SURVEY OF LITHUANIAN AGRICULTURE
2010–2011

COVER

Lithuanian agricultural and food sector remains one of the most stable in Lithuania. It has 8% of country's GDP produced, one tenth of the working population has their job guaranteed, and 20% of overall Lithuanian export falls on this sector.

Compared to the countries to the north of Lithuania, soils in Lithuania are of moderate fertility, and favorable natural conditions. In 2010, 54.5% of total crop area was sowed with grain crops, mainly with wheat and barley. 81.6% of all grain crops were sown on the farms of farmers (889.8 thousand hectares), and the rest – at agricultural companies and enterprises (200.9 thousand hectares).

Livestock products make up about half of agricultural output (47.6% in 2010.). Major part of livestock production includes milk (44.8%) and breeding of livestock and poultry (43.8%), and the rest (11.4%) constitute of eggs, wool, honey, wax and other. In 2010, 223.6 thousand tons of livestock and poultry carcass meat was produced on all farms. This is 12% more than it was in 2009. In 2010, one resident in Lithuania on average consumed 79 kg of meat and meat products per year.

Lithuanian agricultural subjects and sector of food industry started their revival in 2010 - after the world-wide economic crisis in the year 2008. Export volumes have increased rapidly and amounted to up to 9,802 billion LTL. Compared to the year 2009, export has grown by 22.8%.

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ORGANIC FARMING
IMPORT AND EXPORT
RURAL TOURISM AND ALTERNATIVE BUSINESSES
LITHUANIA

Priorities of activity and the most important works

Underlying policy of the Ministry of Agriculture in 2011

• Business development in rural areas, improvement of agricultural and food products, expansion of export.

• Legal and administrative management of the land reform focused on the development of rational land-tenure use.

• Development of renewable energy sources in rural areas.

• Optimization of the management model of the Ministry of Agriculture and its managerial bodies.

Key works carried out by the Ministry of Agriculture

Lithuanian Rural Development Programme for 2007-2013 is being implemented successfully. Since the beginning of its implementation, 500 thousand applications have been received, the amount of support asked is 5.3 billion LTL, the amount approved - 3.8 billion LTL, 2.7 billion LTL has been paid, i.e. 34 percent of the funds intended for the Programme.

The procedure for obtaining administration and support has been simplified, intensity of support (from 50 to 75 percent) for some Programme measures has been increased, and the amounts for support and size of compensatory allowances have been increased as well.

Possibility to borrow from legal and natural persons has been made, borrowing procedures have been simplified, favourable terms for receiving credit under the warranty of the Rural Credit Guarantee Fund have been created, and means of Loan Fund for financial engineering has been implemented successfully, too.

Agricultural producers are allowed selling their goods produced at supermarkets, the farmers - establishing their own markets, and the consumers have food safety and quality guaranteed.

Using the support of the European Union, 58 associations of the users of drainage systems were established during two years which developed 80 projects and soaked up 82 million Litas together with local authorities.

Business strategies of local activity groups in rural areas (there are 51 groups of local activities in Lithuania, they cover 99 per cent of rural areas) have been approved and launched.

Lithuanian rural network joining the institutions and organizations (367 members) participating rural development process has been established. Thematic committees have been formed (on issues of rural policy, business promotion in rural areas, planning of rural youth, countryside and rural areas, innovation and research in rural areas, *Leader* and the promotion of communities).

Certification system of national heritage has been developed; establishment of traditional crafts-based centers in 16 municipalities has been also supported.

Conditions and procedures of reporting on agricultural production have been improved; the law of new versions concerning the settlement for agricultural production has come into force.

The system of social insurance, health insurance and taxes, reducing the burden of farmers is being improved.

Agricultural traders who grow vegetables and have gardens are capacitated to have the part of insurance premium compensated. Promotion programme on the use of Fruit at Schools has been launched.

Low-income Lithuanian residents have been provided with the support during the implementation of the programme for the supply of food from intervention stocks for the benefit of the most deprived persons in the Community.

The beekeeping industry programme was implemented during the years 2008-2010. Commercial beef development program has been prepared and approved and the legal and economic measures for the development of this industry have been provided.

Coordination Center of Genetic Resources has been established. Preservation of rare breeds of old Lithuanian farm animals has been supported as well.

The EU support for the national milk producers, affected by the crisis in the dairy sector, has been achieved.

Overall electronic declaration of landed property and crops renouncing the administration of paper applications has been implemented.

There is a close cooperation between the agriculturists and integrated institutions of science, study and business centre (valley) “Nemunas”; new technology and innovation on the farms are being introduced.

Training and consulting information system for agriculturists which will collect data on professional development, consulting, training, etc. of farmers is being developed.

On the basis of public research, the project of guidelines for Lithuanian rural policy has been prepared as well.

The state aid scheme which will be the basis for the reimbursement of costs for the recycling and recovery of animal waste has been prepared. The state aid scheme to compensate the losses due to animal diseases has been framed.

Legal presumptions that promote high-quality agricultural and food production by increasing their added value, fostering the traditions of Lithuanian food production and increasing the variety of high-quality products have been created.

The measures concerning the procedures of a new milk buying policy have been validated related to the quality improvement of milk being bought. The programme on the reduction of the cow morbidity with mastitis and improvement of milk quality has been developed and is being introduced. Good practice managers of milk, meat products and bakery production within their own farms have been prepared.

Land management and administration functions have been rearranged. State-owned company - the State Land Fund – has been established. Favorable conditions for natural and legal persons to acquire land from the state are being made.

There is a rapid development of bio-energy projects, increase in the production of biofuels. Amendment of Electricity Law which optimizes the settlement for the electricity used by the agricultural entities has been framed.

The activities of the state plant-growing production institutions have been optimized. Institutions of fishery sector have been reorganized. The structure of the Ministry of Agriculture has been rearranged. Reconstruction of livestock breeding system is underway. Draft resolutions of government when some state enterprises are being transformed into closed joint stock and private companies have been prepared.

Bilateral cooperation with German Mecklenburg-Western Pomerania land has been renewed. An agreement with German Baden-Württemberg on cooperation in rural development area has been signed. Memorandums of understanding with Latvia, Estonia, Belarus, China and Action Plan on the cooperation with Moldova have been signed. Memorandums of understanding with Serbia and Italy have been drafted.

During the chairmanship of Lithuania at the Executive Committee of the Nordic and Baltic countries, which is responsible for the economy of fishery, aquaculture, agriculture, food and forestry, the meeting of the members of this Committee took place in 2010 in the presence of the Council representatives from Denmark, Finland, Norway, Iceland, Estonia, Latvia and the Nordic Ministers. The opportunities for further cooperation of Nordic-Baltic countries have been discussed collectively.

Importance of agriculture and food industry for national economy

In comparison with other sectors of economy, a stable Lithuanian agricultural and food industry was influenced by several factors in 2010. Agricultural and food products for consumers are primary commodities, thus these sectors have not encountered with decrease of demand that pushed down many of the Lithuanian economic sectors. The second reason - agriculture suffered less than other sectors from a tighter bank policy during the crisis hit because a mechanism of financial engineering has been introduced in a short period of time - the EU funds have been invoked to provide the loans for agriculture, which enabled the continuation of the modernization process of agriculture. The third reason - the agricultural and food situation has been improved by natural disasters in the surrounding markets resulting from the climate change: a severe drought in Russia which destroyed grain crops, and spring floods in southern Poland which damaged both the horticulture and olericulture. Due to the losses of neighboring countries, supply of agricultural production has reduced and the prices have significantly increased enabling Lithuanian agriculturists to get more income.

The value added level created by agriculture and related activities in the year 2010 was determined by reduced agricultural output volumes due to the unfavorable weather conditions. Drought and heavy rains reduced productivity of agricultural plants. In 2010 grain yield was only 79.7% of the level of the year 2009. Productivity of potatoes and vegetables was also lower than in 2009. Productivity decline was slightly offset by the growth of purchase price.

Macroeconomic indicators of agricultural and food industry sector in 2006-2010

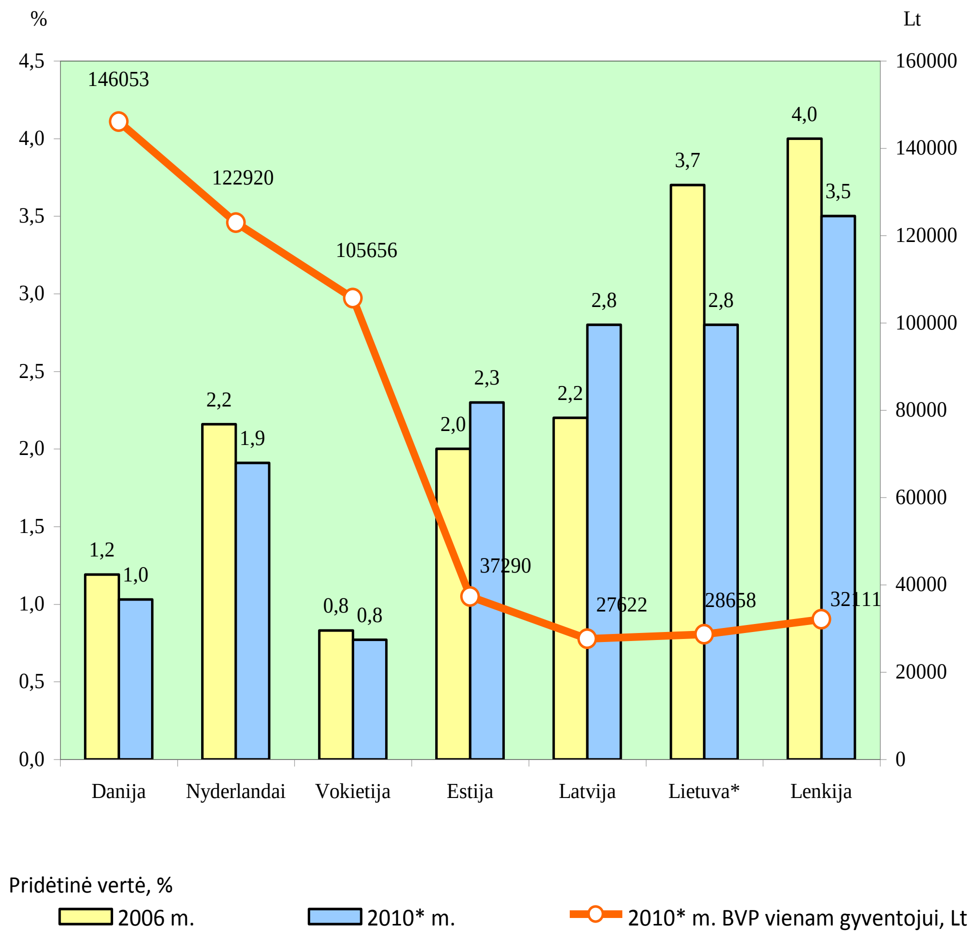
Indicators	2006	2007	2008	2009	2010*
Gross domestic product at the prices of the day, million LTL	82792,8	98669,2	111482,6	91525,9	94641,9
Gross added value created in agriculture and activities of related services, million LTL	2770,3	2889,6	3132,5	2351,4	2349,6
Part of agricultural and related services from the gross added value, %	3,7	3,3	3,1	2,9	2,8
Gross added value developed in industry of food products, beverages and tobacco, million LTL	2683,2	3287,2	3406,0	3272,5	3422,3
Part of industry of food products, beverages and tobacco from gross added value, %	3,6	3,7	3,4	4,0	4,0

* Preliminary data

When assessing the contribution of agricultural sector into the creation process of the added value, the following regularity must be taken into account: the larger gross domestic product (GDP) is created per capita, the lower part falls to the agriculture in the added value. The added value part which falls to the Lithuanian agriculture and related services continued to decline (in 2010 - just 2.8%).

