

TENDENCIES OF THE LITHUANIAN DAIRY PRODUCE AND EXPORT

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Abstract. Tendencies of the Lithuanian dairy produce and export in the context of global economic crisis are the main subjects of this paper. The present article provides information on dairy produce, prices and export trends, evolution of the dairy production's importance in export of agricultural and food products in general. The article reviews main macro-economic and specific factors that influenced changes in dairy produce and export. The article reveals the impact of such factors as lower purchase prices of raw milk, relatively lower direct payments for dairy products than in other agricultural sectors, increased prices of energy resources, contraction of traditional export markets during the period of global economic crisis. The drought in 2006 determined the following consequences: increased prices of foodstuffs due to higher prices of feed. Feed prices also increased due to higher prices of energy resources. The latest data show that the Lithuanian dairy industry is one of the most stable industries and the fastest in recovering after the global economic crisis.

Keywords: dairy industry, dairy products, manufacture of dairy production, dairy export, global economic crisis.

Introduction

Dairy farms are one of the main sectors in the Lithuanian agricultural industry: farmers get about one-third of all sales revenue. More than a half of dairy production is exported every year. The Lithuanian dairy products are in demand not only in the EU internal market, but also in Russia and other countries.

The global economic crisis had an impact on the Lithuanian economy, including dairy industry: it reduced the produce and international trade flows. The Lithuanian export value has increased by 11.1% in 2007 compared to 2006, by 28.5% in 2008, compared to 2007, but it decreased by 26.6% in 2009 compared to 2008. Some recovery in national economy is observed in 2010 and export value has increased by 33.2% compared to 2009. Over the same periods, the dairy export has changed as follows: +35.2%, -3.3%, -14.0% and +26.6%.¹

The findings of analysis in trends of the Lithuanian dairy produce and export changes during the crisis are valuable and could be helpful in dealing with any unexpected future problems – this is the main scientific problem.

The subject of the article – changes in the Lithuanian dairy produce and export.

The main goal is to reveal specific factors that affected reduction of Lithuanian dairy produce and export.

Certain tasks and research methods are formulated in order to achieve the main goal:

- in order to examine Lithuanian dairy produce and export trends the statistical data of the Lithuanian Department of Statistics, the Eurostat and the International Trade Centre (ITC) databases were used.
- statistical systematic and comparative analysis was used to discover the sensitive groups of dairy production and to which countries Lithuanian dairy export decreased most during the global economic crisis;
- scientific literature, scientific studies, legal documents, systematic, comparative, logical analysis and synthesis were used to find out and determine the factors that affected decrease of Lithuanian dairy produce and export during the global economic crisis on the level that is more detailed than micro-economic one.

The significance of the dairy industry in the Lithuanian agricultural and food sector

Dairy produce had changed slightly between 2003 and 2010. Lithuania applies milk quotas since 2004, when our country became a member of the Europe Union. The quota increases annually, but the implementation remains almost unvaried and is about 80% to 90% every year – this means that assigned annual quota is sufficient and does not restrict milk produce and trade in our country. The dairy produce was increasing gradually until 2007, but the drought in 2006 impacted the increase of feed prices in 2007. For that reason farmers had to reduce dairy cattle herds. As a result, the amount of dairy production decreased further in 2008.

The global economic crisis had an impact on the Lithuanian economy, including dairy industry: manufacture and international trade flows decreased significantly. The general reasons were the decrease in domestic market demand, increase in borrowing prices and shrinkage of foreign markets. Those were general macroeconomic reasons.

¹ Here and in other cases where there is no link to a reference, the statistical data from the Lithuanian Department of Statistics, the Eurostat or the International Trade Centre databases are used.

Consumers chose similar but cheaper dairy products with vegetable spreads more often due to decreased revenue in terms of the global economic crisis. Sales of Lithuanian dairy products containing added vegetable spreads increased as follows: cheese increased by 80%, sour cream – 5%, butter – 2%, so the volume of sales of the Lithuanian dairy processing enterprises decreased in real terms: butter – 21% of reduced sales, cheese – 14%, sour cream – 3%².

About one third of produced dairy production was exported until 2005, and from 2007 more than half of produced dairy production (in average, 57% annually) of all manufactured milk products.

It has been a long time that dairy export is on the top of the main six Lithuanian agricultural and food production export groups and it does not give way to any other production category (see the table).

Table 1. The main groups of the Lithuanian agriculture and food export, in per cent (Drawn up by the authors based on the data of the Lithuanian Department of Statistics, 2011.)

