ilgāku laiku.

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1. tabula Parastās lopbarības komponenti*

komponenti	šķiedrviela %	metab. enerģ. kcal/ mārc.**	Ca %	P %	proteīns %	lizīns %	triptofāns %	treonīns %	metionīns + cistīns
lucernas siens, laukā žāvēts	29.00	800	1.20	0.20	14.00	0.55	0.25	0.50	0.35
lucerna, dehidratizēta, 17%	24.00	775	1.40	0.23	17.00	0.80	0.34	0.70	0.56
mieži	6.00	1380	0.05	0.34	11.50	0.40	0.15	0.36	0.37
asins milti, strauji žāvēti	1.00	1200	0.40	0.30	86.00	7.00	1.00	3.60	2.00
canola' rapsis	11.40	1200	0.68	1.17	38.00	2.30	0.44	1.68	1.66
kukurūzas graudi	2.50	1550	0.02	0.25	8.50	0.24	0.09	0.32	0.40
taukvielas**	-	3585	-	-	-	-	-	-	-
zivju milti	0.90	1500	5.20	2.88	61.00	4.75	0.65	2.50	2.33
gaļas un kaulu milti, 50%	2.80	1035	9.40	4.58	50.00	2.80	0.28	1.60	1.14
sausais vājšpiens	-	1620	1.25	1.00	33.00	2.50	0.45	1.57	1.30
auzas	10.70	1240	0.08	0.33	11.80	0.40	0.14	0.38	0.37
auzu putraimi	2.50	1550	0.07	0.40	15.80	0.50	0.18	0.44	0.41
sorgo graudi	2.20	1480	0.02	0.27	8.90	0.22	0.09	0.27	0.29
sojas pupas, vārtas, neattaukotas***	5.20	1640	0.25	0.58	36.70	2.25	0.52	1.42	1.01
sojas milti	7.30	1460	0.30	0.60	44.00	2.90	0.63	1.70	1.18
sojas milti (atčauloti)	3.40	1535	0.20	0.65	48.00	3.12	0.64	1.90	1.41
cukurs	-	1383	-	-	-	-	-	-	-
sauļspuķu milti (atčauloti)	11.70	1195	0.42	0.94	45.00	1.68	0.60	1.63	1.55
gaļas milti, 60%	2.00	980	4.60	2.50	60.00	3.80	0.58	2.48	1.25
kvieši, cieti ziemas	2.60	1475	0.05	0.30	12.20	0.38	0.17	0.37	0.50
kvieši, mīksti ziemas	2.30	1500	0.05	0.35	11.40	0.30	0.12	0.32	0.35
kvieši, cietie, sarkanie, vasaras	2.40	1515	0.04	0.39	13.50	0.34	0.18	0.37	0.45
kvieši, 'durum'	2.50	1505	0.10	0.40	12.70	0.39	0.16	0.43	0.45
kviešu spraukumi	11.00	980	0.13	1.15	15.00	0.56	0.25	0.41	0.43
kvieši, otrās šķiras	7.50	1340	0.13	0.80	16.00	0.68	0.19	0.54	0.41
suliņas, sausās	-	1405	0.85	0.70	13.00	0.90	0.17	0.80	0.49

* pieņemot, ka mitruma saturs ir 10%

** dāždos avotos var būt uzrādīts dažāds metabolizējamās enerģijas daudzums

*** sojas pupas vāra vai cep līdz 240-260 grādiem pēc Fārenheita, lai iznīcinātu tripsīnu.

Uzrādītie skaitļi attiecas uz karsētām sojas pupām.

**** 1 mārciņa = 0,453 kg

EIROPAS KOPIENA

VĒSTURE

Eiropas Kopiena (*the European Community*) bieži saukta arī par Kopienu vai Koptirgu, ir viens no šī gadsimta otrās puses spēcīgākajiem reģionālajiem ekonomiskajiem blokiem. Tomēr jāatzīst, ka Kopienas saknes meklējamas jau 1948. gadā, kad Maršala plāna pārraudzīšanai tika izveidota Eiropas Ekonomiskās sadarbības organizācija (*the Organization for European Economic Co-operation*). Maršala plāns bija pēckara sagrautās Eiropas saimnieciskās atjaunošanas plāns.

Sadarbība deva labus rezultātus, un tādēļ 1952. gadā izveidojās Eiropas Ogļu un tērauda apvienība (*the European Coal and Steel Community*), kurā ietilpa sešas valstis-- Vācija, Francija, Itālija, Beļģija, Nīderlande un Luksemburga. Ogļu un tērauda apvienības panākumi Eiropas ogļu un tērauda resursu labākā izmantošanā atjaunojot sagrauto Eiropas ekonomiku rosināja šīs pašas valstis 1957. gadā izveidot Eiropas Ekonomisko Kopienu (*the European Economic Community*) jeb Koptirgu un *Eiroatomu*. Par sešu valstu sadarbības pamatdokumentu kļuva Romas Līgumi (*the Treaties of Rome*).

Visu trīs kopienu apvienību, kas nu jau bija tapusi par vienotu organizāciju ar kopēju vadības struktūru, 1973. gadā papildināja Britānija, Dānija un Īrija, 1981. gadā Grieķija, bet 1985. gadā Spānija un Portugāle. Ekonomiskās Kopienas pamatā bija atziņa, ka tikai vienotā saimnieciskā blokā Eiropa ir spējīga sacensties ar tādām valstīm kā ASV un PSRS.

Eiropas ekonomiskā integrācija notika trīs posmos:

- (1) muitas savienība (*customs union*) ietvēra starpvalstu muitas tarifu un citu muitas ierobežojumu pakāpenisku atcelšanu;
- (2) ekonomiskā savienība (*economic union*) nozīmēja valstu sociālās, finansu un naudas politikas harmonizēšanu;
- (3) politiskā savienība (*political union*).

1991. gada decembrī Kopienas valstu un valdību vadītāji Holandes pilsētā Māstrihtā vienojās par Līgumu par Eiropas Savienību jeb t.s. Māstrihtas līgumu, kas ar 1993. gadu paredzēja kopēju tirgu visā EK valstu teritorijā, kā arī Kopienas zemju tākāku politisku integrāciju. Māstrihtas

līguma ratificēšanas gaitā vairākās zemēs radušies sarežģījumi, kas noveda pie Mātrihitas krīzes, tādēļ tuvākā laika EK lēmumi var izrādīties izšķirošie Eiropas integrācijas procesā.

KOPIENAS DIREKTĪVAS

No grāmatvedības viedokļa īpaša uzmanību pelna EK valstu grāmatvedības likumu harmonizēšana.

Grāmatvedības principi dažādās EK valstīs atšķirās. Itin bieži atsevišķu Kopienas zemju grāmatvedības sistēmas atradās pilnīgi pretējās grāmatvedības spektra pusēs. Piemēram, britu grāmatvedība līdzinās ASV pieņemtajiem principiem, kuros grāmatvedības prasības nosaka privāta aģentūra, bet franču grāmatvedībā pieņemta standartizēta ?????pusvalstiskota (quasigovernmental) sistēma.

EK grāmatvedības harmonizēšana notiek ar EK direktīvu palīdzību. Direktīva, ko apstiprinājusi Kopienas ministru padome, kļūst saistoša visām dalībvalstīm. Dalībvalstīm jāizdara izmaiņas savā likumdošanā, lai saskaņotu to ar attiecīgo EK direktīvu. Parasti likumu izmaiņš tiek atvēlēts pusotrs gads.

Lai arī sākumā tā nevarētu likties, direktīvas pieņemšana prasa ļoti ilgu laiku, un no sākotnējās koncepcijas izstrādāšanai līdz direktīvas pieņemšanai nereti paiet pat desmit gadi. Direktīvas pieņemšana notiek sekojoši:

- (1) ieteiktā direktīva tiek nodota neatkarīgam ekspertam iepriekšēja projekta izstrādāšanai;
- (2) Eiropas Kopienas izpildorgāns Komisija izskata projektu;
- (3) projektu izskata arī EK Ekonomikas un sociālā komiteja un Kopienas Parlaments;
- (4) projektu pieņem EK Ministru padome;
- (5) EK zemes saskaņo savu likumdošanu ar EK direktīvu.

Dalībvalstīm kopumā ir ne vairāk kā trīsarpus gadu laika, lai iestrādātu direktīvu savos likumos. Jāatzīmē, ka, izskatot direktīvas projektu, EK Komisija konsultējas ar EK Grāmatvedības pētījumu grupu, kurā ietilpst EK zemju vadošo grāmatvedības organizāciju pārstāvji.

1223

GRĀMATVEDĪBAS DIREKTĪVAS

Līdz šim pieņemtas četras direktīvas, kas saistītas ar grāmatvedības un finanšu jautājumiem: *Ceturtais direktīva*, *Piektā direktīva*, *Septītā direktīva* un *Astotā direktīva*. Turpinājumā dots šo direktīvu vispārīgs apskats.

Ceturtais direktīva, kas skar EK kompāniju finanšu atskaišu vispārīgos jautājumus, stājās spēkā 1980-os gados. EK Padome to apstiprināja 1978. gada vidū.

Ceturtais direktīvā noteikta gada pārskata forma un saturs. Gada pārskats, neapšaubāmi ir galvenais finanšu komunikācijas veids starp firmu un citām ieinteresētajām pusēm, piemēram, pašreizējiem un potenciālajiem akcionāriem. *Direktīva* norāda, ka finanšu atskaites uzdevums ir radīt patiesu priekšstatu par firmas finanšu stāvokli (balance) un rezultātiem (ienākumu deklarācija) pēdējā atskaites periodā. *Direktīvā* doti bilances (atskaites vai ziņojuma) un ienākuma deklarācijas paraugi, kā arī piezīmes šīm finanšu atskaitēm. *Direktīva* dod novērtēšanas likumus, kas balstīti uz četriem principiem: sistemātiskums, biznesa stabilitāti, konservatīvismu un uzkrājumu grāmatvedību.

Tādējādi tiek parādītas nevien pagātnes izmaksas, bet arī pašreizējā vērtība (jāatceras, ka *Direktīva* tika uzrakstīta neparasti augstas inflācijas laikā). Firmas tiek sadalītas trijās kategorijās pēc to lieluma (ņemot vērā noietu, īpašumu un darbinieku skaitu), lai tādējādi noteiktu nepieciešmību pēc revīzijas un finanšu atklātuma.

Attiecībā uz pēdējo jautājumu, saskaņā ar *Direktīvu*, EK dalībvalstis var atbrīvot mazās firmas no ikgadējās revīzijas, tomēr vidējās un lielās firmās gada revīzija ir obligāta.

Saskaņā ar Savienoto Valstu standartiem, *Ceturtais direktīva* nosaka tikai finanšu atskaites pamatprincipus. Tā pieļauj elastību un uzsver bilances un ienākumu deklarācijas lomu. Tā neprasa fondu deklarācijas uzrādīšanu, nedz arī prasa no akcionāriem akciju vērtības izmaiņas deklarēšanu. *Direktīva* neliek aprēķināt un atskaitīties par ienākumiem uz vienu akciju.

Piektajā direktīvā apskatīta korporāciju struktūra un organizācija. Grāmatvedība domāta EK firmu revidentiem. Astoņdesmito gadu sākumā tā tika atcelta, jo ieteikums par divdaļīgas direktoru padomes izveidošanu

un paplašinātu strādnieku parstāvību radija daudz nesaskaņu. Viena *Direktīvas* nodaļa veltīta revidentu neatkarībai un revidentu ziņojumiem.