Although the value added part which falls to Lithuanian agriculture and related activities is rapidly decreasing, but it still remains higher than in the EU countries average. In 2010, this indicator in the EU on the average was just 1.5%. In comparison with the neighboring Baltic States, the difference in value added part created by the Lithuanian agriculturists in 2010 was not big, but it should be noted that during the economic crisis value added part developed in Latvian and Estonian agriculture and related activities has increased.

Value added part created in agricultural and service-related activities and gross domestic product per capita in 2006 and 2010.



* Preliminary data

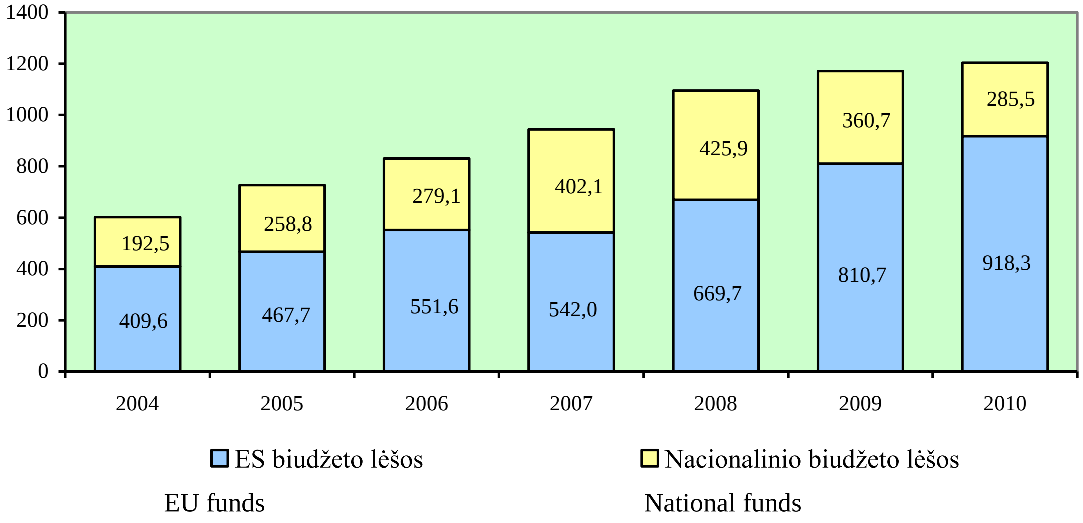
Danija	Denmark
Nyderlandai	The Netherland
Vokietija	Germany
Estija	Estonia
Latvija	Latvia
Lietuva	Lithuania
Lenkija	Poland
Pridėtinė vertė, %	Added value,%
BVP vienam gyventojui, Lt	GDP per capita, LTL

Development of agriculture and rural areas

In order to increase agricultural competitiveness, to support income of agriculturists, to reduce the social exclusion between the rural and urban populations and to protect the environment, EU and national budget support has been provided to business operators. In 2010, funds for agricultural financing made 2.593 billion LTL in Lithuanian budget.

Direct allowances. The agriculturists in Lithuania, like in other EU countries, are supported by direct allowances. They are granted to the entities of agricultural activities for the declared crop, livestock and milk quota. Direct allowances support income of agriculturists, encourage more rapid development of agriculture and positive structural changes as well as increase competitiveness of agricultural products of each EU member state. The biggest part of direct allowances is financed by the European Agricultural Guarantee Fund.

Financing of direct allowances in 2004-2010, million. Lt



From 2010, the support for cereals, rapes and flax has been completely dissociated from production volumes. This means that principal payment and decoupled payment (CNDP) for these declared crops is paid to agriculturists for the declared crop area which was in possession during reference period.

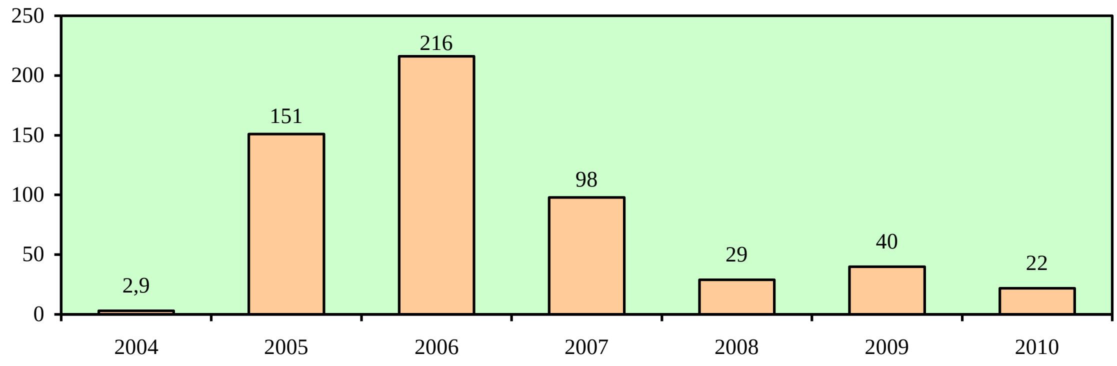
When the basic level of direct allowance was increasing, the part of additional national support payments (CNDP) in the field of plant-growing farm was decreasing, and it remained almost unchanged in the field of livestock farms. In comparison to the year 2009, support for protein crops was reduced for about 45% mainly. National support for cereals, rapes, perennial grass and mixtures of forage plants decreased for about 40%.

Although allowances for energy crops have been recalled since 2010, national agriculturists and other legitimate users of ALP are encouraged to plant green plantations of short rotation.

Export refunds. In addition to direct allowances, Lithuanian and the EU's agricultural and food producers are subject to additional mechanisms to ensure stability of income. One of such means is refunds for agricultural and food export to third countries (means for outside market adjustment). Export subsidy amount directly depends on the situation of third-country markets – i.e. on export prices in respect of which the European Commission sets the amount of subsidies.

In 2010, export subsidies in Lithuania have been provided for meat, milk and some other products.

Financing of export subsidies in 2004-2010, million LTL



Intervention procurements. One of the most important measures for control of internal market is intervention procurement of finished products. This is a safety measure taken from reduced market price. During the intervening period of 2009-2010, 150 thousand tons of grain whereof main part made barley was bought into the intervention warehouses in Lithuania.

Intervention procurements as well as export refunds have helped to stabilize the market, helped agriculturists and other producers to sell their products at attractive prices.

Due to relatively higher purchase prices for agricultural products and income support measures, income in the agricultural sector increased in 2010. Income of agriculturists (including direct and compensatory payments) per capita per average employee was higher by 19% than in 2009.

Measures for rural development. The aim of rural development programme for years 2007-2013 is to ensure sustainable agricultural and rural development, to improve competitiveness of agricultural, forestry and food products, to create opportunities for diversification of economic activities in rural areas and improvement of quality of life through the promotion of natural and human values and reduction of disparities between city and village.

From 2007 to the end of 2010, about 2.62 billion LTL were paid in total on the basis of measures of Lithuanian Rural Development programme for years 2007-2013. In 2010, 133.8 thousand applications were received according to the rural development measures where support of 1.983 billion LTL was asked for, i.e. 46% more than in 2009.

Evaluation of rural development support measures under axes set in programme for the period of 2007-2010 showed that the most successful funds of support were absorbed under the measures of Axis I designed to improve the competitiveness of agriculture, forestry and food industry. Implementation of measures under Axis II – "Improvement of environment and countryside" were of lower performance, the money was absorbed slowly with the exception of "Payments to agriculturists farming in areas with disadvantages other than mountain areas (less favoured areas)", when nearly half of the amount for the entire programming period was paid. Under these two axes, the biggest amount of funds was paid in 2010 - about

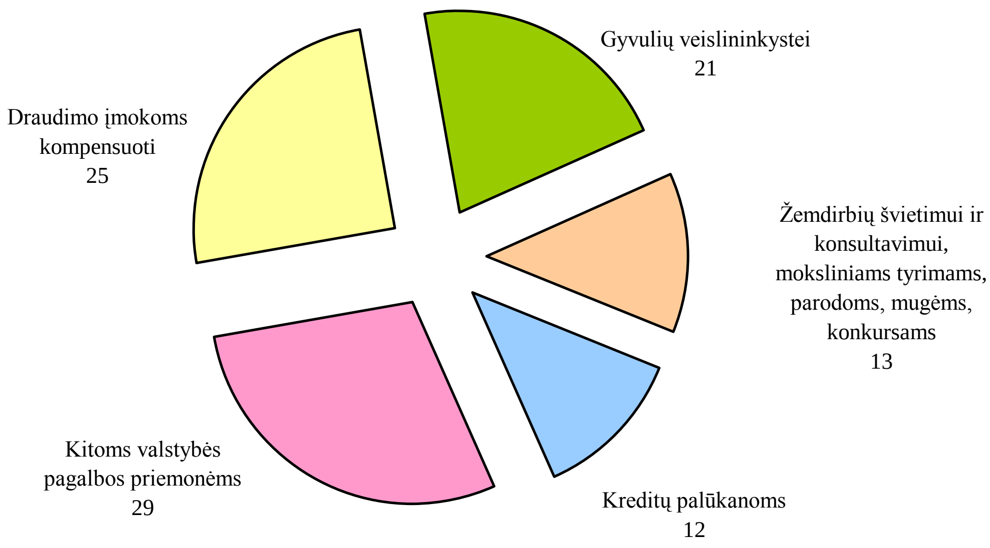
1.827 billion LTL. Agriculturists started using payments for agri-environment more actively in 2010 more than in 2009. To receive such payments, 108.0 thousand applications were submitted, and almost 512 million LTL were paid - nearly 40% more than in 2009.

In order to increase the reclamation of support, the rules for the implementation of Axis III measures “Transition into non-agricultural activities” and “Support for creation and development of business” under Lithuanian Rural Development Programme of 2007-2013 were simplified in 2010. The number of applicants applying for the support concerning the production of alternative fuels (pellets and briquettes from waste, where one of the components is hay, straw or wood shavings and so on.), charcoal, compost and biohumus, biogas and others has increased.

State aid. The following measures was funded by the state in 2010: reimbursement of insurance premiums and credit interests, livestock breeding, education and counselling of agriculturists, scientific researches, international and republican agricultural exhibitions, fairs, organization of agricultural competitions, processing of animal by-products, beekeeping, provision of temporary state aid in order to reduce the impact of financial and economic crisis on the cultivators growing energy crops for biofuel production, compensation of guarantee payment and insurance premiums for credit borrowers who got credits with the guarantee of UAB Rural Credit Guarantee Fund, and others.

Level of state aid funding level declined from 2008 to 2010. 42.8 million LTL of programme funds was used for state aid measures in 2010 - nearly 38% less than in 2009 and 62% - than in 2008.

Structure of state aid measures in 2010, %



Draudimo įmokoms kompensuoti	Reimbursement of insurance premiums
Kitoms valstybės pagalbos priemonėms	Other state aid measures
Gyvulių veislininkystei	Livestock breeding
Žemdirbių švietimui ir konsultavimui, moksliniams tyrimams, parodoms, mugėms, konkursams	Education and counselling of agriculturists, scientific researches, exhibitions, fairs, competitions
Kreditų palūkanos	Credit interests

Development of fisheries sector. Four priority axes are provided for in action programme of Lithuanian fisheries sector in 2007-2013. In order to reduce negative social impact, ship owners, who have lost their jobs due to permanent cessation of operation of vessels, are subject to payable compensation. Aquaculture enterprises are encouraged to apply new techniques which would help to protect the environment and improve environmental quality. 32.6 million LTL was intended for fishery promotion measures in 2010 in total - nearly 50% more than in 2009. However, due to the difficulties associated with project lending only 88.7% of these funds intended for these measures were used in 2010.