Rate	Production (CN code)	2003	2004	2005	2006	2007	2008	2009	2010
1.	Dairy produce (CN 0401 – 0406) ³	22.3	25.7	20.2	18.1	18.1	14.4	13.8	14.3
2.	Fruit (CN 08)	2.4	3.2	3.7	9.0	10.1	10.9	8.5	10.1
3.	Cereals (CN 10)	11.1	8.5	9.9	5.8	7.2	12.6	10.8	8.4
4.	Live animals, meat and edible meat offal (CN 01–02)	3.5	4.9	7.5	8.3	8.5	8.3	9.4	8.0
5.	Vegetables (CN 07)	4.4	4.3	3.2	5.4	6.0	7.4	5.7	7.3
6.	Fish and crustaceans (CN 03)	5.9	5.9	6.2	5.1	4.6	3.5	4.6	4.7
These 6 positions form part in all export of agriculture and food production (CN 01 – 24)		49.7	52.4	50.5	51.8	54.5	57.1	52.8	52.7

Dairy production constituted about one-fifth of the total value of the agricultural produce in the general agriculture and food export value every year, but this part has been permanently decreasing since 2006. This is caused by: rapid increase in prices of the agricultural produce and foodstuffs, lower purchase prices of raw milk and relatively lower direct payments than in other agricultural sectors. EU direct payments

² Mikėlionytė, D. Pasaulinės pieno rinkos pokyčių įtaka Lietuvos pieno rinkai 2009–2010 metais. Rinkotyra: Žemės ūkio ir maisto produktai. – Vilnius: Lietuvos agrarinės ekonomikos institutas, 2011, Nr 1 (49), 48 – 59 p.

³ According to the Regulation (EU) No 861/2010 of the European Commission, dairy produce is assigned to Combined Nomenclature's (CN) Section I „Live animals; animal products“, Chapter 4 „Dairy produce; birds' eggs; natural honey; edible products of animal origin, not elsewhere specified or included“. Dairy production assortment grouped into six positions:

1. Milk and cream, not concentrated – CN 0401.
2. Concentrated milk and cream – CN 0402.
3. Buttermilk, curdled milk and cream, yoghurt, kephir – CN 0403.
4. Whey – CN 0404.
5. Butter – CN 0405.
6. Cheese and curd – CN 0406.

for quoted raw milk which support farmers' income promote faster agricultural development and positive structural changes, however, they also increase the competitive ability of agricultural produce of each EU Member State (LTL 117.2 million of direct payments were paid for sold quoted raw milk in 2010 and LTL 10.6 million of direct payments to milk producers who suffered from milk crisis⁴). It is expected that provided rejection of quotas in 2015 will increase dairy manufacture and export in future, due to unlimited raw milk production.

The authors of this article strongly believe that in future the weight of dairy production in agricultural and food export will increase and reach one quarter or even more. One of the new proving factors is growing appreciation and need for natural and organic production.

Not only controlling institutions should care about safety and quality of dairy products, first of all, this should be a goal of raw milk producers and dairy manufacturers. Common and sustained solutions that could ensure sustainable development of the dairy sector are needed these days. As a result, Lithuanian State Food and Veterinary Service has announced that 2011 is the year of milk quality⁵.

Lithuanian dairy production has a comparative advantage in the global market according to good grass forage, strong manufacturing sector and growing domestic and foreign demands⁶. This means that Lithuania has a great opportunity to specialise in faster dairy manufacture and export in future. This could help reducing the negative balance of external trade of our country.

Revealed Comparative Advantage (RCA⁷) index number (see Table 2) demonstrates the strength of comparative advantage in the global market (see Figure 1).

Table 2. The mean of RCA index number (Vitunskienė⁸, 2009)

Index	Mean
$0 < RCA \leq 1$	no comparative advantage
$1 < RCA \leq 2$	weak comparative advantage
$2 < RCA \leq 4$	average comparative advantage
$4 \leq RCA \dots \infty$	strong comparative advantage

⁴ Mikelionytė, D. Pienas. *Lietuvos žemės ir maisto ūkis 2010*. Vilnius: LAEI, 2011: 85 – 95.

⁵ Valstybinė maisto ir veterinarijos tarnyba 2011-uosius paskelbė pieno kokybės metais [interactive]. State Food and Veterinary Service, 2011 [last accessed on 08 06 2011]. <<http://vmvt.lt/lt/naujienos/2011/>>.

⁶ Kriščiukaitienė, I. ir kt. Žemės ūkio sektoriaus plėtros perspektyvos: Mokslo studija. – Vilnius: Lietuvos agrarinės ekonomikos institutas, 2010.

⁷ RCA index reveals the specialization of the country. This index is useful for identifying particular strengths and weaknesses of sectors and shows contribution to external trade balance (Vitunskienė, Serva, 2006). But it is important to know that RCA index identifies only general characteristics of trade structure and does not show the reasons for which a country exports or imports any production (Porter, 1990).

⁸ Vitunskienė, V. Lietuvos maisto pramonės pokyčių ir tarptautinio konkurencingumo vertinimas. [interactive]. Kaunas, 2009 [last accessed on 25 03 2011]. <http://www.verslolietuva.lt/files/File/InformacijaVerslui/Konkurencingumo_paslaugos/StudijuPristatymai/vvitunskiene20091027maistopramoness-tudijospristatymas.pdf>.