Septītā direktīva izrādījusies vispretrunīgākā no visām grāmatvedības direktīvām. Pirmoreiz to publicēja 1976. gadā pieteikuma formā, bet 1978. gadā tā tika pārskatīta. Daudz pretrunu ir apvienošanas skaidrojumā: pretēji parastajam veidam, kad par juridisko pamatu tiek ņemta grupas definīcija, *Direktīva* koncentrējas uz tādiem ekonomiskajiem faktoriem kā atsevišķo vienību dominance un atkarība. *Direktīva* atbalsta EK atrodošos meitas uzņēmumu *horizontālās apvienošanas* ideju pat tādos gadījumos, ja mātes uzņēmums bāzēts ārpus EK teritorijas. Piemēram, amerikāņu firmai, kas darbojas Kopienā, būtu jā sagatavo tās Eiropas uzņēmumu apvienošanās.

Šāds ieteikums liecina, ka EK pieņemtie apvienošanas principi radikāli atšķiras no ASV apstiprinātajiem. Uzsverot ekonomiskos principus juridisko vietā, Kopiena apvienojamo grupu novērtējumā ir mazāk ???kapitālistiska, bet vairā orientējas uz plašāku ieinteresēto personu loku - ne tikai uz akcionāriem, bet arī uz strādājošajiem, kreditoriem, patērētājiem, pārraudzības institūcijām un plašāku sabiedrību.

EK ministru padome *Septīto direktīvu* apstiprināja 1983. gada 13. jūnijā, apmēram septiņus gadus pēc tam, kad tā tika pirmo reizi pieteikta.

Direktīva prasa apvienošanas gadījumos, kad viena firma pārlicinoši ieguvusi kontroli par citām firmām (ar akcionāra balsstiesību palīdzību, kontrolējot direktoru padomi vai vadību). Apvienojamās firmas *Direktīvā* tiek dēvētas par uzņēmumiem, tādējādi to loks neaprobežojas ar korporācijām.

Pārsvarā no firmām tiek prasīta *horizontālā apvienošanās* vai apakšapvienošanās (subconsolidation). Tomēr dalībvalstis var mazināt šīs prasības iespaidu savas valsts likumdošanā.

Septītajā direktīvā jūtama liela *Ceturtais direktīvas* ietekme, tajā izmantoti tādi pamatjēdzieni kā *pagātnes izmaksas*, *uzkrājumu grāmatvedība* un *akciju vērtības uzskaites metode*.

GRĀMATVEDĪBA

(1) Padomju grāmatvedības sistēma tika izveidota, lai sniegtu centralizētās plānveida ekonomikas vadīšanai nepieciešamo informāciju.

(2) Uzņēmumu grāmatvežu apkopoto informāciju lietoja vienīgi valsts iestādes un uzņēmumi. Grāmatvedības pirmais uzdevums bija pārraudzīt un kontrolēt saimniecisko resursus, lai sasniegtu valsts plānā nospraustos mērķus.

(3) Grāmatvedības informācija ceļoja abos virzienos- augšup un lejup- pa administratīvās hierarhijas kāpnēm. Visu nozaru uzņēmumi sniedza augstākstāvošām iestādēm grāmatvedības informāciju, tai skaitā arī ziņas par nākotnes plāniem. Šī informācija palīdzēja centralizēto plānu sastādītājiem. Pēc tam ražotāji no augstākstāvošajām iestādēm saņēma kontrolskaitļus (normas) un ražošanas plānus un citus ražošanas rādītājus, kas bija jāizpilda. Pa hierarhijas kāpnēm augšup informācija ceļoja galvenokārt kontroles nolūkos. Tā nonāca ministrijās un citās valsts iestādēs, piemēram Finanšu ministrijā un PSRS Valsts Statistikas komitejā. PSRS Valsts bankā un citās bankās, kuras nodarbojās ar uzņēmumu īstermiņa un ilgtermiņa kreditēšanu.

(4) Lai pildīti centralizētās plānošanas un kontroles prasības, grāmatvedības sistēma PSRS tika izveidota atšķirīgi no starptautiski atzītām normām un principiem. Svarīgākās atšķirības bija sekojošas:

(5) *Ienākumu un izdevumu saskaņošana.* Padomju grāmatvedība pieņēms ieņēmumus reģistrēt tikai pēc kvīts saņemšanas, bet izdevumus reģistrē arī pirms to faktiskās apmaksas. Izdevumu un ieņēmumu nesaskaņotība rada nepareizu priekšstatu par ienākumiem attiecīgā laika posmā. Lai iekļautos Starptautiskajos grāmatvedības standartos bijušajai Padomju Savienībai jāpāriet uz uzkrājumu grāmatvedību (accrual accounting).

(6) *Risks un konservatīvisms.* Padomju grāmatvedība orientējās uz bezrisku darbības vidi. Tika pieņemts, ka ekonomiskie apstākļi neietekmē apgrozāmo līdzekļu vērtību. Tādēļ padomju grāmatvedībā nebija pazīstams "konservatīvais piegājiens", nedz arī princips grāmatvedībā pielietot zemāko no tirgus vai izmaksas cenām. Tradicionālajā sistēmā netika paredzēta iespēja, ka pircēji un pasūtītāji parāduš nenomaksā laikā. Šie parādi tika norakstīti vienīgi tajos gadījumos, kad neapstridami pierādījumi liecināja, ka parādi arī netiks nomaksāti. Finanšu sistēmas labai funkcionēšanai nepieciešams norakstīt uzņēmumam nevajadzīgos pamatlīdzekļus.

(7) *Nemateriālie ieguldījumi.* Saskaņā ar padomju grāmatvedības likumiem, nemateriālie līdzekļi netika iekļauti finansu ziņojumos. Vairumā tirgus ekonomiku tas tiek darīts.

(8) *Pamatlīdzekļi.* Padomju grāmatvedībā papildus ieguldījumi pamatlīdzekļos un amortizācijas principi būtiski atšķīrās no starptautiski pieņemtajām normām. Padomju uzņēmums pamatlīdzekļus parasti saņēma no valsts par brīvu. Saņemtie pamatlīdzekļi tika ierakstīti kā *kapitālieguldījumi*.

(9) Amortizācija tika ierakstīta pasīva sadaļā kā nolietojums. Tādējādi pamatlīdzekļi parādījās aktīva sadaļā to sākotnējā vērtībā, bet starptautiskajā praksē pieņemts bilancē uzrādīt pamatlīdzekļus ar jau ierēķinātu nolietojumu.

(10) Ražošanas izmaksas. Padomju grāmatvedībā kopā tika jauktas tiešās un netiešās izmaksas. Netika izšķirtas *produkta izmaksas* un *perioda izmaksas* (ar ražošanu tieši nesaistītās izmaksas, piemēram, administratīvās izmaksas). Ar ražošanu nesaistītās izmaksas tika pierēķinātas ražošanas izmaksām. Ar ražošanu nesaistītās izmaksas tika ierēķinātas arī nepārdotajos produktos. Starptautiski pieņemts produkta uz ražošanas izmaksas dalīt, bet netiešās izmaksas piesaistīt periodam, kurā tās notikušas. Tādā veidā, protams, samazinās ieņēmumi.

BILANCES SHĒMA KONTU VEIDĀ

AKTĪVS

Ilgtermiņa ieguldījumi

I. Nemateriālie ieguldījumi:

1. Pētniecības darba un uzņēmuma attīstības izmaksas.
2. Koncesijas, patenti, licences, preču zīmes un līdzīgas tiesības.
3. Uzņēmuma nemateriālā vērtība.
4. Avansa maksājumi par nemateriāliem ieguldījumiem.

II. Pamatlīdzekļi:

1. Zemes gabali, ēkas un būves un ilggadīgie stādījumi.
2. Tehnoloģiskās iekārtas un mašīnas.
3. Pārējie pamatlīdzekļi un inventārs.
4. Pamatlīdzekļu izveidošana un nepabeigtās celtniecības izmaksas.

III. Ilgtermiņa finansu ieguldījumi:

1. Līdzdalība meitas uzņēmumu kapitālā.
2. Aizdevumi meitas uzņēmumiem.
3. Līdzdalība citu saistīto uzņēmumu kapitālā.
4. Aizdevumi citiem saistītajiem uzņēmumiem.
5. Pārējie vērtspapīri un līdzdalība kapitālos.
6. Pārējie aizdevumi.
7. Pašu akcijas un daļas.
8. Aizdevumi uzņēmuma dalībniekiem un vadībai.

Apgrozāmie līdzekļi

I. Krājumi:

1. Izejvielas, pamatmateriāli un palīgmateriāli.
2. Nepabeigtā ražošana.
3. Gatavie izstrādājumi un preces pārdošanai.
4. Nepabeigtie pasūtījumi.
5. Avansa maksājumi par precēm.
6. Darba dzīvniekiem un produktīvie dzīvnieki.

II. Debitori:

1. Pircēju un pasūtītāju parādi.
2. Meitas uzņēmumu parādi.
3. Citu saistīto uzņēmumu parādi.
4. Citi debitori.
5. Neiemaksātās daļas sabiedrības kapitālā.
6. Īstermiņa aizdevumi sabiedrības dalībniekiem un vadībai.
7. Nākamo periodu izmaksas.

III. Vērtspapīri un līdzdalība kapitālos:

1. Līdzdalība meitas uzņēmumu kapitālā.
2. Pašu akcijas un daļas.
3. Pārējie vērtspapīri un līdzdalība kapitālos.

IV. Naudas līdzekļi.

PASĪVS

Pašu kapitāls:

1. Akciju vai daļu kapitāls (pamatkapitāls).
2. Akciju emisijas uzcenojums.
3. Ilgtermiņa aktīvu pārvērtēšanas rezerve.
4. Rezerves:
 - a) likumā noteiktās rezerves;
 - b) rezerves pašu akcijām vai daļām;
 - c) sabiedrības statūtos noteiktās rezerves;
 - d) pārējās rezerves.
5. Nesadalītā peļņa:
 - a) iepriekšējo gadu nesadalītā peļņa;
 - b) pārskata gada nesadalītā peļņa.

Uzkrājumi:

1. Uzkrājumi pensijām un tamlīdzīgām saistībām.
2. Uzkrājumi paredzamajiem nodokļiem.
3. Citi uzkrājumi.

Kreditori (īstermiņa un ilgtermiņa)

1. Aizņēmumi pret obligācijām.
2. Akcijās pārvēršamie aizņēmumi.
3. Aizņēmumi no kredītiestādēm.
4. No pircējiem saņemtie avansi.
5. Parādi piegādātājiem un darbuzņēmējiem.
6. Maksājamie vekseļi.
7. Parādi meitas uzņēmumiem.
8. Parādi saistītajiem uzņēmumiem.
9. Peļņas nodoklis.
10. Pārējie kreditori, ieskaitot nodokļus un sociālās nodrošināšanas maksājumus.
11. Nākamo periodu ienākumi.
12. Pārskata gada dividendes.
13. Iepriekšējo gadu neizmaksātās dividendes.