Production

In 2010, grain yield was close to seasons of 2007-2008, 9% more animals were butchered, but 2% less milk was produced. Agricultural products were bought up in a similar way as in previous years.

Production and procurement of agricultural products in 2006-2010, thousand tons

Indicators	2006	2007	2008	2009	2010
Production					
Grain threshed	1893	3073	3484	3892	2835
Livestock and poultry butchered	335	349	295	272	296
Milk produced	1891	1937	1884	1791	1750
Eggs collected, million units	929	959	891	853	825
Procurement					
Grain	1149	1774	2406	2544	1934
Rape seed	137	330	299	367	398
Sugar beet for processing	716	800	339	666	723
Potatoes	14	17	49	50	55
Vegetables	41	42	56	57	56
Fruit and berries	80	57	40	23	25
Livestock and poultry	252	271	243	215	235
Liquid milk	1296	1349	1376	1274	1278
Milk (recalculated into basic)	1555	1628	1661	1534	1540
Eggs, million units	482	461	454	448	446

Sale part of agricultural and food trade of Lithuanian manufacturers within domestic market shows that dairy producers, cattle breeders, poultry farms and fruit and vegetable processors are highly dependent on situation of external markets. In 2010, compared with the year of 2009, only part of sales of dairy and eggs products grew on the domestic market, while the rest part of products decreased.

Sale part of basic food products by Lithuanian producers sold on the domestic market in 2008-2010, %

Products	2008	2009	2010
Dairy products	42,0	41,0	44,6
Beef	29,3	28,3	27,0
Pork	94,8	95,7	87,7
Poultry	77,2	71,1	63,3
Eggs	70,0	92,3	100,0
Rye-bread	96,5	95,2	94,7
White bread	91,8	92,2	92,7
Wheat flour	95,1	90,6	86,0
Rye flour	94,0	95,2	97,3

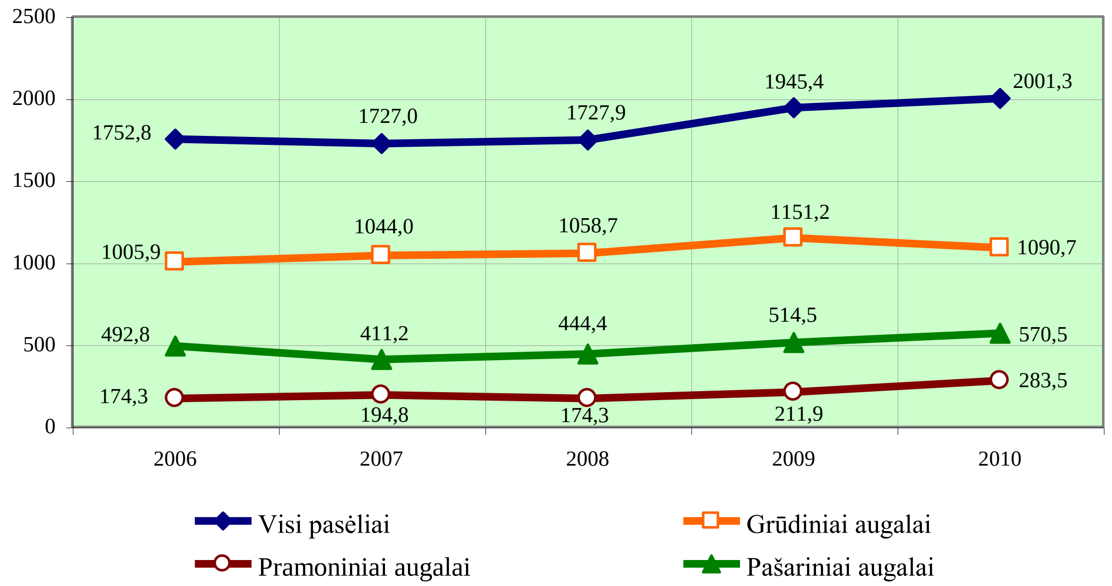
Products	2008	2009	2010
Cereal grains	73,1	66,3	68,2
Cakes and confectionery	96,5	96,2	95,3
Products of potatoes	44,8	46,1	45,5
Fruit and vegetable products	59,9	78,7	65,2

Almost all agricultural and food processing industry output is produced for the local market. Except for only beef, dairy products and products of potato as their export is higher than domestic consumption.

Grains

Lithuania has soils of moderate fertility prevailed and more favourable natural conditions compared to the northern neighbouring countries. In 2010, 54.5% of total crop area was sown with grain crops. Although the area of grain crops decreased by 5.3%, but, in general, it increased by 8.4% during the period of 2006-2010.

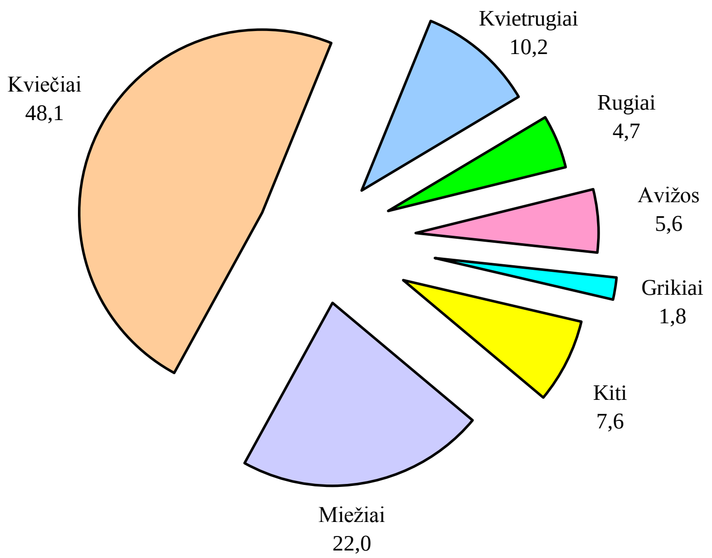
Crop area in Lithuania in 2006-2010, thousand ha



Visi pasėliai	All crops
Grūdiniai augalai	Grain crops
Pramoniniai augalai	Industrial plants
Pašariniai augalai	Feeding crops

The largest crop area was sown with wheat and barley in 2010.

Cereal crop structure in 2010, %



Kviečiai	Wheat
Kvietrugiai	Triticale
Rugiai	Rye
Avižos	Oat
Grikiai	Buckwheat
Kiti	Other
Miežiai	Barley

Quite unfavourable weather conditions prevailed in 2010 prevented the crops from wintering, developing and corning normally. About 10-15% of winter barley, 10% of winter wheat, 3-5% of winter triticale and 2-3% of rye either froze or soaked up. Therefore, area of winter cereal crops in 2010 was 15.3% smaller compared to the year 2009.

Spring cereals made 46.3% of all grain crops in 2010. The largest part of spring crop was barley.

81.6% of all grain crops were sown on the farms of agriculturists (889.8 thousand ha), and the rest – on the territories of agricultural companies and enterprises (200.9 thousand ha).

According to the Department of Statistics, the yield of cereal crop in Lithuania in 2010 decreased by 27.2%, compared with the year 2009. Letdown of grain yield was due to their less crop area – by 5.3%, and fertility – by 20.4%.

Fertility of cereal crops in 2006-2010, t / ha

Plant species	2006	2007	2008	2009	2010
Grain crops	1,88	2,94	3,29	3,38	2,69
grain	1,99	3,01	3,35	3,45	2,75
winter	2,25	3,65	4,14	3,89	3,04
wheat	2,42	4,16	4,76	4,40	3,40
triticale	1,88	2,95	3,27	3,16	2,34
rye	1,81	2,37	2,76	2,53	1,76

barley	2,17	3,15	3,94	3,83	2,50
spring	1,74	2,53	2,69	2,87	2,44
wheat	2,13	3,08	3,01	3,41	3,07
barley	2,06	2,64	2,88	3,03	2,36
triticale	1,47	2,17	2,33	2,73	2,00
oat	1,30	1,94	2,07	2,23	1,53
buckwheat	0,20	0,96	0,76	0,67	0,74
Mixtures of grasses	1,10	1,92	1,91	2,01	1,68
Corn	1,57	4,82	4,24	4,33	6,66
Other cereals	1,24	1,13	0,73	0,55	1,51
Pulse for grain	0,81	1,39	1,70	1,80	1,36

Processing. National grain-processing plants processed 1 million 34.0 thousand tons of grain in 2010, or 120 thousand tons (13.1%) more than in 2009. The biggest growth was in flour production 10.4%) during the last two years. Production of other product groups decreased: cereal grain – by 13.4%, cake and confectionery products – by 2.5%, fresh bread – by 0.15%.

Grain harvest grown in 2006-2010 was sufficient to meet national needs. Most grains are used in stock-raising. 35.6% of grain grown on national farms during the period of 2006-2010 was intended for fodder.

Consumption of grain and their products is growing in Lithuania - domestic consumption grew by 21.6% during the period of 2006-2010. In comparison with 2006, consumption per capita in 2010 was 3.6% higher, while the consumption fund of total population grew by 1.3% during that period.

When the price of grain meanly went up by 44.5% in 2010, cost-effectiveness of their production was 6.6% after having assessed subsidies.

Increased supply of grain in 2010 was nearly 2.3 times (2009 - 2.6 2008 - 2.7 2007 - 1.9 times) higher than the demand for domestic needs. So real economic assumptions for grain purchase prices were created, and along with that - the decline of cost-effectiveness of the industry itself.

In order to create economic conditions for the rise of future grain prices, as far as inflation at least, grain cultivators are recommended to use advance agreements with grain processors or exporters and secure them with advance guarantees that they would be able to sell their future harvest. Knowing the real need for grain, the cultivators could plan crop structure more realistically.

Rapes

The area of 255.9 thousand ha was sown with rape in Lithuania in 2010, or 33.4% more than in 2009.

Rape crops, yield and fertility in 2006-2010

Indicators	2006	2007	2008	2009	2010
Area, thousand ha	150,8	174,4	161,6	191,9	255,9
Yield, thousand ha	169,6	311,9	330,3	415,8	415,2
Fertility, t/ha	1,12	1,79	2,04	2,17	1,62

Crops of winter rape decreased by 13.3%, and summer ones - increased by 91.6%. Reduction of winter rape area was due to unfavourable natural conditions. In the autumn of the year 2010, Lithuanian rape cultivators sowed the area of 101.0 thousand ha with winter rape, but more than half of their crop rotted away due to unfavourable wintering conditions.

Rape fertility and its total yield are influenced significantly due to the fact that the number of farms growing rape within larger areas than 50 hectares is increasing. An average rape crop area of one farm annually increases by nearly 3.5%. As a result, potential for application of advanced technology is improving.

During the year 2010, 397.6 thousand tons of rape was bought from Lithuanian rape cultivators, or 31.1 thousand tons (8.5%) more than in 2009. Because of the increase in capacity of biodiesel production, the need for production of raw materials rose to nearly 300 thousand tons in 2010. Other rape has been used in oil production and export.

In comparison to 2009, export of rape in Lithuania canola increased by 20.5% in 2010. Increase of rape export was due to rising demand for rape on the markets of other countries.

