

# **CONTENT**

- 1. LITHUANIA**
- 2. GROSS DOMESTIC PRODUCT**
- 3. THE SHARE OF AGRICULTURE AND FOOD INDUSTRY IN THE NATIONAL ECONOMY**
- 4. TERMS AND CONDITIONS FOR AGRICULTURAL DEVELOPMENT**
  - 4.1.LAND REFORM**
- 5. STRATEGY FOR AGRICULTURAL DEVELOPMENT**
- 6. RURAL DEVELOPMENT INSTRUMENTS**
  - 6.1.NATIONAL PAYING AGENCY**
  - 6.2.RURAL CREDIT GUARANTEE FUND**
  - 6.3.AGRICULTURAL AND FOOD PRODUCTS MARKET REGULATION AGENCY**
  - 6.4.INTEGRATED ADMINISTRATION AND CONTROL SYSTEM (IAKS)**
  - 6.5.EDUCATION ANT TRAINING**
  - 6.6.FARMER TRAINING AND COUNSELLING**
- 7. PRODUCTION OF AGRICULTURAL AND FOOD PRODUCTS**
  - 7.1.CROP PRODUCTION**
  - 7.2.STOCKBREEDING**
    - 7.2.1. Milk sector**
    - 7.2.2. Meat sector**
  - 7.3.ORGANIC FARMING**
  - 7.4.RURAL TOURISM**
  - 7.5.FISHERY**
- 8. FOREIGN TRADE IN LITHUANIAN AGRICULTURAL AND FOOD PRODUCTS**
- 9. QUALITY POLICY**
  - 9.1.FOOD AND VETERINARY CONTROL**
  - 9.2.ANIMAL BREEDING**
  - 9.3.PLANT PROTECTION**
  - 9.4.SEED GROWING**

## **1. LITHUANIA**

The year 2004 is a historical year for our country – the Republic of Lithuania became a member of the European Union (1 May, 2004) and NATO (29 March, 2004). After joining the most powerful global economic and defense structures, Lithuania again became a European country with a stable political and economic future.

Lithuania, name which was mentioned almost a thousand years ago (in the German chronicles in 1009 – Quedlinburg manuscript), being in the crossroads of two cultures experienced dramatic state independence and establishment history. In the Medieval Ages it was the biggest Eastern European state where crafts and trade with other countries flourished. In 1579 Vilnius University was founded and became a significant scientific and educational hub in Europe. In the 16<sup>th</sup> century Statutes of Lithuania – legal foundation of a civilized country – were issued and influenced creation of legal background of other European countries. Irrespective of the loss of independence, the third Statute was valid in Lithuania for 250 years, which helped to preserve national – citizen consciousness.

Merger of Lithuania with Poland into a joint state (Rzeczpospolita – Republic, year 1569), Russian occupation during 1795 – 1917 as well as the Soviet occupation from 1940 till 1990 limited national self expression and blocked state development. Even though during those periods Lithuania as a state disappeared and the world forgot about it, people maintained their desire for freedom – reminiscent of the rebellions of 1831 and 1863, books and periodic publications were printed in Lithuania and abroad and distributed secretly to people during the years of Lithuanian press prohibition.

In the 20<sup>th</sup> century Lithuania managed to regain independence twice: first time it declared independence on the 16<sup>th</sup> of February, 1918, and was independent until Soviet occupation in 1940; second time independence was restored on the 11<sup>th</sup> of March, 1990. Lithuania is the only Baltic state boasting its state history of almost 800 years.

Lately Lithuania becomes a non-formal political leader of the Baltic States, transferring its experience of democratic development to other countries of post-soviet region and actively participating in the EU renewal processes. In April of 2005 Vilnius hosted an informal meeting of foreign ministers of 26 NATO countries.

### **Area and Population**

Lithuania by its area (65.3 thousand sq. km) and population (on 1 January, 2005 – 3425.5 thousand inhabitants) is the largest and ethnically as well as linguistically most unanimous (83.45 per cent - Lithuanians, 6.74 per cent – Poles, 6.31 – Russians and others – less than 1 per cent each) state from all the Baltic States. Lithuanian language is one of the oldest Indo-European languages. Majority of Lithuanian population is Roman Catholics - around 79 percent.

Education level of Lithuanian people is one of the highest in Europe. 126 people out of 1000 have a degree of higher education, 193 – non-higher professional and special education, 272 – secondary, 150 – basic (10 grades) and 208 – primary education.

### **Capital**

Capital of the Republic of Lithuania is Vilnius (established in 1323) and is the biggest city in Lithuania where over 0.5 million people live. Vilnius is the most important administrative center. The main political, economic, social and cultural centers are located here.

Rapidly modernizing and developing versatile service structure Vilnius is becoming the most attractive town for meetings in the Eastern Baltic region. The capital of Lithuania is recognized to be one of the most beautiful cities in the world, and its old town with its baroque, gothic and mixed architecture monuments, since 1994 has been included in the UNESCO List of World Cultural Heritage.

Other big cities are Kaunas, port Klaipėda, Šiauliai, Panevėžys. Unique and attractive in different ways are the seaside resorts - Palanga and Neringa as well as Druskininkai and Birštonas known for their mineral water and mud treatments.

### **The World Discovers Lithuania**

A country of rich cultural heritage and traditions, especially intensive cultural life and inventive entertainment as well as versatile nature – white seaside beaches and natural, wild woods, a country where sacred pagan places could be found as well as Soviet relics and this for many guests becomes an astonishing discovery. More and more foreigners choose Lithuania as a vacation spot near the seaside, in the rural tourism farmsteads which are becoming more popular each year, or regain beauty and strength in the mineral water resorts.

Except Vilnius old town, one of the most beautiful European landscapes – the unique Curonian Spit and a complex of five mounds in Kernavė, the old capital of Lithuania, historical archeological reservation, otherwise called “Lithuanian Troy”, are also included into the UNESCO List of Heritage. A candidate to this list is a town on the lakes – the old capital of Lithuania – Trakai, which is the biggest castle on water in all of the Eastern Europe.

Other two Lithuanian objects are included in the UNESCO List of Non-material and Word Heritage – cross making (traditional Lithuanian crosses) and Song festivals, the latter together with Latvian and Estonian Song festivals.

In 2004 our country was visited by significantly higher number of tourists from the old European Union countries – especially from Germany, Italy, Spain and France. In 2004 compared to 2003 the growing sector of hotels hosted 50 per cent more people from Western European countries.

Besides everything else, tourists in Lithuania discover wonderful national food products as well as different kinds of beer, awarded with the highest recognition medals in world competitions. Current food manufacturing and its final products are not just for people’s income or daily nutrition of consumers. It is also the field of cherished national culinary and cultural heritage as well as our national traditions; it is also the most popular way of introduction of ourselves to other countries.

Tourists are amazed by an archaic ethnographic village, traditional Lithuanian country homes in natural environment, high quality services satisfying needs of global civilization and by good, unique, and most importantly healthy, usually made from organic products, local food. Lithuania is becoming a country of modern agriculture and food manufacturing with vibrant, ethnic villages, caring about environment uniqueness.

### **Lithuanians are Optimistic about the General EU Agricultural Policy**

According to the poll carried out in February by "Eurobarometras" Lithuanians are among those who have the most positive opinion of the General EU Agricultural Policy – 48 per cent think that due to it living conditions of rural residents are being improved, 47 per cent believe that it ensures income for farmers. More than a half – 51 per cent – of Lithuanians think that the General EU Agricultural Policy helps the farmers to make their products meet the customers' needs (43 per cent of all EU people think like this), 60 per cent of Lithuanian people believe that this policy actively supports development of organic farming (47 per cent of EU residents agree with this).

A number of Lithuanians thinking that with the help of the General EU Agricultural Policy living conditions of rural residents are being improved is by 8 per cent higher than the EU average of 40 per cent. Optimism related to stable income in Lithuania differs even to a greater extent – only 37 per cent Europeans think that the General EU Agricultural Policy helps to ensure stable and sufficient income for farmers, and 47 per cent of Lithuanians think this way.

Lithuania is the tenth among 25 EU countries whose people think that the General EU Agricultural Policy is fulfilling its task: 56 per cent of Lithuanians think like this about the General EU Agricultural Policy. With regards to the General EU Agricultural Policy, Lithuania is the most optimistic among all the Baltic States.

## 2. GROSS DOMESTIC PRODUCT

In 2004 like in the previous years country's economic growth was influenced by a domestic demand, first of all household consumption growth as well as growing investment. According to the early data of the Statistics Department under the Government of the Republic of Lithuania (hereinafter – Statistics Department) in 2004 61.9 billion Litas GDP was created – 5.7 billion Litas more than the previous year. The real GDP (by comparative prices of the year 2000) increased by 6.7 per cent. GDP per capita (by the valid prices -18.0 thousand Litas) increased by 7.2 per cent in one year.

### Main Indicators of Economic and Social Development 2001–2004

	2001	2002	2003	2004*
Number of average annual population, thousands	3481,3	3469,1	3454,2	3435,7*
Unemployment level (according to the data of population employment), per cent.	17,4	13,8	12,4	11,4
Inflation (December, compared to December of previous year)	2,0	-1,0	-1,3	2,9
Average monthly gross salary of employees of country's economy, LTL	982,3	1013,9	1072,6	1157,8*
Average pension, LTL	317,61	323,05	340,50	371,55
Indexes of general agricultural products by comparative prices, per cent	94,6	108,0	108,9	102,01
Indexes of total industry products sold (without VAT and excise) by comparative prices, per cent	116,0	103,1	116,1	110,8
Indexes of works done by construction companies by comparative prices, per cent	107,5	121,8	126,8	104,9*
Turnover indexes of retail companies, including trade with vehicles with engines and motorcycles, their technical maintenance and repair, retail of car petrol, by comparative prices, per cent	107,2	112,4	114,3	109,3
Export, millions of Litas	17117	19117	21263	25728
Import, millions of Litas	24241	27479	29438	34096
Balance of payments, millions of Litas	-7124	-8362	-8175	-8368
Direct foreign investment, at the beginning of the year, millions of Litas	9337,3	10661,9	13183,8	13699,4

Material investment, millions of Litas	7824	8124	8678	10097
Gross domestic product, by the existing prices, millions of Litas	48379	51643	56179*	61897,7*
Changes of Gross domestic product by the comparative prices of the year 2000, per cent	6,4	6,8	9,7*	6,7*
Gross domestic product per capita under the existing prices, LTL	13897	14887	16264*	18016*

<sup>1</sup> Estimation

\* Early data.

† Data not comparable due to shortage of lines

Source: Statistics Department under Government of the Republic of Lithuania

Even though economic growth was slower last year than during the year 2003, GDP was growing quite rapidly and in a balanced way. That was conditioned by some distinctive changes in some sectors of economy. Probably most of all the added value was growing in sectors with economic background. It increased almost by 11 per cent in both – processing industry and wholesale as well as retail, 9.2 per cent – in transport, storing and communications fields. Higher than the GDP was the increase in transport, storing and communications (9.2 per cent), hotels and restaurants (7.2 per cent) fields. After rapid increase of added value in 2003 and construction costs in the construction sectors in 2004 the growth of added value in this field significantly slowed down (4 per cent more than the year before, calculating on the comparative prices).

**Direct foreign investment on January 1, 2005** totaled to 16193 million Litas (a year before it was 13699 million Litas) and within one year increased by 18.2 per cent; direct foreign investment per capita at the beginning of the year was 4727 Litas -18.8 per cent more than a year before.

#### The Main Countries - Investors (million Litas)

	Number of investors		Direct foreign investment							
			January 1, 2003		October 1, 2003		January 1, 2004		October 1, 2004	
	2004	2005	Total	%	Total	%	Total	%	Total	%
<b>Total</b>			<b>13183,8</b>	<b>100,0</b>	<b>13262,9</b>	<b>100,0</b>	<b>13699,4</b>	<b>100,0</b>	<b>14976,1</b>	<b>100,0</b>
Denmark	212	234	2261,9	17,2	2312,1	17,4	2374,4	17,3	2370,6	15,8
Sweden	162	162	2016,3	15,3	2005,3	15,1	2009,8	14,7	2305,7	15,4
Germany	432	457	1263,6	9,6	1365,3	10,3	1334,8	9,7	1437,5	9,6
Estonia	187	224	1547,3	11,7	1024,1	7,7	1150,7	8,4	1296,2	8,7
Russia	135	149	687,3	5,2	672,2	5,1	796,2	5,8	1295,4	8,7
Finland	143	166	814,7	6,2	1100,2	8,3	1172,7	8,6	1260,3	8,4

USA	198	191	1141,9	8,7	1150,2	8,7	1162,1	8,5	979,2	6,5
United Kingdom	130	127	709,5	5,4	688,5	5,2	679,2	5,0	556,0	3,7
Netherlands	94	109	239,7	1,8	300,3	2,3	467,7	3,4	486,9	3,3
Austria	28	27	42,3	0,3	45,5	0,3	49,4	0,4	471,9	3,2
Other countries	931	1055	2459,3	18,6	2599,2	19,6	2502,4	18,2	2516,4	16,7

*Source: Statistics Department under Government of the Republic of Lithuania*

In 2004 in the structure of added value the added value created in manufacturing sector increased insignificantly (compared to 2003) and amounted to 38.4 per cent.

The general demand sector also showed a relatively rapid growth – household consumption increased by 9.4 per cent. Increased spending was conditioned by improving household situation which naturally was determined by more favorable situation of the work force in the work market. During the fourth quarter of 2004 average gross salary in the country was 8.5 per cent higher than a year before. According to the early evaluation of Statistics Department unemployment rate during the fourth quarter was 10.6 per cent (a year before – 11.6 per cent).

Performing the implementation of the pension system reform from January 1, 2004, people in Lithuania started saving a share of obligatory state social security in private pension funds. When the pension system reform was started, 442 thousand working people, or 37.4 percent of those insured with obligatory state social security, volunteered to participate in the new pension system. During the second stage of pension saving agreement signing, which took place in 2004, another 114.9 thousand agreements were signed. So, in 2005 47 per cent of the working people insured with obligatory state social security participate in the pension saving program.

### **Foreign Trade**

Quite rapid export growth - 21 per cent – was determined by the level of competition, work efficiency and stable export price level regarding the main trade partners. After increase of domestic demand and reduction of import prices, most of all due to the devaluated US dollar goods import size increased by 15.8 per cent.

The biggest influence on the results of foreign trade of Lithuania was made by EU markets. In 2004 goods export to other 24 EU countries made 66.4 per cent of the total export, and goods import from those countries – 63 per cent of the total import to Lithuania. Goods import and export development last year was determined by intermediate consumption and consumption goods.

In 2004 compared to 2003 export of goods increased by 20.4 per cent, and import – by 13 per cent. Total positive service balance surplus was almost 2.6 billion Litas (in 2003 – 1.9 per cent). General changes of service export – import were determined by the development of transport and travel service development.

### **Development of Knowledge Society**

According to the data of Statistics department in 2004 25 per cent of households owned personal computers (in 2003 – 20 per cent). 10.6 per cent of households in 2004 used internet (in 2003 – 7.7 per cent). At the end of 2004 around 3 million people, or 89 per cent of population, used mobile telephone network services (in 2003 – 2.1 million or 60.9 per cent of population).

State investment into the sector of information and knowledge society is growing continuously. In 2001 state investment allocated for development of information society amounted to 80.5 million Litas; in 2002 – 90.5 million Litas; in 2003 – 99.2 million Litas; in 2004 – 114 million Litas. Additional EU funds allocated for this purpose in 2002 were 9.8 million Litas; in 2003 – 47.5 million Litas; in 2004 – 61.7 million Litas. For the year 2005 forecasted state investment into projects of information society development amount to 137.5 million Litas, additional EU funding – 63.7 million Litas.

### **Fiscal Situation**

Last year revenue balance surplus was equal to 1.5 billion Litas. Compared to the year 2003 it decreased by 12.7 million Litas (0.8 per cent). Highest influence on this was made by the significantly increased surplus from income from work. Compared to the year 2003 funds earned abroad and transferred to Lithuania (also brought) increased by 433.8 million Litas (2.7 times).

Last year balance surplus of the current transfers was 930.9 million Litas (in 2003 – 889.6 million Litas). Its increase was conditioned most of all by funds from the EU support projects. Payments of Lithuania into the EU budget (after it became EU member) and significantly higher funds of EU support meant for investment projects decreased the surplus of the balance.

In 2004 excluding official international reserve total net investment flow of the country payment balance was 3.6 billion Litas.

*In this part reports to Seimas by the Bank of Lithuania and the Government were used*

### 3. THE SHARE OF AGRICULTURE AND FOOD INDUSTRY IN THE NATIONAL ECONOMY

In 2004, gross domestic product (GDP) in the agricultural sector rose by 5.7% versus 2003 (for the whole economy the rise was 6.7%). However, macroeconomics analysts tend to praise the advance of agricultural sector: although overall results for agriculture were weighed down by scanty crop harvest affected by poor weather during the whole season, the cattle breeding segment retained its stable growth unchanged (at 8%). According to provisional estimations of the Statistics Department, the value of gross agriculture output rose by 2% to LTL 4.548 billion, including LTL 2.326 billion in crop production and LTL 2.222 billion in animal production. The shares of crop and animal production, at 51.1% and 48.9% of total output, were almost identical for the first time ever in 2004 (in 2003 the shares were 53% and 47%, in 2002 - 56% and 44%, respectively).

In 2004 foreign trade in agriculture and food products outdid total national foreign trade in terms of growth rate as exports surged by 24.3% (for the whole domestic economy the exports rise was 21%), and imports rose by 23.4% (total national imports – 15.8%). Total foreign trade in agriculture and food products surged by 23.8%, to LTL 5.86 billion in 2004. Exports of agriculture and foodstuffs comprised 11.4% of total Lithuania's exports (at LTL 2,927 million), while imports accounted for 8.6% (at LTL 2,938.4 million) of overall imports last year.