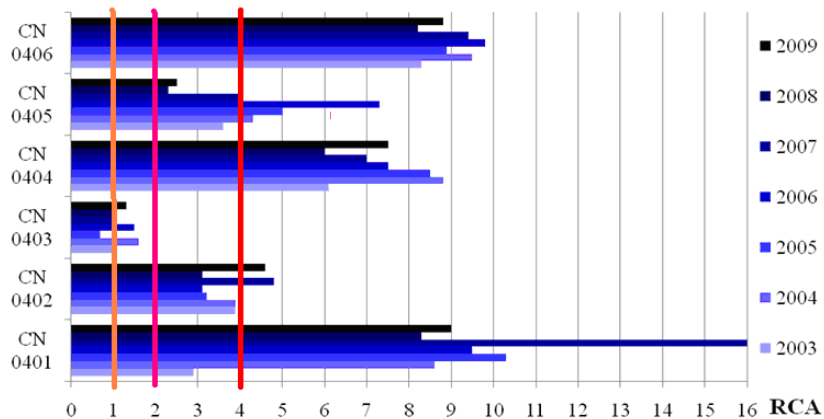


Figure 1. Revealed Comparative Advantage of the Lithuanian dairy production in global dairy market between 2003 and 2009 (Drawn up by the authors based on International Trade Centre data, 2011)

Only one dairy production group (CN 0403) has no or only weak comparative advantage. Two of them (CN 0402 and 0405) have average comparative advantage, and even three groups (CN 0401, 0404, 0406) have strong comparative advantage.

Although import of dairy products grew faster than exports over the entire period, however, export of dairy products was several times higher (more than ten times in 2003 and 2004) than import, and external trade balance was positive in this sector over the whole period, and this is particularly important considering the country’s deficit balance of the whole Lithuanian external trade (see Figure 2).

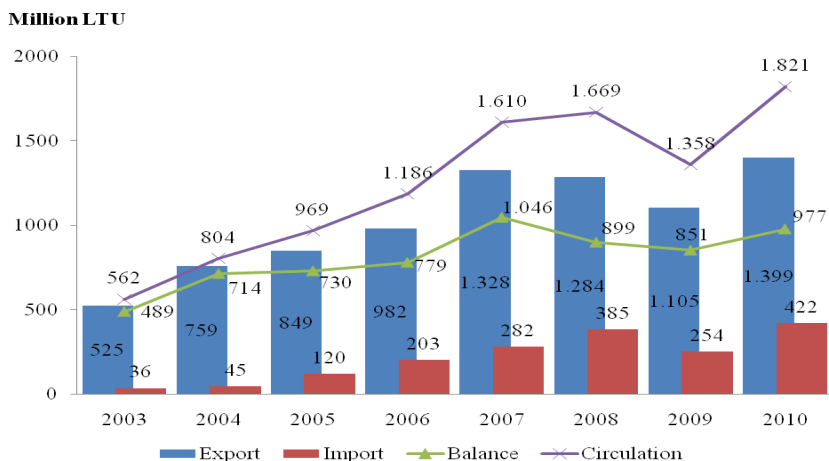


Figure 2. The Lithuanian dairy export, import, balance and circulation between 2003 and 2010, LTL million (Drawn up by the authors based on data provided by the Lithuanian Department of Statistics, 2011)

External trade indicators of the Lithuanian dairy production were increasing gradually until the global economic crisis. Dairy export started decreasing in 2008, how-

ever, imports decreased only a year later, in 2009, but then both recovered and started increasing in 2010.

The Lithuanian dairy sector is dominated by three dairy manufacturing corporations: 'Rokiskio suris', 'Pieno zvaigzdes' and 'Zemaitijos pienas'. These corporations are main dairy exporters. They received about 70% of dairy manufacturing revenue in 2009 and 2010, which is 10 percentage points less than in 2008. Recently, another dairy manufacturing company 'Vilkyskiu pienine' expanded and obtained about 10% of dairy manufacturing revenue in 2010. Other dairy corporations are smaller, but some of them export relatively large amounts of manufactured dairy products⁹.

In Lithuania milk producers, dairy manufacturers and traders work individually. As a result, traders receive the larger part of revenue and this often creates conflicts, e.g. milk producers' pickets caused by low purchase prices of raw milk. Milk producers' and dairy manufacturers' cooperatives could be important for both of them, as milk producers do not implement the entire annual milk quota in our country. They could be an alternative to a monopoly of the largest dairy corporations. New dairy production could successfully compete in local and global markets.

In Poland such dairy cooperatives have been working successfully and process about 70% of raw milk, another 30% are processed by joint-stock companies, often associated with foreign capital¹⁰.