Lithuanian companies processed 189.2 thousand tons of rape in 2010 - by 8.3 thousand tons (4.2 %.) less than during 2009. 4.5 thousand tons of nutritive rape was produced during the year 2010, and the rest part of rape was processed into methyl ester.

There are about 60-70% of soils suitable for rape cultivation in Lithuania. In accordance with requirements of agricultural engineering, their rotation lasts 4-5 years, and, as result, rape areas may make around 20-25% of crops. Thus, Lithuania has the potential for increasing areas of rape crops and to meet the needs of oil and biofuel market as well as to develop export.

Milk

In 2006-2010, the Lithuanian dairy farm was characterized by large fluctuations which were determined by trends of global prices for dairy products, and later - the global economic crisis. Fall in prices for procurement of dairy products in 2009 caused not only reduction of milk production but also its procurement. Shortage of raw materials in milk industry caused a record increase in import of raw milk.

Major part of milk is bought up from farmers and family farms, but relative weight of agricultural companies and enterprises is gradually increasing.

Milk production and procurement in 2006-2010, thousand t

Indicators	2006	2007	2008	2009	2010
Milk produced	1891,3	1937,0	1884,0	1791	1750
Milk bought up					
of natural fat	1296,1	1348,5	1376,1	1274,2	1278,3*
of basic indicators **	1555,2	1628,2	1660,8	1534,3	1540,4

* 4, 15 % of fat, 3, 27 % of proteins

** 3, 4 % of fat, 3, 0 % of proteins

95.5% of all the milk bought up was in line with the EU veterinary and hygienic requirements, average fat content of milk bought up was 4.15%, amount of proteins - 3.27%.

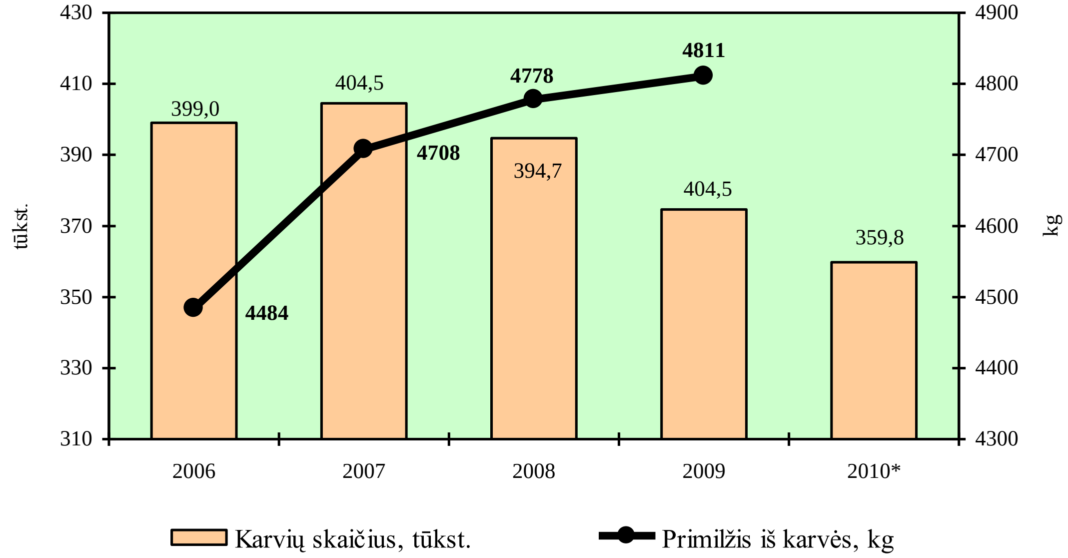
Procurement prices for raw milk ranged mainly due to the fluctuations in global demand for dairy products and, accordingly, the increase or decline in export prices for milk products. In 2010, the price of raw milk has finally left the lowest position as it was before joining the EU and gave it to Romania. The price paid by Lithuania in 2010 was close to the Latvian, but it was significantly lower than of other neighbouring countries. One of the main reasons is the dominance of small-scale milk producers, who are paid under much lower prices than the large ones.

An average Lithuanian dairy farm (3.8 cows) is one of the smallest among the EU countries. From 2006 until the end of 2010, the number of farms growing cows declined by 36%. Mostly, the number of farmers who grow 1-2 and 3-9 cows has declined, and the number of those growing 20 and more cow farms has increased by 24%. But small-scale dairy farms are still dominating. Only 5.9% of national dairy producers grow more than 10 cows. An average productivity is significantly lower than the EU average due to the prevalent small-scale national cow farms.

Dairy farms by number of cows in 2006 and at the end of 2010

Number of cows on farm	2006		2010	
	Number of farms	Number of cows, thousand	Number of farms	Number of cows, thousand
1–2	110080	138,3	69299	85,0
3–9	26831	119,1	16415	75,6
10–19	3441	45,1	3041	40,7
20–29	916	21,6	1042	24,8
30–49	571	21,2	742	27,8
50–99	304	20,1	437	29,2
>=100	190	55,3	230	62,3
In total	142333	420,6	91136	345,3
On the average		3,0		3,8

Number of cows and milk production by one cow in 2006 - at the end of 2010



Karvių skaičius, tūkst.	Number of cows, thousand
Primilžis iš karvės, kg	Milk yield per cow, kg
Tūkst.	Thousand

Production of dairy products. Lithuanian milk processing sector has three dairy group dominated, which received about 70% of total sale revenue of milk processing sector in 2010. The following groups of companies are also major exporters of dairy products. In these latter years, another group of processing companies has developed. Other milk processing companies and their groups are much smaller. However, some of them also have a large part of their production exported.

All Lithuanian milk processing companies and their branches have implemented the EU hygiene and sanitary requirements relating to the food production, and are allowed exporting products to the EU countries. 12 milk processing companies are licensed to export products to Russia, and 9 - to Belarus.

Key indicators of the dairy industry, 2006-2010

Indicators	2006	2007	2008	2009	2010
Number of milk processing companies and their branches	35	34	33	32	31
Number of milk products sold, million LTL	1806,1	2333,9	2294,8	2043,3	2169,0
part from total food production, %	31	35	36	34	37
Export revenue, million LTL	1027,5	1388,7	1328,6	1205,3	1459,5
part from total revenue of food industry, %	57	60	58	59	67

Main axis of Lithuanian dairy industry specialization is cheese production. These products are also prevailing in export structure. During the reporting period, cheese production gives place step by step to other products such as cream, dry milk products, canned milk. Compared with 2006, there was an increase in production of many dairy products in 2010, but the production of non-melted cheese fell by 30%. There was fastest growth in canned milk (69%) and cheese (38%) production.

Activity of four largest Lithuanian milk processing companies listed in Vilnius Stock Exchange was profitable in 2010: profitability reached 4.0%.

Optimistic trends are forecast on the global market of dairy products in the future. This will also have a positive impact on the Lithuanian dairy sector. Slow recovery of Lithuanian economy should also contribute to that.

Meat

Livestock products make up about half of agricultural production (47.6 % in 2010.). The largest part of livestock production is milk (44.8%) and the nurture of cattle and poultry (43. 8%), while the rest (11.4 %) is eggs, wool, honey, wax and other animal production.

The livestock sector is important for the food industry. Technical potential of meat, dairy and other processing companies and allows maximum use of the resources of livestock sector and creation of economic preconditions for the development of this sector. Over the past 20 years, the number of livestock grown in the livestock sector declined by almost 3 times, however, advanced farming during this period led to the formation of potential of new production. About 4.5 billion LTL used for the acquisition of advanced technology and equipment was given for the shake-up and modernization of livestock farms over the last decade.

Number of livestock and poultry in 2006 - the end of 2010, thousand

Livestock species	2006	2007	2008	2009	2010*
Cattle	838,8	787,9	770,9	759,4	740,8
Of them – milch cows	399,0	404,5	394,7	374,6	352,7
Pigs	1127,1	923,2	897,1	928,2	860,4
Poultry	9439,9	9874,8	9107,5	9308,7	11402,3
Sheep	36,6	43,3	47,5	52,5	64,2

** Preliminary data*

According to the agricultural census data of the year 2010, the number of livestock is increasing in companies, and it is decreasing on the farmers' and family farms. Farmers' and family farms grow 86% of cattle, 97% of sheep; while as many as 85% of poultry and 71% of pigs are grown at agricultural companies and enterprises.

Cattle. 740.8 thousand cattle including 48% of dairy cows were kept in Lithuania in summer of 2010. Currently, species of Lithuanian Black and White (73%) and Lithuanian Red (21%) cows are mainly grown in our country.

105 thousand farms raised cattle at the end of 2010, i.e. twice less than five years ago. The number of small farms is decreasing because it is unprofitable to farm with a few cows. One farm had seven cows on the average (in the EU-27 - about 37).

Beef and veal production industry is dependent on trends in the dairy sector. Basically, it is a dairy cattle breeding and slaughter as there are only 5% of beef and crossbreed cow species. In 2010, beef and veal (live weight) made 32.4% of meat production.

In 2008-2010, the export of calves was even 41%. Their export partly regulates the procurement price.

Pigs. According to the agricultural census data by the Department of Statistics, 860.4 thousand pigs were grown in Lithuania in summer of 2010, including sows - 80.5 thousand. Pigs were raised by 62.8 thousand farms. 14 pigs fell to one farm on the average. 71.2% of pigs are grown on large pig farms and companies (61). Their concentration on farms is much greater - 10 thousand. About 1.1 million pigs were raised by pig farmers in 2010, and about a quarter of them were exported to Russia.

Sheep and goats. At the end of 2010, 4.1 thousand farms grew 55 thousand sheep (24.5 thousand of which - ewes with lambs) and 7.3 thousand goats on 3.5 thousand farms (3.5 thousand of them - ewes). During the period of 2005-2010, number of sheep increased by 58% and number of goats – by 8%. Sheep farming in Lithuania is not common in the agricultural industry. 800 tons of mutton was consumed in 2010 (0.3% of all meat).

Poultry. 11.4 million poultry was grown in Lithuania in summer of 2010. During the 7-year period, the highest increase was in number of turkeys, chicken and geese. Concentration of poultry on farms also increased. On average, one farm had 134 poultry. Even up to 85% of all poultry is grown on 36 large poultry farms, an average 268 thousand poultry on each. Their concentration increased by 1.7 times on poultry farms.

Meat production. All farms produced 223.6 thousand tons of livestock and poultry carcass meat in 2010. This is 12% more than in 2009: pork – by 21% more, poultry – by 15% more, beef - 10% less.

234.7 thousand tons of livestock and poultry (live weight) were bought up in 2010 - 9% more than in 2009. Slaughterhouses and meat processing companies bought 154 thousand cattle and received 38.8 thousand tons of carcass meat. Mainly, cows (43%) and bulls (40%) were bought. More bulls (14%) were bought than in 2009, fewer heifers - 18%, cows - 8%, calves - 4%. In 2010, the average price for procurement of cattle was by 8% higher than in 2009.

During the year 2010, slaughterhouses and meat processing companies bought 46% of pigs (508 thousand) raised on all farms. The average price for procurement of pigs was 7% lower than in 2009.

44.2 million poultry was butchered in 2010 (10% more than in 2009). Compared with the year 2009, the average poultry price was by 5% lower. The greatest impact on the price decline had import of Polish chicken.

Processing. About 266.7 thousand tons of meat and meat products received from the purchased cattle and imported meat were produced by processing companies in 2010.

According to preliminary data by the Department of Statistics, meat and meat production was 4% higher in 2010 than a year ago. Mainly, poultry and pork products were produced.