#### Key statistical indexes for agriculture, hunting and forestry

	Year					Ratio with index		Annual change, %	
	2000	2001	2002	2003	2004	2000	2004	2003	2004
Added value (at constant 2000 prices), LTL million	3,174	3,027	3,265	3,337	3,333	7.7	6.1	2.2	-0.1
Added value (at current prices), LTL million	3,174	3,040	3,221	3,091	3,135	7.7	5.6	-4.0	1.4
Total output, LTL million	5,344	5,466	5,597	5,078	5,304	7.0	5.0	-9.3	4.5
Productivity (per hour), LTL	10.6	11.3	11.7	11.4	12.3	41.9	37.9	-2.2	7.9
Workforce, thousands	258	231	250	256	234	18.5	16.1	2.3	-8.3
Average monthly wages, LTL	86	759	806	850	927	69.9	75.5	5.5	9.1
Tangible investments, LTL million	45	128	169	233	315	1.3	3.2	37.5	35.4
Foreign direct investments, LTL million		51	61	112	119	0.5	0.8	83.6	6.5

Source: public company NORD/LB Lietuva AB. *Lithuanian Economy Review*. 2005, No. 2.

Lithuania outperforms neighbouring countries in terms of indexes of agricultural products output per capita: in 2003 the output of meat (carcass weight) per capita stood at 57 kg, including 30 kg (27) of pork, while the output of milk stood at 520 kg, eggs – 235 units. In Latvia and Estonia the output of meat stood at 45 kg and 47 kg per capita, respectively, for milk the rates were 338 kg and 440 kg, and for eggs – 219 units and 170 units, respectively.

#### **4. TERMS AND CONDITIONS FOR AGRICULTURAL DEVELOPMENT**

Rural areas are increasingly valued as part of national infrastructure having a direct impact on the quality of life of rural and urban population. In terms of significance, the agricultural sector comes among the priority sectors of national economy. Lithuania's integration in the EU and effective utilization of national and EU compensatory and investment assistance have produced the largest impetus for change in national agriculture and rural areas.

The use of SAPARD programme has led to a significant advance in development and upgrade of agricultural sector. Tangible investments into agriculture, hunting, forestry and fishery made up 3% of total 2004 investments, i.e., LTL 303.8 million, and surged by 26.3% versus 2003. Last year the authorities issued 442 permits – the largest number of permits as compared with other construction segments - for the construction of 507 facilities of agricultural designation. Farmers tend to make greater use of modern equipment, higher quality seeds and pedigree cattle.

In 2004 financing for agriculture (including land reclamation), forestry, fishery and veterinary medicine, including the EU funds, surged more than twofold, to LTL 1,332.3 million, from LTL 618.7 million in 2001.

Amid a rise in subsidies, the average income of Lithuania's farmers soared by 46.6% in 2004 versus 2003, provisional data by the EU statistics service Eurostat has shown. Elsewhere in the EU, the surge in average income on agricultural activities per employee was only greater in the Czech Republic (2.08 times), Poland (73.5%) and Estonia (55.9%) last year.

According to provisional estimations by Eurostat, farmer income throughout 25 EU member states edged higher by meagre 3.3% in 2004, however, new EU members recorded an average surge of 53.8%. Lithuania's farmers are payable over LTL 600 million for crops, cattle and milk output declared for 2004, while in 2005 the assistance may rise by almost LTL 150 million.

In 2004 total income of agricultural producers, including direct subsidies and refunds, made up LTL 2.9 billion, a surge of 45% from the year-earlier figure (in 2003 the figure exceeded LTL 1.8 billion), provisional estimations by the Ministry of Agriculture have shown. Income per person engaged in agricultural activities stood at LTL 12,000 in 2004 (up from LTL 8,000 in 2003).

##### **Rural population**

Rural population has gone on steady decline since 1992, however, the ratio of urban and rural population has remained almost unchanged amid faster migration of urban residents to other countries and village: some 66.9% of national population (2.31 million people) reside in cities and one-third (33.1% or 1.14 million) live in rural locations.

The workforce in agriculture, hunting, forestry and fishery shrank to 16.1% of total workforce (or 234,300 workers) by late 2004, from 16.8% early in 2004. Last year the average wages in rural areas stood at LTL 927, or 75.5% of national average (excluding sole proprietorships), and gained 9.1% during the year, outperforming the average wages in cities, which posted a 7.6% increase in 2004. Disposable household income in rural areas made up LTL 407 per household member in 2004 (LTL 540 in cities).

##### **Changes in land users' structure**

As of 15 December 2004, the Farm Register listed 76,210 farmers, a rise of 11% (almost 7,800) from 31 December 2003 (68,458 farmers); moreover, 285 agricultural entities were registered and fully operational. The real number of land users was established following declaration of landed property, as required to obtain subsidies. A total of 237,890 agricultural land users submitted declarations for the area of 2,577,476 ha of landed property to obtain subsidies. As of 1 February 2004, a total of 190,992 family-run farms were active in the country, however, as evidenced by landed property declarations, the number of family-run farms declined by 18% (almost 30,000), to 161,395 by late July 2004. Moreover, over 6,500 farmers applied for the Rural Development Measure 'Early Retirement from Farming', and 375 individuals applied for the young farmer investment scheme in 2004. Thus, changes in structural groups of land users may lead to supposition that the number of farmers tends to increase and the number of family-run farms is on decline.

As many as 13,000 farmers and other rural residents attended various professional skills improvement training or seminars in an attempt to make better use of funds of subsidy and investment support schemes of the European Agricultural Guidance and Guarantee Fund (EAGGF), which were launched in Lithuania in 2004.

Farmers, companies and cooperative societies, eager to make the most efficient use of national and EU assistance, tend to enhance the areas of land in use and streamline the development of commercial farm capable to produce competitive products with a more rational and professional approach. The number of specialized and mixed commercial farms of rather large scale, which achieve the results compliant to EU productivity average, is on the rise in the country. By far, the rating of largest-scale agricultural producers of average productivity, as compared with private farms and other farms, is led by agricultural entities and other companies. However, the best milk output and crop productivity indices have been achieved at private farms.

### Holdings as of 31 March 2005

Type of owner	Holdings	Average size of holding in terms of land area in use, ha
	321,556	8.84
Natural person	743	474.24

*Source: Agriculture Information and Rural Business Development Centre*

Alongside farming, rural areas tend to enhance other activities, which create new jobs and render rural services as well as services required for the living, work or rest of other people. As of 31 March 2005, the Farm Register of Agriculture Information and Rural Business Development Centre showed entries on 6,027 legal entities engaged in activities other than agriculture; a year ago the register contained entries on 1,707 farms engaged in alternative activities, including 437 rural tourism farmsteads and 123 farms engaged in rural businesses.

### Holdings per activities, 31 March 2005

Type of owner	Holdings per activities				
	Forestry	Agricultural services	Rural tourism services	Rural crafts	Other activities
Natural person	3,508	167	504	124	1,512
Legal entity	9	97	14	15	77

Total:	3,517	264	518	139	1,589
--------	-------	-----	-----	-----	-------

*Source: Agriculture Information and Rural Business Development Centre*

The surveys conducted by the Lithuanian Institute of Agrarian Economics have revealed an improvement in rural situation as the number of marriages increased considerably and the birth-rate shot up to outperform the city. The number of young farmers has increased as well, with younger individuals of higher professional skills moving from cities. Rural residents tend to get more involved in the activities of rural communities, study or take up small, mid-scale or alternative businesses.

Intensive implementation of Lithuania's agricultural development strategy, as harmonized with the Common Agricultural Policy (CAP), offers favourable environment for stable economic, social and environmental development of agriculture and rural areas. Well-established farming traditions and preserved diligence will be particularly helpful as the country will move to international labour sharing.

#### **4.1.LAND REFORM**

National policy with respect to restoration of title to land, forest and water bodies, land reform, land management and land cadastre, development of geodesic, cartographic and georeferential databases, is being implemented and worked out by the National Land Service under the Ministry of Agriculture (NLT, Service). The Service was established on 1 July 2001 via the reorganization of Land Management and Law Department under the Ministry of Agriculture and the National Service of Geodesy and Cartography under the Government of the Republic of Lithuania.

##### **Land Fund of the Republic of Lithuania**

Lithuania's territory covers the area of 6.53 million ha. As of early 2004, the area of land used for agricultural activities made up 3.96 million ha, including 2.62 million ha, or 66.2% of total land used for agricultural activities, in private ownership. The area of agricultural landed property made up 3.483 million ha, including 2.93 million ha in arable land and 496,824 ha in meadows and natural grasslands. As of early 2004, the area of land of forestry units made up 2.038 million ha.

##### **Rural locations**

According to the data of the National Land Service, over 738,000 citizens submitted applications for the restoration of title to 4.1 million ha of land in rural locations from September 1991, the onset of land reform, till 1 April 2005. Until that date, 682,000 citizens got their title restored to the area of 3.74 million ha: for 565,000 citizens 3 million ha in land, or 90.97% of area specified in applications for the restoration of title, was turned back in kind and identical area, while 113,200 citizens will get a reimbursement for 0.67 million ha in land purchased by the state in cash and securities.

##### **Land for individual farming**

Land for individual farming was granted to 328,700 citizens, which made use of the area of 717,500 ha. By 1 April 2005, a total of 170,600 private farmers privatized 373,600 ha in land for individual farming; 4,300 private farmers concluded public land lease contracts for the area of 9,100 ha. 53.3% of total area for individual farming is privatised or leased.

##### **Urban land**

A total of 57,200 citizens submitted applications for the restoration of title to 57,300 ha of land within urban territory from September 1991 till 1 April 2005. Decisions have been passed for 41,700 applications, i.e., 72.8% of total applications' number.

### **Cash remuneration**

Citizens with a title to land received LTL 597.6 million in cash for the areas purchased by the state, starting from the beginning of land reform until 1 April 2005. Allocations for the purpose in the public budget of 2005 make up LTL 104.5 million, including LTL 20.9 million to be paid for individuals diagnosed with grave diseases as set out in the List of Grave Diseases approved by the Ministry of Health. A total of LTL 690 million is required for full settlements with citizens by 1 January 2009.

### **Land sale**

With the scheme of restoration of citizens' title to land, forest and water bodies completed, Lithuania will remain in possession of approximately 0.5 million ha of free public land suitable for agriculture. This land is expected to be sold off to any natural and legal entities concerned via the establishment of land management lots fit for competitive farming.

By 1 April 2005, a total of 15,600 natural persons submitted applications for the purchase of 182,800 ha in land and 349 legal entities applied for the purchase of 54,600 ha in public land of agricultural designation. Land reform land management projects approved have assigned 24,200 ha for natural persons and 12,700 ha for legal entities.

A total of 18,800 deals on transfer of private land for farming with the total area of approximately 80,000 ha were concluded in 2004; in 2003, approximately 10,000 transactions concerning the total area of about 40,000 ha were carried out. In total, 45,421 land transfer transactions were carried out last year, up from 34,549 in 2003.

As of 1 March 2005, the Real Estate Register showed entries on 793,030 land lots of agricultural designation (excluding gardener societies and members thereof) with the total area of 2,835.026 ha.

## 5. STRATEGY FOR AGRICULTURAL DEVELOPMENT

Agriculture and rural development comprise a priority area for the state as far as its economic, ecological, social and ethnical cultural aspects are concerned. Public agriculture and rural development policy is being set forth in strategic agriculture and rural development documents approved by the Parliament and the Government of the Republic of Lithuania, including the long-term state development strategy, agriculture and rural development strategy, the law of identical title and other documents.

The main general objective of agriculture and rural development strategy is the implementation of principles and measures of the EU Common Agricultural Policy. The key objectives of agriculture and rural development are the following:

- *to ensure competitive development of agriculture and food sectors, to promote the variety of rural economic activities and work out structural policy;*
- *to promote environmental protection, ecological farming that would uphold biological variety and landscape;*
- *to strengthen up administrative abilities to ensure the implementation of EU common agricultural policy.*

Implementation of abovementioned objectives is expected to improve the quality of agricultural products. Application of new technologies and development of human resources will lay foundations for the raising of competitiveness of domestic farms, growth of population income and improvement of quality of life in rural areas. Development of agriculture and promotion of alternative activities in rural areas will be accompanied by great attention for the implementation of environmental requirements.

The development of agriculture and rural areas is currently hindered by several factors, including the prevalence of small-scale farms, low productivity of agricultural production, underdeveloped engineering and social infrastructure, unfavourable demographic situation, insufficient education, shortage of alternative activities and low purchasing power of rural population.

On the other hand, relatively uniform urbanization of population, plentiful natural resources and biological variety, relatively low level of soil, water and air pollution, manufacturing potential achieved (land reclamation facilities, roads, structures), expertise and agricultural traditions of rural population, well-developed and evenly distributed network of science, training and counselling, and strengthening self governance of rural population creates the necessary prerequisites for the development of agriculture and alternative businesses.

### **Implementation of agriculture and rural development policy**

- Agriculture and rural development policy is being implemented by the Government, Ministry of Agriculture, other competent authorities as may be authorized by the Government and municipal institutions within the scale of competences as prescribed by laws and other legislation.
- The Government establishes Rural Development Council, an advisory public institution representing public and municipal institutions, and public organizations, and confirms its composition and regulations.
- Rural Development Council tackles the key matters of agriculture and rural development, assess the progress made in the implementation of Agriculture and Rural Development Strategy, and submits relevant proposals to the Government and carries out other functions as may be set out in the regulations.

- Public and municipal institutions charged with the implementation of agriculture and rural development strategy, maintain cooperation with representatives of agricultural and food producers, purchase companies, processing entities, farmer self governance and other public organizations, science, training and counselling establishments.

## 6. RURAL DEVELOPMENT INSTRUMENTS

### 6.1. NATIONAL PAYING AGENCY

The National Paying Agency (NPA) under the Ministry of Agriculture was established in 1999 by the resolution of the Government of the Republic of Lithuania. The Agency was established to administer the support measures of the Common Agricultural Policy (CAP), which aim to increase the competitiveness of the EU agricultural products in internal and foreign markets, to ensure sufficient standard of living for those engaged in agriculture, to ensure stable income for farms, to integrate environmental goals into agriculture, to help generating additional and alternative income and employment opportunities in rural areas. The National Paying Agency is the only institution in Lithuania which administers the CAP measures: direct payments for livestock (in 2004 from the national budget), crops, milk production quotas, dry fodder, flax quotas, potato starch production quotas, measures of the Rural Development Plan (RDP) and the Single Programming Document (SPD). The Agency also administers foreign trade of agricultural products – manages import and export licenses and certificates with the system of compensation.

The NPA administers some 60 different support measures, which amount to some 560 000 applications and over 1.822 billion Litas per year. The administration of direct payments is facilitated by the integrated Administration and Control system, which is implemented in the Agency. The system stores the necessary data on the areas of crops and the changes in the number of livestock.

#### Funds of the SAPARD programme have been distributed

The NPA, which administers the support funds of the SAPARD programme (2000 – 2006), signed the first support allocation contract on 16 January 2002 with the agricultural company, which successfully utilised the funds for purchasing the equipment for the land works, harvesting and the building of a modern grain warehouse. The first beneficiaries of the support developed an advanced grain seed farming.

Since the end of 2001 when the implementation of SAPARD support started, the NPA announced seven stages of call for applications. Some 1222 applications for support were received from farmers, agricultural companies, agriculture processing companies, rural communities and other representatives of agriculture. Some 878 contracts with the beneficiaries were signed during that period; around 614.6 million Litas will be allocated by the end of 2006 for the implementation of the support. Before 17 April 2005 the beneficiaries received 47 million Litas of support, 594 projects have been already implemented.

#### Priority objectives of agriculture and rural development

and absorption of SAPARD funds 2000 – 2005, million Litas as of 2005 04 15

SAPARD Support objectives	Applications submitted	Applications approved	Support allocated, mln. Lt.	Total amount of funds from the state 2000 – 2003, mln. Lt	Part allocated by the state/total amount of funds %	Projects implemented
<i>Objective.</i> Investments to the primary production of agriculture	578	451	237.1	235.414	101	338

II. Improving the processing and marketing of agricultural and fishery products	69	45	233.9	179.460	130	31
III. Promotion of economic activity and alternative income	96	50	33.2	34.961	95	34
IV. Improvement of rural infrastructure	321	184	97.6	84.086	116	110
V. Afforestation of agricultural lands and improvement of forest infrastructure				10.862	0	0
VI. Agri-environment	0	0	0	4.012	0	0
VII. Vocational training	109	102	10.23	9.929	103	81
VIII. Technical assistance, information	46	46	2.3	10.612	22	0
<b>Total:</b>	<b>1222</b>	<b>878</b>	<b>614.6</b>	<b>569.33</b>	<b>108</b>	<b>594</b>

*Source: National Paying Agency under the Ministry of Agriculture*

The SAPARD programme implementing reports for 2004 (the end of October) show that the recipients of the support utilised the funds efficiently. In almost three years in implementing the measure “Investments to the primary production of agriculture” the beneficiaries bought 398 units of storage equipment and freezers, 262 units of feeding equipment, 121 – milkers, 954 units of cultivation equipment, 85 units of manure transportation equipment, 208 combine harvesters, 297 tractors, 94 grass-cutting machines. Farmers also reconstructed and built 29 production facilities and created some 2000 new jobs for the funds of the support programme.

Also, 19 rural tourism homesteads were built or reconstructed, 302 places for recreation were established in utilising the support funds. Some 85 production buildings were built and reconstructed in the non-traditional sector of agricultural production. In rural areas 769 new jobs were created in the alternative sector.

A significant part of the support was allocated to improve rural infrastructure. Some 167 rural areas were funded to improve water management systems with over 91 million Litas. Some 5.7 million Litas were allocated to improve 18 units of communication and engineering equipment, 68 new artesian wells were established, 2 polders, 156 000 metre-long water supply lines and 277 000 metre-long sewerage systems.