Growing competitiveness of the Lithuanian dairy production plays an important role in export development. Legal, economic and organisational measures should be used in order to prepare developing export legislation and harmonise existing legal acts with WTO and EU law, and also establish trade regimes that match Lithuania's interests¹¹.

All Lithuanian dairy corporations and their branches have realised EU sanitary and hygiene standards and can export dairy production to all EU Member States. Twelve of them have permissions to export to Russia, and nine – to Belarus¹². Certain companies were suspended from exporting to Russia in 2009 due to detected forbidden substances in dairy production. In Russia, any amount of antibiotics is forbidden in dairy products.

Variations in the Lithuanian dairy export value and prices between 2006 and 2010

Certain degree of price variation is both desirable and inevitable in all free markets as it reflects the changing needs and preferences of customers and the changing cost and competitive positions of participants at all stages of the supply chain. Price movements reflecting these changes occur through the price discovery process among market participants and these price movements act as price signals in order to reallocate resources efficiently. Whilst this element of changing prices may be regarded as normal and desirable in free markets, the emergence of exceptional price volatility in dairy and food markets in

⁹ Mikelionytė, D. *supra* note 4.

¹⁰ Čaplikas A. Lietuviai nori sekti „Mlekpol“ pėdomis. 2009. <http://www.valstietis.lt/Pradzia/Naujienos/Zemes-ukis/Lietuviai-nori-sekti-Mlekpol-pedomis> [last accessed on 03 05 2011]

¹¹ Rakauskienė, O. G. Valstybės ekonominė politika (fiskalinė, užsienio prekybos ir socialinė politika): monografija. – Vilnius: Mykolo Romerio universitetas, 2006.

¹² Mikelionytė, D. *supra* note 4.

recent years is creating many problems for processors, farmers and other participants in the supply chain. Thus the consequences and management of dairy price volatility is now a central issue for both the dairy industry itself and in terms of public policy¹³.

The whole world encountered a problem in 2007, when food prices increased significantly. Dairy prices increased substantially due to the decreased supply from Southern countries and more-than-expected worldwide increase in demand for dairy products¹⁴.

After a global jump of food prices in 2007, prices and value of the Lithuanian dairy export had decreased significantly during the time of economic crisis (between 2008 and 2009). As a result, Lithuanian dairy farmers and manufacturers received lower incomes in the period between 2008 and 2009 following a sharp decline of milk prices from late 2008 and continuation of relatively high feed costs that have adversely affected their businesses.

The Lithuanian dairy export decreased by 3.3% 2008, compared to 2007. The main factors that caused the decrease were: the drought of 2006 has determined reduction of dairy herds and higher prices of feed, which increased prices of agricultural and food products. Feed prices also increased due to higher prices of energy resources. Value of the Lithuanian dairy export decreased by almost 14 percent in 2009 versus 2008. The most important macro-economic and specific factors were: lower prices of raw milk, relatively lower direct payments than in other agricultural sectors. High global oil prices led to an increase in costs of export logistics, another reason was Russia's decision to suspend imports of the Lithuanian dairy production into their country. Variations of the Lithuanian dairy export are shown in Figure 3.

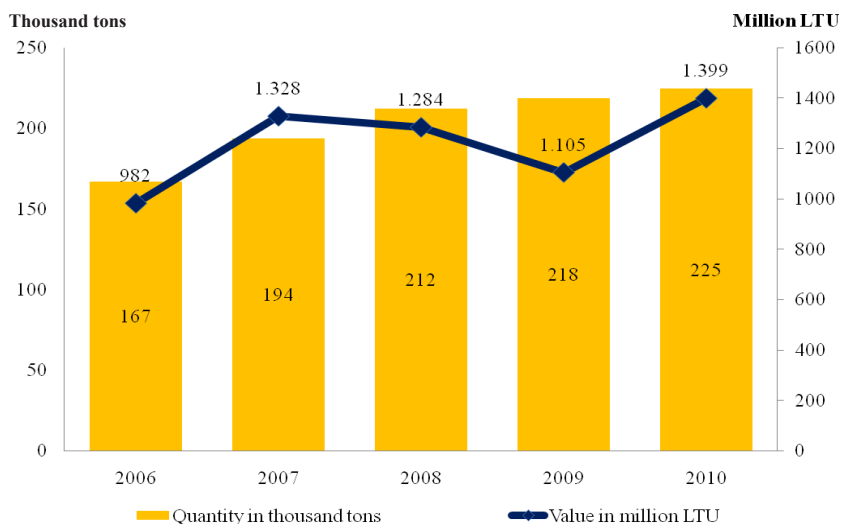


Figure 3. Exported quantity and value of the Lithuanian dairy production between 2006 and 2010, thousand tons and million LTL (Drawn up by the authors based on Eurostat data, 2011)

¹³ Keane, M.; O Connor, D. Price Volatility in the EU Dairy Industry: Causes, Consequences and Coping Mechanisms. Report Prepared for the European Dairy Association. October, 2009 <http://www.euromilk.org/upload/docs/Homepage/Volatility%20Report_FINAL_091005%5B1%5D.pdf>.

