



Agri-Food Past, Present & Future Report

Lithuania

January 2006



The Government of Canada has prepared this report based on primary and secondary sources of information. Readers should take note that the Government of Canada does not guarantee the accuracy of any of the information contained in this report, nor does it necessarily endorse the organizations listed herein. Readers should independently verify the accuracy and reliability of the information. This report is intended as a concise overview of the market for those interested in its potential and is not intended to provide in-depth analysis which may be required by the individual exporter. Although every effort has been made to ensure that the information is correct, Agriculture and Agri-Food Canada assumes no responsibility for its accuracy, reliability, or for any decisions arising from the information contained herein.

Please address any comments or suggestions you have on this report to:

Ben Berry – berryb@agr.gc.ca

Lithuania

Past Present & Future Report January 2006

Overview

Lithuania, with approximately 3.5 million residents, is the largest and most populous of the 3 Baltic States. Currently, Lithuania is one of the fastest growing economies in Europe. As of May 1st, 2004, Lithuania became part of the European Union (EU). A focus on regional and international integration has earned Lithuania membership to the WTO in 2001, and NATO and the EU in 2004.

Over the past 10 years, Lithuania has embarked on a comprehensive program for economic reform to increase confidence and strength in its economy. This growing economy is not only appealing for Canadian producers to fill Lithuanian niche markets, but also as a strategic gateway into larger more attractive markets such as Russia, Belarus and other Baltic countries.

Canada - Lithuania Relations

Relations between Canada and Lithuania are positive and strengthened by an active Lithuanian community in Canada. Bilateral trade between Canada and Lithuania has grown 20 times since Lithuania's re-established independence in 1991.

The Canadian International Development Agency (CIDA) has provided funding to help Lithuania develop an effective public sector; stimulate the private sector; assist in the transition to a market economy; and to facilitate trade and investment linkages. Canada has also provided assistance to initiate better community policing, HIV/AIDS prevention, and the integration of ethnic minorities.

With Lithuania's accession to the EU, Canada's monetary funding is coming to an end. Now, a new era of Canada – Lithuania relations can ensue, beginning with an agreement signed to jointly fund development projects in third world countries.

Canada-Lithuania Bilateral Trade (2005)	
Lithuania Total Trade	US\$24.3 billion
Exports	US\$11.0 billion
Imports	US\$13.3 billion
Trade balance	(US\$ 2.3 billion)
Canada- Lithuania Trade	\$543.6 million
Exports	\$31.2 million
Imports	\$512.4 million
Trade balance	(\$481.2 million)
Canada- Lithuania Ag Trade	\$11.1 million
Exports	\$10.6 million
Imports	\$0.5 million
Trade balance	\$10.1 million

- Canada/Lithuania bilateral trade has grown from \$10 million in 1994 to \$544 million in 2005. Canada holds a significant negative trade balance with Lithuania.
- Canadian investment in Lithuania is approximately \$50 million, largely concentrated in the manufacturing sector.
- Top Canadian exports to Lithuania are seafood, electrical and signalling systems, security equipment, wood products and automotive and marine parts.
- Top Canadian imports from Lithuania are petroleum and related products, furniture, chemicals, enzymes and textile products.

Agricultural Trade

Most of Lithuanian agriculture is at the subsistence level. Due to a lack of technology and financial resources, domestic producers have a difficult time competing with low cost, quality imports. Generally, Lithuanian production focuses on meeting domestic consumption needs, although it does export certain goods to the eastern European market. Only 20% of food products consumed in Lithuania are imported.

Although production levels of milk, fish and meat products satisfy domestic demand, the Lithuanian government often responds to low grain yields by importing emergency shipments. In recent years Canada has supplied maize to supplement low domestic yields of the commodity commonly is used in food processing.

Domestic shifts towards maintaining a "healthy lifestyle" and a growing tourist industry have resulted in increased opportunities for quality, portion controlled products. Despite growth in demand for quality processed goods, current processing abilities in Lithuania are limited. Lithuanian food processors and international investors have begun to import modern processing equipment to update facilities. In the future, the import market for raw materials used in food processing is expected to grow significantly as a result of these advancements.

Post accession agricultural imports and exports have increased by more than one fifth when compared to pre-accession. Lithuanian trade with the EU has increased substantially, while trade with the rest of the world decreased only slightly. Animal product, vegetables, oils and prepared food imports made the greatest gains of approximately 60% combined.