Questionnaire by Ken Eisen;

JAUTĀJUMU SARAKSTS

- 1) Pamatinformācija par uzņēmumu, tai skaitā arī darbības, ražojumu, iekšējo un ārējo tirgu raksturojums.
- 2) Ražošanas ēku saraksts, kas ietvertu arī vietas norādi, lielumu, celtniecības veidu, nodošanas gadu, izmaksas nodošanas brīdī, pašreizējo bilances vērtību, nolietojuma aprēķināšanas metodi, paredzamo kalpošanas ilgumu, inflācijas dēļ veikto pārcenošanu, ja tāda ir bijusi, arī novērtēšanu, ja tāda veikta pēdējo trīs gadu laikā.
- 3) Lielāko iekārtu apraksts, kurā norādīts arī ražotājs, atrašanās vieta uzņēmumā, sākotnējā cena, iegādāšanās gads, šibrīža bilances vērtība, nolietojuma aprēķināšanas metode un izmantotā paredzamā kalpošanas laika daļa, stāvoklis (norādīt arī korekcijas, kas, iespējams, veiktas inflācijas dē). Novērtēšana pēdējo trīs gadu laikā.
- 4) Vadītāju vārdi, amati un izglītība/darba pieredze.
- 5) Pēdējo trīs gadu bilances un dokumenti par naudas apgrozījumu.
- 6) Debitoru parādi, kuru termiņš notecējis pirms vairāk nekā 90 dienām. Aizdevumu noteikumu apraksts.
- 7) Kopsavilkums par gatavo produkciju, ja to uzskata par nepārdodamu, kā arī par uzkrātajām rezervēm.
- 8) Pēdējo trīs gadu izdevumi ēkām un iekārtām, kā arī šim gadam budžetā plānotie vai paredzami izdevumi šiem mērķiem.
- 9) Uzņēmuma desmit galvenie klienti un šo klientu daļa kopējos ieņēmumos.
- 10) Uzņēmuma pašreiz neizpildīto pasūtījumu apjoms un izteiksme vietējā valūtā.
- 11) Vai ir kādas neparedzētas saistības, tai skaitā restitūcijas/atdošans pieprasījumi, un kā vadība paredz šo prasību atrisinājumu.
- 12) Nodokļu procenti.
- 13) Kopsavilkums par aizņēmumiem, ikmēneša maksājumiem, arī laikā nenokārtotiem maksājumiem, ja tādi ir, procentu likmes un nomaksas termiņi.
- 14) Pēdējo trīs gadu inflācijas procenti uzņēmuma produkcijai, kā arī vispārējais inflācijas līmenis ekonomikā.

PAMATLĪDZEKĻI. Īpašums, rūpnīca un iekārtas ir bilances kategorija, ko izmanto, lai uzskaitītu līdzekļus, kuru lietošanas derīguma laiks pārsniedz vienu gadu. Ieguldījumu šajos līdzekļos izmaksas tiek nostādītas pretim ieņēmumiem, kurus šie līdzekļi saražo. Nolietojums ir sistemātiska un racionāla rūpnīcas līdzekļu izmaksu pārdalīšana uz vairākiem uzskaites periodiem.

NOLIETOJUMA RAKSTURS

Daudziem uzņēmumiem nolietojums ir viena no lielākajām izmaksām, kas bieži vien pārsniedz neto ienākumu. Piemēram, 1988.gadā *General Motors Corporation* nopelnīja 4.86 biljonus dolārus, bet nolietojuma vērtība sasniedza 5 biljonus dolārus. Tikai nedaudzas sfēras piedāvā tik plašu izvēli specifisku grāmatvedības paņēmieni praksei un izvēlei.

Jaunas automašīnas nolietojums sasniedz vairākus tūkstošus dolārus līdzko tā atstāj uzņēmuma tirdzniecības pārtāvja teritoriju. Tomēr grāmatvedībā lietotais termins *nolietojums* atšķiras no šī vārda parastās nozīmes. Grāmatvedības speciālists savās finansiālajās atskaitēs pielieto nolietojuma aprēķinu kā

grāmatvedības sistēmu, kuras mērķis ir *sistemātiski un racionāli* pārdalīt materiālo vērtību un grūtāk saglabājamo vērtību (ja tādas ir) izmaksas vai citas pamatvērtības aptuveni aprēķinātā vienības (kas var būt arī vairāku līdzekļu grupa) derīguma laika periodā. Tas ir pārdalīšanas, nevis novērtēšanas process.

Termins *sistemātisks un racionāls* nosaka, ka nolietojuma metodēm ir jābūt gan precīzi specifizētiem, nevis /haotiskiem - haphazard/ vai subjektīviem, gan arī pamatotām tādā ziņā, ka rezultāts loģiski izriet no līdzekļu izmantošanas.

Finansiālās atskaitēs īpašuma, iekārtu izmaksas var tikt izteiktas kā izdevumu ilgtermiņa iepriekšējie maksājumi. Izmaksas tiek reģistrētas kā bilances aktīvās puses līdzeklis, jo materiālā vienība atspoguļo nākotnes ekonomiskā potenciāla kvantitāti. Daļa no izmaksas ir domāta, lai dotu labumu/izdevīgumu katram lietošanas periodam. Kaut arī reālais izmaksu lielums, kas attiecas uz jebkuru noteiktu laika periodu, nevar būt precīzi noteikts, nolietojuma izdevumi ir sistemātiski aprēķināts lielums, kas paredzēts tieši šim mērķim.

Nolietojuma noteikšanas process nav līdzekļu pārvērtēšana atskaites gada beigās. Pakāpeniskās tirgus vērtības izmaiņas netiek reģistrētas uzņēmuma līdzekļu aprēķināšanā/uzskaitē, tādēļ uzņēmuma līdzekļu bilances vērtība parasti neatbilst tās tirgus vērtībai.

NOLIETOJUMA CĒLOŅI

Uzņēmuma līdzekļu derīguma vai izmantošanas laika samazināšanos rada fiziski faktori (ietverot nonēsāšanos), kam par cēloni bijusi to izmantošana, laika iedarbības faktors, kā arī bojājumi un novecošana. Novecošanas faktors parasti ir jaunas tehnoloģijas ieviešanas rezultāts, kas vecos līdzekļus padara mazāk efektīvus un līdz ar to palielina to izmantošanas izmaksas. Novecošanas faktors parādās arī tad, kad uzņēmuma paplašināšanās iegulda noteiktus līdzekļus, kas nav izmantojami jaunajos darbības apstākļos, vai kad samazinās pieprasījums pēc tiem produktiem vai pakalpojumiem, ko ražo šie līdzekļi. Novecojošie līdzekļi parasti ir labā stāvoklī un joprojām piemēroti to sākotnējo funkciju izpildei. Nolietojuma aprēķināšana apskata

1200

visus paredzamos faktoros, kas ierobežo uzņēmuma līdzekļu derīgumu un izmantošanas laiku.

Tomēr tehnoloģijas izmaiņas ne vienmēr automātiski padara vecākas iekārtas par novecojošām. Ja vecākās iekārtas joprojām apmierina kompānijas vajadzības, tad novecošana nav jāņem vērā. Piemēram, mikrokompjūteru industrijā bieži tiek uzlaboti kompjūteru mikroprocesori, kas ievērojami palielina kompjūteru ātrumu un iespējas. Ieviestie 386 mikroprocesori pārspēja 286 mikroprocesorus. Tomēr personālie kompjūteri, kas izveidoti balstoties uz 286 mikroprocesoriem joprojām tiek plaši izmantoti un pilnīgi nodrošināti ar programmu un laboānu/remontu līgumiem. Daudzām kompānijām tūlītēja pāreja uz būtiski dārgākajiem 386 mikroprocesori kompjūteriem nebija izdevīga.

Līdzekļiem, kas ir ieguldīti vēl nepabeigtā celtniecībā vai vēl neuzstādītās iekārtās, nolietojums nav jānosaka. Šādi līdzekļi vēl neražo nekādu izdevīgumu vai labumu, tādēļ to iegūšanas izmaksas nav saskaņotas ar pašreizējiem ieņēmumiem.

Ja līdzekļus kādu laiku neizmanto vai līdzekļi tiek glabāti kādai nākotnes perioda lietošanai, nolietojuma noteikšana ir jāturpina, jo fizisku un funkcionālu iemeslu dēļ kompānijas līdzekļu saimnieciskā izmantojamība samazinās. Pārtraucot rūpnīcas līdzekļu izmantošanu ražošanā, tiek samazināta to grāmatas bilance uz tās cenas, ko var saņemt tirgū atņemot pārdošanas cenu. Tas tiek norakstīts kā zaudējums, nevis kā nolietojuma izmaksu daļa.

NOLIETOJUMA METODES

Nolietojuma aprēķināšanas procedūru iedala nolietojuma noteikšanas metodēs un nolietojuma noteikšanas sistēmās. Nolietojuma noteikšanas metodes parasti izmanto katrā atsevišķā nolietojuma noteikšanas gadījumā, kurpretim nolietojuma noteikšanas sistēmas izmanto līdzekļu grupām. Pamatlīdzekļu programnodrošinājums ļauj vienkāršot nolietojuma aprēķināšanu, uzskaiti un ierakstu atskaitēs kā metodēm, tā arī sistēmām. Tabulā 12-2 uzskaitītas vairākas nolietojuma noteikšanas metodes. Tabulā 12-3 uzrādīti kādas hipotētiskas rūpnīcas līdzekļi. Šis piemērs turpmāk tiks izmantots četru nolietojuma noteikšanas metožu ilustrācijai.

Tiešā metode Tiešā metode (Ti) balstīta uz pieņēumu, ka rūpnīcas līdzekļu lietderība samazinās vienmērīgi. Tiešā metode nolietojumu tiešā veidā saista ar laika tecējumu, nevis ar līdzekļu lietošanu. Tādēļ katrā laika vienībā līdzekļu nolietojums ir viens un tas pats. Tādēļ periodiskais nolietojums saskaņā ar Ti metodi izsakāms kā

$$\text{gadskārtējais Ti nolietojums} = \frac{\text{iegūšanas izmaksa} - \text{vērtības atlikums}}{\text{paredzamais lietas mūžs gados}}$$

Saskaņā ar Tabulā 12-3 doto piemēru tas būtu:
 $= (\$ 6600 - \$ 600)/5 = \1200 gadā

Ti nolietojumu bieži mēdz izteikt procentos. Ikgadējais Ti nolietojums ir gada nolietojuma izdevumi attiecībā pret nolietojamo izmaksu. Tas ir pastāvīgs lielums (nemainīgs visā līdzekļu "mūžā"), kas parāda nolietojamo izmaksu daļu procentos, to sauc par nolietojumu laika periodā. Tabulā 12-3 dotajiem līdzekļiem Ti nolietojums ir 20% ($\$1200/\6000). Tādējādi 20% no nolietojamās izmaksas katru gadu atzīst par nolietojumu. Šie 20% ($1/5$) apgriezti proporcionāli līdzekļu lietderīgā "mūža" ilgumam. Ja zināmi ikgadējā nolietojuma procenti, tad šo skaitli var izmantot Ti nolietojuma aprēķināšanai attiecīgajā gadā ($0,20 \times \$6000$). Tabulā 12-4 parādīta Ti nolietojuma aprēķināšana visā Tabulas 12-3 līdzekļu lietderīgā mūža ilgumā. Ti metodes pielietošana ļauj finansu ziņojuma lietotājiem prognozēt bilancē uzņemto līdzekļu atlikušo kalpošanas laiku. Piemēram, Tabulā 12-4 doto līdzekļu bilances vērtība 1992. gada 31. decembrī ir \$ 4 200. Atiecība \$ 4 200/6 600 (64%) ir līdzekļu atlikušais lietderīgā mūža ilgums. Patiesībā atlikusi lietderīgā mūža daļa ir 60% (3 gadi/5 gadiem). Atšķirības rada atlikusā vērtība.