¹⁴ Report from the European Commission to the European Parliament and the Council Evolution of the market situation and the consequent conditions for smoothly phasing out the milk quota system. COM(2010)727 final.

During the entire period between 2006 and 2010 about 1.0 million tons of dairy products were exported for LTL 6.1 billion. The exported quantity of dairy production grew gradually and increased by 34.6%. However, different variations are seen in the value of dairy exports. These changes can be explained by examining the average output price changes. This resulted in increase of dairy product prices in world markets due to a lack of raw milk and intensified competition due to increased demand for dairy products in the USA, Japan and especially in China, Indonesia and Malaysia. Higher raw milk prices increased processing costs (about 10% to 14% due to expensive fuel). Therefore, the cost of products in the dairy industry increased in 2007¹⁵. The dairy industry rapidly increased export prices, taking into account the reduced viability of the local market and consumption. Due to improved market conditions dairy manufacturers returned to high-value-added dairy production.

The beginning of the global economic crisis impacted the start of the decrease of dairy export value, due to the crisis, the prices of dairy production also fell. Refunds in the form of common market organization measures were used for dairy production exported to third countries mostly between 2006 and 2010. In 2006 LTL 73.9 million were paid, and LTL 71.6 million in 2007. According to the Regulation of the European Commission¹⁶, refunds for exported dairy production to third countries were stopped in June 2007. For that reason dairy export quantity increased by 9.3% however, their value decreased by 3.3% in 2007, compared to 2006.

Moreover, Lithuania's ability to provide export subsidies is restricted due the limits applied by the World Trade Organization (WTO) on quantities and budgetary outlays that can be provided as export subsidies¹⁷. The use of export refunds are applied in conformity with our rights and obligations under the WTO rules. As to the specific level of refunds, it depends on what the trade offers us, and is assessed according to usual objective criteria, in order to ensure that refunds are only provided to the extent necessary¹⁸. WTO member countries reached an agreement in 2005 to eliminate export subsidies by 2013.

In 2009 the prices decreased more sharply: almost the same quantity of dairy production was exported, however, the value received was 14% less than a year before. Market conditions have reversed, and EU exporters were unable to compete. The situation got worse because of the difficulty that exporters faced in the result of the global economic crisis¹⁹. As a result, the European Council²⁰ resumed and tripled export refunds for dairy products in January 2009.

¹⁵ Gapšys, A.; Mikelionytė, D. Kodėl brango pieno produktai. *Mano ūkis*. 2008, 3: 12 – 14.

¹⁶ Commission Regulation (EC) No 660/2007 of 14 June 2007 fixing the export refunds on milk and milk products. [2007] Official Journal of the European Union. L 155/26

¹⁷ Shields, D. A.; Hanrahan, Ch. E. Implications of Reactivating the Dairy Export Intensive Program. <<http://www.nationalaglawcenter.org/assets/crs/R40584.pdf>>.

¹⁸ Dairy market: Commission proposes additional measures to help dairy sector. IP/09/57. [interactive]. Brussels, 2009-01-15 [last accessed on 29 05 2011]. <<http://europa.eu/rapid/pressReleasesAction.do?reference=IP/09/57&format=H>>.

¹⁹ Shields, D. A.; Hanrahan, Ch. E. *Supra* note 17.

²⁰ Council Regulation (EC) No 73/2009 of 19 January 2009 establishing common rules for direct support schemes for farmers under the common agricultural policy and establishing certain support schemes for farmers, amending Regulations (EC) No 1290/2005, (EC) No 247/2006, (EC) No 378/2007 and repealing Regulation (EC) No 1782/2003. [2009] Official Journal of the European Union, L 30/16

As a result dairy manufacturers and exporters received LTL 17.5 million of export refunds. Due to increased dairy prices and better situation in dairy sector, the European Commission²¹ stopped export refunds in November 2009. Moreover, for the first time in 2009 Lithuania adapted intervention purchases of butter and skimmed milk powder, as dairy production prices decreased sharply in the foreign markets. As a result 1.8 thousand of tons of butter and 10.3 thousand of tons of skimmed milk powder were purchased and LTL 111 million were paid. Manufactured dairy production was not sold for intervention in 2010²².

Situation in the dairy sector improved in 2010: the prices stabilised, so the value of export increased by 26.6% compared to 2009, however, it did not reach the level of 2007 prices. Only LTL 3.4 million of export refunds were paid, and due to an increase in dairy prices export refunds were stopped again.

The average weighted (according to the output weights) prices of dairy export underwent uneven changes between 2006 and 2010. The average weighted prices of import were quite stable (see Figure 4).