Canada's Top 5 Agricultural Exports to Lithuania (2005)	
Mackerel, frozen	\$2.1 million
Shrimps & prawns, frozen	\$1.7 million
Hake, frozen	\$1.6 million
Animal feed preparations, nes	\$657,000
Sardines, frozen	\$535,000

Complete statistical summary available:
http://www.ats.agr.gc.ca/stats/lithuania_e.pdf

- Total Canada/Lithuania agri-food trade was valued at over \$11.1 million in 2005. Agricultural trade represents approximately 2% of total trade between the two countries.
- Bulk exports to Lithuania in 2005 totalled only \$16,000, representing a 97.5% drop from 2004 exports of \$648,000 which was comprised of mostly oilseed shipments. Intermediate exports totalled over \$1.2 million in 2005 an increase of more than 300% due to an increase of the shipment of food industry residues and waste (77% share of intermediate exports) and animal product exports. Consumer oriented shipments were valued at over \$2.1 million in 2005, an increase of almost 90%, driven by meats, and dairy products and eggs, which was a new export from Canada to Lithuania in 2005.
- Top agri-food exports to Lithuania were frozen mackerel, accounting for more than one fifth of agri-food exports, along with frozen shrimps and prawns, and frozen hake, which accounted for over 16% of Canadian agri-food exports to Lithuania each.
- In the past, sunflower seeds, food preparations and cured pork cuts have been significant Canadian exports to Lithuania.
- Besides Canada's top exports, Lithuania largely imports baby food, special and medical purpose food stuffs, sugars and sweeteners, prepared food, roasted coffee, soya bean cakes, flax fibre and wine.
- Top prospects in the Lithuanian food industry include fruits, nuts, oil and margarine, fish and fish products, animal feed, coffee, tea, spices, and vegetables.
- Top Canadian imports from Lithuania in 2005 were frozen Patagonian toothfish fillets and inactive yeasts, each representing over 22% of agri-food imports from Lithuania.
- Increased disposable income, higher restaurant spending and a greater need for convenience will create new opportunities for Canadian food exporters.

Economy

Lithuania's impressive economic growth owes its success to minimizing its dependence upon Russia, greater investment and its accession to the EU. Since gaining independence from the Soviet Union, Lithuania has worked at transitioning to a market economy; establishing a central bank and currency (the lita); forming a democratic government; developing a private banking sector; improving capital market infrastructure; and initiating mass privatization. The private sector is now responsible for over 80% of Lithuania's GDP.

By establishing and maintaining fiscal control and developing strong foreign relations, Lithuania has opened its doors to the world. Lithuania is hoping to take full advantage of its membership in the EU, by adopting the Euro as its currency as early as 2007. The lita has increased in value by over 30% since being pegged to the Euro in 2002.

Until the late 1990's, Lithuania's economy was heavily dependant on the Russian economy. Great efforts have been made to lower this dependence and shift economic focus towards the EU. After rebounding from the 1998 Russian financial crisis, Lithuania's economy is now one of the fastest growing economies in Europe. Higher wages and increased consumption have increased GDP and trade. The service sector has reached a 62% contribution to GDP in 2005, growing more than 20% since 1992.

The EU-25 now accounts for over three quarters of total investment in Lithuania. Top investing companies are focusing on providing luxury goods to the market. Since accession, Lithuania's trade balance with the EU-25 has increased while their trade balance with third countries has dropped.

Gross Domestic Product (2005)	
GDP	US\$23.8 billion
GDP growth	(2005) 5.7% (2006e) 6%
GDP/ capita	US\$6,926
GDP/ capita (PPP)	US\$13,700

Current

- GDP growth has been above 5% annually since 2000. Growth is expected to stay relatively steady with current conditions.
- GDP reached a value of almost US\$24 billion in 2005.

Forecast

- GDP growth is expected to stay in the 5-6% range over the medium term.
- Although 2004 inflation was relatively low at 1.4%, inflation is expected to rise to the 2.5% range by early 2006 as a result of increasing energy costs and rising salaries.
- The current account deficit is expected to stay in the range of 7-9% of GDP for the next few years. By committing to adopt the Euro, Lithuania will have to implement strategies to maintain a fiscal deficit lower than 3% of GDP.
- The unemployment rate declined from over 10% in 2003 to around 6% in 2005 and continued decline is projected.
- Growing domestic consumption, increased investment and industrial sector restructuring is fuelling this strong recovering economy.