Novērtējums Ti metode guvusi atzinību sava sistemātiskuma un ērtības dēļ. Tā ir īpaši parocīga tajos gadījumos, kad līdzekļu kalpošanas potenciāla samazināšanās notiek gandrīz vienmērīgi, kad katrā laika periodā līdzekļi tiek lietoti vienādi un uzturēšanas un remonta izdevumi ir pastāvīgi visā līdzekļu kalpošanas laikā. Metode nav piemērojama līdzekļiem, kuru kalpošanas potenciāla samazināšanās un kalpošanas iespēja nav tieši saistāma ar laika tecējumu.

1235

Uz ieguldījumu un izlaidi balstītās metodes (*inputs and outputs*)

Darba stundu metode Darba stundu metode (DS metode) pamatā ir pieņēmums, ka uzņēmuma līdzekļu nolietojšanās tieši saistīta ar līdzekļu izmantošanas ilgumu. Kalpošanas laiks tiek izteikts darba stundās. Periodiskā nolietojuma izmaksas tad tiek aprēķinātas reizinot attiecīgajā periodā nostrādāto stundu skaitu ar nolietojumu darba laika veinībā (darba stundā). Pielietojot šo metodi periodiskā nolietojuma izmaksas var būt atšķirīgas, atkarībā no izmantošanas intensitātes. Pēc DS metodes nolietojumu aprēķina saskaņā ar sekojošu formulu:

$$\begin{aligned} \text{nolietojums} & \quad \text{iegūšanas izmaksa - vērtības atlikums} \\ \text{vienā darba} & \quad = \frac{\text{-----}}{\text{paredzamais kalpošanas laiks stundās}} \\ \text{stundā} & \\ & = \$6\,600 - \$600 / 20\,000 = \$0,30 \text{ katrā darba stundā} \end{aligned}$$

$$\begin{aligned} \text{gada nolie-} & \quad \text{nolietojums} & \quad \text{darba stundu} \\ \text{tojums pēc} & = & \text{vienā darba} & \times & \text{skaitis} \\ \text{DS metodes} & & \text{stundā} & & \text{vienā gadā} \end{aligned}$$

Tādējādi 1991. gadā nolietojums = $\$0,30 \times 3\,800 = \$1\,140$
(aprēķinā pieņem, ka iekārta izmantota 3 800 stundu gadā)

Tabulā 12-5 parādīts, kā SD metodi pielieto Tabulā 12-3 uzņemto līdzekļu nolietojuma aprēķināšanai visā to kalpošanas laikā. DS metode piemērota tādiem līdzekļu veidiem kā dzelzceļu ritošie sastāvi, kravas transporta līdzekļi un naftas urbšanas iekārtas.

Produktīvās izlaides metode Produktīvās izlaides metode (PI metode) ir līdzīga DS metodei, ar to atšķirību, ka katra no tām nolietojuma aprēķināšanai izvēlas citu atskaites sistēmu. PI metode pieņem, ka līdzekļi nolietojas nevis nostrādāto stundu dēļ, bet atkarībā no izlaistās produkcijas daudzuma. Noteikts nolietojums tiek tieši saistīts ar vienu saražotās produkcijas vienību un tiek ierēķināts ražošanas izmaksās. Līdz ar to nolietojums mainās atkarībā no izlaides apjoma. Nolietojuma procentu un nolietojuma apjoma aprēķināšani saskaņā ar PI metodi formula ir sekojoša:

$$\begin{aligned} \text{nolietojums} & \quad \text{iegūšanas izmaksa - vērtības atlikums} \\ \text{saražojot vienu} & \quad = \frac{\text{-----}}{\text{paredzamais saražojamo vienību skaits}} \\ \text{produkcijas vienību} & \\ & = \$6\,600 - \$600 / 10\,000 = \$0,60 \text{ saražojot vienu produkcijas} \\ & \quad \text{vienību} \end{aligned}$$

1296

gada nolieto- tojums pēc PI metodes	=	nolietojums saražojot vienu produkcijas vienību	x	gadā saražoto produkcijas vienību skaits
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nolietojums 1991. gadā = \$ 0.60 X 1 800 = \$ 1080

(pieņemot, ka 1991. gadā saražotas 1800 produkcijas vienības)

Tabulā 12-6 parādīts, kā PI metodi pielieto Tabulā 12-3 uzņemto līdzekļu nolietojuma aprēķināšanai visā to kalpošanas laikā, pieņemot, ka tiks saražotas 10 000 produkcijas vienības

Novērtējums Šī metode ir ērtā tajos gadījumos, kad samērē precīzi iespējams noteikt produkcijas izlaides apjomu un paredzēt līdzekļu kalpošanas laiku. Un ja tas tā ir, tad PI metode ļauj precīzi sasaistīt attiecīgo līdzekļu iegūšanas maksu ar labumu (produkciju), ko dod šo līdzekļu izmantošana. PI metodi bieži pielieto aprēķinot nolietojumu raktuvju iekārtām, naftas ieguves iekārtām, kā arī tērauda ražošanas iekārtām.

Paātrinātā nolietojuma metodes

Līdz šim aplūkotās nolietojuma metodes pieņem, ka zināmā laika periodā, darba stundā vai saražojot vienu produkcijas vienību nolietojums ir pastāvīga lielums. Turpmāk aplūkotā metožu grupa-- paātrinātā nolietojuma metodes-- pieņem, ka izmantošanas sākumposmā nolietojums ir lielāks nekā vēlākā laikā. Tādējādi līdzekļus ātrāk atzīst par nolietotiem.

Paātrinātā nolietojuma metodes pieņem, ka izmantošanas sākumposmā līdzekļi katrā laika vienībā dod vairāk labuma, jo līdzekļu ražība ir agstāka-- mazāk laika jāpatērē kā to uzturēšanai kārtībā, tā arī remontam.

Paātrinātā nolietojuma metožu vidū svarīgākās un šobrīd biežāk lietotās ir *gadu summas metode* (GS metode) un *bilances samazināšanas metode* (BS metode).

Gadu summas metode (GS metode) Saskaņā ar gadu summas metodi nolietojumu aprēķina līdzekļu nolietojamo vērtību reizinot ar daļskaitli, ko iegūst sekojoši:

Skaitītājā: atlikušais kalpošanas gadu skaits perioda sākumā. Skaitītājs samazinās ar katru nokalpoto gadu. Tabulā 12-3 uzrādītajiem līdzekļiem uz 1993. gadu skaits būs "3", jo uz 1993. gada sākumu būs atlikuši trīs kalpošanas gadi.

Saucējā: summa, ko iegūst saskaitot skaitļus no "1" līdz skaitlim, kas apzīmē atlikušo kalpošanas gadu skaitu (gadu summa). Piemāram, līdzekļiem, ko lietos vēl piecus gadus, summa būs "15" (1+2+3+4+5=15).

Tabulā 12-3 dotajiem līdzekļiem 1991. gada nolietojums ir :1991. g. nolietojums pēc GS metodes = $(\$ 6600 - \$ 600) \times (5/15) = \2000

GS metode pieskaitāma paātrinātā nolietojuma metodēm tādēļ, ka tā paredz lielāku līdzekļu nolietojumu pirmajos izmantošanas gados, bet ar katru gadu tas samazinās.

Tabula 12-7 ilustrē GS metodi visā Tabulā 12-3 doto līdzekļu lietošanas laikā.

Novērtējums GS metodei raksturīgs sistemātiskums un parocīgums, jo īpaši tajos gadījumos, kad līdzekļi vislabāk izmantojami pirmajā laikā pēc to iegādes. Piemēram, kompjuāteri un citas sarežģīta tehnika vislielāko labumu dod drīz pēc to iegādes, bet tehniskajām iespējām attīstoties tālāk iegādātās iekārtas pakāpeniski novecojas.

Paātrinātā nolietojuma metodes īpaši piemērotas gadījumos, kad tehniskā atpauācība ir svarīgs faktors, kas ietekmē izmantošanas ilgumu. Piemēram, līdzekļi, kas paredzēti trim gadiem, pēc pirmā gada ir nolietojušies par 50%: $3/(3+2+1) = 3/6$ jeb 50%. Ja līdzekļi novecojas divos gados, tad pēc pirmā lietošanas gada lielākā līdzekļu daļa uzskatāma par nolietotu.

Bilances samazināšanas metodes (BS). Atšķirībā no iepriekšapspriestajām metodēm, bilances samazināšanas metodes nav balstītas uz nolietojuma vērtību. Šajā metožu grupā periodiskie nolietojuma izdevumi ir trīs vērtību kopprodukts:

1. Bilances vērtība perioda sākumā (pirmajā periodā bilances vērtība ir vienāda ar iepirkšanas izmaksām; vērtības atlikums netiek atskaitīts).
2. Tiešā likme (1/izmantošanai derīgais laiks)
3. Paātrinājums procentos, kas svārstās no 100% līdz 200%. Šie procenti ir atkarīgi no līdzekļiem. Ja paātrinājums sasniedz 200% (kas parasti arī notiek), tad šo metodi sauc par bilances dubultsamazināšanu un nolietojumu nosaka pie dubultotas tiešās likmes.

Piemēram, izmantojot dubultīgi samazinātu bilanci, 12-3 tabulā attēloto līdzekļu nolietojuma izdevumi laika periodā 1991-1992 ir:

$$1991.\text{g. nolietojums} = \$6\,600(1/5)(200\%) = \$2\,640$$

$$1992.\text{g. nolietojums} = (\$6\,600 - \$2\,640)(1/5)(200\%) - \$1\,584$$

Pielietojot šīs metodes ikgadējie nolietojuma izdevumi samazinās paralēli ar bilances vērtības samazināšanos. Bilances vērtība jebkura gada sākumā tiek samazināta par visu iepriekšējo gadu nolietojuma vērtību.

Novērtēšana. Bilances samazināšanas metodes būtiski atšķiras no iepriekš apspriestajām trīs jomās:

- * Aprēķinot nolietojumu vērtības atlikums netiek atskaitīts.
- * Nolietojuma likme tiek attiecināta uz bilances samazināšanos, nevis uz konstantām nolietojuma izmaksām.
- * Īpaša uzmanība ir jāpievērš tam, lai aprēķinātais līdzekļu nolietojums nav mazāks par atlikuma vērtību, rūpnīcas līdzekļu minimālo bilances vērtību.

1993. gada 19. februārī

GRAUDU RAŽOŠANAS IZMAKSAS UN CENAS LATVIJĀ 1992. GADĀ

Lauksaimniecības konsultāciju centra informācijā par sešām zemnieku saimniecībām atrodamas ziņas par 1992. rudzu un miežu ražu. Tika saņemti trīs ziņojumi par katru graudaugu kultūru. Kaut arī pret secinājumiem, kas izdarīti pamatojoties uz šādu mazu informācijas daudzumu, jāpievēršas ar zināmu piesardzību, tomēr tā ir noderīga sākuma informācija, lai gūtu priekšstatu par peļņu, ko Latvijā var iegūt no graudkopības.

Kopējās miežu ražošanas izmaksas, izņemot ģimenes darba ieguldījumu, bija visai līdzīgas. Tās bija no 29 031 līdz 32 639 LVR uz hektāru. Raža bija robežās no 2,2 t/ha līdz 3,0 t/ha, tādēļ graudu tonnas izmaksas bija no 10 540 līdz 13 196 LVR.

Rudzu izmaksu un ražas atšķirības bija daudz jūtamākas. Ražošanas izmaksas, neskatot ģimenes darba ieguldījumu, bija no 36 942 LVR/ha līdz 49 215 LVR/ha. Raža bija robežās no 3,0 līdz 4,0 t/ha. Zemnieks, kuras saimniecībā bija zemākās hektāra izmaksas ieguva visaugstāko ražu. Tonnas izmaksas bija no 9 986 LVR līdz 17 200 LVR.