Domestic market. About 27% of beef, 67% of poultry and 82% of pork produced in meat processing plants and workshops were sold on domestic market in 2010.

In 2010, one resident of Lithuania consumed 79 kg of meat and meat products per year. Compared with 2009 - 7 kg more. Consumption was promoted by decline in meat prices in 2010. Residents of the EU countries consume average about a quarter more meat and meat products per year.

Pork is the most popular in Lithuania. In 2010, 45 kg of pork was consumed per capita - so far as the EU average. Poultry consumption in Lithuania also coincides with the EU average; beef consumption is almost twice lower. The use of latter is gradually declining in Lithuania because, like in many new EU countries, the price of this meat goes up very rapidly.

According to meat balance of 2009, the country was provided with cattle by 244%, with poultry – by 96%, and with pork - by 42%.

Sugar beet

In Lithuania, like in other EU countries, sugar production is limited by quotas. Lithuanian quota is 103.01 thousand tons of white sugar. 100.5 thousand tons of sugar was used for domestic needs in 2010.

Regular sugar beet habitats are formed in Lithuania. The country has enough areas suitable for sugar beet growing, and their performance allows reaching 45-50 tons and higher yield per hectare. Sugar beet area in Lithuania has decreased from 18.5 thousand ha in 2006 to 15.4 thousand hectares in 2010.

Two joint-stock companies which owned two sugar production factories were in Lithuania in 2010.

Potatoes

In total Lithuanian structure of agricultural production potato production made 4.6% in 2010. More than 80% of Lithuanian farms are involved in potato growing, but there is significant trend of decrease in crop areas - they have fallen by half within five years, while consumption of potatoes – by 8% (8 kilos per capita per year).

Potato crop area, yield and fertility in 2006-2010

Indicators	2006	2007	2008	2009	2010
Crop area, thousand ha	57,8	52,8	48,4	46,6	36,5
Yield, thousand t	457,1	576,1	716,4	662,5	474,7
Fertility, t/ha	7,9	10,9	14,8	14,2	13,0

Decisions of potato growers to reduce potato crop areas, to switch to growing other agricultural crops in 2010 was determined by low purchase price for potatoes established on the market of late years due to a sufficient yield of potatoes in the whole EU.

Lithuania is almost completely self-sufficient in potatoes. Self-sufficiency in 2010 was 98%. About half of the crop is consumed by residents.

Vegetables

Due to adverse weather conditions for growing vegetables, their harvest was even 41% less in 2010 - the lowest during the period of 2006-2010. Vegetables made 4.2% of total agricultural production.

Field vegetables made 0.7% of all agricultural crops, 14.0 thousand ha of field vegetables have been planted. 98.6% of field vegetables were grown by farmers and only 1.4% by agricultural companies. Root vegetables (carrots, onions, beets, etc.) made 51%, cabbage (84% of them White loaves) - 22% of crops.

Field vegetable crops in 2006-2010, thousand ha

Vegetable species	2006	2007	2008	2009	2010
Vegetables in total	15,5	14,9	14,2	14,1	14,0
of which:					
cabbages	4,6	3,9	3,8	3,5	3,2
cucumbers	0,9	1,0	1,0	0,9	1,5
tomatoes	0,2	0,3	0,3	0,3	0,4
beetroots	2,8	2,4	2,2	2,2	2,0
carrots	3,2	2,7	2,6	2,6	2,3
onions	1,9	2,0	2,0	2,0	1,9

Average fertility of field vegetables in 2006–2010, t/ha

Vegetable species	2006	2007	2008	2009	2010
Vegetables in total	11,6	16,6	19,5	20,7	12,6
cabbages	16,5	25,0	31,1	34,9	
cucumbers	6,9	7,3	7,5	9,8	18,9
tomatoes	5,8	5,3	5,2	6,2	8,1
beetroots	13,3	21,2	24,2	27,6	6,0
carrots	12,8	23,1	22,3	24,4	14,5
onions	6,2	8,6	14,4	10,1	18,7

28% of grown vegetables were bought up in Lithuania in 2010. During the period of 2006-2010, procurement of vegetables increased by 37%. Lower crop of vegetables was caused by rapidly growing prices. All vegetables of the harvest of the year 2010 were growing up.

Up to 80% of vegetables intended for domestic needs was consumed for food in Lithuania. Since Lithuania does not provide for vegetables itself, their supply for Lithuanian consumers is supplemented by imported vegetables.

Prepared or canned products from fruits and vegetables were produced in 2010 by 5% more than in 2009, of which pickled cabbage made 2 times more. Production volumes of fruit and vegetable juice which decreased in 2009, slightly increased in 2010.

Fruits and berries

Relatively small-scale horticultural and berry growing farms are predominant in Lithuania. Within the structure of agricultural production, orchard and berry-field production still makes lower percentage each year.

In 2010, orchards and berry-fields occupied 29.2 thousand hectares in Lithuania, i.e. 1.3% of agricultural landed property. Due to long-lived area loss, there were almost 17 percent less of orchard and berry-fields in 2010 compared to the year 2006.

Mainly, apple trees were grown in Lithuania - 52%, and black currant - 16%, and other seedlings meanly made by 4% of total area of orchards and berry-fields. In comparison to the year 2009, the area of orchards in fruit and berry-fields in 2010 increased by 5%.

Unfavourable natural conditions for gardening and berry growing in 2010 determined that the yield was 37% less than in 2009. Most part of fruit and berry yield collected in 2010 made apples - more than 77%. National average fertility of apple orchards was only 2.8 tons/ha.

In comparison to 2009, purchase volumes of fruit and berries were by 6% higher.

Performance results of fruit and berry processors in 2010 were better than in 2009. Nearly 6% more production was produced. Main products were various jams, marmalades, purees and pastes (more than 27% of total production volume), frozen fruits and berries (16%) and apple juice (almost 11%).

Fruits and berries grown within the country make a small part of their total consumption amount. Mainly, fruits and berries are consumed by residents of Lithuania - about 93%.

Fishery products

81.2 thousand tons of production was produced in fish processing companies in 2010, i.e. it is almost by 10% more than in 2009. Main part in structure of manufactured production traditionally took surimi products - 32%, fish fillets and other fish meat (whether minced or not), and smoked fish (including fillets) – by 17%, fish products or tinned fish (excluding products from surimi) - 12%, fish fillets, dried, salted or in brine (not smoked) - 11%.

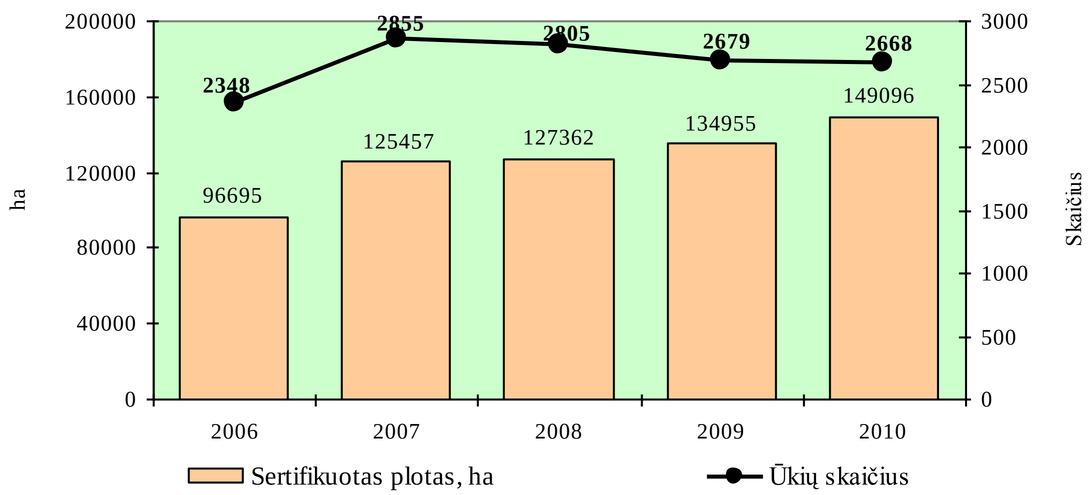
Most of fish processing companies import raw materials. In 2010, 64.9 thousand tons of raw materials were processed in companies, of which the local one made only 6%. Fish caught in the Baltic Sea (2010 - 15.5 thousand tons), Curonian Lagoon and the lower reaches of Nemunas (1.1 thousand tons) as well as the ones grown in aquaculture companies (3.2 thousand tons) is not enough for meeting the needs of raw materials in developed fish processing industry. Cods is one of the most important fish species caught in the Baltic Sea – they are processed in small-scale fish processing companies, and sprats and herrings are processed occasionally. Fish caught in internal waters is usually processed in small fish processing companies located near the fishing sites, or sold directly to consumers, restaurants and cafes. About 96% of fish production grown in aquaculture companies is carps.

Most part of fish processing industry output is sold on foreign markets. In 2006-2010, the value of fish products exported from Lithuanian increased by 1.7 times.

Organic farming

Certified area of organic production in Lithuania in 2010 was 149.1 thousand hectares and made 5.6% of declared agricultural land. In the years 2006-2010, certified area increased by 54.2%, number of farmers decreased by 6.5%. In 2010, there were 2.668 farms (71 certified farms during a year). In comparison to 2009, the area increased by 10.5% in 2010, the number of farms decreased slightly (by 0.4%). In comparison to 2009, certified average farm size (including farms) increased from 50.4 to 55.9 hectares in 2010.

Number of organic farms and certified area in Lithuania, 2006-2010

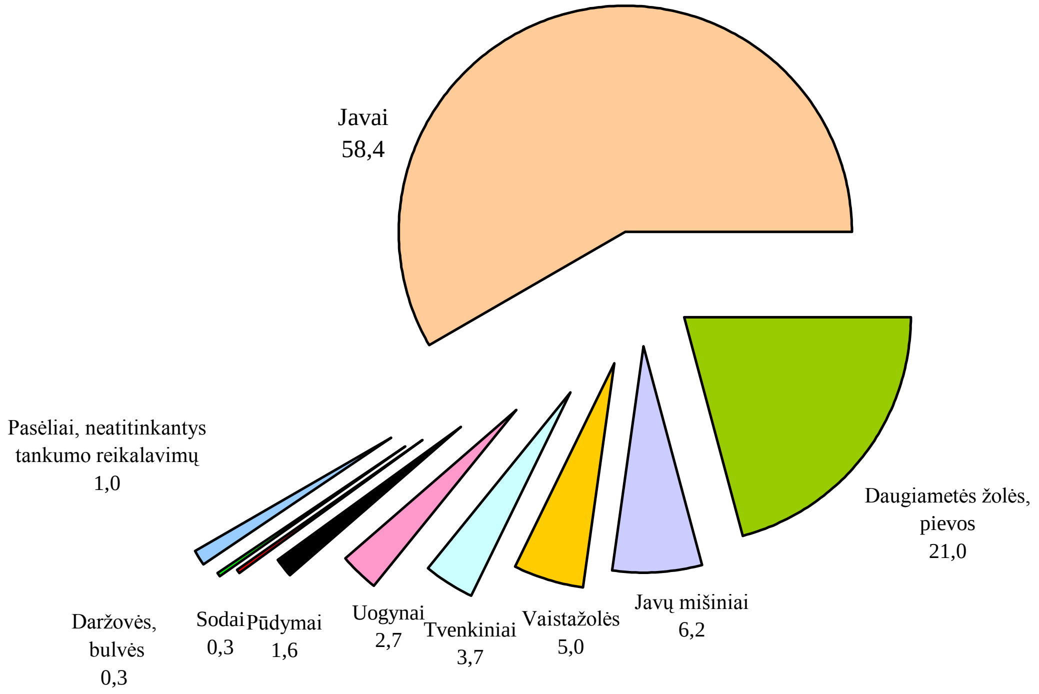


Sertifikuotas plotas	Certified area
Ūkių skaičius	Number of farms
Skaičius	Number

Areas of organic farming are concentrated in less favourable areas. Most part of Lithuanian farmers of organic farming areas (more than 50%) remained concentrated in small farms. More and more farmers work a farm on organic farms' area which is larger than 30 hectares, and the areas occupied by these farms are increasing as well. In 2010, farms of 51-150 hectares made 22% of all organic farms and their area, as in 2009, made 35%. Farms larger than 151 hectares made 8% of organic farms, and their area made 38%.