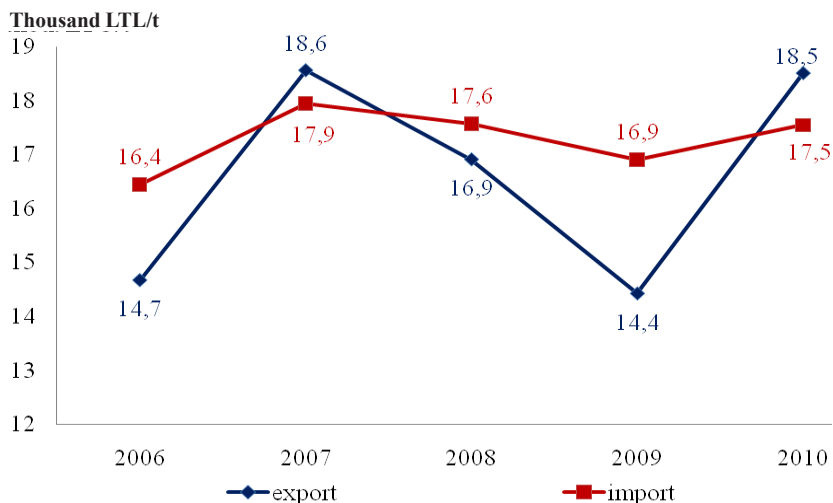


Figure 4. Average weighted prices of the Lithuanian dairy export and import between 2006 and 2010, thousand LTL/t (Drawn up by the authors based on Eurostat data, 2011)

Average prices of the Lithuanian dairy import were slightly higher than average export prices. Then the world experienced fast grown food prices in 2007, the prices for imported and exported dairy production were the highest during that period. However, at the time of the global economic crisis export prices decreased faster than import prices. In 2010 vs. 2009 export prices increased by almost 28 percent. The authors strongly believe that in future export prices will still be higher than import prices.

²¹ Commission Regulation (EC) No 1113/2009 of 19 November 2009 fixing the export refunds on milk and milk products. [2009] Official Journal of the European Union, L 306/16

²² Dapkutė, V. ES ir nacionalinė parama Lietuvos žemės ir maisto ūkiui plėtrai. *Lietuvos žemės ir maisto ūkis 2009*. Vilnius: LAEI, 2010, p. 15 – 22; Mikelionytė, D. Pienas. *Lietuvos žemės ir maisto ūkis 2009*. Vilnius: LAEI, 2010, p. 79 – 89.

Nevertheless, such price trends were not typical for every dairy products group. E.g., Lithuania produces only certain kinds of cheese, some of them are old traditional cheeses and are specific only for certain geographical regions like Germany, Netherlands, Italy, France and others, as a result we import or better to say arrive with more expensive and gourmet dairy production, like Blue-veined cheese. We import relatively more expensive buttermilk, yogurt, kephir and butter than export, however, at our supermarkets we can find cheaper fermented milk and cream products coming from Latvia and Poland. Only raw milk and concentrated milk and cream that is imported to Lithuania from other countries is cheaper than the price for exported raw milk. The average price for exported raw milk is about 3.5 times higher than the average price for imported milk.

Lithuania exports most cheese and curd (CN 0406). They constitute more than half of all dairy export. About 30% of dairy export is concentrated and not concentrated milk and cream, but in 2007 and 2010 it was almost 40%. Other dairy production (CN 0403 – 0405) makes less. In 2008, some dairy exports increased, however, more of them decreased. The most important exports of dairy products' – cheese and curd – increased by 21%.

Most dairy products are manufactured from Lithuanian raw milk. However, Lithuania imports not-concentrated milk and cream (CN 0401). This can be explained by the following factors: dairy industry companies have high capacity, therefore, the lack of raw milk in our country increases the import of cheaper raw milk from Latvia and Estonia to produce more dairy production. Other dairy production, like Blue-veined cheese, yoghurt and other dairy desserts are imported to diversify local market tastes. Some of the imported dairy products are cheaper than Lithuanian ones (e.g., from Latvia).

The main factor of differences in dairy export and import prices is the commodity structure of dairy production. Cheese forms the largest part of Lithuanian exported dairy products, its prices are relatively high and the major part of import is raw and concentrated milk and its prices are relatively low. It means that 60% of the main exports of dairy products (CN 0406) value is higher than 60% of imported dairy products (CN 0401 – 0402).

Lithuanian food prices are vulnerable to price trends in the world market. Huge part of the dairy export is determined by the impact of the world milk sector trends – in 2010, prices in our country increased and reached almost the highest level among all EU Member States. Local market situation also had a relatively important impact. Dairy retail prices increased by 13.1%, export prices – 20.2% in 2010, compared to 2009. This comparison shows that lower export volume (compared to other EU Member States) allows keeping the dairy prices at relatively stable level in the local market²³.