Consumer Market

Typical of a growing economy, Lithuania is experiencing an increase in demand for services and higher spending on nonessential items. As the economy grows, wages are increasing at a fast pace, as average monthly earnings rose from close to \$400 in 2001 to almost \$500 in 2005. Disposable income is also increasing due to substantial reductions of personal income taxes.

Food expenditure is increasing, while food prices in general have decreased for several years running. Food spending per person has reached almost \$70 per month (close to 40% of income). The average Lithuanian consumer spends approximately 90% of total expenditure at hypermarkets and visit on average every other day.

Lithuania's food retail market is quickly consolidating, with large retail chains spreading into neighbouring European countries. The five largest food retailers make up over 70% of retail sales, with the largest retailer controlling over 300 stores in five countries. Almost ten thousand retail outlets serve the agri-food market in Lithuania. Currently, there is really only one North American company that has entered the restaurant industry in Lithuania.

Some of the most popular Lithuanian foods are beef, pork, chicken, and potato dishes. Consumption of foreign cuisines such as French, Italian, Russian, and especially Asian is on the increase. Frequenting pizzerias is becoming increasingly popular. Smaller portions and prepared food consumption is increasing due to the demand by the large number of small households in Lithuania. It is expected that eating habits and trends will shift away from traditional meat and potato meals towards more exotic foods, as Lithuania adopts western style tastes along with a more western style economy.

- 24% Lithuanian of households are classified as single occupant and 5.7% being classified as single parent. The average age of the population is rapidly increasing.
- As of 2002, approximately 67% of residents were urban and 33% lived in rural areas.
- Price and place of origin are the most important factors when purchasing food products. Domestic products, which are often seen as higher quality, are generally preferred over imports.
- Quality and brand names are more significant to those with discretionary income. Higher quality products are in increasing demand as the average consumer wealth grows.
- Consumers are putting an increasing premium on product quality, innovative, safe and environmentally friendly technologies.
- Approximately 60% of food products are purchased in supermarkets, 30% in convenience stores and 10% in traditional markets. Other outlets include kiosks and gas stations. Supermarkets and supercenters are increasingly becoming the norm for everyday food purchases.
- Traditional markets are still preferred sources of fresh produce and meats.
- Recent surveys of supermarket consumers have net complaints about the availability of exotic spices, sauces and some wines. These shortages pose opportunities for Canadian food exporters in these specific categories.
- Consumers have been concerned about BSE, and Avian Flu outbreaks in Europe and Asia, and are increasingly weary of genetically modified food products.
- The number of restaurants and bars increased almost 20% between 1995 and 2005.
- The hotel and restaurant and catering industry is rapidly growing. In 2004 alone, restaurant sales were valued at over US\$200 million, a result of a growing tourist industry.

Competitors

Since 1998 Lithuania's main trade locus has shifted away from Russia. Historically, Russia had been their main trading partner, but with Lithuania's accession into the EU, trade is becoming less important with Russia and much more important with neighbouring member states in the EU.

Currently, Lithuania has commercial relations with more than 160 countries. Lithuania has free trade agreements with 20 nations and has signed Most Favoured Nation Agreements with 22 additional countries. Many of the free trade agreements are with European nations who are geographically close to Lithuania.

- Lithuania's top import sources, and Canada's top competition, are Germany (17%), Poland (14%), The Netherlands (13%), Latvia (12%), and Estonia (10%). Other top exporters include Denmark, Austria and the U.S.
- Germany typically exports soybean oil, coffee, baby food, and special and medical foodstuffs to Lithuania.
- Lithuania generally imports pork, coffee and apples from Poland.
- Imports from The Netherlands include poultry, citrus fruits and nuts.
- Almost half of agri-food imports destined for Lithuania are from the EU, and almost one quarter come from Russia.
- Due to Lithuania's geographic location, market penetration may be easier for European countries that have the geographic advantage of being closer to the Lithuanian market.

Access Issues

Due to its growing economy, Lithuania is a prime market to enter now to gain contacts and preferred market access. Companies are encouraged to take advantage of the market sooner than later. Making early contacts and relations may benefit Canadian exporters down the road, as the Lithuanian economy continues to grow. Firms must remember this market may also serve as a springboard into other Eastern European markets.