Major part (58.4% of all certified organic ALP) in the structure of organic crop areas were cereals and legume crops in 2010, though, compared to the year of 2009, their part in the structure fell by 11.1 percentage point. A significant part of the area was also occupied by perennial grasses (21.0%). In comparison to 2009, there was a slight increase in berry-field areas (0.5 percentage points) in 2010, but the areas of garden landed property decreased, and in 2010 they made less than 1% of total certified organic agricultural land.

Structure of ecological areas (including fallow) in 2010



Javai	Grain
Pasėliai, neatitinkantys tankumo reikalavimų	Crops not meeting density requirements
Daržovės, bulvės	Vegetables, potatoes
Sodai	Gardens
Pūdymai	Fallow
Uogynai	Berry-fields
Tvenkiniai	Ponds
Vaistažolės	Herbs
Javų mišiniai	Cereal mixes
Daugiametės žolės, pievos	Perennial grasses, meadows

There were 755 certified livestock farms in Lithuania in 2010. During the period of 2007-2010, the number of certified animals was also growing: compared to 2007, there was the largest increase in poultry (3.6 times), pigs (90.2%), suckler cows (89.9 %) and bull breeders (72.1%) in 2010. Compared to the 2009, the number of and suckler cows grew fast in 2010, 79.4 and 28.5%, respectively, the increase in cattle get up to 2 years old, bull breeders, milch cows and sheep (the latter is grown on farms maximum) was also observed, but the number of horses, goats and rabbits decreased, respectively: 25.4, 22.4 and 14.0%.

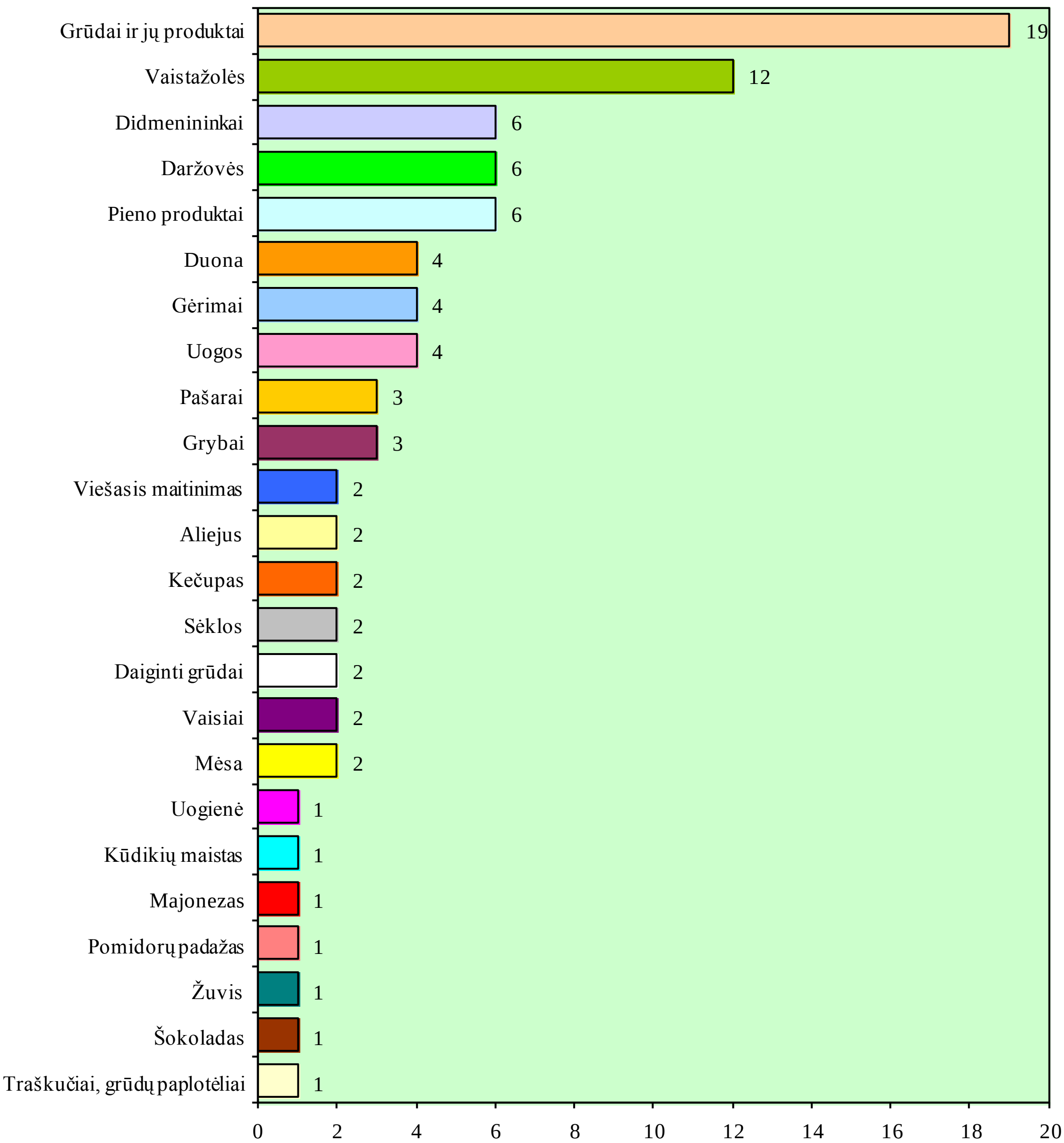
Number of certified livestock on organic farms and farms of transition period in 2006-2010

Animal species	2006	2007	2008	2009	2010
Milch cows	6273	7961	9398	8382	8891
Suckler cows	...	1508	1958	2228	2863

Bull breeders	60	68	88	106	117
Cattle get up to 2 y.	8670	8963	11230	9621	10741
Horses	...	377	453	488	364
Pigs	...	275	279	279	523
Sheep	8507	10539	12777	13001	13683
Goats	659	740	873	755	586
Rabbits	...	239	60	215	185
Poultry	...	751	1076	1510	2709

16 (in 2009 - 15) ecological fishery and 25 ecological beekeeping farms were certified in Lithuania in 2010, or 28.6% less than in 2009.

Number of certified food keepers in accordance with activities in 2010



Grūdai ir jų produktai	Grain and its products
Vaistažolės	Herbs
Didmenininkai	Wholesalers
Daržovės	Vegetables
Pieno produktai	Dairy products
Duona	Bread
Gėrimai	Beverages/drinks
Uogos	Berries
Pašarai	Fodder
Grybai	Mushrooms
Viešasis maitinimas	Catering
Aliejus	Oil
Kečupas	Ketchup
Sėklos	Seed
Daiginti grūdai	Germinated grains
Vaisiai	Fruit
Mėsa	Meat
Uogienė	Jam
Kūdikių maistas	Baby food
Majonezas	Mayonnaise
Pomidorų padažas	Tomato sauce
Žuvis	Fish
Šokoladas	Chocolate
Traškučiai, grūdų paplotėliai	Chips, corn cakes

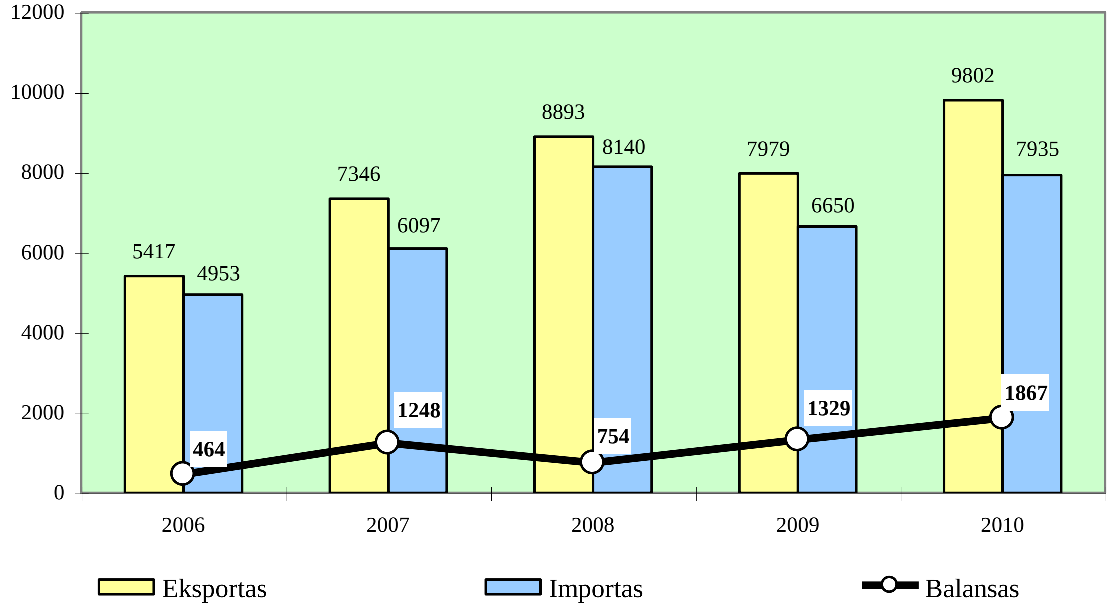
Organic products are more expensive than traditional ones, with the exception of organic triticale, which was 2.9 times cheaper than traditional ones in 2010. The greatest differences in purchase prices for organic and traditional crop production in 2010, like in 2009, were during the purchase of organic rye. Compared to 2009, there was a weak gap between the purchase prices for organic and traditional crop production in 2010, which was determined by a significant increase in purchase price for traditional cereal grain in 2010.

Organic food is becoming increasingly popular, its production and consumption continues to grow, and this also has a positive impact on sustainable agricultural development

Export and import

In 2010, Lithuanian agricultural operators and food industry sector began to recover after the world-wide economic crisis of 2008. Export volumes were rapidly increasing, and amounted 9.802 billion LTL. Compared to 2009, export has grown by 22.8%.

Export and import of agricultural and food industry products, and balance of foreign trade, 2006-2010, million LTL



Eksportas	Export
Importas	Import
Balansas	Balance

When assessing opportunities for Lithuanian agricultural and food industry export, it can be said that the sector has entrenched itself on the EU markets. Main axis of agricultural and food industry export remained the EU countries even during the crisis.

Although, compared to the year 2009, export value of these products to EU countries increased by 5.9604 billion LTL and increased by 16.3%, but in 2010, the part of export to the EU countries decreased by 3.4% percentage points (it made 60.8% of total export of agricultural and food products).

Export to the third countries (non EU members) increased by more than 1.3 times and amounted at 3.8415 billion LTL. Although export geography has expanded, but greater part of export to the third countries - nearly 70% – fell to one country - Russia. Tight ties and close food consumption traditions of both countries high quality and good reputation of Lithuanian products on the Russian market helps to increase export to this country year by year. However, in order to reduce the risk, it is necessary to look for new markets.