Recently, Lithuanian dairy sector turned to producing more products intended for export than for domestic consumption²⁴. This was mostly due to the global economic

²³ Mikelionytė, D. *Supra* note 2.

²⁴ Report from the European Commission to the European Parliament and the Council. Evolution of the market situation and the consequent conditions for smoothly phasing out the milk quota system. COM(2010)727 final.

crisis. Price volatility, usually characterising sectors aimed at the domestic market, became more visible and detrimental to additional relevant external factors, such as decrease in household consumption and reduced purchasing power.

The annual growth of the dairy export was the main reason why Lithuanian purchasing prices were almost the highest compared to all other EU Member States in 2010, compared to 2009. Dairy prices in the local market increased by 13.1% and dairy export prices – by 26.2% , 20.5% in average²⁵.

Variations in prices of dairy production have been very intense, however, now situation improved and the perspectives are positive.

The EU is the main export market of the Lithuanian dairy production. Lithuania dispatches about 60% of dairy products to EU Member States. The dairy production mostly goes to Italy, Poland, Germany, Latvia and the Netherlands. Lithuanian dairy production is demanded not only in the EU single market, but also in Russia (about 30% per year) and other countries. At the time of the economic crisis export to Russia and Germany decreased most (see Figure 5).

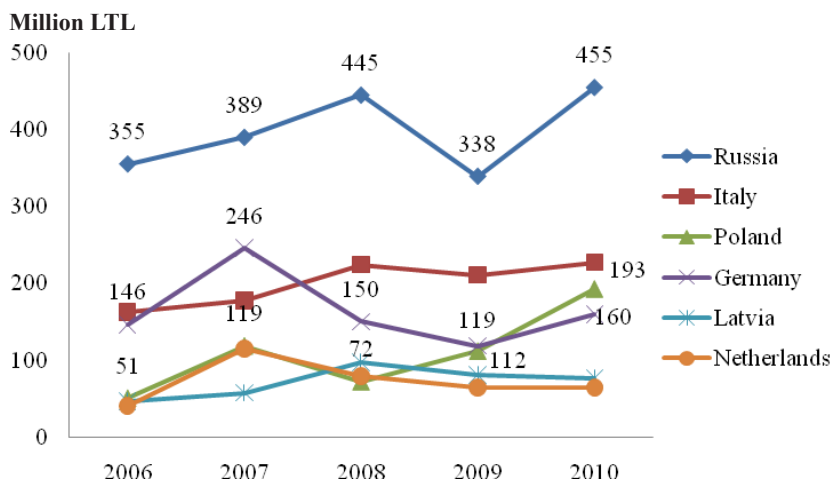


Figure 5. The main export partners of the Lithuanian dairy production between 2006 and 2010, LTL million (Drawn up by the authors based on International Trade Centre data, 2011)

About 30% of the Lithuanian dairy export yearly goes to Russia, Lithuania has long-standing traditions of trade with this country. Lithuanian dairy produce forms about 12% of all Russian yearly dairy import. Lithuanian fresh and processed cheeses are most demanded dairy products in that country. The dairy product with note 'Made in Lithuania' is recognised as a product of higher quality that tastes better. As a result, we can sell them there for a price that is higher than that on the EU single market. Russia's requirement for high quality dairy products was the major factor that determined the decrease of Lithuanian dairy export in 2009.

Due to a peak turnover growth of dairy manufacturing in Germany, the value of Lithuanian dairy export increased by 67.9% in 2007, compared to 2006. Lithuanian

²⁵ Mikelionytė, D. *Supra* note 2.

dairy dispatch to that country decreased by 38.9% due to decreased purchasing power in 2008, however, it increased by 35.0% in 2010 due to recovered demand.

Interesting changes in the value of dairy production can be seen from dispatches to Poland: attention should be paid to the fact that in 2009, compared to 2008, the value of dispatched dairy production value increased by 55.5% due to an increased need for not-concentrated milk and cream in that country. In 2009 the value of dairy production dispatched to Poland and Germany was almost the same. In 2010, the value of dairy production dispatched to Poland exceeded the value of dispatch to Germany due to another increase by 72.3%, compared to 2009.

In conclusion, the global economic crisis determined reduction of Lithuanian dairy production and export. Unexpected factors, such as epidemic diseases (bovine spongiform encephalopathy, better known as mad-cow disease, outbreaks of flu), common disasters (such as drought, frost) or unexpected political prohibition to import production to a foreign country also deeply impact the dimensions of production and export of each dairy corporation. At the same time, dairy industry is one of the fastest and most stable industries recovering after the global economic crisis in Lithuania. Lithuanian dairy export increased by 26.6% 2010, compared to 2009. The European Commission²⁶ took almost every possible effort to support milk farmers and stabilise the dairy market. The Commission used instruments such as intervention, private storage aid and export refunds, which helped alleviating the very difficult market situation.