In average the SAPARD support funds might cover up to 45-50% of the eligible investment costs. None of the participants of the SAPARD project went bankrupt. In Lithuania the amount of unduly paid funds is very low and amounts to 0.07%, whereas in other countries the average number is 3 – 5%. It is forecasted that all the SAPARD support funds will be properly utilised.

Also, Mr. Olivier Diana, Member of the Commission, SAPARD administrator for the Baltic Countries, when visiting Lithuania in the autumn of 2004 compared the SAPARD programme implementation situation in Lithuania to that of other new EU Member States. He emphasized that in Lithuania this

financial measure is absorbed very successfully since all the institutions of agriculture and social partners work in cooperation.

The NPA closed the admission of applications for the SAPARD support funds in the spring 2004, the last contracts between beneficiaries and the NPA were concluded in autumn. Although all the contracts were concluded under the programme, the NPA will continue the implementation process of the investment projects stipulated in the contracts – will provide funding, monitor and control the projects till the end of 2006. The distribution and absorption of SAPARD support funds is like a pre-accession rehearsal in utilising the supports and payments, the first strategic impact on the economic, social, environmental and ethno-cultural rural development.

### **Rural Development Plan 2004 – 2006 (compensations)**

On December 24 the National Paying Agency under the Ministry of Agriculture was accredited by the order of the Minister of Agriculture to administer the measures of the Guarantee Section of the European Agricultural Guidance and Guarantee Fund (EAGGF).

The accreditation granted the right to the NPA to administer the measures of the Guarantee Section of the EAGGF which amount to 91% of the support funds to agriculture. It also funds market regulation measures (intervention purchases, export subsidies), direct payments and the administered quotas. The Guarantee Section is also responsible for the funding of the Rural Development Plan Measures.

In 2004 some 635.7 million Litass were allocated to fund the measures of the Rural Development Plan (RDP), whereas in 3 years – 2.11 billion Litass (EU support in implementing the RDP measures – 80%, co-financed part from Lithuania – 20%). The support under the RDP measures is provided as a non-returnable subsidy. Depending on the measure one-off payment may amount from 200 up to 4000 Litass. As a rule, NPA territorial branches collect applications in the counties.

### **Applications Received for Measures of Rural Development Plan 2004 – 2006**

2005 04 08

	<i>Measures</i>	<i>Funds in million EUR</i>		<i>Level of support, %</i>	<i>Number of applications received</i>	<i>Amount in thousands Litass</i>
		<i>Total public support</i>	<i>EU part</i>			
1	Early Retirement	129.675	103.740	21.2	6 453	52 400
2	Less favoured areas and areas with environmental restrictions	146.900	117.520	24	108 469	199 057
3	Agri-environment	62.200	49.760	10.2	1 277	28 700
4	Afforestation of agricultural land	26.792	21.434	4.4	194	7 200
5	Support to semi-subsistence farms undergoing restructuring	30.494	24.400		862	2 976
6	Meeting EU standards	70.174	56.139	11.5	1 684	42 000
7	<i>Technical assistance</i>	5.921	4.737			

	<b>Total number of registered RDP applications</b>				<b>118 939</b>	<b>332 333</b>
--	--	--	--	--	----------------	----------------

*Source: National Paying Agency under the Ministry of Agriculture*

Last year the NPA expected to receive some 100 000 applications, however, farmers were more active than it was expected. In 2004 during the call for application stages the Agency received applications for 108,682 million Lit. So, till April 8, 2005, there were 92,681 million Lit or 85.3% of the amount from total support paid out to the applicants who submitted their applications last year.

Meantime the applications are being processed. The support to the applicants is being paid; Lithuania is in the first call for applications for RDP 2005 stage. This year applications will be collected twice a year – in the spring and in the autumn.

The applications under the measures of the Rural Development Plan except for the measure “Less favoured areas and areas with environmental restrictions” will be collected in all the counties by the territorial branches of the NPA under the Ministry of Agriculture. The applications of the measure “Less favoured areas and areas with environmental restrictions” will be collected together with the applications for direct payments in the Neighbourhood offices.

### **EU Structural Funds**

The NPA administers the EU Structural support funds, which are financed under the “Rural Development and Fisheries” priority measure of the Single Programming Document (SPD) of Lithuania for 2004-2006. The Structural Funds support structural changes in the agricultural sector, the production and farming methods in compliance with the EU standards are promoted. This will help Lithuanian agricultural products to compete in the European markets. Structural support funds will be allocated to support investment projects under 10 support measures.

Some 663 million are allocated for 2004-2006 for the SPD measure “Rural Development and Fisheries”, 171.7 million Lit of this amount was allocated in 2004. The allocated but not implemented funds of the current year will be transferred and utilised next year. The support of the Structural Funds is allocated in a form of a non-returnable subsidy. The funding of projects may amount from 45 to 100% of the eligible funds. The applications may be submitted from agricultural subjects registered and operating in Lithuania, which comply with the requirements and are directly responsible for the implementation of projects.

During the first call for applications, which started on 10 August 2004 and ended on 10 December, the farmers were very active in submitting applications for the EU support. All in all 882 applications for the total amount of 337.468 million Lit were submitted under the “Rural Development and Fisheries” priority measure of the SPD of Lithuania for 2004-2006.

### **Collection of applications under SPD Rural Development 2004 – 2006 measures**

2004 12 10

<b>Measures</b>	<b>Number</b>	<b>Amount in</b>	<b>Level of</b>	<b>Total public support, million, EUR</b>
-----------------	---------------	------------------	-----------------	---

	of applications received	thousands Litass	support %	2004	2005	2006	2004 - 2006
1. Investments in agricultural holdings	278	146 506	31.4	14.553	20.470	26.623	61.645
2. Setting up of young farmers	372	31 568	6.8	5.499	5.970	4.864	16.334
3. Improving the processing and marketing of agricultural products	14	35 008	16.9	7.636	9.985	11.748	29.369
4. Promotion of Rural development and adjustment			29.0	14.365	18.752	21.971	55.088
4.1. Water management in agriculture	10	13 991	27.2	3.837	5.017	5.903	14.757
4.2. Redistribution of land plots	0		8.5	0	445	1.780	2.225
4.3. Consultancy services to farms	12	16 430	13.6	1.913	2.502	2.944	7.359
4.4. Diversification of agriculture and other related sectors of economic activity	35	31 122	16.9	2.796	3.178	3.780	9.755
4.5. Promotion of rural tourism and crafts			33.8	5.819	7.609	7.564	20.992
5. Development of forest farms	24	4985	3.9	1.805	2.384	2.778	6.967
6. Leader+ approach	47	931	1.5	706	941	1.107	2.755
7. Training	56	3765	1.5	692	904	1.063	2.659
<b>Total for Rural development measures</b>			<b>91,0</b>	<b>45.257</b>	<b>59.406</b>	<b>70.154</b>	<b>174.818</b>
Total for fisheries development measures	34	53163	9,0	4.469	5.844	6.875	17.188
<b>Total for objective IV</b>			<b>100</b>	<b>49.726</b>	<b>65.250</b>	<b>77.029</b>	<b>192.005</b>
<b>Total number of applications</b>	<b>882</b>	<b>337468</b>					

Source: Ministry of Agriculture; NPA under the Ministry of Agriculture

The support measure “Setting up of young farmers” was the most popular one – 372 applications were submitted. The applications from young farmers under this measure were collected from January 19 2005 up

to 15 April. Over 37 million Litass in the form of direct payments were allocated to over 6.3 thousand of Lithuanian farmers for early retirement from commercial production of agriculture.

Under the order of the Minister of Agriculture, in 2004 the applications submitted for the SPD measure “Rural Development and Fisheries” were processed till 31 March 2005. According to Director of the Rural Development Programme Department of the NPA Mr. Sakalauskas the support contracts were firstly signed with the owners of ships who sold their ships as scrap metal, some time later with the applicants who submitted applications under the „Leader + approach” measure.

The support for the implementation of the SPD measure “Rural Development and Fisheries” of Lithuania for 2004-2006 will amount to over 660 million Litass.

Meantime the first call for SPD applications for 2005 has been announced. The territorial NPA branches in the counties are collecting business plans and applications for the support. The employees of the territorial NPA branches check all the business plan documents and the factual place of the project implementation. All the investments and costs related to the project implementation shall be conducted only upon signing of the support contract. The NPA will be responsible to ensure the control and monitoring of the approved projects not only during the implementation period but also during the period of 5 years from the signing of the contract.

At the beginning of 2004 27 institutions of science, science research, consulting and other organisations were accredited by the Ministry of Agriculture to provide consulting services to the farmers seeking for the support from the EU Structural Funds. The farmers had to pay 10% of the consultancy service fee and the rest of 90% of the service fee was compensated to the consultancy companies from the EU Structural Funds.

With the aim to ensure transparent administration of the funds and to prevent possible violations and to protect the financial interest of Lithuania and the EU, the NPA is in close cooperation with Law enforcement institutions. Seeking to reduce the number of dishonest applicants for the support from the EU Structural Funds, the NPA established a special Risk Analysis Department within the Agency.

Despite short deadlines and a huge workload, the European Commission is positive in evaluating Lithuania’s preparation to absorb the EU support.

### **Direct payments**

In 2004 the system of direct payments changed completely. Lithuanian subjects of agriculture were eligible to receive one-off direct payments, which would amount to 55% of the EU direct payments. The one-off direct payment scheme for the farming land and areas of crops is targeted towards more farmers. In 2004 some 237 890 farmers submitted applications for one-off direct payments for crops and farming land, the area of 2 577 476 hectares was declared, which was bigger than the area which was eligible for support - 2 288 000 hectares. The direct payments according to the EU deadlines are paid in two stages from 22 November 2004 till 30 April 2005. Firstly, those of agriculture entities, which filled their applications correctly – will receive the payments by 31 March 2005 and also those who submitted their applications earlier.

In 2004 direct payments were allocated for 5.8000 hectares of managed commercial orchards and berry fields.

In 2003 the amount of direct payments for 1 hectare of flax amounted to 1 000 – 1 500 Litass. In 2004 flax farmers became exceptionally eligible for 100% level of the EU payment - 587 Lt/ha. Due to the reduced

support to flax farmers, the area of crops of flax in 2004 was 5.6000 hectares and only 321 farmers cultivated flax, whereas in 2003 9.6000 hectares of flax were cultivated by 631 flax farmers and the flax harvest was the best ever – 1.1 t/ha.

In 2004 some 651.6000 hectares were eligible to receive payments for the excise of gasoline and (or) its substitute used in agriculture. When under the Law on the Farmer's Farm was adopted the number of registered farmers increased and at the same time the area of farming land also increased: therefore the payments for excise were allocated to 886.7 000 hectares.

Direct payments for the declared farming land and crops in 2004 amounted to almost half a billion Litas, the total amount of direct payments for the crops and the livestock amounted to 0.6 billion Litas.

The procedure of direct payments for the declared farming land and crops in 2004, as it is stipulated in the EU regulations, may take up to a couple of months. The first direct payments were paid out on 22 November 2004 and at the end of March 2005 all the correctly filled form of farmers were processed. The first part of direct payments was approved for transactions to 224 526 applicants (94.34% of all the applicants), who received 387 million Litas. All the money was transacted to the farmers by 30 April 2005.

The settlement of all payments became faster when regional municipalities became very active in clarifying the incorrect declaration cases and urged the applicants to correct the declarations as soon as possible.

When the second part of direct payments was transacted, the rest of the support was transferred to the accounts of the applicants. The NPA tried to ensure the fast transaction procedure of the money to the final recipients. There were negotiations with banks so to avoid any delay in transactions, since the banks had to transfer the money in a couple of days into the accounts of all the applicants. That was the first case in Lithuania when so many transactions were conducted in such a short time.

The declaration for farming land and crops for the direct payments for 2005 in Lithuania, like in other EU Member States, started on 1 March and will end on 1 June. The employees of rural departments at regional municipalities and neighbourhood offices receive the applications and help the farmers to fill them in.

In 2005 Lithuanian farmers will be allocated 650 million Litas of direct payments for agricultural products, which is 50 million Litas more than in 2004.

Last year's payments for dairy farms were paid in the two following ways – for the milking cows (110 Litas per cow and 43 Litas additionally if the cow is under control) (plan - 300 thousand, implementation – 121.7%) and for the declared farming land and crops in 2004. When the two flows of funds were added together – for cows (116 00 milk producers for 365 000 cows received 48 282 000 Litas in direct payments) and the funds allocated for the declared areas of feed crops (some 82 million Litas), the total amount of the support to milk producers last year amounted to 130 million Litas which is 93 Lt/t for the quota milk.

Last year the amounts of money received in a form of the support for Lithuanian milk producers from the state were bigger than in the old EU Member States, for example the Dutch farmers received funds, which amounted to 40.5 Lt/t in 2004.

Also, direct payments were transferred to the accounts of milk producers at the beginning of the year – which is a good time for them since then the price of milk is the lowest and it is important to retain the income of farmers.

Farmers of livestock will receive 7 037 000 in a form of one-off direct payments for the 14 074 suckler cows and 6 244 heifers. Some 500 Litas in payments is allocated for suckler cows and heifers, which are pedigree and half-breeds of beef cattle and were crossed. Also, payments are paid for half-breed heifers whose parents are pedigree bulls.

Special one-off payments were allocated for the 185 kg (340 kg of live weight) of the exported bulls which are older than 9 months; all in all for 78 400 bulls. In 2004 payments were allocated for ewes (30 Lt/unit.); payments were allocated for 8 900 ewes.

Natural and legal persons are eligible to receive one-off direct payment for livestock, which are kept under the established procedure and are registered and identified in the Livestock Register of Agriculture Information and Rural Business Centre.

### **Compensation payments**

Last year saw the implementation of some EU market regulation measures: the support for non-fat milk processing and the consumption of drinking milk, private storage of cheese, and the system of export compensation payments. Since 1 May 2004 when the refundable payment system for the export of food products came into force, the total value of export refunds meat, meat products and livestock will amount to 15.7 million Litas, the companies expect to receive 32.3 million for dairy products, companies of the food industry submitted applications for 280,000 Litas of export refunds for processed products.

## **6.2.RURAL CREDIT GUARANTEE FUND**

Žemės ūkio paskolų garantijų fondas UAB (Rural Credit Guarantee Fund) (hereinafter – the Company) was established in 1997 upon the initiative of the Ministry of Agriculture. Rural Credit Guarantee Fund provides state assistance encouraging investments in rural sector, and thus providing an opportunity for business entities not having enough collateral to receive bank credits to finance investment projects or supplement current assets and ensure purchase of agricultural production. In other words, its aim is to promote versatile development of the rural sector in Lithuania.

According to the new guarantee scheme, the Company guarantees banks the repayment of up to 70 % of the unpaid credit amount; up to 80 % of the unpaid credit amount is guaranteed for loans granted to young farmers (under 40 years of age).

Guarantees are issued to banks for long-term and medium-term loans that were granted to finance from the financial point of view commercially sound projects. Maximum amount of a guarantee for a long-term loan for a farmer is LTL 400 000 and for an agricultural enterprise – LTL 900 000. Preference is given to projects financed by the EU. The amount of a guarantee issued to a bank for a medium-term loan to supplement current assets is limited to LTL 300 000. Seeking to accelerate the assimilation of both SAPARD and the EU Structural Funds, the projects related to the EU support are given more favourable

credit guarantee conditions; i.e. the guarantee amount is not limited. The guarantee amount is also not limited in case of credits granted to processing enterprises for purchase of agricultural products.

The Company also provides other type of support to rural businesses. Seeking to create more favourable conditions to farmers and rural entrepreneurs to receive bank credits and to reduce their expenditures related to obtaining a credit, Rural Credit Guarantee Fund administers another kind of state support to credit beneficiaries – compensation of guarantee payment, loan interests and part of insurance premiums for pledged property. The support instruments are administered following the procedure established by the Ministry of Agriculture.

In 2004, credit beneficiaries received compensations of guarantee payment amounting to LTL 2.3 million, LTL 93.8 thousand were dedicated for paying compensations to insurance companies and LTL 646.2 – for compensations of loan interests.

In 2004, the Company issued 163 guarantees, which is by 33 % more than in 2003. With these guarantees, the total amount of which was LTL 99.96 million, the credit amount of LTL 138.1 million was provided. In the previous year, the majority of the issued guarantees were for credits granted to farmers – 103 guarantees, whereas in 2003 – 72. More guarantees were issued to agricultural enterprises – 23 guarantees, if compared to 9 guarantees issued in 2003. 31 credits with guarantees to supplement current assets were granted and in 2003 – 23. In 2004, a guarantee amounting to LTL 42.45 million was issued to the Agricultural and Food Products Market Regulation Agency (hereinafter – the Agency) for purchase the grain of the harvest of the year 2004 (in 2003, guarantees amounting to LTL 115.3 million were issued to the Agency).

In the previous year, the majority of credits secured by a guarantee were for procurement of the agricultural machinery and equipment, for constructions and reconstructions. The banks granted credits secured by the guarantees issued by the Company the total amount of which was LTL 92.7 million to farmers and enterprises operating in rural areas. In the course of implementation of the projects with guarantees, 400 of new workplaces were created and old workplaces were maintained.

During the previous year, 47 % of credits secured by a guarantee were provided for the development of crop production business. The Company issued guarantees for projects related to alternative businesses in rural areas – rural tourism, stone processing, manufacture of wearing apparel, alternative fuel and furniture production.

In 2004, guarantees were issued to secure smaller credits and the average amount of a credit, not including the guarantees provided to the Agency, was LTL 360 000, whereas in 2003 it was LTL 540 000. Although more farmers and rural entrepreneurs used the services provided by the Company in 2004, the amount of the issued guarantees (LTL 57.5 million) decreased by 10 % in 2003.

Having considered the growing investments in rural sector, the Government has established a guarantee limit equal to LTL 280 million for the year 2005. It is by LTL 60 million more than in the previous year.