Ieņēmumi par darbu, kas ieguldīts apstrādājot vienu rudzu vai miežu ha, dažādās saimniecībās ievērojami atšķirās. Ieņēmumi par viena ha miežu sējumu apstrādāšanu bija no 1 681 LVR līdz 10 260 LVR (par pamatu ņemot ražotāja cenu 13 960 LVR/t). Ieņēmumi par viena ha rudzu sējumu apstrādāšanu bija ievērojami augstāki - no 13 785 LVR līdz 47 058 LVR, jo rudzu cena un raža bija augstāka (skat. tabulu).

Dažādās izmaksas, kas tika uzrādītas budžetā, atspoguļoja reāli pastāvošās tirgus cenas. Miežu sēklas cena bija 250 LVR/kg, bet rudzu sēklas cena - 270 LVR/kg. Minerālmēsļu izmaksas tika noteiktas pēc nātrija, fosfora un kālija aktīvās vielas cenām. Citas noteiktās izmaksas bija: augu aizsardzības līdzekļi, organiskie mēsli, degviela un smērvielas, kā arī maksa par labības nogādāšanu uz dzirnavām vai elevatoriem. Ietverta tika arī maksa par tehnikas izmantošanu, un tā bija no 2 600 līdz 4 100 LVR par hektāru.

Noteiktās izmaksas ietvēra arī pamatlīdzekļu nolietojumu un procentu nomaksu par aizņēmumu izmantošanu. Pamatlīdzekļu nolietojums bija robežās no 4 421 līdz 7 505 LVR uz hektāru, bet procentu maksājumi bija no robežās no 3 441 līdz 7 505 LVR.

Procentu izmaksas bija pareizi iekļautas budžetā kā ražošanas izmaksas. Bet patiesībā neviena no apskatāmajām saimniecībām naudu nebija aizņēmusies. Tādēļ būtu noderīgi aprēķināt darba izmaksas, procentu maksājumus neņemot vērā. Šie skaitļi doti tabulas pēdējā ailē. Ieņēmumi par viena ha miežu sējumu apstrādāšanu bija no 6 981 līdz 14 258 LVR. Ieņēmumi rudziem bija no 21 290 līdz 50 499 LVR par hektāru.

Sagatavojis Lauksaimniecības privatizācijas projekts

1993

1993. gada 19. februāris

Zemnieku saimniecības budžets Latvijā 1992. gadā, mieži

saimniecības numurs un rajons	tehniskās izmaksas		procentu izmaksas/ha	kopējās izmaksas uz ha	raža t/ha	1 tonnas izmaksas	1 tonnas cena	ieņēmumi par darbu/ha	ieņēmumi par darbu bez procentu izmaksām
	mainīgās	noteiktās*							
	LVR	LVR	LVR	LVR		LVR	LVR	LVR	LVR
1 Saldus	23213	9426	5005	32639	2500	13056	13960	2261	7266
3 Valmiera	16420	12611	5300	29031	2200	13196	13960	1681	6981
8 Dobeles	22609	9011	3998	31620	3000	10540	13960	10260	14258

Zemnieku saimniecības budžets Latvijā 1992. gadā, rudzi

saimniecības numurs un rajons	tehniskās izmaksas		procentu izmaksas/ha	kopējās izmaksas uz ha	raža t/ha	1 tonnas izmaksas	1 tonnas cena	ieņēmumi par darbu/ha	ieņēmumi par darbu bez procentu izmaksām
	mainīgās	noteiktās*							
	LVR	LVR	LVR	LVR		LVR	LVR	LVR	LVR
2 Valmiera	32640	16575	7505	49215	3000	16405	21000	13785	21290
6 Ludza	25195	15056	5962	40251	3000	13417	21000	22749	28711
8 Dobeles	29382	7560	3441	36942	4000	9236	21000	47058	50499

* noteiktās izmaksas ietver pamatlīdzekļu nolietojumu un aizņēmuma procentu izmaksas

Sagatavots Lauksaimniecības privatizācijas projektā

12/01

debitoru parādi ir jau vairāk nekā sešus mēnešus veci un varētu būt jānoraksta kā bezcerīgi.

Parādu apjoms dažādos nozares uzņēmumos ir ^{Jok} ievērojami atšķirīgs. →
Tomēr vairumam uzņēmumu tas ir pietiekami liels, lai nebūtu komerciāli
pienemams. Tomēr, pēc valdības domām, pašreizējai vadībai parādu
^{apkrāpšana} servicing // jāiekļauj kā normāla darbības izdevumu daļa un jaunajiem →
īpašniekiem uzkrātie parādi jāpārņem. Vairumā ^{gadījumā} zemais pašreizējais un →
nākotnē sagaidāmais produkcijas izlaides līmenis grauj šādas cerības////.

Par spīti grūtajai situācijai, tas nav attaisnojums privatizācijas aizkavēšanai →
nevienu uzņēmumā.

Ideālā gadījumā, lai piespiestu dzīvotnespējīgos uzņēmumus bankrotēt,
būtu vajadzīgs jauns likums par bankrotu. Tomēr šāda likuma trūkums arī
nebūtu izmantojams par attaisnojumu privatizācijas aizkavēšanai.

D. Īpaši pārdošanas noteikumi

Pamatojoties uz mūsu analīzi, mēs uzdrošināmies apgalvot, ka valdības
interesēs būtu sagatavot vienlaicīgi visu miltu malšanas, lopbarības →
ražošanas un elevatoru uzņēmumu atklātas pārdošanas konkursu →
priekšlikumus. Kā alternatīva, ja administratīvais slogs šādai liela mēroga
privatizācijai izrādās par smagu, varētu būt uzņēmumu sagrupēšana →
ģeogrāfiski vairākās pārdošanas grupās. →

Kā piezīmēts pielikumā A, visos miltu malšanas uzņēmumos, izņemot
vienu, ir lopbarības ražotnes. Visos gadījumos, izņemot divus, ^{graudu} →
elevatori atrodas vienuviet vai nu ar miltu malšanas, vai lopbarības →
uzņēmumu. Konkursa pieteikumu prasīšana vienlaicīgi par visām
ražotnēm/uzņēmumiem dod kā valdībai tā arī perspektīvajiem
konkursantiem vislielāko potenciālu maksimalizēt jauno īpašnieku
konfigurāciju.//// →

Lai arī visefektīvākais veids būtu visu pieteikumu pieprasīšana vienlaikus,
katrai apakšnozarei (miltu malšanas, lopbarības ražošanas uzņēmumiem →
un elevatoriem) būtu jāizveido atsevišķa pieteikumu izskatīšanas darba
grupa. Tas vairumā gadījumu atļaus //for maximum input by industry ?

management specialists in each subsector and introduce general administrative efficiencies.//

Mēs vēlreiz atgādināsim iepriekšējā nodaļā izteikto brīdinājumu. Piedāvājumu izskatīšana vienlaikus visās apakšnozarēs, nenozīmē, ka visi → uzņēmumi tiks arī vienlaikus pārdoti. Vairāki faktori varētu pārdošanas līgumu nevienlaicīgu noslēgšanu valdībai padarīt izdevīgāku.//

Zemāk apskatīta atsevišķi katra apakšnozare un vēlami darbibas virzieni.

- paziņojumi.

1. Malšanas uzņēmumi

Valdība uzskata, ka pārtikas miltu malšana ir stratēģiski svarīga tās mērķu sasniegšanai. Ņemot to vērā, šīs apakšnozares privatizācijas stratēģijai jābalstās uz diviem svarīgiem apsvērumiem. Tie būtu:

a. skaidrība par to, ka miltu cenu nosaka uz konkurences pamatiem balstīts tirgus, pamatojoties uz kviešu cenu plus pārstrādes izmaksām un "samērīgu" peļņas daļu.

b. cepējiem ir jābūt pārliecinātiem, ka visu laiku būs iespējama → ? atbilstoša miltu piegāde.

Valstī ir tikai četras kviešu miltu dzirnavas un trīs rudzu miltu dzirnavas. Lai arī šīs maltuves pašlaik tiek darbinātas ar jaudu, kas nepārsniedz pusi no iespējamās, kaut vai vienas maltuves likvidēšana varētu novest pie konkurences ierobežošanas.

Esošo uzņēmumu samazināšana pirms to pārdošanas, lai arī ir iespējama, būtu dārga un nozīmētu trūcīgo valdības resursu izšķiešanu. Ņemot vērā zemās esošo uzņēmumu ārpusražošanas izmaksas, neliekas, ka visu dzirnavu darbināšana ar pazeminātu jaudu, varētu prasīt lielas papildus izmaksas. Modernizācija vai cita veida pārstrukturēšana ar mērķi ietaupīt darbu pirms uzņēmumu pārdošanas nav attaisnojama, jo ieguldījumu atmaksāšanās būtu galvenokārt jāpanāk uz darba ietaupījumu rēķina. Pie pašreizējās algu struktūras (pieņemot, ka liekie darbinieki tiks atlaisti), darba algas veido relatīvi mazu pašizmaksas daļu. →

Apsverot augstākminētos apstākļus, mēs ieteiktu valdībai bez kavēšanās ->
turpināt miltu malsāšanas uzņēmumu piedāvāšanu pārdošanai. Jāsagatavo ->
atklāts konkurss, tai skaitā jāpiedāvā piedalīties arī potenciālajiem ārvalstu
ieguldītājiem.

2. Lopbarības uzņēmumi

Lopbarības ražotnēm ir ^{visa} ļoti ievērojami jaudas pārpalikumi. Vairākas no ->
tām darbojas ar jaudu, kas ir zemāknēkā 15 % no ~~ja~~ iespējamās. Tāpat kā =>
miltu dzirnavas, vairums lopbarības uzņēmumu būtu spējīgi tuvākajā laikā
strādāt ar pozitīvu naudas plūsmu (ja tiek atbrīvoti liekie strādājošie). Lai
gan zemā jaudas utilizācijas pakāpe liecina, ka kaut kad nākotnē liekā
jauda būs jālikvidē, veids, kādā tas notiks, būs kritisks nozares uzturēšanai =>
pārejas periodā.

Pēc mūsu domām, laika gaitā lielās neekonomiskās vienības (šodienas
saimniekošanas apstākļos) būs vai nu jāsamazina vai jāaizstāj ar
mazākām, stratēģiski veiksmīgāk izvietotām rūpnīcām, kas labāk varētu
apmierināt samazinātā ģeogrāfiskā areāla vajadzības. Šobrīd lopbarības
rūpnīcas atrodas deviņās vietās, bet nākotnē varētu būt divtik daudz
mazāku uzņēmumu. Šī iecerētā pārstrukturēšana varētu tikt veikta ->
pārveidojot agrāk izmantotās kopsaimniecību telpas un iekārtas, kas
varētu tikt savestās darba kārtībā ar salīdzinoši nelielu ieguldījumu
palīdzību. Bez tam, varētu celt jaunus, mazākus objektus, kas
apmierinātu vietējās vajadzības, kas radīsies jaunajos lauksaimnieciskās
saimniekošanas apstākļos. Abos minētajos gadījumos būtu ideāla iespēja
Pasaules bankas investīciju aizdevumiem lauksaimniecības nozarē. =>

Pārejas laikā lopbarības vajadzību pilnībā var apmierināt jau esošie
uzņēmumi. Mēs neredzam nepieciešamību vai pamatu slēgt pastāvošos
uzņēmumus, ja tie darbojas ar pozitīvu naudas plūsmu (finansu izmaksas,
izņemot apgrozāmo līdzekļu izmaksas, nevajadzētu ņemt vērā). Tas
nozīmē, ka esošā un jaunā vadība nebūtu abildīga par esošo parādu un
procentu nomaksu.