The assessment of agriculture and food export to individual countries indicates that, in addition to Russia, which received 27% of total export, Latvia (14%), Germany (10%), Poland (5.8%) and Estonia (4.8%) can be attributed to major export markets.

Trade in agricultural and food products is an increasing part in the whole of Lithuanian foreign trade. In 2010, 18.1% of total merchandise export fell to export of agricultural and food products, and to import - 13% of total import.

Part of trade in agricultural and food products from total Lithuania's foreign trade in 2006-2010, %

Indicators	Group of countries	2006	2007	2008	2009	2010*
Export	In total	13,9	17,0	16,0	19,6	18,1
	EU	14,3	17,6	15,3	19,6	18,0
	Third countries	13,3	15,9	17,2	19,6	18,2
	CIS	18,3	18,6	20,4	22,4	20,9
Import	In total	9,3	9,9	11,1	14,7	13,0
	EU	11,7	11,9	16,0	20,5	19,5
	Third countries	5,2	5,5	4,6	6,2	4,5
	CIS	2,6	3,2	2,7	3,2	2,3
Turnover	In total	11,3	12,9	13,3	17,0	15,4
	EU	12,8	14,2	15,7	20,1	18,8
	Third countries	8,6	10,1	9,8	12,1	10,6
	CIS	8,2	10,0	9,2	10,7	9,7

* Preliminary data

Like in previous years, export of milk products made 1.399 billion LTL (14.3% of total export of agricultural and food products), 96% of them was produced in Lithuania. Compared with 2009, export of milk and dairy products increased by 1.3 times.

Net export of dairy products in 2006-2010, million LTL

Products	2006	2007	2008	2009	2010
Non-concentrated milk and cream	146,9	275,3	180,2	177,5	291,3
Concentrated milk and cream	110,3	230,5	189,1	163,4	256,2
Fat-free milk powder	79,2	168,3	79,8	66,5	151,2
Full cream milk powder	1,3	3,5	21,5	30,7	28,9
Sugar-free condensed milk	6,6	28,5	34,1	25,1	42,4
Condensed milk with sugar	23,2	30,0	47,5	40,4	33,4
Fermented or acidified milk and cream	9,9	13,8	15,6	15,2	16,8
Yogurt	1,8	2,3	2,2	2,3	2,8
Whey and products of natural milk components	58,1	93,0	63,7	61,0	82,9
Butter and other milk fats and oils, milk pastes	86,1	69,5	52,2	39,8	33,5
Curd and cheese	570,9	646,0	782,8	647,9	718,4

Products	2006	2007	2008	2009	2010
Fresh cheese and curd	136,8	199,4	268,9	252,9	293,7
Other cheese	431,2	444,0	509,2	391,5	416,8
Ice cream	26,2	30,6	31,5	34,4	42,3
Casein	3,3	0,9	9,0	3,2	0,03
Lactose	15,8	29,1	15,6	12,0	18,1

Most of dairy products have been exported to Russia - 33% of total export of dairy products. Export to Italy made 16% of total export of dairy products, to Poland - 14% and to Germany - 11%.

Export of grain raised in Lithuania made 1.365 million tons for 801 million LTL. In comparison to 2009, amount decreased by 23%, export value –only by 6.2%. Main reasons - structural change in export and rise in prices.

Export of cereal grains and their products, 2006-2010, thousand t

Products	2006	2007	2008	2009	2010
Cereal grain	737,9	722,5	1608,3	1778,8	1379,2
wheat	406,7	438,4	1129,9	1275,6	1115,1
rye	10,3	24,1	60,1	118,2	20,8
barley	302,2	227,6	316,1	189,0	154,1
Milling production	58,5	113,7	141,9	147,5	159,9
wheat flour	18,5	13,1	6,8	11,3	14,9
rye flour	0,6	1,3	1,1	0,7	0,7
cereal grain	3,8	2,9	3,1	4,2	3,9

1.115 million tons of wheat, 154 thousand tons of barley, 21 thousand tons of rye, 534 tons of buckwheat was exported in 2010. 24% of wheat grown in Lithuania was exported both to Latvia and Saudi Arabia, 12% - to Turkey, 11% - to Germany. Most barley was exported to Latvia (63%) and Poland (12%). Most buckwheat was exported to Sweden (56%), Latvia (17%) and Spain (11%). 83% of rye was exported to Latvia (44%), Spain (22%) and Finland (17%).

Meat and meat products of Lithuanian origin were exported for 526 million LTL in 2010 - 15% more than in 2009. Traditionally, most part of export was beef (it made 49% of total exported meat and products) and poultry (by 28%). Export of beef and veal made 26.1 thousand tons - 351 tons more than the in 2009, while the average export price increased by 7.4%. Export of Lithuanian pork made 2.6 thousand tons, which amounted 56% of total export of pork. Traditional products made 14% of meat and meat products for export.

Meat export by sorts, 2006-2010, thousand t

Meat sorts	2006	2007	2008	2009	2010*

Meat sorts	2006	2007	2008	2009	2010*
Meat, in total	56,1	79,3	74,0	71,4	80,0
of which:					
beef	27,0	35,5	30,9	29,7	30,0
pork	6,3	12,6	13,6	12,9	15,0
poultry	17,4	21,6	19,9	22,4	29,0

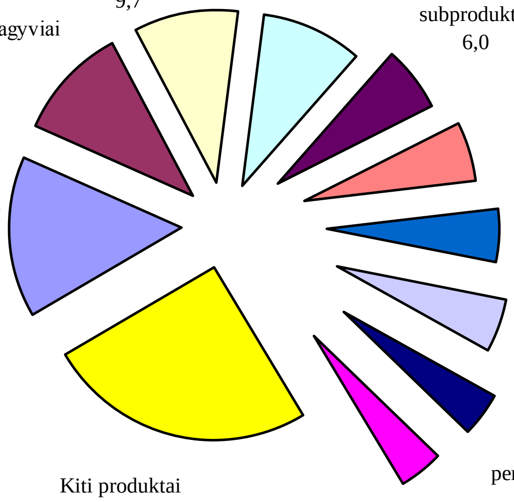
43% of Lithuanian cattle meat was exported to Russia, 11% - to Sweden, by 10% – to the Netherlands and Italy. Most poultry was exported to the Netherlands (25% of total export of Lithuanian meat), Latvia (22%), the United Kingdom (15%), Estonia (13%) and France (11%). 70% of pork was exported to Latvia (56%) and Estonia (14%).

Export of products of Lithuanian origin to the EU countries was for a 4.981 billion LTL - 73% of total export of agricultural and food products of Lithuanian origin. Compared to 2009, Lithuanian export to the EU countries increased by 18%. Various dairy products of Lithuanian origin (for 851 million LTL), products and tinned fish (480 million LTL), made-up fodder for animals (391 million LTL), fish (260 million LTL) were exported most. 21.1 thousand tons of Lithuanian meat for 149 million LTL and 26.1 thousand tons of beef for 260 million LTL were exported as well.

Export of agricultural and food production of Lithuanian origin to the Commonwealth of Independent States (CIS) countries increased by 15% and amounted 1.073 billion LTL, or 58% of export of respective products to the third countries. Main export was milk products of Lithuanian origin - for 447 million LTL (made 42% of total export of products of Lithuanian origin to CIS countries), and meat - for 124 million LTL (12%), pigs - 254 thousand for 103 million LTL (9.6%), fodder products for animals - for 96 million LTL (8.9%). Value of these products made 72% of value of products of Lithuanian origin exported to the CIS countries.

Key partners of total export of agricultural and food products (Lithuanian and of non-Lithuanian origin) were Russia (27% of total export of agricultural and food products), Latvia (14%), Germany (10%), Poland (5.8%), Estonia (4.8%). Exports to these countries made 62% of total export of agricultural and food products. During corresponding period, export to Saudi Arabia increased by 3.8, to Kazakhstan – by 3.7, to Romania – by 2.2, to Norway – by 1.8 and to Ukraine - by 1.5 times.

Structure of agricultural and food production import in 2010, %



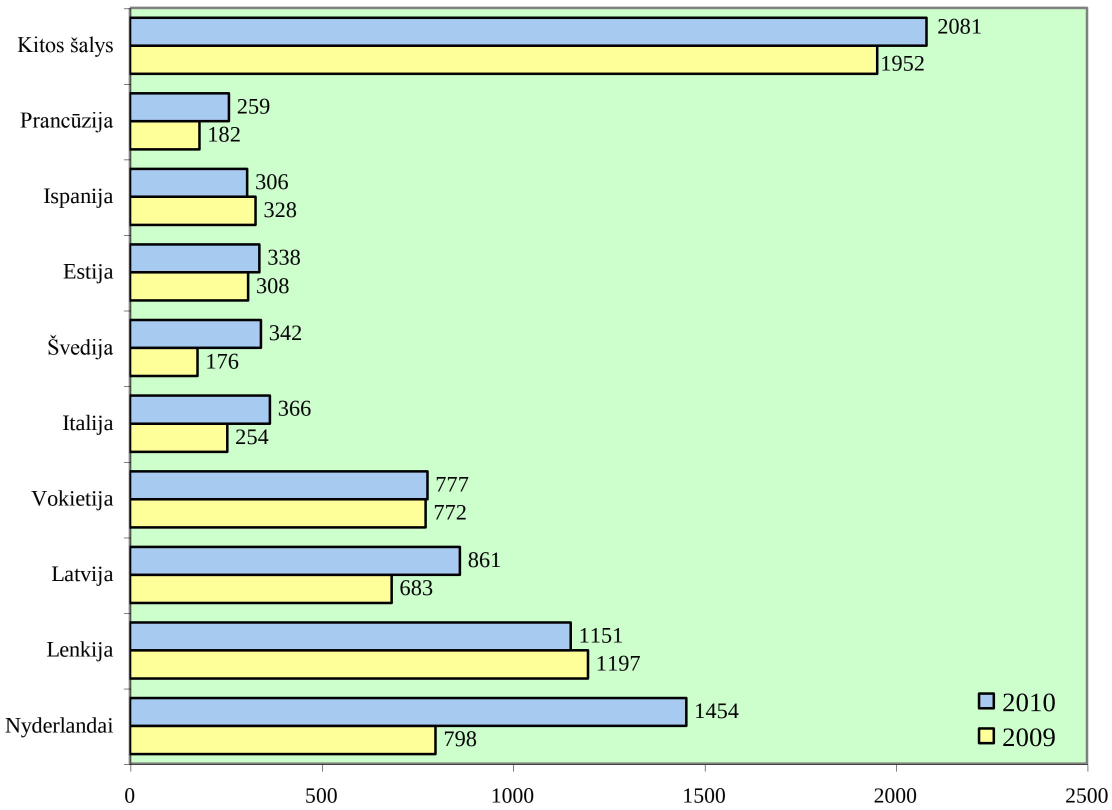
Valgomieji vaisiai ir riešutai	Edible fruits and nuts
Žuvys ir vėžiagyviai	Fish and shellfish
Nealkoholiniai ir alkoholiniai gėrimai bei actas	Non-alcohol and alcohol drinks and vinegar
Valgomosios daržovės	Edible vegetables
Mėdžsa ir valgomieji mėsos produktai	Meat and edible meat products
Pienas ir pieno produktai; paukščių kiaušiniai; natūralus medus	Milk and milk products, bird eggs, natural honey
Įvairūs maisto produktai	Various food products
Maisto pramonės liekanos ir atliekos; paruošti pašarai gyvuliams	Food industry residues and waste, ready fed for animals
Tabakas ir perdirbti tabako pakaitai	Tobacco and processed tobacco substitutes
Gyvūniniai ir augaliniai riebalai	Animal and vegetable fats
Kiti produktai	Other products

Import from EU countries made 85% (6.736 billion LTL) of the total import of agricultural and food production. Greater part of import was from old EU member states (EU-15) – 4.120 billion LTL, and it made 61% of agricultural and food production import from the EU. In comparison to 2009, the part of agricultural and food products decreased by 1.1% percentage points in 2010, and made 19.2% of total import from EU countries.