During the 1st quarter of year 2005, the Rural Credit Guarantee Fund issued guarantees to 1.8 times more beneficiaries, if compared to the respective period of the previous year. 22 guarantees exceeding LTL 4 million were issued to secure credits amounting to LTL 6.6 million and granted to farmers, agricultural enterprises and rural entrepreneurs. Out of this number, 18 guarantees (LTL 3.52) were issued in respect

of LTL 5.7 million worth investment credits. 8 credits secured by a guarantee were granted for purchase of agricultural land.

The Rural Credit Guarantee Fund issues guarantees on especially favourable conditions to banks financing the purchase of land. This is particularly important when seeking the enlargement of farms – the establishment of competitive trading farms and implementing land consolidation. Upon the request of the Company, it is enough to pledge the land that is being purchased in order to receive a credit with a guarantee. 60 % of the loan interests are compensated to young farmers purchasing land and 50 % – to any other loan recipients. Such preferential conditions are intended to promote the acquisition of land and assist young farmers in developing agricultural business.

The major part of the guarantees issued by the Rural Credit Guarantee Fund was for the bank NORD/LB Lietuva. Currently, the Company cooperates with all the Lithuania banks. The service provided by the Company is very useful to banks as it reduces the risks related to financing of projects.

The Company is a member of the European Mutual Guarantee Association (AECM) since 2001 and it maintains intensive relations with this organisation. This year, Director of the Company was invited to participate in the General Assembly of the Association and to introduce Lithuania's experience to other members of the AECM. International cooperation, exchange of information with the EU institutions, the European Mutual Guarantee Association and partners in Central and Eastern Europe enable the Company to build effective guarantee schemes in Lithuania.

### **6.3.AGRICULTURAL AND FOOD PRODUCTS MARKET REGULATION AGENCY**

State enterprise *Lithuanian Agricultural and Food Products Market Regulation Agency* (hereinafter referred to the Agency) was established in 1998. The purpose of the Agency is to manage regulation and export promotion measures in the Lithuanian agricultural and food products market and administrate intervention purchases of these products in the country.

At the beginning of its activities, the enterprise purchased grain, beef, butter, skim milk powder, and canned milk and beef. Intervention purchases executed by the enterprise helped to mollify the impact of the Russian economic crisis of 1998 on the country's agricultural and food sector, ensured a stable income level for producers of agricultural and food products and enabled the market to get ready for the competition in the EU market.

As the administrator of the intervention purchase of agricultural and food products, the enterprise takes part in administrating the funds of the Guarantee Section of the European Agricultural Guidance and Guarantee Fund.

During the intervention purchase of grain (wheat and barley) from the beginning of November 2004 to 19 April 2005, the Agency purchased almost 122 000 tons of grain harvested in 2004, including almost 87 000 tons of wheat and 35 000 tons of barley. Almost 111 thousand tons of grain are to be additionally purchased. Consequently, over 232 000 tons of grain harvested in 2004 shall be purchased according to the plan.

Beside intervention purchases, the enterprise implements various additional support measures, such as storage of private food products, support to cream, butter and concentrated butter used in production of confectionary products, ice-cream and other food products, support to production of casein and caseinates produced out of skim milk, the “Milk for Children” programme and other measures.

Another sphere of activities of the Market Regulation Agency is export promotion measures, which is of no lesser importance. On the basis of accumulated experience, a separate structural division of the Agency was established in 2001, which is responsible for promotion of export of the Lithuanian agricultural and food industry. The Agency organises participation of exporters of this branch of the Lithuanian economy in international exhibitions, fair and trade missions. It is responsible for the specialised agriculture and food products internet project “The Virtual Fair” ([www.litfood-fair.com](http://www.litfood-fair.com)); it accumulates, analyses and disseminates information about trade conditions and opportunities in the Lithuanian and world markets, consults Lithuanian companies, and drafts, publishes and disseminates information and promotion leaflets, magazines and catalogues on the Lithuanian agricultural sector and food sector.

#### **6.4. INTEGRATED ADMINISTRATION AND CONTROL SYSTEM (IAKS)**

Information about real situation in Lithuania’s rural areas, including the national agricultural sector and rural businesses, is stored by public company Agriculture Information and Rural Business Development Centre (ZUIKVC, Centre). The Centre has been charged with the arrangement of register for the implementation of Common Agricultural Policy, its completion with latest information (the data will also be provided by local authorities) and management, as well as with the transmission of register data to other institutions concerned. The Ministry of Agriculture has been appointed the executive register management authority.

The Agriculture and Rural Business Register of the Republic of Lithuania (also known as Holding Register) has been established in pursue of assurance of proper administration and control of direct subsidies, rural development support and other types of assistance. The key objective of the register is to collect, store, update and provide data about agricultural and rural holdings and the structure thereof. All and any entities engaged in agriculture or activities alternative to agriculture, which may apply for state support, shall register their holding at the register.

Extensive and reliable information about beneficiaries is required for the granting of support to farmers and targeted distribution thereof in accordance with numerous support measures. Accordingly, the need to update the register data regularly gains on significant importance, considering the ever growing need in information. Collection of primary information is the most challenging task assuring reliable functioning of any register. The task, as agreed with social partners, will be carried out simultaneously with the acceptance of applications for direct subsidies in 2005. A total of 320,000 statements of preset form on the registration of holding at the Holding Register, which have been posted to holders, have already been filled in. Updated or new data generated from these statements will supplement or update the Holding Register.

The data on agricultural holdings, their structures and changes comprise a foundation for overall EU Common Agricultural Policy and the measures for implementation thereof. More precise projecting of

trends of Lithuanian agricultural development, drafting of long-term strategies and proper arrangements for the projects of 2007 – 2013 period may only be possible with extensive statistical information about changes in the structure of national farms.

## **6.5. EDUCATION AND TRAINING**

Common education and science strategy is implemented by the Ministry of Education and Science of the Republic of Lithuania. Public policy in the areas of applied agricultural science, continuous farmer training, counselling, adult education, improvement of professional skills, farmer self governance, education and culture is being established and implemented by the Rural Development and Information Department of the Ministry of Agriculture (Department) within the limits of its respective competences., The Science and Training Division of the Department acts as a coordinator for the activities of Agricultural Science Council and the Farmer Education Council. The Department is charged with the establishment and implementation of agricultural science and training policy, implementation of new technologies in the agricultural sector; moreover, the institution acts as an organizer and coordinator of surveys as may be commissioned by the ministry, their financing, implementation and promotion of results. Furthermore, the department coordinates training and improvement of professional skills of individuals engaged in agricultural sector and supports the participation of agricultural entities in exhibitions, fairs and contests. The Ministry of Agriculture is also in direct control of Lithuanian Institute of Agrarian Economics and the Leader Programme and Farmer Training Methodology Centre.

Agricultural education in Lithuania is offered by two high schools, 6 colleges and 38 technology and business, agricultural and other professional schools. In 1995 – 2003, these educational institutions trained approximately 41,000 specialists and highly qualified workers for agriculture. In 2004 alone, approximately 1,300 graduates acquired a profession at agricultural schools of both levels.

Agricultural scientific research is carried out by 2 high schools, 2 public science institutes and affiliates thereof, 5 university-level institutes and 1 public scientific establishment.

## **6.6. FARMER TRAINING AND COUNSELLING**

Human resource development is a key national priority. Effective utilization of EU assistance funds requires knowledge; meanwhile, the level of education and skills of the majority of rural residents is insufficient. Thus, the main challenge for the present is to offer farmers a chance to update professional knowledge or retrain, to notify them about up-to-date farming technologies, decisions passed by state authorities in the area of agriculture, to promote the activities of rural communities, development of advanced farming and to create the prerequisites necessary for effective use of public and EU assistance resources. Other public institutions and organizations provide training for farmers and farming experts, and raise the professional skills of farming consultants as well.

A total of 1,080 seminars were held and counselling for 62,572 farmers was provided in 2004. Farmers were mostly concerned with latest technologies and possibilities to obtain assistance under various support schemes. Other measures included organization of 22 conferences, compilation or publishing of 20 publications (information publications, periodicals), support to rural small business and craft system,

arrangement of 160 field days, representation at 25 exhibitions and fairs, support to 14 farmer contests and 4 professional festivals. Finally, 25 commissioned science research programmes, which involved the arrangement of 224 scientific informative articles, recommendations and methodology, were carried out.

Modern competitive farms come across significant professional, environmental, food safety and hygiene requirements, which farmers shall be aware of and able to implement. To secure the minimum professional farming training for farmers, the Parliament has approved a supplementation to the Law of the Republic of Lithuania on Private Farm, which obliges any farmer eager to register a farm to have relevant professional training for farming. Other measures included the arrangement of requirements for farmers or farmer partners concerning the professional training for farming, the farming elements training scheme, and the list of training institutions offering training under the abovementioned scheme. Farmers completing the courses under the abovementioned scheme review the EU and Lithuania's agricultural policy and the EU requirements for farmers, acquire technological knowledge in key agricultural areas and economics. In 2004 alone, a total of 3,147 farmers completed these courses.

A procedure for the issue of Green Diploma to farmers has been established to create a basis for practical training of agriculture specialists and improve the system of farmer education, training and counselling.

A total of 25 national and international exhibitions and fairs were organized, and 14 agricultural contests were supported in 2004. These measures contribute to the promotion of Lithuania-made food products, improve their image and competitiveness, introduce agricultural and scientific innovation, and encourage the growth of exports.

Training, seminars and conferences are organised by Lithuanian Agricultural Counselling Agency, which operates a broad national network of counselling units, the Chamber of Agriculture and members thereof, Leader Programme and Farmer Training Methodology Centre, 46 continuous farmer training centres of two levels, various training and counselling institutions. Coordination of activities of abovementioned institutions is mostly concerned with the improvement of quality and effectiveness of counselling, education and training services, and the enhancement of these services.

### **Leader +**

The Leader+ measure got off to a start in 2004 with the founding of Leader and Farmer Training Methodology Centre – an establishment for the improvement of professional skills, continuous professional training methodology and training coordination for farmers, rural communities, local business groups (hereinafter – VVG) and other individuals engaged in the agricultural sector.

Allocations for the training of farmers and other rural residents, i.e., to the Leader+ measure, from the funds earmarked in the Lithuanian Single Programming Document (SPD) for 2004 – 2006 for rural development measures total LTL 9.4 million, including approximately LTL 5.6 million (60%) to be assigned for the acquisition of skills, i.e., for training courses and generation of methodical or information stuff required. Moreover, allocations for the acquisition of skills also cover the costs on arrangement of pilot strategies of local business groups. Allocations for farmer training under the SPD Training measure shall make up LTL 9.2 million in 2004-2006, while funding for farmer counselling as per Farm Counselling Services measure shall total LTL 25.4 million during the period. These funds will only be available to accredited counselling institutions (29 at the moment), which have concluded service contracts with farmers.

Allocations for the training of rural population and farmers from EAGGF made up LTL 40.2 million, i.e., 6.7% of total funds earmarked for rural development measures under the SPD rural development and fishery priority. Good results, which would establish a solid foundation for further rural development, may only be expected from project executors in possession of sufficient information and knowledge.

The Ministry of Agriculture has established a task group for the implementation of *Leader* + measure, which shall focus on consideration of matters related with the implementation and administration of this measure and any draft legislation concerned. Attention for Leader+ initiative is expected to be even greater during the Financial Perspective for 2007-2013 as the allocations for the measure may reach up to 7% of funds assigned for rural development and agriculture. The authorities, considering the importance of investments into human capital, have already started addressing the acquisition of skills and assurances for effective implementation of the scheme.

## 7. PRODUCTION OF AGRICULTURAL AND FOOD PRODUCTS

### 7.1.CROP PRODUCTION

According to non-final data from the Lithuanian Department of Statistics, in 2004, crop production amounted to LTL 2.326 billion and accounted for 51.1 % of the total agricultural production.

Due to especially unfavourable meteorological conditions, during the previous year, the total crop production decreased by 2 %, as compared to 2003 (whereas in 2003, it increased by 13 %). Still, in 2004, the volume of the harvest of grain increased by 9 % and of rape seed - by 71 %. In 2004, the farmers threshed 2.915 million tons of grain (in 2003 – 2.68 million tons). The average yield of cereals reached 3.25 tons per hectare (in 2003 – 3.03 t/ha), and in certain districts 4.1 – 3.5 t/ha were threshed.

#### CROP AREA, HARVEST AND YIELD BY CATEGORIES OF FARMS

	2003			2004			Increase/decrease in (-) %
	Total number of farms	Farmers and family farming	Agricultural partnerships and enterprises	Total number of farms	Farmers and family farming	Agricultural partnerships and enterprises	
<b>Cereal crops, in total</b>							
Area, thousand ha	886.2	722.0	164.2	909.1	733.6	175.5	102.3
Harvest, thousand ha	2680.3	2117.1	563.2	2915.1	2223.9	691.2	108.8
Yield, 100 kg/ha	30.2	29.3	34.3	32.1	30.3	39.4	106.3
<b>Winter cereals</b>							
Area, thousand ha	422.1	329.0	93.1	442.8	335.6	107.2	104.9
Harvest, thousand t.	1386.4	1050.9	335.5	1661.9	1197.8	464.1	119.9
Yield, 100 kg/ha	32.8	31.9	36.0	37.5	35.7	43.3	114.3
<b>Summer cereals</b>							
Area, thousand ha	442.5	376.5	66.0	435.8	373.1	62.7	98.5
Harvest, thousand t.	1245.4	1029.3	216.1	1195.7	981.7	214.0	96.0
Yield, 100 kg/ha	28.1	27.3	32.8	27.4	26.3	34.1	97.5
<b>Bean plants</b>							
Area, thousand ha	21.6	16.5	5.1	30.5	24.9	5.6	141.2
Harvest, thousand t.	48.5	36.9	11.6	57.5	44.4	13.1	118.6

Yield, 100 kg/ha	22.4	22.3	23.0	18.8	17.9	23.2	83.9
<b>Sugar beet</b>							
Area, thousand ha	25.6	15.9	9.7	23.3	14.6	8.7	91.0
Harvest, thousand t.	977.4	605.8	371.6	904.9	569.6	335.3	92.6
Yield 100 kg/ha	381	380	384	388	391	384	101.8
<b>Rape seed</b>							
Area, thousand ha	66.6	46.5	20.1	100.6	71.9	28.7	113.4
Harvest, thousand t.	119.5	81.4	38.1	204.7	142.4	62.3	171.3
Yield 100 kg/ha	17.9	17.5	19.0	20.3	19.8	21.7	113.4
<b>Potatoes</b>							
Area, thousand ha	93.6	92.8	0.8	79.3	78.7	0.6	84.7
Harvest, thousand ha	1145.2	1432.5	12.7	1021.4	1009.5	11.9	89.2
Yield, 100 ha/kg	154	154	159	129	128	186	83.8
<b>Vegetables</b>							
Area, thousand ha	27.8	26.8	0.3	20.4	20.2	0.2	73.4
Harvest, thousand t.	536.1	528.8	7.3	342.8	338.3	4.5	66.4
Yield, 100 kg/ha	194	193.1	288.7	168	167	248	88.0

Source: *Lithuanian Department of Statistics (Statistics Lithuania) under the Government of the Republic of Lithuania*

An increase in the volume of grain harvest was determined by 3 % expanded crop area and by 6 % increased yield. In the previous year cereals were sowed in the area equal to 909.1 thousand hectares, whereas in 2003 – the area was 886.2 thousand hectares. According to the data from the Lithuanian Department of Statistics, in Lithuania the winter crops area for the harvest of 2005 is 376.1 thousand hectares: for wheat – 275.3 thousand hectares, for rye – 42.1 thousand hectares, for triticale – 54.6 thousand hectares, and for barley – 4.1 thousand hectares. Winter rape seeds were sowed in the area equal to 22.6 thousand hectares.

The rape seed harvest in 2004 was by 71 % larger than in 2003. Such an increase in the volume of the harvest was influenced by a growth of rape area by 51 % and by 13 % higher yield. In the previous year, the rape seed were grown in the area of 100.6 thousand hectares (in 2003 – 66.6 thousand hectares) and 204.7 thousand tons of grain were threshed (in 2003 – 119.5 thousand tons). The year 2004 was less successful to cultivators of sugar beet, potato and vegetables. In the previous year, the sugar beet was grown in the area of 23.3 thousand hectares; their harvest was 904.9 thousand tons (in 2003 – respectively 25.6 thousand hectares and 977.4 thousand tons). 1.021 tons of potatoes were dug in the previous year, which is by 29.3 % less than in 2003 m (1,445 million tons). Such a decline can be explained by the fact that in 2004 the potato area was reduced by 15 % and amounted only to

79.3 thousand hectares (in 2003 - 93.6 thousand hectares). The harvest of the outdoor vegetables declined by 36.1 % – from 536.1 thousand to 342.8 thousand tons. The share of industrial plants in the total crops area increased – in 2004 they accounted for 9.7 % whereas in 2003 – only to 7.9 %.

The grain raised by farmers and in family farming accounted for 76 % of the total grain amount (in 2003 – 79 %); the sugar beet - 63 % (in 2003 – 62 %), the rape seed - 70 % (in 2003 – 68 %) and 99 % of the total amount of potato and outdoor vegetables (in 2003 – the same figure).

The year 2004 was especially unfavourable to gardens and berry orchards – the frost has blasted as many as 90 % of blossoming gardens, as well as 40 – 50 % of strawberries. In 2004, the harvest from the country's commercial gardens was only 2000 tons of dessert apples (in 2003 – 30 000 tons; from other gardens – 112 000 tons).