Canadian firms are encouraged to take advantage of the Canadian Trade Commissioner Service which can assist Canadian firms to access business opportunities in the Baltic region www.infoexport.gc.ca/Entry.jsp and register with the Virtual Trade Commissioner Service. The services of the Canadian Embassy to Lithuania, Latvia and Estonia are also available for use www.dfait-maeci.gc.ca/canada-europa/baltics/.

- Since EU accession, Lithuanian import policies have been changing to conform to European Union policies for imported products and import taxes.
- EU requirements will likely mandate retesting and recertification of products shipped to Lithuania.
- Non-EU exporters are required to meet CE standards with EU destined goods, which are subject to EU product legislation. Products must be issued a declaration of conformity before entering the EU.
- Lithuania has required the licensing of all imports of sugar, grain, alcohol, and arms coming into the country.
- Border inspection controls on meat imports are in place to ensure a safe meat supply, and include testing for BSE, classical swine fever, salmonella, and FMD.
- Lithuanian excise tariffs range for 10-100% on alcoholic beverages, tobacco, jewellery, cars, and gasoline.
- Customs requires a copy of the contract, invoice, certificate of origin and a bill of lading indicating the amount, weight, and value of the goods shipped.
- Imported food products must have conformity certificates to guarantee quality and wholesomeness, and a producer's declaration is required for cosmetics and toys.
- Lithuania has tight controls for the labelling of agri-food products. Labels must be in Lithuanian, legible, not misleading and non-erasable. Controlled by the Ministry of Economy, labelling rules changed in 2004 to be harmonized with EU regulations. Follow this link to find more information on EU labelling

http://europa.eu.int/comm/food/food/labellingnutrition/foodlabelling/index_en.htm.

- Manufacturers also have environmental obligations to use recyclable packaging or bear the cost of an ecology tax.

Business Travel Tips

- Although English is widely spoken by business people, the use of a local agent could be beneficial for communications, as the use of English greatly deteriorates outside of city centers.
- Formal attire is expected to be worn for business meetings. Handshakes and business cards are usually exchanged to begin business meetings.
- Make use of company brochures to outline product specifications and attributes, which is usually the purpose of the first meeting. Do not expect a contract or agreement to be formalized until after a few meetings.

Agriculture Sector & Policies

With its fertile central plains, Lithuania has a strengthening agricultural sector. Although many of the seventy thousand private farms that have been established are producing at subsistence levels, the Lithuanian government is working towards providing farmers with financial resources and technology necessary to become viable producers. The Lithuanian agricultural industry mainly focuses on filling domestic demand.

- Agriculture accounts for approximately 6% of Lithuanian GDP, and employs around 20% of the labour force.
- Top agricultural products are grain, potatoes, sugar beets, flax, vegetables, beef, milk, eggs and fish.
- Agricultural technology is improving but not yet modernized.
- The food and beverage industry in Lithuania accounts for at least 15% of industrial output.
- The agri-food processing industry is currently changing as various companies merge, start to apply ISO standards, improve production and utilize new technologies that are becoming available to them.

Contact Information:

The Canadian Embassy to Estonia, Latvia and Lithuania

Address:

20/22 Baznīcas St., 6th Floor
Riga, Latvia LV-1010

Irena Cirpuse, Commercial Officer

Tel.: (317) 781-3945
Fax: (371) 781-3960

E-Mail: irena.cirpuse@international.gc.ca

URL: www.international.gc.ca/canadaeuropa/baltics

Hours: Monday to Friday – 09:00 – 17:30

Time Difference: E.S.T.: +7

Trade Shows in Lithuania

Agrobalt

Trade fair for agriculture, food and packaging industry.

May 10 – 13, 2006

Lithuanian Exhibition Center "Litexpo", Laisves ave. 5,

LT- 04215 Vilnius

Tel: (+370-5) 2686829

Fax: (+370-5) 2686826

E-mail: saule@litexpo.lt

Internet: www.litexpo.lt

Balt Shop. Balt Hotel. Balt Gastro International

Exhibition of Shop, Hotel, Restaurant requisites and Grocery.

November 9-11, 2006

Lithuanian Exhibition Center "Litexpo", Laisves ave. 5,

LT- 04215 Vilnius

Tel: (+370-5) 2686829

Fax: (+370-5) 2686826

E-mail: saule@litexpo.lt

Internet: www.litexpo.lt