Vairākas no šīm ražotnēm varētu saglabāt savu rentabilitāti arī ilglaicīgā
darbā. Tas šķiet vēl jo iespējamāk, ja atceras saistību ar līdzās esošajām
miltu dzirnavām un graudu elevatoriem.

Mums ir pamatotas šubas par to, vai šiem uzņēmumiem izdosies piesaistīt lielus pircējus, izņemot pašreizējās vadības kompānijas vai citus vietējos ieguldītājus, kas patērētu daļu no saražotās lopbarības./// Tomēr mēs iesakām apzināt pēc iespējas plašāku potenciālo pircēju loku, lai noteiktu pēc iespējas lielāka skaita piedalīšanos un piedāvājumus konkursā uz šo uzņēmumu. Tas stiprinās valdības pozīcijas sarunās ar potenciālo pircēju. Mēs iesakām šo uzņēmumu privatizāciju veikt pēc iespējas ātrāk. Nav nepieciešamības veikt ieguldījumus rūpnīcu modernizācijā, remontdarbos vai samazināšanā, pirms uzņēmums tiek izziņots par pārdodamu.

3. Labības glabātuves (elevatori)

Gandrīz visos gadījumos labības glabāšanas uzņēmumi (elevatori) atrodas līdzās lopbarības ražotnēm un miltu malšanas uzņēmumiem. Dažos gadījumos tas rada problēmas privatizācijas gaitā, jo elevatoru funkcija ir radīt labības uzglabāšanas un attiecīgas kondīcijas uzturēšanas nodrošinājumu pēc ražas laika.

Pieņemot, ka valdības galvenais mērķis ir palielināt labības ražošanu un sasniegt pašnodrošinājumu, elevatoriem ir izšķiroša nozīme valdības stratēģijas realizēšanā. Tā prasa, lai visi elevatori paredzamā nākotnē turpinātu darboties. Lai arī tas nav pats ekonomiskākais labības uzglabāšanas un kondicionēšanas veids, celtniecības izmaksas neļauj tos nekavējoties aizstāt ar citādām glabātuvēm. Vairumā gadījumu elevatoru dispozīcija // notiks vienlaikus ar pārstrādes uzņēmuma dispozīciju. // Neskatoties uz to, pārdošanai jānotiek ar noteikumu, ka jaunie īpašnieki nodrošina valdības labības uzglabāšanu par konkurences samaksu vismaz daļā elevatora.

Mūsu sarunās ar valdības amatpersonām pavidēja doma, ka elevatorus nevajadzētu privatizēt, jo tiem ir stratēģiska nozīme vietējām vajadzībām domātās pārtikas labības uzglabāšanā. Citu valstu pieroze rāda, ka elevatoru privātīpašums nav par kavēkli atbilstošu pārtikas labības krājumu uzturēšanai. Kā jau tika minēts agrāk, svarīgāks jautājums ir klasifikācijas sistēmas un standartu ieviešana, kā arī elevatoru licenzēšana un elevatoru saistības saglabāt kā valsts tā arī privātās labības kvalitāti.

Mēs iesakām labības elevatorus privatizēt pēc iespējas ātrāk. Pirms pārdošanas nevajadzētu veikt nekādas modifikācijas nedz arī investīcijas. Elevatori būtu jāpiedāvā kā atsevišķas vienības neatkarīgi no līdzās esošajām miltu dzirnavām un lopbarības rēžotnēm. Bet nevajadzētu uzlikt nekādus ierobežojumus konkursantu tiesībām (eligibility).//

K. Fričs, 5. aprīlis 1993. g.

Labība un labības produkti Latvijā

Komerčiālais labības imports, "Latvijas Labības" uzņēmumi, 1988.-1992. g.

gads	kvieši	rudzi	auzas	mieži	kukurūza	citi graudi	kopā	milti	kombinētā lopbarība
LABĪBA (tonnas)									
1988	502,770	66,988	18,602	165,649	370,612	4,637	1,129,258	7,280	
1989	316,370	41,693	31,912	148,103	668,651	69,560	1,276,289	7,412	
1990	363,799	27,173	26,676	54,235	350,232	30,784	852,899	5,291	
1991	262,372	23,698	6,205	171,987	386,342	7,077	857,681	5,286	
1992	165,304	83,428	15,306	66,373	102,373	904	433,688	0	6,793

Komerčiālais labības eksports, "Latvijas Labības" uzņēmumi, 1988.-1992. g.

gads	kvieši	rudzi	auzas	mieži	kukurūza	citi graudi	kopā	milti	kombinētā lopbarība
LABĪBA (tonnas)									
1988				1,078			1,078	54,378	79,140
1989				1,088			1,088	51,892	49,803
1990							0	39,901	35,143
1991							0	40,926	13,367
1992							0	7,045	0

K. Fričs, 5. aprīlis 1993. g.

Labība un labības produkti Latvijā (turpinājums)

Malto izstrādājumu ražošana "Latvijas Labības" uzņēmumos 1988.-1992. g.

gads	liellopu barība	cūku barība	putnu barība	cita barība	lopbarība kopā	kviešu milti	rudzu milti	putraimi	citi maltie labības izstrādāj.	pārtikai kopā
tonnas						tonnas				
1988	586,200	625,900	349,184	45,100	1,606,384	212,278	135,136	32,712	428	380,554
1989	631,300	668,400	342,429	42,100	1,684,229	222,155	130,803	33,817	261	387,036
1990	451,500	537,200	289,311	35,100	1,313,111	207,047	136,090	33,614	304	377,055
1991	398,900	504,100	298,513	26,100	1,227,613	212,634	133,708	35,018	314	381,674
1992	96,800	292,800	187,300	4,600	581,500	151,381	76,713	33,610	1,287	262,991

"Latvijas Labības" uzņēmumu veiktais proteīna piedevu imports 1988.-1992.g.

gads	sojas milti	kokvilnas sēklu milti	zivju milti	lopbarības raugs	rauga un vitamīnu piedevas	KOPA
tonnas						
1988	138,000	40,000	12,000	10,000	15,000	215,000
1989	142,300	38,000	15,000	11,800	15,000	222,100
1990	139,100	28,000	14,000	8,400	15,000	204,500
1991	121,300	13,100	10,900	7,200	15,000	167,500
1992	32,100	8,800	3,200	2,800	7,100	54,000

REĢIONĀLO VIDES AIZSARDZĪBAS KOMITEJU ADRESES

LR Vides aizsardzības komiteja (Peldu ielā 25)

sekretāre tel. 227460

Valmieras reģionālā vides aizsardzības komiteja (Beātes ielā 49)

I. Eglītis - priekšsēdētājs tel. 8-242-22593
G. Bilsēns - pr. vietnieks tel. 8-242-24489
I. Straumēns - gaisa aizsardzības
eksperts tel. 8-242-252558

Rīgas reģionālā vides aizsardzības komiteja (Pils ielā 17)

A. Laikovs - priekšsēdētājs tel. 212619
V. Driķis - pr. vietnieks tel. 212368

Daugavpils reģionālā vides aizsardzības komiteja (Sakņu ielā 29)

L. Žilinskis - priekšsēdētājs tel. 8-254-23219/23606
O. Cunskis - pr. vietnieks tel. 8-254-28100
kadastrs tel. 8-254-25731

Rēzeknes reģionālā vides aizsardzības komiteja (Zemnieku ielā 5)

J. Karro - priekšsēdētājs tel. 8-246-22597
V. Akermane - pr. vietniece tel. 8-246-23667
kadastrs tel. 8-246-23667

Ventspils reģionālā vides aizsardzības komiteja (Raiņa iela 5)

I. Sekacis - priekšsēdētājs tel. 8-236-26903
V. Borovkova - pr. vietniece tel. 8-236-25332
kadastrs tel. 8-236-24660

Madonas reģionālā vides aizsardzības komiteja (Blaumaņa 7)

F. Sobko - priekšsēdētājs tel. 8-248-23774
R. Vejonos - pr. vietnieks tel. 8-248-21601
kadastrs tel. 8-248-2390

Ogres reģionālā vides aizsardzības komiteja (Kranciemā 1)

A. Melzobs - priekšsēdētājs tel. 8-250-25699 /45699

Liepājas reģionālā vides aizsardzības komiteja (Jaunā ostmala 2)

Mazzariņa (kadastru daļa) tel. 8-234-27695

Teiču valsts rezervāts

Madonas raj., Ļaudona, Aiviekstes 3

J.Jātnieks - direktors tel. 8-248-48291

M.Sloka - apr. tel. 8-248-48161

U.Bergmanis - zinātn. daļas vadītājs tel. 8-248-48277

LZA Bioloģijas institūts

Rīgas raj., Salaspils, Miera 3

A.Kolodinskis - zin. līdzstrādn. tel. 212787

Bauskas Vides aizsardzības komiteja

valsts inspektors tel. 8-239-22902

Tukuma Vides aizsardzības komiteja

valsts inspektors tel. 8-231-25287

ūdens aizsardzības inspektors tel. 8-231-23210

Restructuring of *Latvijas Labība*, Proposal;

LATVIJAS LABĪBAS STRUKTŪRAS PĀRVEIDOŠANA

Preambula

Ņemot vērā to, ka *labības rūpniecība* ir svarīga Latvijas ekonomikai, kā arī to, ka šobrīd Latvijas Republikā maize un maizes produkti ir galvenais pārtikas produkts, un patērētāju pagāde ar maizi un maizes produktiem nedrīkst tikt pārtraukta, ir svarīgi, lai

koncerna *Latvijas labība* likvidācija un visas tā tiesības un pienākumi;

un visu valsts graudu glabāšanas, malšanas, maizes cepšanas un citu ar koncernu *Latvijas labība* saistīto ražošanas un tirdzniecības uzņēmumu pāreja privātīpašumā;

notiktu nepārtraucot iedzīvotāju apgādi ar šo tik svarīgo pārtikas produktu.

Ar šo tiek noteikta:

1. Koncerna *Latvijas labība* kā peļņu nesoša koncerna darbības pārtraukšana 1992. gada 31. decembrī, saskaņā ar 1992. gada 9. novembrī datēto Ministru Padomes Lēmums Nr. 471 *Par situāciju iedzīvotāju apgādē ar maizi un citiem labības produktiem.*
2. Visu koncernā *Latvijas labība* strādājošo nodošana Lauksaimniecības Ministrijas un valsts pagaidu organizācijas *Labības birojs* pakļautībā ar 1993. gada 1. janvāri.
3. Lauksaimniecības ministrijas kontrolē esošās valsts pagaidu organizācijas *Labības birojs* nodibināšana 1993. gada 1. janvārī, pamatojoties uz likumu *Par valsts uzņēmumiem.*
4. Lauksaimniecības ministrijas kontrolē esošās valsts pagaidu organizācijas *Latvijas dzirnavas* nodibināšana 1993. gada 1. janvārī, pamatojoties uz likumu *Par valsts uzņēmumiem.*
5. Līdz 1993. gada 1. martam Latvijas Republikas Lauksaimniecības ministrija sagatavo:
 - (a) dokumentus, kas nosaka valsts organizāciju *Labības Birojs* un *Latvijas Dzirnavas* tiesības un pienākumus;

dokumentus un darbību līdz brīdim, kamēr tā līdzekļi pāriet privātā īpašumā. Atsevišķo uzņēmumu ikdienasdarba vadīšana jebkurā gadījumā paliek uzņēmumu direktoru pārziņā.