### **AGRICULTURAL CROPS AREA IN THE FARMS WITH OVER 1 HECTARE OF AGRICULTURAL LAND, in thousand ha**

	Total number of farms		Out of this number					
	2003	2004	Farmers and family farming			Agricultural partnerships and enterprises		
			2003	2004	Increase/decrease (-), in %			
The total crop area	1341.9	1376.7	1088.9	1098.5	100.9	253.0	278.2	110
Cereal crops	886.2	932.7	722.0	753.6	104	164.2	179.1	109
Cereals	864.6	897.3	705.5	724.2	103	159.1	173.1	109
Winter cereals:	422.1	447.9	329.0	337.9	103	93.1	110.1	118
wheat	283.2	309.4	208.7	221.9	106	74.5	87.6	117
triticale	66.1	76.9	58.7	66.9	114	7.4	10.0	136
rye	59.8	56.2	50.2	45.5	91	9.6	10.7	112
barley	13.0	5.4	11.4	3.6	32	1.6	1.8	113
Summer cereals:	442.5	449.4	376.5	386.4	103	66.0	63.0	95
wheat	53.3	50.8	43.1	41.9	97	10.2	8.9	88
barley	295.3	292.9	248.6	248.1	99.8	46.7	44.7	96
triticale	12.4	10.0	10.9	9.2	84	1.5	0.8	56
oats	48.2	54.8	44.6	50.6	113	3.6	4.2	118
buckwheat	16.3	22.2	14.4	19.9	138	1.9	2.3	117
Cereal mixtures	14.3	16.1	13.0	15.2	120	1.3	1.0	73
Maize	2.7	2.5	1.9	1.4	73	0.8	1.1	130
Other cereals	0.0	0.1	0.0	0.1	3.4 times	0.0	0.0	50 times

*Source: Lithuanian Department of Statistics (Statistics Lithuania) under the Government of the Republic of Lithuania*

The purchase of grain in 2004 increased by 25 %, if compared to 2003, and reached nearly 1.4 million tons. In 2004, 904.9 thousand tons of the sugar beet were purchased which is by 7 % less than in 2003. 15.5

thousand tons of flax straws were purchased, which is a decrease by 57 %; 17.7 thousand tons of potato were purchased, which is by 31.3 % less than in 2003.

**PURCHASE OF CROP PRODUCTION, thousand t, price in LTL**

	<b>2003</b>	<b>2004</b>	<b>Increase/decrease (-) in 2004 as compared to 2003, in %</b>
<b>Grain</b>	<b>1112766</b>	<b>1391592</b>	<b>125</b>
From farmers and family farming	731863	949949	130
From agricultural partnerships and enterprises	380903	441643	116
Average purchasing price	377	340	
<b>Cereals</b>	<b>1103902</b>	<b>1381863</b>	<b>125</b>
From farmers and family farming	726430	941800	130
From agricultural partnerships and enterprises	377472	440063	117
Average purchasing price	377	339	
<b>Grain of bean plants</b>	<b>8864</b>	<b>9729</b>	<b>110</b>
From farmers and family farming	5375	8149	152
From agricultural partnerships and enterprises	3489	1580	45
Average purchasing price	455	438	
<b>Rape seed</b>	<b>109885</b>	<b>171280</b>	<b>156</b>
From farmers and family farming	74102	117226	158
From agricultural partnerships and enterprises	35783	54054	151
Average purchasing price	749	659	88
<b>Sugar beet, inclusive weight</b>	<b>977413</b>	<b>904876</b>	<b>93</b>
From farmers and family farming	509123	566514	111
From agricultural partnerships	468290	338362	72
Average purchasing price	155	149	96
<b>Flax straws</b>	<b>36135</b>	<b>15487</b>	<b>43</b>
From farmers and family farming	28432	12411	44
From agricultural partnerships and enterprises	7703	3076	40
Average purchasing price	255	357	140
<b>Potatoes</b>	<b>31345</b>	<b>17651</b>	<b>56</b>
From farmers and family farming	27654	13584	49

From agricultural partnerships and enterprises	3691	4067	110
Average purchasing price	245	280	114
<b>Vegetables</b>	<b>26146</b>	<b>25589</b>	<b>98</b>
From farmers and family farming	19754	19793	100,2
From agricultural partnerships and enterprises	6392	5796	91
Average purchasing price	1087	796	73
<b>Fruits</b>	<b>75389</b>	<b>7872</b>	<b>10</b>
From farmers and family farming	44677	6311	14
From agricultural partnerships and enterprises	30712	1561	5
Average purchasing price	151	345	2,3 k.

Source: Lithuanian Department of Statistics (Statistics Lithuania) under the Government of the Republic of Lithuania

In 2004, 2 modernised enterprises – Viking Malt UAB in Panevezys and Maltosa UAB in Svencioneliai - started producing malt in the Lithuanian market. To make full use of the capacities of these enterprises, 110 000 tons of malt barley will be required annually, which means that their area will have to be approximately 40-45 thousand hectares. The malt barley raising programme is being prepared by order of the Government.

### **Flax**

Flax raising sector has long-established traditions in Lithuania and our country is famous for its flax. In 2003, fibrous flax was grown in the area amounting to 9.6 thousand hectares by 631 entities engaged in agricultural activities in Lithuania. A record yield of flax fibre was reached – 1.1 t/ha. Approximately 6 000 tons of high quality long and short flax fibre, but such production output can only partly satisfy the demand of the local market – only up to 50 %.

Nearly 70 % of flax is grown in small farms and only 30 % – in large specialised farms with the area equal to 30 hectares and more. It is anticipated that in the nearest future the demand of the flax fibre in Lithuania will increase from 6 000 to 10 000 tons.

In 2003, direct payments for 1 hectare of fibrous flax was LTL 1 000 – 1 500. The regulation of the fibrous flax sector has changed after Lithuania's accession to the EU. Now the support is granted not only to cultivators of flax but also to processors of flax. In 2004, by way of exemption, a 100 % payment equivalent to the EU level - 587 LTL/ha - was established to the cultivators of flax. Due to reduced support to flax cultivators, in the previous year the fibrous flax area was only 5.6 thousand hectares and only 321 entities were cultivating flax. Flax straws are bought and processed by 11 flax processing enterprises. The support in the form of direct payments to cultivators of flax and assistance to processors will amount to nearly LTL 5.7 million.

The purchase price for raw flax is quite low, if compared to other EU Member States (in 2003 – LTL 255 per ton and in 2004 – LTL 357 per ton). Therefore the cultivators of flax fear that because of low purchase prices they will not be able to acquire specialised machinery required for the cultivation and processing of flax and will be forced to withdraw from this necessary and promising branch of agriculture. Lithuanian textile

enterprises, trying to maintain the production level, will have to import more expensive flax fibre from other countries and several enterprises engaged in primary processing of flax fear that they will go bankrupt without sufficient amount of raw materials.

“In order to fulfil the established flax fibre production quota, equal to 5 726 tons, and to make the most of the support from the EU and increase our competitiveness in the foreign markets, we need to restore the fibrous flax area, increase the flax yield, improve the quality and modernise the available equipment”, states Mrs Kazimiera Prunskienė, Minister of Agriculture. To reach the level of support similar to that of other EU Member States, support from the national budget is required. The Programme on the Development of the Flax Sector is being prepared by order of the Government of the Republic of Lithuania.

### **Intervention buying of grain**

According to the data from the State enterprise Lithuanian Agricultural and Food Products Market Regulation Agency that is performing intervention buying of wheat and barley harvest (the period of intervention buying 1 November 2004 – 31 May 2005), from 2 November till 19 April it bought nearly 122 000 tons of grain from the harvest of 2004. Out of this number, approximately 87 000 tons of wheat and 35 000 thousand tons of barley and nearly 111 000 tons of grain are in the buying stage. Thus, in the nearest future, over 232 000 tons of grain will be bought. During the period from March to April 2005, the average price for the ton of grain was LTL 360. 14 warehouses were selected for storage of grain acquired in the course of intervention buying.

In 2003, due to great demand of grain, direct sales were carried out in the market and therefore the Lithuanian Agricultural and Food Products Market Regulation Agency bought only 21 000 tons of grain during the period of intervention buying for the period 2003-2004.

### **Crop production – credit collateral**

A new current assets crediting system for agricultural enterprises and processing enterprises was created and is already operating. Under this system, crop production might be used as a pledge. Currently there are three grain purchase and processing enterprises that have obtained a licence entitling to be engaged in licensed warehouse activities. In 2004, 4.8 thousand tons of grain were stored there.

## **7.2.STOCKBREEDING**

In Lithuania stockbreeding is one of the priority branches of agriculture and has consistently been increasing its production volumes during the recent years. Both in 2003 and in 2004 stockbreeding production grew by 8 %. The share of the stockbreeding product in the total agricultural production also increases: in 2002 that share reached 44%, in 2003 – 47% and in 2004 – already almost 49%. According to the preliminary data of the Department of Statistics, the stockbreeding production in 2004 reached 2.222 billion Lit.

### **Number of livestock and poultry, thousands**

	<b>1 January 2004</b>	<b>1 January 2005</b>	<b>Relative increase, drop in %</b>
Cattle	934.121	946.345	1.3
<i>of them cows</i>	467.414	462.867	- 1.0
Pigs	1,057.4*	1,073.3**	1.5
Sheep	22.687	34.866	53.7
Goats	27.2*	26.9**	- 1.1

Horses	63.6*	63.6**	0.0
Poultry	8,066.7*	8,419.4**	4.4

Sources: *Agricultural and Rural Development Information Centre*

\**Department of Statistics under the Government of the Republic of Lithuania*

\*\* *Preliminary data of the Department of Statistics under the Government of the Republic of Lithuania as of 1 January 2005*

In 2004 just like in 2003 purchasing volumes of stockbreeding products grew by 8%; livestock and poultry (live weight) purchased reached 199.8 thousand tons – 7%; milk recalculated for base fat content – 1.369 million tons – 12%; eggs – 485.617 million – 4% more than in 2003.

### Purchase of Stockbreeding Products, thousands t

	2003	2004	Relative increase, drop (-) in 2004 as compared to 2003
Animals and poultry, live weight	186.701	199.814	107
Animals and poultry, carcass weight	120.489	129.450	107
Natural milk fat content	1,025.495	1,138.686	111
Milk (recalculated to the base fat content)	1,225.228	1,369.320	112
Eggs, million	466.265	485.617	104

Source: *Department of Statistics under the Government of the Republic of Lithuania*

The purchasing prices of cattle, pigs, poultry and milk have been increasing. More rapid growth was seen after Lithuania became the Member State of the EU. In 2004 as compared with 2003, the average cattle price was higher by 33%, pigs – by 8%, poultry – by 9%, natural milk – by 20%.

### Livestock and Poultry Purchased and Slaughtered by Kinds

	Number		Increase or drop in % (-)	Live weight, t		Increase or drop in % (-)	Carcass weight, t		Increase or drop in % (-)
	2003	2004		2003	2004		2003	2004	
<b>Animals and poultry</b>	x	x		<b>186,701</b>	<b>199,813</b>	<b>7.0</b>	<b>120,489</b>	<b>129,450</b>	<b>7.3</b>
<b>Cattle, total</b>	<b>166,217</b>	<b>172,123</b>	<b>3.6</b>	<b>69,296</b>	<b>74,348</b>	<b>7.3</b>	<b>34,725</b>	<b>36,569</b>	<b>5.3</b>
<i>Farmers and households</i>	139,377	149,486	7.3	57,861	64,278	11.1	29,078	31,387	7.9
<i>Agricultural companies</i>	26,840	22,637	-15.7	11,435	10,070	-11.9	5,647	5,182	-8.2
<b>Pigs</b>	<b>787,245</b>	<b>735,070</b>	<b>-6.6</b>	<b>78,072</b>	<b>73,359</b>	<b>6.0</b>	<b>56,488</b>	<b>53,913</b>	<b>-4.6</b>
<i>Farmers and households</i>	127,516	86,703	-32.0	13,602	9,413	-30.8	9,521	6,694	-29.7

<i>Agricultural companies</i>	659,729	648,367	-1.7	64,470	63,946	-0.8	46,967	47,219	2.1
<b>Sheep and goats</b>	<b>2,423</b>	<b>2,337</b>	<b>-3.5</b>	<b>114</b>	<b>107</b>	<b>-6.1</b>	<b>50</b>	<b>46</b>	<b>-8.0</b>
<i>Farmers and households</i>	2,332	2,265	-2.9	110	104	-5.5	48	44	-8.3
<i>Agricultural companies</i>	91	72	-20.9	4	2	-50	2	2	0.0
<b>Poultry, thousand</b>	<b>19,865</b>	<b>24,546</b>	<b>23.6</b>	<b>39,178</b>	<b>51,974</b>	<b>32.7</b>	<b>29,206</b>	<b>38,909</b>	<b>33.2</b>
<i>Farmers and households</i>	22	55	2.5 times	190	400	2.1 times	152	302	98.7
<i>Agricultural companies</i>	19,843	24,492	23.4	38,988	51,574	32.3	29,054	38,607	32.9
<b>Rabbits</b>	<b>11,257</b>	<b>7,096</b>	<b>-37</b>	<b>40</b>	<b>25</b>	<b>-37.5</b>	<b>20</b>	<b>13</b>	<b>-65</b>
<i>Farmers and households</i>	11,257	7,016	-37.7	40	25	-37.5	20	13	-65
<i>Agricultural companies</i>	-	80		-	0.0	-	-	0.0	-

Source: Department of Statistics under the Government of the Republic of Lithuania

Production of cattle and pigs was increasing. In 2004 the average purchased cattle weight was 432 kg, and in 2003 – 417 kg; last year purchased pigs had the average weight of 100 kg – 1 kg more than in 2003. The numbers of beef breeds – by 55.3% (as of 1 January 2004 – 2,046; as of 1 March 2005 – 3,178) and cross-breed cattle – 49.4% (38,045 and 56,837 respectively) grew especially rapidly.

#### Distribution of Cattle by Breeds

	<b>1 January 2004</b>	<b>1 March 2005</b>	<b>Relative increase, drop in % (-)</b>
Black-and-white breed	657,439	645,136	<b>-1.9</b>
Rufous	232,426	216,396	<b>-6.9</b>
Other breeds	4,164	4,198	<b>0.8</b>
Beef cattle	2,046	3,178	<b>55.3</b>
Cross-breeds	38,045	56,837	<b>49.4</b>
<b>Total number of cattle</b>	<b>934,121</b>	<b>925,746</b>	<b>-0.9</b>

Source: Agricultural and Rural Development Information Centre

The productivity of the stockbreeding sector is quite low as compared with the EU countries. This is because the majority of stockbreeding farms are small. Big herds of livestock are mainly kept by agricultural partnerships and other companies, and herds at farms are smaller but often more productive.

#### Distribution of Farms and Cattle

Number of cattle kept	Farms		Increase, drop in % (-)	Cattle		Increase, drop % (-)
	1 January 2004	1 January 2005		1 January 2004	1 January 2005	
<b>1-2</b>	125,695	114,295	-9.1	177,608	161,086	-9.3

<b>3-5</b>	61,146	56,552	-7.5	225,409	209,510	-7.0
<b>6-10</b>	22,950	22,986	0.2	169,994	170,899	0.5
<b>11-20</b>	8,752	9,363	7.0	122,638	131,286	7.1
<b>21-30</b>	1,779	2,109	18.5	43,716	51,630	18.1
<b>31-50</b>	965	1,197	24.0	36,721	45,555	24.1
<b>51-100</b>	409	595	45.5	27,701	40,505	46.2
<b>101 – 150</b>	91	117	28.6	11,053	14,172	28.2
<b>151 &lt;</b>	214	234	9.3	119,281	121,702	2.0
<b>Total</b>	<b>222,001</b>	<b>207,448</b>	<b>-6.6</b>	<b>934,121</b>	<b>946,345</b>	<b>1.3</b>

*Source: Agricultural and Rural Development Information Centre*

However the tendency for larger farms can already be noticed. As of 1 January 2004, farms with 1 to 10 cattle accounted for 61.3% while on 1 January 2005 already only 57.2% of all cattle. Within the year the number of small stockbreeders decreased by 7.2% (15,958) and the number of bigger and large farms increased by 11.5% (1405). As of 1 January 2005, farms of this group already kept 43,740 cattle more than a year before.

In Lithuania with all the prerequisites for developing stockbreeding like favourable nature conditions, feed resources and long traditions of animal raising and production of high-quality milk and meat products, stockbreeding is becoming a market branch with good prospects. Benefits for slaughtered cattle (including special benefits for bulls) and raising suckler cows have become a substantial support for stockbreeders. In 2003 7 million Litas were paid out as benefits for slaughtered cattle, for suckler cows – 783 thousand Litas; in 2004 respectively – almost 57 million Litas and over 7 million Litas. As beef production in the old EU Member States decreases, cattle purchasing prices are growing continuously, and directly paid benefits will be increasing every year. Thus, beef cattle breeding should become quite a profitable business.

### **7.2.1. Milk sector**

According to the data made available by the state enterprise Agriculture Information and Rural Business Development Centre (hereinafter – ZUIKVC), a total of 181.252 farmers kept cows in Lithuania as of 1 January 2005, a decline of 7.2% versus the 1 January 2004 figure of 195.231. The ranks of larger- and large-scale farms keeping more than 5 cows increased during the year, while the number of small-scale cow farmsteads diminished by 8%. Although farmsteads and family farms, which, which supplied 84.2% of total milk purchased in (down from 85.1% in 2003), continue as the main milk producers, the ranks of farms expanding the herds of dairy cows tend to increase, which is seen as a positive factor for the expansion of commercial dairy sector. EU assistance will definitely make a solid contribution into the expansion of this sector.