CONCLUSION

Dairy production export constituted one-fifth of the Lithuanian yearly agriculture and food export, however, this part decreased during the economic crisis. It is likely that in future the weight of dairy production will increase to one quarter and more. One of the latest proving factors is the growing appreciation and the need for natural and organic production.

During the period of the global economic crisis the value of Lithuanian export decreased by 26.6% in 2009, compared to 2008 and the Lithuanian dairy export decreased by 14.0%. These data show that dairy industry has better competitive capacity than the country's average.

Average dairy export prices were higher than average dairy import prices. The main factor of this is the commodity structure of dairy external trade. Cheese forms the major part of the Lithuanian dairy export and its prices are relatively high, and the major part of import goes to raw and concentrated milk and its prices are relatively low.

EU is the basic export market of the Lithuanian dairy production. Lithuania dispatches about 60% of dairy products to the EU Member States. The dairy production mostly goes to Italy, Poland, Germany, Latvia and the Netherlands. Lithuanian dairy production is in demand not only in the EU single market, but also in Russia (about 30% of the yearly dairy export) and other countries. At the time of the economic crisis the export

²⁶ Milk crisis: Commission proposes measures to stabilise dairy market. IP/09/1172. [interactive]. Brussels, 22 07 2009 [last accessed on 29 03 2011]. <<http://europa.eu/rapid/pressReleasesAction.do?reference=IP/09/1172&format=HTML&aged=1&language=EN&guiLanguage=en>>.

to Russia and Germany decreased most. Russia's high quality requirement for dairy products was the major factor that determined the decrease of the Lithuanian dairy export.

The main macro-economic and specific factors that impacted dairy production and export decrease were: lower purchase prices of raw milk, relatively lower direct payments than in other agricultural sectors. The drought of 2006 determined the following consequences: reduction in dairy herds and higher prices of feed. Feed prices increased due to higher prices of energy resources.

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LIETUVOS PIENO SEKTORIAUS GAMYBOS IR EKSPORTO TENDENCIJOS

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Santrauka. Straipsnyje analizuojami Lietuvos pieno sektoriaus gamybos ir eksporto rodikliai, rodantys pokyčius pasaulinės ekonominės krizės laikotarpiu: pieno produktų gamybos ir eksporto santykis, pieno produktų dalis bendrame žemės ūkio ir maisto produktų eksporte, lietuviškų pieno produktų atskleistas santykinis pranašumas bei konkurencingumas pasaulinėje pieno rinkoje, šalies specializacija gaminant atskiras pieno produktų grupes. Išskirtos pagrindinės eksporto partnerės ir ištirti eksporto srautų pokyčiai bei jų priežastys. Pagrindinis šio

tyrimo tikslas – nustatyti priežastis, nulėmusias Lietuvos pieno pramonės gamybos ir eksporto pokyčius pasaulinės ekonominės krizės laikotarpiu.

Pasaulinė ekonominė krizė (2008–2009 m.) paveikė ir Lietuvos ūkį bei pieno pramonės sektorių – reikšmingai sumažino prekių gamybos bei tarptautinės prekybos srautus. Atlikta analizė atkleisdė, kad lietuviškų pieno produktų gamybos ir eksporto masto pokyčiams įtakos turėjo bendros makroekonominės priežastys bei specifiskai pasireiškę veiksniai: sumažėjusios žaliavinio pieno supirkimo kainos, santykinai mažesnės nei kituose žemės ūkio sektoriuose tiesioginės išmokos, vidaus rinkų paklausos sumažėjimas, skolinimosi pabrangimas, tradicinių užsienio rinkų susitraukimas. Įtakos turėjo ir 2006 m. sausros padariniai – sumažėjusi pieninių galvijų banda, padidėjusios pašarų kainos. Pašarų kainos kilo ir dėl energetinių išteklių kainų augimo.

Paskutiniai pieno produktų eksporto duomenys byloja apie šio sektoriaus atsigavimą po krizės. Tikėtina, kad ateityje pieno ir jo produktų svarba žemės ir maisto ūkyje nesumažės ir pieno produktų dalis gali sudaryti apie ketvirtadalį ir daugiau bendrosios žemės ūkio produkcijos eksporto. Vienas iš naujai besiformuojančių veiksnių – didėjantis visuomenės natūralios ir ekologiškos produkcijos poreikis. Be to, tikėtina, kad numatomas kvotų panaikinimas 2015 m. padidins gamybos apimtis dėl neberibojamo pieno sektoriaus žaliavų tiekimo, todėl turėtų padidėti ir pieno produktų eksportas. Tačiau išlieka tikimybė, kad situacija gali tapti sudėtinga dėl smarkiau nei įprastai išaugisiančios konkurencijos pieno rinkoje.

Reikšminiai žodžiai: pieno pramonė, pieno produktai, pieno produktų gamyba, pieno produktų eksportas, ekonominė krizė.