8. Visu valsts labības glabāšanas un malšanas uzņēmumu, ceptuvju un citu ar koncernu *Latvijas Labība* saistīto ražošanas un tirdzniecības uzņēmumu materiālo īpašumu struktūras pārveidi un pāreju privātā īpašumā vada *Latvijas dzirnavas*.

9. Šis lēmuma mērķis ir izveidot organizāciju "Labības birojs" par Latvijas Republikas valdības patstāvīgu aģentūru, kurai būs tiesības un pienākumi realizēt un vadīt Latvijas Republikas valdības labības politiku.

10. Saskaņā ar šo lēmumu organizācijas "Latvijas dzirnavas" darbība jāpārtrauc tad, kad visi patlaban valsts īpašumā esošie un ar koncernu "Latvijas labība" saistītie glabāšanas, malšanas, cepšanas un citu ražošanas veidu un mārketinga uzņēmumi tiks pārveidoti un privatizēti atbilstoši likumam "Par valsts labības nozares pārveidošanu un privatizāciju".

11. Šis lēmums ir spēkā līdz brīdim, kad Latvijas Republikas Augstākā Padome pieņems likumu "Par valsts labības nozares pārveidošanu un privatizāciju un likumu "Par "Labības biroja" izveidošanu".

Šo dokumentu sagatavoja Agrobiznesa privatizācijas projekts.

Telefons: 320417

Rīga, 1992.gada 18.decembris

Konrāds Fričs

Nils Melngailis

LA 14.12.92 VĪSTĀ: ČF-PIENS

Konrāds Frīds: 11.12.92

PIENA PĀRSTRĀDES UZŅĒMUMU PRIVATIZĀCIJA

ĪPAŠĪE ĪPAŠĪBĀ KOOPERATĪVU STATŪTOS

- (1) vadības atbildības dalīšana valdes un kopsapulces starpā;
- (2) pagu pieredzes jautājums un vienošanās par izpiršanu.

ĪPAŠĪE ĪPAŠĪBĀ ĪPAŠĪBĀ

- (1) ligoni kooperatīvākciju sabiedrību un rūpniecību vadības starpā;
- (2) ligoni pārstrādes uzņēmumu starpā par piena piegādāšanu vai nosūtīšanu uz citiem īpašniekiem piederošām rūpniecām;
- (3) ligoni kooperatīvu un tajos neietilpstošo biedru starpā;
- (4) pārstrādes uzņēmumu aizņēmības zemes īpašuma jautājums;
- (5) dzīvokļu īpašnieka noma;
- (6) ar Autotrans noslēgto līgumu pagarināšana.

Konrāds Frīds: 11.12.92

LĀTVIJAS VALDĪBAS PIENA POLITIKA

I. Piena pārstrādes nozares pārstrukturēšana:

- (1) kas to veiks?
 - (a) Lauksaimniecības ministrija un pašreizējā rūpniecību vadītāji?
 - (b) jaunie īpašnieki un rūpniecību vadītāji?

(2) kad tā tiks veikta?

- (a) pirms privatizācijas?
- (b) vienlaikus ar privatizāciju?
- (c) pēc privatizācijas?

(3) kādā veidā tā notiks?

- (a) pilnveid?
- (b) spējām?

II. Cenu politika un ieviešana:

- (1) kāda būs šī cenu politika?
 - (a) balstīta uz kvalitāti?
 - (b) vai atkarība no produkta izmantošanas nolūkiem?
 - (c) tiks ņemti vērā arī šie faktori?

III. Tirgus politika:

- (1) kāda ir valsts mērķtieka organizāciju loma?
- (2) kāda ir privātkontora mērķtieka organizāciju loma?
- (3) vai tirdzniecības politika atbalsta (un vai tai būtu jāatbalsta) piena produktu eksports? Kā ir pašlaik?
- (4) vai tirdzniecības politika aizsargā (vai tai būtu jāaizsargā) piena produkti no nevienlīdzīgas ārvalstu konkurences? Kā ir pašlaik?
- (5) vai ir nepieciešamas zemnieku kooperatīvās organizācijas?

IV. Kvalitātes kontrole:

- (1) līmenis:
 - (a) zemnieku līmenī?
 - (b) pārstrādātāju līmenī?
 - (c) kādā veidā to jāievieš?
- (2) atbildība:
 - (a) Lauksaimniecības ministrijai?
 - (b) Veselības aizsardzības ministrijai?

13/14

Latvijas piena pārstrādes uzņēmumu privatizācija

Tehniskās palīdzības sniegšanas Latvijas Lauksaimniecības ministrijai plāns

I. Mērķi:

1. Īpašuma pārņemšanas nolūkos organizēt atbilstošas statūtkompānijas (kooperatīvās vai akciju sabiedrības).
2. Sagatavot privatizācijas plānu, kas regulētu īpašumtiesību maiņas procesu.
3. Vienoties par īpašumtiesību nodošanas termiņu un nepieciešamajiem nolīgumiem.
4. Īpašumtiesības nodot saskaņā ar Latvijas Republikas Augstākās Padomes 15.apriļa lēmumu "Par piena savākšanas un pārstrādes uzņēmumu privatizāciju" un likumu "Par piena pārstrādes valsts uzņēmumu privatizāciju".

Lauksaimniecības privatizācijas projekts sniegs tiešu tehnisko palīdzību vismaz divu piena pārstrādes uzņēmumu privatizācijas procesā, ko izmantos par pamatu paraugprivatizācijai.

II. Nepieciešamā darbība

A. Izveidot attiecīgas privatizācijas komisijas

1. Kombinātu līmenī
2. Rajonu līmenī

Jautājumi

Vai visām Privatizācijas komisijām ir jābūt izveidotām kombinātu līmenī, pēc reģionālo uzņēmumu lūguma izveidojot arī attiecīgas apakškomisijas? Vai arī Privatizācijas komisijas būtu jāizveido reģionālo uzņēmumu līmenī, gadījumā, ja kombinātu līmenī rodas pretestība pret privatizācijas procesu? Kas notiks ar to reģionālo uzņēmumu privatizāciju, kuru centrālos uzņēmumus Latvijas Lauksaimniecības ministrija ir noteikusi kā pagaidām paliekošus valsts īpašumā? Vai darbības analīzei būtu jāietver viss kombināts kopumā vai tikai privatizējamais uzņēmums?

Diskusija

Privatizācijas komisiju izveidošana kombinātu līmenī ar apakškomisijām katrā reģionālajā privatizējamā uzņēmumā ir vispiemērotākā iespēja, tā kā darbības novērtējumu ir daudz vieglāk veikt pašreizējās pārvaldes struktūras ietvaros. Tas darbosies arī gadījumā, kad Lauksaimniecības ministrija konkrētus uzņēmumus noteiks kā tuvākajā laikā neprivatizējamus. Tas ir ļoti izdevīgi, ka darbības novērtējums tiek sastādīts izmantojot informāciju par visiem kombināta uzņēmumiem. Tas nodrošinās vislabāko pamatu racionālai pārveidošanai.

(Pārveidošanas nepieciešamību rada prasība, ka biznesa plānu ir jāizstrādā un jāapstiprina pirms īpašumtiesības tiek reāli nodotas.) Turklāt, biznesa un finansiālā stāvokļa pārskatam nepieciešamā izmaksu un finansiālā informācija tiek uzglabāta centrālajā līmenī.

Kombināta līmeņa Privatizācijas komisijā vai apakškomisijās ir jāiekļauj visi potenciālo īpašnieku pārstāvji. Privatizācijas komisijas vai apakškomisiju galvenais uzdevums ir saskaņot un vienoties par uzņēmumu un kooperatīvu statūtu faktisko formulējumu, kā arī vienoties par īpašuma sadali starp jaunajiem īpašniekiem.

B. Sagatavot uzņēmuma privatizācijas plānu

1. Apvienot jaunus īpašniekus atbilstošā statūtkompānijā.

- a. Apvienot zemniekus kooperatīvos.
- b. Izveidot kooperatīvu apvienības (ja nepieciešamas).
- c. Reģistrēt īpašniekus, kas nav zemnieki (ja nepieciešams).
- d. Sagatavot kooperatīvu statūtus.
- e. Sagatavot akciju sabiedrības statūtus.

Diskusija

Veidojot kooperatīvus un akciju sabiedrības zemnieki un citi saņems konsultācijas no Privatizācijas komisijas, Lauksaimniecības ministrijas un citām organizācijām, ja nepieciešams. Tas ietver statūtu izstrādāšanu un pārrunu koordinēšanu, lai iegūtu visu pušu piekrišanu.

Kooperatīvu un akciju sabiedrību statūtiem ir jāietver sekojošā informācija:

- a. dalības maksa un akciju daļa, kā arī to atmaksas kārtība
- b. nosacījumus, kuros ražotāji, kas nav kooperatīva locekļi, var nodot pienu uzņēmumam
- c. kontraktlīgumi starp īpašniekiem un vadītājiem, kas dod vadītājiem tiesības kontrolēt galvenos darbības lēmumus.

Statūtiem ir jāietver iepriekšminētā informācija, bet parasti vēl ir nepieciešami arī atsevišķi rakstveida līgumi, kas nav iekļauti organizācijas statūtos.

Lauksaimniecības privatizācijas projekts sniegs tiešu tehnisko palīdzību kooperatīvu un akciju sabiedrību statūtu izstrādāšanā un apspriešanā, kā arī īpašnieku/vadītāju līgumu izstrādāšanā, ja tas ir nepieciešams.

2. Nodibināt atbilstošu grāmatvedības sistēmu

- a. atbilstošu Latvijas nodokļu sistēmai
- b. atbilstošu rietumu grāmatvedības standartiem.

Ieviešot nepieciešamās izmaiņas pašreizējā grāmatvedības sistēmā, Lauksaimniecības privatizācijas projekts sniegs tiešu tehnisko palīdzību sadarbojoties ar jaunajiem īpašniekiem, uzņēmumu un Lauksaimniecības ministrijas speciālistiem.

3. Veikt pārveidojamo un privatizējamo valsts uzņēmumu darbības un finansiālā stāvokļa analīzi

- a. noteikt produkcijas ražošanas izmaksas,
- b. noteikt pašreizējos un nākotnes piegāžu avotus,
- c. noteikt produkcijas pašreizējo un nākotnes tirgu
- d. veicināt produkcijas ražošanas izmaksu samazināšanos un iespēju palielināt peļņu katram produkcijas veidam,
- e. piedāvāt produktus un sociālos īpašumus lietošanai,
- f. ieteikt jaunu ražošanas līdzekļu iegādi.

Lauksaimniecības privatizācijas projekts sadarbībā ar jaunajiem īpašniekiem, uzņēmumu un Lauksaimniecības ministriju sniegs tehnisku palīdzību darbības un finansiālā stāvokļa analīzes veikšanā.