### **Distribution of farms and cows**

Number of cows	Farms		Increase, decrease % (-)	Cows		Increase, decrease % (-)
	1 January 2004	1 January 2005		1 January 2004	1 January 2005	
<b>1-2</b>	152,104	138,591	-8.9	198,543	180,215	-9.2
<b>3-5</b>	32,664	31,419	-5.2	117,635	113,374	-3.6
<b>6-10</b>	7,625	7,759	1.8	54,718	56,225	2.8
<b>11-20</b>	1,997	2,356	18.0	27,511	32,905	19.6
<b>21-30</b>	373	519	39.1	9,194	12,774	38.9
<b>31-50</b>	205	300	46.3	7,833	11,452	46.2
<b>51-100</b>	113	158	38.8	7,632	10,790	41.4
<b>101 – 150</b>	33	37	12.1	3,961	4,499	13.6
<b>151 &lt;</b>	117	113	-3.4	40,387	40,633	0.6
<b>Total</b>	<b>195,231</b>	<b>181,252</b>	<b>-7.2</b>	<b>467,414</b>	<b>462,867</b>	<b>-1.0</b>

*Source: Agriculture Information and Rural Business Development Centre*

In 2004 the average yield per cow stood at 4,140 kg, a rise of 3.11% from the 2003 figure of 4,015 kg. The purchase of raw milk with natural fat content rose by approximately 11%, to 1,138,686 tons last year from 2003, while the purchase as converted into basic fat content increased by 12%, to 1,369,320 tons. Milk compliant with the requirements of EU legislation comprised 91.2% of total milk purchase (up from 78.7% in 2003). The quality of milk tended to improve considerably after the introduction of deduction system for the purchase of milk of inferior quality, starting from 1 May 2004.

Lithuania has been assigned the general national quota (for milk of natural fat content) of 1,646,900 tons, including the quota of 1,280,000 tons for the direct sale to industry and the quota of 367,000 tons for direct sale to the consumers. An additional restructurization reserve of 57,900 tons has been earmarked for Lithuania for 2006. Some 120,000 individuals have been assigned milk quotas.

In 2004 assistance to milk producers for dairy cows (LTL 48.3 million) and the areas of fodder crops declared (approximately LTL 82 million) made up approximately LTL 130 million, i.e., LTL 93 per ton of quota milk. Thus, last year the amounts of state aid extended to Lithuania's milk producers exceeded respective aid granted to farmers in old EU member states, e.g., in the Netherlands, where the assistance stood at LTL 40.5 per ton in 2004. In 2005 subsidies to milk products will comprise 90° of EU average.

The milk purchase price rose by 19% during 2004. The rise in prices increased the revenues of milk producers by LTL 109 million, while the growth in sales volumes brought total receipts to LTL 668.1 million (up from LTL 500.7 million in 2003). Lithuania's milk producers expect LTL 32.3 million in export refunds for licensed exports of products to third countries in 2004; additional LTL 3.5 million in EU subsidies was granted for the production of casein and private storage of cheese of long maturation.

The output of hard cheese and cheese spread, fresh cheese and cottage cheese, dry skimmed milk, dry whey, canned milk and casein increased as the purchase of milk rose by more than one-tenth in Lithuania last year. The output of other milk products declined in 2004 versus 2003, while the output of drinkable milk and fat

dry milk remained almost unchanged. Manufacturing of hard cheese and cheese spread rose by 12%, to 56,300 tons, from 50,100 tons in 2003, while exports increased by 8%, to 39,800 tons.

A total of 63 milk purchase companies and 20 milk processing entities are registered in the country. Five-to-six milk processing companies account for the major share of dairy output.

Two milk processing companies, the leaders of cheese production segment, made use of EU assistance for 700 tons (350 tons each) of cheese in private storage last year. Lithuania-made cheese of excellent taste and maturity has repeatedly scored top marks at international exhibitions outdoing the producers from countries with extensive cheese production traditions. The range of dairy products is particularly large and compliant with top-level quality standards.

### 7.2.2. Meat sector

After Lithuania's accession into the EU the structure of kept livestock and poultry is gradually changing – herds of beef cattle and cross-bred animals are being extended, commercial turkey farms as well as goose and ostrich farms are formed.

In 2004 it was purchased and slaughtered 7.4 % more of livestock and poultry (129.45 thousand t of livestock carcass) than in 2003; due to this, production of cattle meat has increased by 5.3 %, the production of poultry – by third (33.2 %); only the production of pork has decreased by 4.5 %.

#### Livestock and Poultry Purchased and Slaughtered by Kinds in 2004

	Number	Live weight, t	Comparing to the total amount, %	Weight of carcass, t
<b>Livestock and poultry</b>	<b>x</b>	<b>199814</b>	<b>100</b>	<b>129450</b>
<b>Cattle, out of them</b>	<b>172123</b>	<b>74348</b>	<b>37.2</b>	<b>36569</b>
<i>Calves, up to one year</i>	18211	1245	0.6	696
<i>Heifers, from one year</i>	30926	13156	6.6	6430
<i>Bulls from 1 to 2 years</i>	67913	32424	16.2	16552
<i>Other bulls</i>	7632	3844	1.9	1953
<i>Cows</i>	47441	23679	11.9	10938
<b>Pigs</b>	<b>735070</b>	<b>73359</b>	<b>36.7</b>	<b>53913</b>
<b>Sheep and goats</b>	<b>2337</b>	<b>107</b>	<b>0.1</b>	<b>46</b>
<b>Poultry, thousands</b>	<b>24546</b>	<b>51974</b>	<b>26.0</b>	<b>38909</b>
<i>Chicken, broilers</i>	22772	46680	23.4	35192
<i>Laying hens</i>	1585	2894	1.4	1914
<i>Turkeys</i>	188	2400	1.2	1803
<b>Rabbits</b>	<b>7096</b>	<b>26</b>	<b>0.0</b>	<b>13</b>

Source: Department of Statistics to the Government of the Republic of Lithuania

In 2004 a bigger part of livestock and almost all the amount of poultry, calculating live weight – 62.8 %, was delivered by agricultural partnerships and companies (in 2003 – 61.5 %). However, almost 86.5 % of all slaughtered cattle were delivered by farmers and family farms (in 2003 – 83.5 %); Agricultural partnerships and companies on their part delivered 87.6 % of all pigs and even 99.2 % - of poultry.

### Distribution of Cattle by Breeds

	1 January 2004	1 January 2005	Relative increase, drop in % (-)
Black-and-white breed	657439	660340	0,4
Rufous	232426	223881	-3,7
Other breeds	4164	4221	1,4
beef	2046	2974	45,4
Cross-breeds	38045	54928	44,4
<b>Total number</b>	<b>934120</b>	<b>946344</b>	<b>1,3</b>

*Source: Agricultural and Rural Development Information Centre*

In Lithuania the production of beef is gradually increasing and subject to the rise of the number of cattle it is expected to increase and in the future. Communicable livestock diseases are not recorded in the country; this gives a great advantage to Lithuanian products and turns the attention of businessmen not only from the EU countries but also from the thirds countries. We are regarded as potential suppliers of beef.

Since 2002 in Lithuania the classification of livestock carcass has been carried out and all efforts have been put striving to implement the system of payment for purchased livestock by carcass classification results.

In 2004 it was planned to allocate direct payments for 24 thousand of pure-bred beef breeds and cross-bred suckler cows and heifers meeting the established suitability requirements, however it was paid only for 14.2 thousand of cows and heifers. At present the herd of beef cattle and cross-bred animals is not such numerous as it was expected. In 2002-2003 a huge drop in livestock purchase prices didn't encourage livestock farmers to develop this branch and slowed down its growth speed. To add more, livestock farmers didn't have enough means for the purchase of beef breeding animals from other countries.

Slaughter payments were paid for livestock keepers who had registered as managers of agricultural or urban holding or partners of pursued joint activity, for livestock – cows including bulls and heifers older than 8 months – that had been registered on their own name, marked in an established order, slaughtered in slaughter houses or exported. Payments were paid for 184 thousand livestock. Special payments were paid for bulls of 185 kg of carcass weight (340 kg live weight) marked in an established order slaughtered in slaughter houses or exported older than 9 months bulls. They were paid for 78.4 bulls.

Currently, 50 meat and 8 poultry companies are allowed to import their production into the EU market. A number of them expressed a wish and met the requirements (were issued with the licenses) for the provision of meat production to Russia.

### 7.3.ORGANIC FARMING

Organic farms – promising farms of the future. Their number was increasing rapidly in 2003-2004 growing by 60 % every year. Last year in Lithuania 1 178 entities of agricultural practice producing organic agricultural production had the status of a certified organic production farm, 55 % of them are plant-growing farms, 41,3 % – mixed farms (plant-growing, cattle-breeding, bee-keeping, etc.), 2.5 % – bee-keeping farms and 1.2 % – fishery farms certified in 2004.

During the 2004 the area of certified agricultural farming land increased by 20 000 hectares and covered the total area of 42 961 hectares – approximately about 1.5 % of all farming land of the country. Last year an average certified farm of agricultural production covered 36 hectares (the largest – 710,03 hectares, the smallest – only 0,033 hectares). About 40 % of lands of organic farms are meadows and fallows; 24 % – cereals and leguminous crops, more than 10 % – extensively enlarged areas of buckwheat. Organic potatoes and vegetables are grown in 1.5 % of organic land-tenure, berry-fields – in 1.0 % and gardens – in 1.5 %. The development of organic fishery was started in 2004. The biggest number of certified organic farms is registered in Trakai, Molėtai, Biržai, Šalčininkai districts. In 1993 there existed only 9 such farms (148 hectares).

Organic production farms are united by Association of Organic Farming “Gaja” established in 1990 and “Tatulos programa”, Public Institution, established in 1993. Inspections of farms are carried out and certificates of organic farming are issued by Public Enterprise “Ekoagros”. This enterprise, established in 1997, developed and implemented the certification system of organic farming, developed and patented the certification mark of Lithuania’s organic products. In the beginning of 2000 “Ekoagros” was accredited in accordance to the accreditation system of International Federation of Organic Agriculture Movements (IFOAM). Every year an international inspector checks the activity of the certification enterprise and the process of organic production in farms and companies.

The mark of certification enterprise “Ekoagros” is placed on the labels of organic products. This is a guarantee that this product is organic and a user can have no doubts about it. Organic products can be marked with the EU mark of an organic product as well as other marks used in the EU countries. Strict rules of recognition and the system of control are applied to organic products imported to the EU from third countries.

The State provides support for certified organic production farms since 1997. Since 2004 support for organic farming and animals of rare breed as well as for poultry keeping is provided according to 4 programmes of Urban Development Plan Instrument "Agri-Environment". Within the fixed period of 1 September 2004 – 29 October intended for the provision of applications for the support of development of organic farms, National Payment Agency (NPA) of Ministry of Agriculture received 738 applications of persons pursuing the activity of organic farming. It was estimated that farmers and companies implementing projects under these programmes would receive 15 millions from the EU budget into Lithuanian budget in 2004 and 20.2 million Lt. – in 2005, 27 million Lt. – 2006.

In 2005 it is planned to allocate 90 million of compensatory payments for individuals pursuing the activity of organic farming and observing environmental requirements. This is twice as much money as it was allocated earlier. NPA has prepared 700 maps of land holdings of organic farms, these maps are of essential importance for the provision of the EU support. It is planned to allocate 75 % of compensatory payments from the EU structural funds and 25 % from the budget of Lithuania.

In 2004 an organic farm was allocated compensatory payment amounting to 1.4 thousand Lt for a hectare of cereals and leguminous crops. Direct payments for berry-fields and certified organic gardens have increased – it is paid more than 2.5 thousand Lt for one hectare of such land, for medical herbs – 1.5 thousand Lt, for potatoes and other vegetables – 1.9 thousand Lt. Persons who wish to receive a compensatory support under the programme of organic agriculture have to pursue the activity of agriculture in its own or rented land not less than for five years. A land holding not smaller than 1 hectare has to be registered in the Register of Agriculture and Rural Business,

In 2005 within the fixed period indented for the provision of applications, 2000 farmers pursuing the activity of organic farming have applied to organic certification enterprise “Ekoagros”. This immense wish to certify organic farms was stimulated by very favourable EU support conditions since only certified farms receive direct payments.

“Tatulos programa”, Public Institution, currently uniting 218 members (189 farmer, 15 companies, 6 agricultural partnerships, 1 cooperative), is implementing the country’s model programme of an organic and sustainable farm, provides all possible support for farms and companies restructuring them into organic and sustainable farming, initiates the opening of sections of organic products in the largest retail chains of Lithuania, organizes fairs, searches for markets in foreign countries, pursues consultative, publishing and other educational activity.

Since 1995 “Tatulos programa”, Public Institution, during autumn winter season organizes the fair of organic products in Vilnius where a great number of farmers of certified organic production farms and farms having the status of transitory period, agricultural cooperatives, companies and organic production treatment establishments offer their products to buyers. Furthermore, the aim of such fairs is to promote organic products produced in Lithuania and encourage farmers to produce the most demanded organic production. At present moment relatively small amounts of organic production impede the development of the system of their treatment and realization.

#### **7.4.RURAL TOURISM**

In the past years, the Lithuanian rural tourism has turned into an independent and fast-developing business. At present, around 500 farmsteads provide rural tourism services. In 2004, over 196.6 thousand people spent their vacations at rural tourism farmsteads, while in 2003 this number was close to 164 thousand. Most holidaymakers are accommodated in Aukštaitija and Žemaitija farmsteads, fewer holidaymakers visit Dzūkija’s villages.

This alternative type of rural business is also promoted by the state, especially in regions less favoured for agriculture. The National Paying Agency under the Ministry of Agriculture has approved 17 rural tourism projects, which have been allocated a total of 6.213 MLTL from the SAPARD Programme.

The Phare Programme has been used more for small-scale investments. Most of this programme’s funds were used by rural tourism enthusiasts from Aukštaitija and the Utena County. A part of the last Phare 2002 support, for which applications (business projects) were submitted to the Lithuanian Business Support Agency until 1 April 2004, was also used for the development of rural tourism and tourism marketing. On accession of Lithuania to the EU, an allocation of almost 21 MEUR is foreseen for

development of this sector in the coming three years in line with the activity *Development of Rural Tourism and Crafts* of measure 4.4. Promoting the Adaptation and Development of Rural Areas of the Single Programming Document for 2004-2006.

In the past years, rural tourism – a quickly developing sector of economy - has become a serious competitor for resorts and hotels and an attractive alternative for holidaymakers. The information system of the Lithuanian rural tourism and crafts – accessible at [www.atostogoskaime.lt](http://www.atostogoskaime.lt), [www.countryside.lt](http://www.countryside.lt), [www.lithuaniancountryside.com](http://www.lithuaniancountryside.com) - has been available for the past several years. These internet websites offer information not only about the farmsteads, but also about rural crafts and the sites worth visiting in the four regions.

## **7.5.FISHERY**

The Fisheries Department under the Ministry of Agriculture (further – the Fisheries Department) formulates the national fisheries policy, enforces the State regulation of the sector of economy and the EU fisheries policy.

**European Union support.** In the programming period 2004-2006 support for the fisheries sector will amount to LTL 41.8m under the Financial Instruments for Fishing Orientation (further – FIFO) and LTL 17.5m will be allocated as co financing from the State budget (total LTL 59.3m). In the Annex to the Single Programming Document of Lithuania for 2004-2006 approved in the meeting of the Steering Committee of 26 May 2004 (amended on 15 September) the above support funds were distributed according to the fisheries measures, i.e., LTL 32.4m were allocated to the measure “Fishing Fleet related actions”, LTL 21.7m were allocated to the measure “Protection and Development of Aquatic Resources, aquaculture, fishing port facilities, processing and marketing and inland fishing” and LTL 5.2m to the measure “Other (fisheries related) actions”.

Applications under all support measures except the areas “Scrapping of fishing vessels” and “Fishing port equipment, development and modernization” were accepted until 10 December. Collection of applications under the area of activity “Scrapping of fishing vessels” was completed on 2 November and those for the activity “Fishing port equipment, development and modernization” were collected until 20 December.

23 applications were received for the activity “Modernization of fishing vessels” under the measure “Fishing fleet related actions“, and 2 applications were received for “Modernization of fishing fleet”. Total 6 applications were received for the activity “Protection and Development of Aquatic Resources, aquaculture, fishing port facilities, processing and marketing and inland fishing”, of which 1 application for “Protection and development of aquatic resources”, 3 applications for the area “Aquaculture” and 2 applications for support for inland fishing. 2 applications were received under the measure “Other (fisheries related) actions” seeking support for the establishment and operations of fisheries producers organizations and 1 application for support for joint small-scale coastal fishing project. The total amount of the support applied for exceeds LTL 53m.

According to the selected and approved projects support will be allocated to 20 applicants under the area of activity “Scrapping of fishing vessels” (total nearly LTL 21,800). As of 13 January 2005 support agreements have been concluded with 16 applicants under the area of activity “Scrapping of fishing vessels”, and further contracts will be concluded soon with 4 other applicants under the said areas of

activity. The support contracts with applicants under other fisheries measures and areas of activities are expected to be concluded during the first six months of this year.

### **Strengthened fishing and fish resources control**

In 2004, the construction of a landing-place for the Baltic Sea fishing vessels was finalized. This landing-place is used by most Lithuanian vessels fishing in the Baltic Sea.

The new version of the Law on Fisheries has been made operational and provides that all functions of the State regulation of fisheries, protection and control of fisheries resources in the sea waters are delegated to the Ministry of Agriculture. The Fisheries control division has been established in Klaipėda and its material basis is being strengthened. Furthermore, certain improvement has been introduced to the legal framework governing the area through the relevant amendments and supplements to the Code of Administrative Law Offences.

Control of fisheries and fish resources is being made more stringent by:

- establishing the fish landing, sale and purchase sites in the Klaipėda seaport;
- introducing the satellite fishing vessels monitoring system;
- establishing the Fishing Vessels Register;

Under the provisions of the Common Fisheries Policy the third and the final stage of the accounting and control of the use of fisheries products implemented during the primary sale of fisheries products prevents the fishermen from hiding the fish catch. On the basis of these provisions the Government of the Republic of Lithuania prepared and approved the Regulations of the primary sale, purchase and control of fisheries products governing all stages of primary marketing of fish. The Fisheries Department has been appointed as the authority in charge of the enforcement of the Regulations of the primary sale, purchase and control of fisheries products.