Import from third countries increased by 50 million LTL, but its part decreased by 3% percentage points and made 1.2 billion LTL. Agricultural and food products made 4.5% of total import from third countries.

In 2010, most agricultural and food products were imported from the Netherlands - 18%. Second place takes Poland (15%).

Import of agricultural and food products according to countries in 2009 and 2010, million LTL



Kitos šalys	Other countries
Prancūzija	France
Ispanija	Spain
Estija	Estonia
Švedija	Sweden
Italija	Italy
Vokietija	Germany
Latvija	Latvia
Lenkija	Poland
Nyderlandai	The Netherlands

2010 Imports from Latvia grew by almost 1.3 times and made 11% of agricultural and food production import to Lithuania. Mainly, dairy products were imported - 90% of them made raw milk.

Compared to 2009, import from Germany has increased slightly - by 5.3 million LTL. 22% of import from this country included fish – its amount made 138 million LTL, or was 1.4 times more.

Value of products imported from the Netherlands, Poland, Latvia and Germany made more than 50% of total value of imported products.

Balance of foreign trade in agricultural and food products in 2010 was positive, amounting to 1.867 billion LTL and exceeded positive balance of the year 2009 by 1.4 times.

Trade balance with the EU countries, like in 2009, was negative; the deficit increased from 390 to 752 million LTL. Trade excess which had been with third countries increased from 1.15 billion LTL up to 1.2 billion LTL during comparable period.

The greatest excess was in trade with Russia (2.536 billion LTL), Latvia (507 million LTL), the United Kingdom (282 million LTL), Germany (216 million LTL), the greatest deficit was during the trade with the Netherlands (1.189 billion LTL), Poland (580 million LTL), Spain (181 million LTL) and Ukraine (132 million LTL).

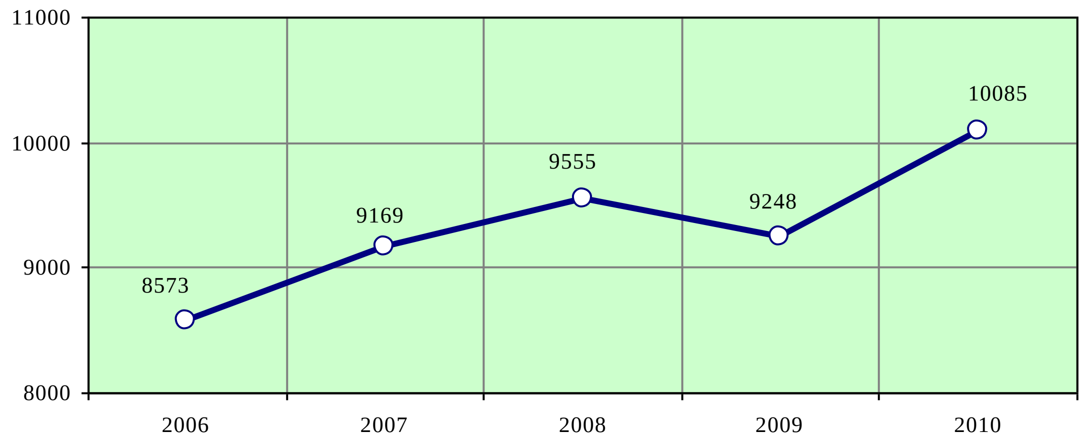
Due to objective processes of globalization, significance of trade for the global economy will grow additionally. Preconditions for that are formed by cheaper and faster transportation, ability to communicate more easily, development of internet. Numbers of growing international agreements that liberalize trade flows, reduce or completely remove tariff-walls and non-tariff-walls are and will be of great importance.

Rural tourism and alternative businesses

In these latter years, significance and necessity of economic diversification in rural areas is determined by declining number of population employed in agricultural businesses. The part of those engaged in agriculture in Lithuania (including hunting, forestry and fisheries) amounted to 9% of total national employed population in 2010. Even in rural areas, farming is no longer a dominant economic activity. Only 30% of rural employed population worked in these kinds of activities in 2010.

During the period of 2006-2010, there was a growing number of SMEs in rural areas: in 2010, in the village there were over 10 thousand SMEs, 78% of which were micro-enterprises (enterprises with up to 10 employees). During the aforesaid period, the number of SMEs in rural areas increased by 1.2 times. In 2010, 9.4 SMEs fell to 1,000 rural residents on the average.

Number of small and medium-sized enterprises in rural areas in 2006-2010, units

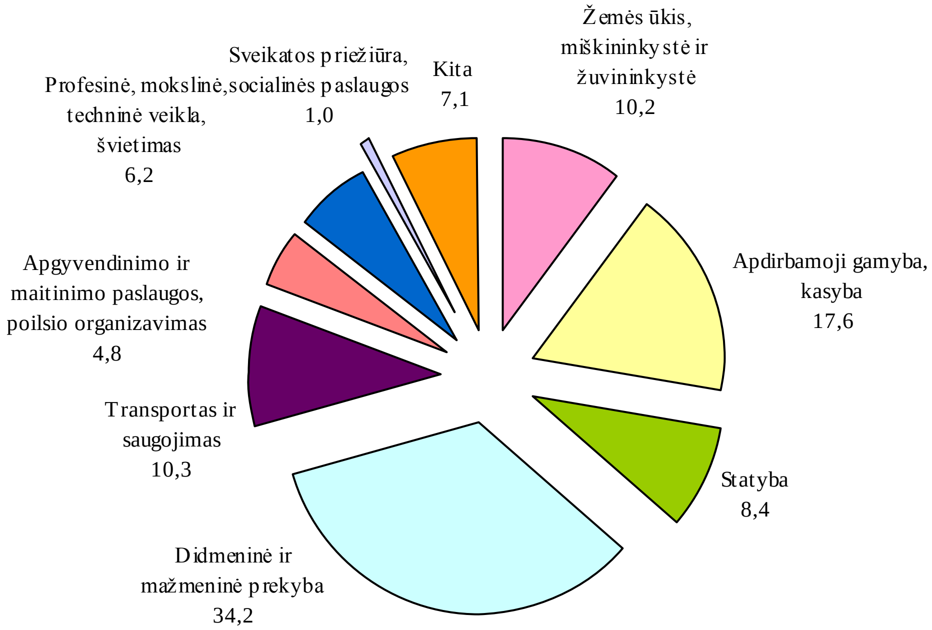


Rural SMEs made 15% of number of SMEs operating in Lithuania. This indicates that the business will continue its development in urban areas, where there is a bigger market, more attention is paid to the development of infrastructure, more favourable conditions for nurture of entrepreneurship among the population and the qualification of human resources is higher than in rural areas.

Service companies are prevailing among the Lithuanian rural SMEs under the types of economic activity. Most of them are engaged in trade, provision of food and accommodation and other services. In 2010, these companies made more than half of all rural SMEs. Over the past three years, companies providing recreation, education, transport and storage services were established in rural areas most.

In 2010, SMEs employed 97.3 thousand of employees, or 27% of total rural population (compared to 2009, by one percentage point less). On average, 1 micro-enterprise had 3, small one - 20, and middle-sized - 93 employees.

Structure of rural small and medium-sized enterprises by types of economic activity in 2010, %



Didmeninė ir mažmeninė prekyba	Wholesale and retail trade
Transportas ir saugojimas	Transport and storage
Apgyvendinimo ir maitinimo paslaugos, poilsio organizavimas	Accommodation and food services, organization of recreation
Profesinė, mokslinė, techninė veikla, švietimas	Professional, scientific, technical activities, education
Sveikatos priežiūra, socialinės paslaugos	Health care, social services
Kita	Other
Žemės ūkis, miškininkystė ir žuvininkystė	Agriculture, forestry and fishery
Apdirbamoji gamyba, kasyba	Manufacturing, mining
Statyba	Construction

Recently, rural tourism has been successfully developed in rural areas of Lithuania, particularly where there are places less suitable for agriculture business and which are distinguished by rich natural landscape, and is one of the fastest developing alternative activities to agricultural ones in rural areas. However, due to the economic crisis, number of rural tourism homesteads stopped growing rapidly. Number of places there rose by 191 units. On the average, one homestead had 21 places.

Rapid development of rural tourism sector, increasing competition, prolonged economic downturn reduced the flow of people visiting rural tourism homesteads. 227.5 thousand persons visited rural tourism homesteads in 2010 – this is the least number during the period of 2006-2010. The number bed and breakfast provided to Lithuanian people and especially foreigners was also decreasing (compared with 2006, it decreased by 51%).

One of the main sources of additional revenue provision could also be sale of national heritage products to tourists (traditional food products, handicrafts, souvenirs and other works by craftsmen). The craft is seen not only as a nurturance of ethnic culture end in itself – the aim is to provide works by craftsmen with contemporary significance and to promote the craft to become business.

67 crafts and their products historically formed in Lithuania are included in the inventory classification of traditional crafts and classifier of traditional handicrafts in Lithuania. 884 traditional products are recognized as National Heritage in total (50% of them are certified traditional food products), 48 species of traditional food crops and their products, 11 traditional species of animals, 15 training programmes on traditional crafts. There are 63 certified and recognized craftsmen.

Lithuania

Independence of the Republic of Lithuania was declared on 16 February 1918, and reclaimed on 11 March 1990. Lithuania became the member of the United Nations in 1991, and the member of NATO and the European Union in 2004.

Lithuania covers the area of 65.3 thousand km^2. The territory is divided into 10 counties and 60 municipalities. Its population is 3 million 287 thousand, and one third of it live in rural areas.

Gross domestic product in 2010 made 94.6 billion litas. Most of the gross added value in 2010 was generated by trade, hotels and restaurants, transport, storage and communication sectors – 33.5%, by industry - 22.3%, by public administration, social services and communal activities - 19.1%, by financial intermediation, real estate, lease and fields of other business - 16.1%, construction - 9.7%. 3.4% of national GDP was created by agriculture, hunting, forestry and fishery.

Balance of Lithuanian foreign trade: in 2010, import made 60.9 and export - 54.3 billion Litas.

Foreign direct investments in 2010 made 35.1 billion LTL, the largest investments were in manufacturing - 28.6%, information and communication - 12.9%, wholesale and retail trade - 12,9%, financial and insurance activity - 12.6%, real estate transactions - 10.2%. Foreign investments in agriculture, hunting, forestry and fishery made 0.9% of total investments.

Agricultural land cover 53%, forests - 32, 6%, water – 4%, built-up areas - 2.8%, roads – 2% of state territory. Protected areas cover 12% of national area.

Area of an average farm is 13.8 hectares. Farmer and family farms cover 12 hectares on average, agricultural companies and enterprises - 573 ha.

Agricultural products for 6.188 billion LTL were produced in Lithuania in 2010, plant-growing sector made 3.2% and livestock sector - 2.9 billion LTL.

Information is based on the publication “Lithuanian agriculture and food industry in 2010”, V., 2011 by Lithuanian Institute of Agrarian Economics. Also data by the Department of Statistics under the Government of the Republic of Lithuania, Eurostat, SE Agricultural Information and Rural Business Centre, PE “Ekoagros” and National Paying Agency was used.