4. Sagatavot biznesa plānu

a. Biznesa plānam jāietver sekojoša informācija:

- i. izejmateriālu piegādes
- ii. produktu mārketinga
- iii. administratīvās un pastāvīgās izmaksas
- iv. tiešās ražošanas izmaksas
- v. transporta izmaksas
- vi. darbaspēka un citu ražošanas ieguldījumu izmantošana
- vii. naudas plūsma
- viii. ražošanas un sociālo līdzekļu dispozīcija
- ix. ražošanas līdzekļu iegūšana

Diskusija

Darbības un finansiālā stāvokļa rezultātus izmanto viena gada darbības plāna detalizētā veidošanā, kam par pamatu ņemts viena mēneša periods. Plāns ir darbības dokuments. Reālie rezultāti tiek salīdzināti ar plānotajiem. Sākotnējais plāns ir jāapstiprina pirms Privatizācijas komisijas likvidēšanas. Katrus trīs mēnešus uzņēmuma vadība ar īpašnieku direktoru padomes piekrišanu to atjaunina uz nākamo 12 mēnešu periodu. Tiklīdz inflācijas līmenis tiks stabilizēts, plāns var tikt paplašināts no piecu līdz septiņu gadu periodam.

Lauksaimniecības privatizācijas projekts sadarbībā ar jaunajiem īpašniekiem, uzņēmumu un Lauksaimniecības ministriju nepieciešamības gadījumā sniegs tiešu tehnisko palīdzību biznesa plāna izstrādāšanā.

5. Veikt īpašuma novērtēšanu

Īpašumu alternatīvā novērtēšana būs paveikta atbilstoši Latvijas Republikas likuma "Par valsts piena pārstrādes uzņēmumu privatizāciju" un citu attiecīgo likumu un lēmumu noteiktajām prasībām. Turklāt, pabeidzot īpašuma alternatīvo novērtēšanu, kas balstīta uz tirgu, to varēs salīdzināt ar oficiāli veiktās novērtēšanas rezultātiem.

Lauksaimniecības privatizācijas projekts sadarbībā ar jaunajiem īpašniekiem, uzņēmumu un Lauksaimniecības ministrijas speciālistiem nepieciešamības gadījumā sniegs tiešu tehnisko palīdzību īpašuma novērtēšanā.

6. Privatizācijas komisijai iesniegt tehniskos dokumentus:

a. pabeigts privatizācijas plāns

- i. izveidotas atbilstošas statūtkompānijas
- ii. pārveidota grāmatvedība
- iii. darbības un finansiālā stāvokļa analīze
- iv. darbības plāns
- v. īpašuma novērtējums

b. kooperatīva un kompānijas statūti

c. līgums ar piena ražotājiem, kas nav biedri

d. dalības un akciju īpašumtiesību un atmaksas līgums

h. īpašnieku/vadītāju darbības līgums

C. Vienoties par statūtiem un līgumiem un nodot īpašumu jaunajiem īpašniekiem

1. Apstiprināt biznesa plānu
2. Apstiprināt īpašuma novērtējumu
3. Vienoties par īpašuma sadali jaunajiem īpašniekiem
4. Vienoties par statūtiem un vadības kontraktiem
5. Sagatavot oficiālos dokumentus
6. Pārveidot nosaukumu un īpašumtiesības saskaņā ar likumu "Par valsts piena pārstrādes uzņēmumu privatizāciju"

Lauksaimniecības privatizācijas projekts sniegs tiešu tehnisko palīdzību, ieskaitot arī to dokumentu izstrādi, kas nepieciešami vismaz divu uzņēmumu paraugprivatizācijas realizēšanai (vai līdz 1993.gada 30.jūnijam, kas ir pašreizējā līguma beigu termiņš).

1993. gada 26. februārī

TUKUMA PIENA KOMBINĀTA PRIVATIZĀCIJA Juridiska analīze¹

1. Faktu kopsavilkums

Tukuma piena pārstrādes uzņēmums ("Tukums") sistemātiski gājis pa Lauksaimniecības Ministrijas ("L M") noteikto privatizācijas ceļu. Pirmais solis bija pāreja uz kombināta statusu 1991. gada 16. jūnijā. Tas pieļāva papildus pašnoteikšanos pār uzņēmumu, kas joprojām palika valsts īpašumā. Sekojot 1992. gada 15. aprīļa Augstākās Padomes Lēmumam, kas atļāva piensaimnieku biedrībām pieprasīt piena pārstrādes uzņēmumus, kas izvietoti to teritorijā, Tukumā izveidoja un pierēģistrēja Tukuma Piensaimnieku biedrību ("Biedrība") 1992. gada 3. jūnijā. Tad ar L M lēmumu 1992. gada 5. novembrī uzņēmums tika nodots biedrībai ar noteikumu, ka biedrība izmainīs savus Statūtus tā, ka vēlāk izveidotās pagastu kooperatīvās biedrības pieprasa tā teritorijā atrodošos objektus.

Mūsu apmeklējuma laikā 1993. gada 18. februārī biedrības direktors un darbinieki informēja mūs, ka viņiem ir grūti izveidot kooperatīvās biedrības pagastu līmenī. Tukuma darbības zonā ir 21 pagasti un 2 mazāki uzņēmumi (Kandava un Jaunpils). Kā stāstīja cilvēki, ar kuriem mēs runājām, piena ražotāji pagastos neredz nepieciešamību veidot šādas organizācijas, jo visas viņu vajadzības apmierina Tukums (t.i. piena transportēšana). Tādēļ direktori Tukumā ir domā par iespēju veikt galīgo uzņēmuma privatizāciju caur Biedrību, bez pagasta līmeņa kooperatīviem.

II. Juridiskā analīze

Likums par Piena pārstrādes uzņēmumu privatizāciju stājās spēkā 1993. gada 1. februārī. Šis likums nosaka piena pārstrādes uzņēmumu privatizācijas programmas noslēguma posmu gan tādiem uzņēmumiem, kas vēl jāprivatizē, gan arī tādiem kā Tukums, kas jau ir nodoti Biedrībai, un atliek tikai personificēt to kapitālu. Attiecībā uz Tukumu, likumu tulko šādi:

1) Definīcijas:

Tukums precīzi ietilpst kategorijā "personificētie objekti". Tie ir valsts piena savākšanas un pārstrādes uzņēmumi, kas tika nodoti ražotāju kooperatīvajām biedrībām saskaņā ar Augstākās Padomes 1992. gada 15. aprīļa lēmumu.

2) 1. nodaļa "Vispārīgie noteikumi",

¹ Izstrādājis Raimonds L. Slaidiņš, Coopers & Lybrand/ Latvijas Privatizācijas grupas juridiskais konsultants.

1. pants "Likuma darbība un mērķi",
3. paragrāfs:

Sis paragrāfs nosaka, ka personificētie objekti pakļauti šī likuma 5. panta nosacījumiem.

- 3) V nodaļa "Kapitāla personificēšana piensaimnieku kooperatīvajās biedrībās un privatizācijas procesa stabilitātes garantijas",
23. pants "Piensaimnieku kooperatīvo biedrību bez maksas saņemtā kapitāla sadalīšana":

Ja saskaņā ar 15. aprīļa lēmumu atdodamais objekts savā darbības zonā ietver vairākus pagastus, kapitāla sadalījums starp dažādām kooperatīvajām biedrībām notiek pēc šī likuma 18. panta nosacījumiem.

- 4) IV nodaļa "Privatizējamā objekta novērtēšana un pirkšana",
18. pants "Pamatkapitāla sadalīšana starp piena ražotājiem un piena un piena produktu piegādātājiem":

Kapitāla akcijas objektā jāsadala starp piena ražotāju kooperatīvajām biedrībām proporcionāli piena daudzumam, ko piegādājuši pagasta piena ražotāji katrā atsevišķā biedrības darbības zonā 1991. un 1992. gadā.

- 5) V nodaļa
24. pants "Kapitāla personificēšana piensaimnieku kooperatīvajās biedrībās bez maksas":

Iepriekš aprakstītā personificēšana jāveic 2 posmos - puse uzņēmuma vērtības tiek personificēta 1994. gada 1. janvārī, bet otra puse - 1995. gada 1. janvārī. Tas tiek darīts, pieskaitot pusi no uzņēmuma kapitāla vērtības sabiedrības pamatkapitālam noteiktā datumā. So procesu nobeidz, attiecīgi palielinot akciju skaitu, vai to nominālvērtību.

Šī panta noslēgumā minēts, ka valsts īpašums, kas tiek bez maksas nodots biedrībai, nevar tikt uzskatīts par eksproprietu, kamēr nav personificēts viss kapitāls.

Šī ir tā likuma daļa, kas piemērojama Tukumam. Kas attiecas uz likuma piemērošanu, Tukums iet pa ceļu, ko nosaka vietējie apstākļi un vajadzības. Tā kā L M to nav iekļāvusi centrālo piena pārstrādes uzņēmumu sarakstā, kuri pakļauti pilna apjoma privatizācijai, Biedrībai ir liela brīvība radīt pašai savu privatizācijas plānu.

Tukuma praktiskā pieeja sākotnēji organizējot kooperatīvo biedrību ap pārstrādes uzņēmumu un, atļaujot pagastu kooperatīviem pieprasīt kapitālu vēlāk, kad tie būs nodibinājušies, ir atkāpšanās no privatizācijas likuma burta. Likums prasītu tagad nodibināt kooperatīvās biedrības katrā pagastā, lai personificētu kapitālu, kas nodots Biedrībai bez maksas.

1320

Lai tagad sekotu likuma burtam, Tukumam jāpieliek visas pūles, organizējot pagasta līmeņa kooperatīvās biedrības. Tas nebūtu pārāk sarežģīti, jo Biedrībai jau ir biedru saraksts no dažādiem pagastiem. Ir jāatrod tikai pieci dibinātājlocekļi, lai varētu nodibināt kooperatīvu. Par spīti grūtībām, ko minējuši Biedrības direktori (neapjausta vajadzība pēc vietējiem kooperatīviem, dibināšanas kapitālam nepieciešamās naudas trūkums), būtu ievērots privatizācijas likums. Vismaz patiesas pūles pagasta kooperatīvu nodibināšanā radītu Lauksaimniecības Ministrijā pārliecību, ka Tukums pielicis visas pūles, lai ievērotu likumu.

Pat ja visi pagasti neizveido kooperatīvās biedrības, Lauksaimniecības Ministrija tomēr personificēs kapitālu Biedrībā saskaņā ar privatizācijas likumā noteiktajiem termiņiem. Zināmā mērā L M ir jau samierinājusies ar Tukuma personificēšanas plānu. Atbalstot Tukuma Kombināta nodošanu biedrībai, L M ieteica, lai Biedrība pievieno nosacījumu Statūtos, kas atļautu kapitāla personificēšanu jebkuriem reģionālajiem kooperatīviem, kuri tiktu nodibināti vēlāk. (Piezīmes no Piena savākšanas un pārstrādes darba grupas sanāksmes 1992. gada 21. oktobrī). Liekas, ka L M ir sapratusi nepieciešamību pēc šāda veida labojuma, ko prasa Tukuma vietējie apstākļi.

Komentārā, ko sagatavojis privatizācijas likuma autors A. Miglavs, ir pieļauti risinājumi, kas balstīti uz līdzīgiem vietējiem apsvērumiem. (Skat. 6.3. nodaļu Piena pārstrādes uzņēmumu privatizācija). Viņš paredz iespēju, ka tiek apvienoti vairāki pagasti vienā kooperatīvā biedrībā, ja apstākļi to prasa. Likuma burts to neparedz.

Galū galā, Lauksaimniecības Ministrijai jāizlemj, vai atbalstīt Tukuma pieeju. Tā kā likums īpaši neaizliedz uz vietējiem apstākļiem balstītas novirzes, Lauksaimniecības Ministrija ir tiesīga dot Tukumam atļauju turpināt privatizāciju. Privātās saarunās LM amatpersonas ir izteikušas pārliecību, ka Tukums privatizāciju veiks bez īpašām problēmām.

1221