Seeking to ensure the proper control of fish resources, appropriate hygiene and sanitary conditions and establish the fish sale prices beneficial for the fishermen the sale of fish in most EU States is organized through auctions. In 2004, the Ministry of Agriculture established UAB „Klaipėdos žuvininkystės produktų aukcionas“ operating in the Klaipėda sea port which will engage in the organizing of fish products auctions. The company is currently in the process of designing the auction facilities and has filed the application to the National Paying Agency to receive the necessary financial support from the EU.

In 2004, the Fisheries Department recognized two fisheries producers' organizations. One of the organizations has been established by fishermen, the other unites the fish breeders. These fish producers' organizations have been established with the assistance of the Danish experts. Such producers organizations constitute the basis for the common organization of the market in fisheries, the purpose whereof is through the application of intervention measures regulate the primary prices and thus ensure the stable income for fishermen. Seeking to stabilize the prices the producers' organizations, through application of intervention measures, may regulate the market when due to the decline of the prices below the levels established by the EU regulations the products supplied by members of the organizations are eliminated from the market, i.e., not sold. In such cases the producers' organizations will be granted financial compensation for unsold production.

The new Fishing Vessel Register complying with the most recent EU requirements has been made operational. The new Fishing Vessel Register, serving as one of the Common Fisheries Policy implementation instruments, includes the Baltic pelagic and coastal fishing vessels. The established procedures for the periodic submission of the data of the Register to the Commission ensure the regular updating of such data.

### **Seagoing fishing**

The principal fishing areas are the water areas regulated by Northwest Atlantic Fisheries Organization (NAFO) and the Northeast Atlantic Fisheries Commission (NEAFC), the Svalbard fisheries protection zone (Norwegian economic area waters) and the economic zone of the Mauritanian Islamic Republic.

For the year 2004 within the NAFO regulated water area Lithuania has been allocated 579 shrimp fishing days in the Division 3M, 144 tonnes of shrimp in Division 3L, also Lithuanian vessels were authorized to fish sea perch, black halibut and yellow flounder under “other” quotas. Over 2004, the Lithuanian vessels in the NAFO area caught 8 644 tonnes of fish (shrimps and sea perch). Another 1 574 tonnes fish catch by Lithuanian vessels has been reported under provisional agreements with Russia, Poland and Portugal.

In the NEAFC regulated water area under the exchange of fishing quotas with Germany Lithuanian vessels were fishing sea perch and certain types of deep-sea fishes. In 2004, the Lithuanian vessels caught 5 299 tonnes of fish including 3 392 tonnes of sea perch.

Within the Svalbard fishing area Norway has allocated to Lithuania 647 shrimp fishing days; total catch of 2004 within the area was 2 111 tonnes of shrimp.

Lithuanian vessels fishing in the exclusive economic zone of the Islamic Republic of Mauritania under the fisheries agreement between EU and Mauritania as well as under commercial agreements caught 118 997 tonnes of fish (mostly horse mackerel, mackerel and sardine). In 2004 Lithuanian vessels on the account of commercial quotas started fishing in Morocco waters where the total catch reported was 8 651 tonnes (mostly horse mackerel and mackerel).

The total catch of Lithuanian seagoing fish vessels in 2004 amounted to 145 276 tonnes of fish and shrimp.

### **Fishing in the Baltic Sea**

The Lithuanian economic zone and the territorial waters in the Baltic Sea account for 2% of the sea area. The fishing quotas are subject to the total fish catches authorized to the EU and other States located at the Baltic Sea coast. Catches of cod, Baltic herring, Baltic sprat and salmon are strictly limited. For the purpose of protecting the resources of cod, the quotas for cod in the Baltic sea has been, starting from 1999, decreasing year after year. For the year 2005 the EC has authorized the following quotas for Lithuania: cod – 2 737 tonnes, Baltic herring – 3 405 tonnes, Baltic sprat – 24 750 tonnes, salmon – 6 992 units. The cod quota for the year has been approved by 16.5 % lower than in previous years, while catch quotas for other types of fish are higher.

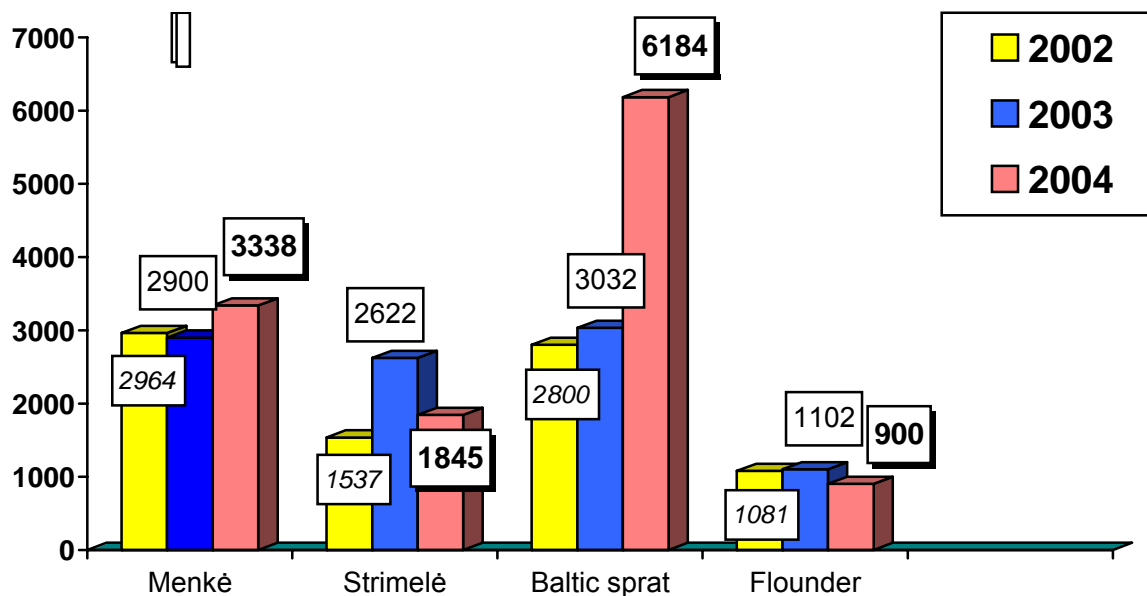
The Baltic Sea pelagic fishing for cod was most profitable, ensuring 76–77% of the fishermen’ income. The catch quotas for cod have been decreasing. In 2004, the cod catch was by 23% less than in 1999. Within the same period the catch of Baltic herring, flounder and salmon increased which, however, did not compensate for the income not generated from the catch of cod.

Last year in the Baltic Sea the Lithuanian enterprises caught 12 623 tonnes of various types of fish, including 3 382 tonnes of cod, 1 844 tonnes of Baltic herring, 900 tonnes of flounder. Out of the total fish catch in the Baltic Sea the 103 coastal fishing enterprises caught 591 tonnes of fish. The major part of the coastal catch is accounted for by smelt (280 tonnes), cod (152 tonnes), Baltic herring (110 tonnes), flounder (21 tonnes), and halibut (6 tonnes).

Currently 17 vessels have been assigned the veterinary permits entitling them to land fish in EU ports. The Fisheries Department is managing the Fishing Vessels Register that, following Lithuania's accession into the EU, is a constituent part the Community Fishing Vessels Register. Currently the Register contains entries of 292 fishing vessels with a total capacity 76 850 BT. 201 vessels are fishing in the coastal areas of the Baltic Sea, 64 are pelagic vessels fishing in the Baltic Sea, and another 24 are the seagoing vessels.

**Catches by Lithuanian fishing enterprises in the Baltic Sea in 2002-2004 (t)**

**Total catch:**            2002 – 8591  
                                   2003 – 9928  
                                   2004 - 12579



Menkė – cod  
 Strimele – Baltic herring

**Fish products processing industry**

Principal types of operations of fish processing enterprises are the production of frozen and salted fish, smoked fish and culinary fish products. Two fish processing enterprise produce canned fish. Selected fish processing enterprises combine different types of activities.

In the beginning of 2005, there were 38 fish processing enterprises registered in Lithuania as compared to 62 at year-end of 2003. The enterprises employ 3718 persons. The number of enterprises has decreased as

compared to the year 2003 mainly as a result of more stringent, due to Lithuania's EU membership, requirements, veterinary control, heavy competition, shortage of raw materials and adverse settlement terms with trade outlets. The production volumes have likewise slightly declined: in 2002 fish processing enterprises produced about 68 000 tonnes, and in 2004 – about 65 000 tonnes of fish and fish products. The veterinary permits entitling the enterprises to export their production to the EU have been assigned to 26 enterprises, 8 enterprises are approved suppliers of production to the Lithuanian market and 4 enterprises have been granted a transitional period to ensure compliance with the relevant requirements.

Most fish processing enterprises import raw materials, produce fisheries products and export the bulk of their production. Major fish processing enterprises include UAB „Plungės kooperatinė prekyba“, UAB „Norvelita“, UAB „Kraitenė“, UAB „Plungės šaltis“, UAB „Espersen Lietuva“, UAB „Baltijos delikatesai“, UAB „Vičiūnai ir partneriai“, UAB „P & P Provit Industrija“. The total number of employees engaged in the fish processing industry is estimated at 4000. In 2003, the fish processing enterprises produced about 50 000 tonnes of fish products the total value whereof is LTL 400m.

### Fish product production, 2003

Name of the product	Quantity, t
Frozen fish products	9 214
Salted and pickled fish products	9 199
Smoked fish products	1 897
Dried fish products	126
Culinary fish products	2 964
Aromatized sea products	19 962
Fish cans	1 808
Non-food fish production	3 705

*Source: the Fisheries Department under the MA*

In recent years the fish processing industry has been producing and supplying to consumers an increasing variety of fish products, - in addition to the traditional salted, smoked, pickled and canned fish products the industry is offering various culinary fish products, fish in sauces, fish with relish and spices. Other fisheries products available include crab sticks, fish fingers, crayfish tails and other delicacy sea foods.

### Foreign trade

In 2003, fish export totalled to 78,405.096 tonnes with value of LTL 334,280.500. Main countries of export for the production of Lithuanian companies were as follows: Russian Federation ca. 26 000 tonnes, Ukraine 11 500 tonnes, France 5 800 tonnes, Belarus 5 000 tonnes, Germany 3 600 tonnes, Estonia 3 300 tonnes. In 2004, the total export of fish production accounted to 77,962.822 tonnes with the value of LTL 370,671.100.

In 2003, import to Lithuania made 75,446.778 tonnes with the value of LTL 300,545.800. Countries of major fish import in 2003 were: Norway 12 000 tonnes, USA 11 000 tonnes, Island 9 600 tonnes, Latvia 7 000 tonnes, Estonia 5 400 tonnes, and Germany 3 000 tonnes. In 2003, the balance of Lithuanian foreign trade was positive (LTL 33,734.700). In 2004, the import to Lithuania totalled to 86,950.525 tonnes with the value of LTL 347,957.500.

Changes of the main foreign trade partners are noticeable. Export to Russian Federation, Ukraine and Belarus has significantly decreased while to the European Union states increased. This may be explained by the Lithuania's membership in the EU and duty free trade with the European Union states.

### **Aquaculture**

At present 18 companies and about 50 farmers are dealing with commercial fish growing in the fishponds. Only the use of all intensification measures of fish growing may ensure high production results. These measures, however, are not applied for many years due to the lack of operational funds, limited fish sale market. The companies orient their activity towards the ecological and dietary production, lower pollution of water and needs of the fish market.

In 2003, the Rules for Production of Ecological Fishery Products in Fishponds were approved. The certification of 2962.4 ha area in twelve companies started the transitional period. In 2004, the area for 14 fishery companies was certified and made 3825.1 ha of fishponds. The situation, however, is complicated due to the lack of ecological fodder that may only be solved by expanding the area of ecological crop production and growing more ecological grains.

In 2004, the sale of commercial fishpond production amounted to 1818.6 tonnes in the domestic market. The sale lasts throughout the entire year and only carps produced in Lithuania are placed on the market. In 2004, the companies sold 2689.2 tonnes of commercial fish. In 2004, the export of live carps amounted to 870.6 tonnes, i.e. to Latvia 326.5 tonnes, Poland 533.8 tonnes, Hungary 7.7 tonnes and Russia 2.6 tonnes. Export made 32.4% of the total quantity of fish grown in fishponds.

Statistics of EUROFISH and data provided at the conference on carp growing held in 2003 in Austria (Vaitr City) witness a decrease of carp growing in most European countries while the growing of salmon family fish is drastically increasing, i.e. by 48.5%. This was influenced by the reduced market price for salmon family fish by 30 – 40%. It is assumed that the production may slightly grow in the future, especially of trout, because the joint stock company in Vasaknai installed a production shop of trout and started growing this grand fish. Also the sturgeon fish is produced there.

Problems related to the development of fishery in fishponds remain nearly the same. The issue of ownership rights to the land under the ponds is still unclear. A strategy for integration of inland water fishery to the EU is developed and preparations are made to use the EU structural funds for the modernisation of aquaculture. The Rural Development Programme for 2004 provides for the procurement of breeding material and while implementing the preventive programme of fish diseases in the fishponds the support is provide for the development of ecological fisheries. Subsidies for diesel fuel excise apply to the companies manufacturing production of inland waters. The VAT decrease up to 5% for live and fresh fish is achieved.

Being a member of the EU we should produce competitive production what means the necessity to renew and improve the work of hydrochemical and ichtiopatological research laboratories. It is very important to preserve the expensive hydrotechnical constructions, i.e. ponds, and ensure the supply of pond fish to citizens throughout a year and increase its export. This would enable to retain jobs and secure employees as well as ensure at least a minimum profit. Reduction of cost price and growing of competitive production will prove that pond fish production has its place alongside with the marine fisheries and they are supplementing each other.

### **Fisheries in inland waters**

Inland waters consist of Curonian Lagoon, water reservoirs, lakes, rivers and ponds. Total area thereof makes 2625 km<sup>2</sup>, or 4% of the country's area.

There are 2,827 lakes in the country larger than 0.5 ha and they cover 1.5 % of the country's area. 2,675 lakes fit for fishing, i.e. 95% of all lakes. Their area makes 874 km<sup>2</sup>. Most of the lakes are found in the Aukštaičių highland. The watershed of Žeimena is the lakiest one. In addition, there are 1,589 ponds bigger than 0.5 ha with the total area of 24,434 ha.

There are 29,900 rivers, streams and canals longer than 0.5 km and the total length of riverbeds makes 63,700 km. Average density of river network is 0.99 km/km<sup>2</sup>. The largest river is Nemunas with the length of 937 km and its 359 km goes through the territory of Lithuania. The watershed of Nemunas makes 72% of the Lithuanian territory and the watersheds of Mūša - Nemunėlis, Ventas, Dauguva and other rivers make 28%. Most of the rivers are important for the reproduction of migrating and sedentary fish.

In 2004, the fish catchment and growing in inland waters made 4286 tonnes of fish, i.e. in the Curonian Lagoon - 1230 tonnes, in fishponds – 2689 tonnes and in other water bodies – 367 tonnes. Fish grown in ponds amount to 63% of all fish caught in the inland waters.

Curonian Lagoon is the largest and most productive freshwater body in Lithuania with over 50 species of sedentary, semi-migrating and migrating fish. Commercial fish production reaches about 1300 tonnes per year (productivity is over 30 kg/ha). Annual catches here make over 10–12 tonnes of eel, 100 tonnes of pike perch, 370-390 tonnes of bream.

Resources of pike perch and bream in the Curonian Lagoon are under regulation considering the forecasts based on scientific researches and catching of this fish. Based on the Lithuanian-Russian co-operation agreement in the area of fisheries the scientists of Lithuania and Kaliningrad region (Russia) perform independent researches, which make the basis for recommendations on setting the annual fishing limits in the entire area of the Curonian Lagoon. Even if the resources of eels, pike-perch, pike, zarte and bream in the Curonian Lagoon was constantly decreasing during the last 20 years due to different reasons (mostly because of increasing water pollution from urban industry and intensive agricultural production) the improvement of water quality, however, is noticeable during the few last years because of the reduced anthropogenic impact influenced by the decreased level of industrial and agricultural production.

In 2004, it was permitted to catch 420 tonnes of bream and 125 tonnes of pike-perch in the Curonian Lagoon. In fact 385 tonnes of bream and 108 tonnes of pike-perch were caught last year. In total, 1229 tonnes of various fish species was caught in the Curonian Lagoon. 504 tonnes of roach made a vast majority of catch.

### **Fish breeding and researches on fisheries**

The commercial and non-professional fishing, illegal fishing, challenges of environmental conditions make great negative impact on the fish stock. Seeking to compensate this damage at least in part it is necessary to reproduce fish and other water fauna artificially. Artificial reproduction of fish is hundred times as more effective as the natural spawning. To ensure an effective organisation of this activity 6 state fish breeding and 2 fish research laboratories in the country were merged into one institution – the Lithuanian State Pisciculture and Fisheries Research Centre (LSPFC). At present LSPFC has one

incubator for crayfish and seven incubators for fish, 1100 ha land of ponds for fish growing. The capacity of incubators reaches 500 million caviar per year. Laboratories of the Centre investigate the fish stock in the Baltic Sea and inland waters, provide data to the international scientific institutions. At the order of citizens and organisations the LSPFC performs water, fish and, feeding researches, supply fish juveniles for private and rented water bodies to breed fish.

The Law on Wild Animals, FAO Code of Conduct for Responsible Fisheries and international treaties, to which Lithuania has joined, first require to breed rear and endangered animals. These lists contain 37 species of fish and crayfish. Out of this list the Lithuanian State Pisciculture and Fisheries Research Centre breeds and starts breeding salmon, sea trout, river trout, whitefish in Plateliai and Vištytis lakes, vendace, owlet, tench, catfish, burbot (hake), pike perch, pike, bream, crayfish, also carp, crucian, rainbow trout, Salvelinus and transports bream. Within 11 years burbot larval production was mostly supplied, i.e. over 614 million, vendace about 331 million, pike over 286 million, owlet 109 million and pike perch over 72 million.

The breeding of older age fish is also expanding as well as the number of breeding species is increasing very fast. Five years ago, 5 species fish were grown, in 1998 – 13 and in 2004 – 15. Especial importance for many countries around the Baltic Sea is the restoration of salmon resources. The International Baltic Sea Fishing Commission (Lithuania is its member) has developed a plan for restoration of salmon fish – “Salmon Action Plan 1997-2010“. Identical programme is prepared in our country as well. In order to implement it, a modern complex for breeding and growing of this fish is installed in Švenčionys district. During the period of its activity (1999 - 2004 m.) it has grown and supplied to the rivers 551.600 units of salmon and 508.400 units of sea trout juveniles. LSPFC not only breeds fish but also improves the conditions for natural spawning (installs and reclaims spawning ground) and enhances the feeding stock for fish (moving of crustaceans-gammarides).

On the national scale the LSPFC grows and supplies water bodies with about 90% of all artificially reproduced fish. The results are visible. If carp, pike perch, eel, crucian, pike and vendace in 1950-1983 made only 12.5 % of the catch, now it makes about 30% or 2.5 times more.

Feeding crayfish, i.e. crustaceans-gammarides and mizides, from other places ensure good feeding of fish in Kauno Marios and other water bodies. In general, carp, pike perch, eel, silver bream, Coregonus peled and whitefish in the national lakes have practically appeared only thanks to the artificial breeding. Valuable species, however, became a target of illegal fishing, which resulted in reducing their number again. If the fish breeding and fish protection allow restoring the commercial and amateurish catch of carp, pike perch and eel in the inland waters up to the previous level (correspondingly 1000, 1500 and 2500 100kg/year), the annual value on of these three species will reach 7 - 10 million Litas.

The LSPFC supplies fish juveniles to the water bodies that are not under lease as well as based on the Law of Fisheries it also provides support to the leaseholders of lakes and rivers. Making use of this free of charge support the Lithuanian Fellowship of Hunters and Fishermen and other organisations annually supply ca. 6-12 million pike, pike perch, burbot and other fish juveniles to about 200 own water bodies.

## 8. FOREIGN TRADE IN LITHUANIAN AGRICULTURAL AND FOOD PRODUCTS

The year 2004 for Lithuanian agricultural products and food-stuffs exporters was the most successful one since the restoration of Lithuania's independence. According to the data of the Ministry of Agriculture in 2004 exports of agricultural products and foodstuffs, as compared to the levels of 2003 grew by 24.3% (LTL 572 million), the production sale volumes reported at a record figure of LTL 2.93 billion. Imports increased by 23.4 % (LTL 557 million) and accounted for LTL 2,938.4 million. In 2004, the overall turnover of foreign trade in agricultural products and foodstuffs augmented by 23.8 % (LTL 1.13 billion) to amount to LTL 5.86 billion.

Exports of agricultural products and foodstuffs in 2004 accounted for 11.4% of Lithuania's total exports of goods and services; the corresponding figure for imports was 8.6 %.

**Foreign trade in agricultural products and foodstuffs: main indicators for 2002-2004, LTL million**

Indicators	2002	2003	2004
Export	1,935	2,355	2,927
Import	2,210	2,381	2,938
Balance	-275	-26	-11
Turnover	4,145	4,736	5,865

*Source: Ministry of Agriculture*

### Exports

Similarly as in previous years prepared foodstuffs and products of animal origin accounted for the major share of total exports. The major agricultural and foodstuffs export goods were milk and dairy products, accounting for as much as 26 % (valued approximately LTL 760 million), while animal fodder represented 11.6 %, fish and fisheries products – 11.3 %, grain – 8.5 %, tobacco products – 4.5 %, sugar and sugar confectionary – 3.8 %, meat – 3.2 % of total exports.

**The growth of dairy products exports was the fastest: in 2004 exports of dairy goods showed a 45 % increase as compared to the previous year.** The increase in exports of cheese was especially notable and totaled LTL 442 million, meaning by 29 % more than in 2003. Volumes of other milk products were also increasing – export of milk powder and canned milk products amounted to LTL 110 million (a rise by 17 %), that of milk and sour cream – LTL 105 million (by 3.4 times more), butter – LTL 51 million (an increase by 46%).

The year 2004 introduced some changes in the geography of cheese exports; while previously major volumes were exported to the USA, in the 2004 29% of total cheese exports were destined for Russia, other destinations being Italy (22%), with as little as 11% exported to the USA markets, major reasons for these developments being the weak US dollar and the removal of tariffs on trade with the EU States.

**Meat export volumes doubled and** reached LTL 95 million, the major export items were cattle meat and poultry; meat products exports grew by 1.6 times up to LTL 14.7 million.

**Exports of sugar and sugar confectionary increased twice**, – from LTL 57 million in 2003 to LTL 113 million in 2004. Sugar was the major export product and accounted for LTL 75 million.

**In 2004, volumes of grain exports were the same as in 2003.** Wheat and barley were the major export products in this category; last year exports of wheat declined by 27%, or LTL 66 million, while exports of barley increased by 3.8 times or LTL 46 million.

Exports of agricultural products currently are growing faster than the total national export. This testifies to a significant potential of the sector that will be even more efficiently exploited due to the influx of EU support resources to the rural sector and food industry.

### Imports

Within the agricultural and food product imports in 2004, fruit and nuts accounted for 10,5%, non-alcoholic beverages and drinks – 7.6%, oil – 7.3%, meat – 7.1%, sugar and sugar confectionary – 5.6%, coffee, tea and spices – 4.1%, tobacco and tobacco products – 3.4%, animal fodder – 2.8%. The bulk of fruit imports is imports of products from tropical countries (citrus fruit, bananas, grapes, etc.).

### Principal foreign trade partners

Evidently upon Lithuania's accession to the EU, producers of agricultural products and foodstuffs were well prepared for the operations under new international trade conditions and have taken advantage of all possibilities to penetrate into foreign markets. Lithuanian producers managed to prove their competitiveness and find their place in EU Member States operating the most modern food industry.

Trade in agricultural products and foodstuffs with the EU in 2004 accounted for as much as 75% of the total foreign trade in this product group. As compared to the year 2003, exports of these products into EU increased by 50% (LTL 699 million), and imports from the EU Member States rose by 20% (LTL 383 million). The major trade partners among the EU Member States were Germany (13.5% of the total trade turnover). Latvia (13.2%), Estonia (8.1%), Netherlands (7.2%), Poland (6,8%), Denmark and France.

### Trade in agricultural products and foodstuffs by trade partners, 2003 – 2004, LTL million

	Export		Import		Balance	
	2003	2004*	2003	2004*	2003	2004
EU - 25	1,393	2,092	1,900	2,283	-507	-191
CIS	672	689	224	252	448	437
USA	158	63	45	57	113	6
Other	132	83	212	346	-80	-263
<b>Total</b>	<b>2,355</b>	<b>2,927</b>	<b>2,381</b>	<b>2,938</b>	<b>-26</b>	<b>-11</b>

Source; Ministry of Agriculture

The major export items of Lithuania are dairy products whose export volumes in 2004 increased by 2.5 times on the year 2003; pet food (for dogs and cats), fish and fisheries products, tobacco products, meat (beef and poultry). The main EU import items are fruit and nuts, non-alcoholic beverages and drinks, oils, meat, fish, coffee, tea, spices and other goods.

Among third countries major trade partners were Russia (8.2% of trade turnover), Belarus (4.1%), Ukraine (2.5%), USA (2.0%) and other countries. In 2004, exports to the CIS countries showed a slight increase basically accounted for dairy products (by 26% more than in 2003), grain, animal fodder, fish, fisheries products, meat (cattle meat). According to the data of the State border and transport veterinary Service, 24.821 thousand tones of dairy products were exported to Russia last year, including 14.857 thousand tones of cheese, the corresponding figure for the USA being 3.718 thousand tones.

## **9. QUALITY POLICY**

### **9.1.FOOD AND VETERINARY CONTROL**

State policy in all stages of food production - 'from farm to table' is implemented by an independent institution – State Food and Veterinary Service of the Republic of Lithuania (SFVS, Service). The experts of SFVS work within the country and at the State borders. It is planned to implement the main EU principles of market supervision in the Republic of Lithuania (LR), giving priority to food safety, animal health and welfare assurance and risk analysis based control.

SFVS protects consumer interests, ensures veterinary and hygiene control in all food regulation stages, safeguards the Lithuanian territory from introduction of contagious animal diseases, organises animal protection against contagious diseases and ensures animal welfare. All veterinary activities in the EU is regulated by Directives and other laws.

The Service has branches in districts, each region and main cities, i. e. 10 District, 4 City and 10 Regional State Food and Veterinary Services. The following institutions are subordinate to the Central SFVS Office: National Veterinary Laboratory, Border and Transport State Veterinary Service, State Inspection of Veterinary Preparations. The Service coordinates and controls the activities of all the subordinate institutions. There are about 1380 people employed in the system of State Food and Veterinary Service.

The SFVS follows the priority of the Government of the Lithuanian Republic: to create favourable trade conditions for Lithuanian animal and meat products in common competitive EU market and third countries. The Service keeps paying significant attention to quality control of animal and food products imported from third countries, favourable status of animal health and welfare in the country, and, above all – consumer protection.

After Lithuania joined the EU, SFVS pays particular attention to prevention and control of contagious animal and livestock diseases. The outbreaks of dangerous diseases would negatively influence agricultural and agriculture related food processing industry, countries economy and, accordingly, social welfare of people. Significant attention is given to rabies control, implementation of preventative control measures for contagious Bovine spongiform encephalopathy (BSE), prevention of Foot and mouth disease, Bird flu, Classical swine fever, Newcastle disease and other diseases, control of cattle marking and registration, animal welfare. One of the main tasks of SFVS is to ensure that Lithuania has animal contagious disease free country status in accordance with the EU and International requirements.

Good quality fodder is important for breeding healthy animals, therefore SFVS ensures that only safe fodder and veterinary preparations and additives are imported into Lithuania. It is very important to make sure that animal by-products were collected at the breeding places and safely destroyed at the animal by-product processing plants. The control of veterinary drugs use and wait out at the breeding places is also being strengthened.

Food safety and consumer protection is one of the most important priorities in Lithuania as well as in all EU countries. State Food and Veterinary Service must ensure that all meat, milk and fish processing enterprises, which supply the common EU market, meet the EU requirements, and those exporting to the third countries meet the special requirements of these countries.

The concept 'from product to system' is followed during inspections at the State veterinary supervision objects. The State Institutions' duty provided for by the Laws and supporting regulations of the Republic of Lithuania, is to ensure that only safe, properly marked food products are supplied to the market, and food production subjects follow requirements harmonized with EU standards. The implementation of all these SFVS measures is based on introduction of new effective risk analysis cycle, which is recognized in the EU. Risk analysis consists of three inseparable parts: risk evaluation, management and announcement about risk. Risk evaluation is conducted in accordance with common methodology applied in the EU, on a basis of scientific information of international and national science and State Institutions and other objective data. This scientific base would enable SFVS to provide for effective, proportional, economically grounded means to guarantee healthy animals, safe and good quality food and fodder as well as consumer protection. The good production hygiene practice and implementation of self-control systems, risk evaluation and management will be continuously encouraged. The quality control system is being implemented together with preparations to accredit SFVS activities in accordance with the regulations of the European EN 45004 Standard 'Common Requirements for All Types of Control Institutions'. After the membership in the EU, the SFVS priorities include: employment of European Union funds and contagious animal disease liquidation control allocations, technical base and regular SFVS staff training.

National Veterinary Laboratory, as controlling food test/analysis laboratory of the Republic of Lithuania, continuously carries out tests/analysis on safety and quality of food, supplied to the market as well as contagious animal disease supervisory tests. It is expected to implement new virus secretion and identification methods and carry out the necessary procedures to legitimate the newly implemented methods. Also, it is planned to introduce new molecular biology methods for disease diagnostics and carry out the accreditation of virology laboratory.

Since 1 May 2004, there are 12 Border Veterinary Posts, which meet the EU requirements. Modern computer system, which enables to follow the transit flows, has been installed at the Border Veterinary Posts. In accordance with the EU Law, the veterinary control of transit cargo from and to the third countries has been tightened up. Transit is only permitted from countries approved by the EU Regulations, accompanied by the original veterinary documents and solely via the approved Border Veterinary Posts, which meet the EU requirements.

### **Lithuanian veterinary and food control is considered exemplary in the EU system**

Lithuanian food control system is considered to be the exemplary food control system in Europe. Both Lithuania and the EU, protecting their consumers, apply strict food safety and quality requirements in all production and sales sectors – 'from field to table'.

Recently, training for Balkan States took place in Lithuania. 47 experts from Bosnia and Herzegovina and Serbia were first introduced to the experience of adopting EU veterinary requirements in Lithuania and then received training on what they should do to implement new EU requirements, structure and activity allocation procedure. Lithuania State Food and Veterinary Service has also trained guests from Romania, Bulgaria, Northern Cyprus – the experts of future EU Member States.

The German, Lithuanian and Dutch Veterinary Services took part in last years' EU tender for Reorganisation of Food and Veterinary Service of Turkey. Lithuanians and Germans were chosen to carry our PHARE Project 'Restructuring and Strengthening of Food Safety and Control in Turkey'.

In spring 2005, the Ukrainian Ambassador, Mr B. Klimchiuk and First Secretary, Mr H. Necheporenko, visited the SFVS. During this visit, the Ambassador noted that Ukraine is considering the possibility to create similar model of veterinary service.

### **Control of genetically modified products is a priority**

Control of genetically modified products, traceability and marking is one of SFVS' priorities in 2005. In 2004, SFVS inspectors selected 61 samples of soy, corn and rape food products from third countries for establishment of genetic modification. In five samples, allowed ration of genetically modified organism (GMO) was exceeded. SFVS inspectors are not testing just staple products – soy oil or margarine, but also the traceability of the products. They are aiming that products containing GMO were safe, properly marked and met the requirements of relevant legal regulations.

### **Food contamination supervision programme**

During 2004, SFVS tested 551 plant/vegetable products for chemical and microbiological contamination. After establishing the amounts of chemical and microbiological contamination, 40 tones of food unsuitable for human consumption were banned from sale.

In 2005, there were 231,1 tones of food products, which did not meet the safety requirements, were banned from entering Lithuania and returned to the manufacturers. Since 1 May 2004, SFVS has joined the Rapid Alert System for Food and Feed (RASFF). This international information system helps the food import and trade control institutions to rapidly exchange information about cases of unsafe food products entering the market and warn on violations of importers. This year SFVS has sent European Commission 15 urgent messages regarding unsafe imported food. Even 5 urgent messages were relating raisins from Iran and Uzbekistan. Commission has also been informed about bad quality nuts from China and canned mackerels from Latvia.

### **Lithuanian Border posts work under the EU conditions**

Since the day Lithuania joined the EU – 1 May 2004, there are 12 EU standard, modern, Border Veterinary Posts operating in the country. All Posts work in accordance with the EU legal regulations. At present, 400 Border Veterinary Posts protect the EU. Veterinary doctor's qualification and competence is very important for work on the border.

After Lithuania became a member of the EU, 34 transit consignments were stopped (997 tones of animal products were banned from transiting through the territory of Lithuania). Over eight months of the last year, 24 consignments were stopped at the border (415 tones poor quality food products). For example, it was intended to bring 15 tones of snails from Moldova, 125 tones of poultry from Brazil to Latvia through Malkos Border Veterinary Post.

In 2004, within the first eight months of EU membership, there was 2081 consignment checked at the Border veterinary Posts (or 74.300 tones of veterinary consignments – food products, fodder, veterinary drugs). All checks at the Border Veterinary Posts are carried out at the carriers' expenses. These tariffs are strictly set forth by the EU documents. 774 import consignments were already checked during three first months of this year, 9675 consignments were transiting, 46 of which were detained and returned.

Since 1 January 2005, certain requirements on transit of animal products from the third countries through the territory of the EU have changed. In accordance with the new conditions, transit through the EU is only permitted from countries and territories, which are entitled to export to the EU. Also, one more EC form certificate is required. As before, the original veterinary certificate for the third country and veterinary import document are required.

Transit rules from Russian Federation to Kaliningrad remain unchanged. When transiting animal products through the EU, they cannot be unloaded or stored in the EU territory. Veterinary import document, indicating State Veterinary Doctor's decision, must be issued for a consignment. Documents have to be sealed with stamp 'Just for Transit to Russia through the EU Territory'. A vehicle carrying animal products must be sealed with the veterinary seal.

The animal and non-animal products may move without any restrictions within the EU, i.e. products, taken from one EU country to another, are not certified by the officers of official control institutions. Producer and/or distributor are entirely responsible for product's safety, quality, proper marking and conformity with other requirements.

#### **Food processing enterprises.**

At present, 66 meat, 9 poultry, 34 milk, 45 fish processing enterprises and trawlers as well as 69 other enterprises may export to the EU.

In the Republic of Lithuania, 136 meat, 4 poultry, 7 fish and 1 intestine processing enterprises may be operating and selling production. In accordance with the approved lists, at present, there are 402 enterprises engaged in meat, fish and milk processing and other activities. Under activity types, there are 223 slaughterhouses and meat processing enterprises, 15 poultry processing enterprises, 2 rabbit farms, 48 cold stores, 55 fish processing enterprises and trawlers, 36 dairies and 24 other type establishments (intestine and snail processing, egg product companies).

27 have been granted transitional period for implementation of EU requirements. 21 meat, 1 poultry, 3 fish and 2 milk processing enterprises have to be reorganised before 2007. Now they can only sell their production in Lithuania and it has to be marked with national health symbol.

#### **Animal health. Changes to the Animal Health Certificate rules**

Since 1 February 2005, healthy livestock, pigs, sheep and goats, taken to a slaughterhouse in an area where no contagious disease have been registered, are no longer issued with the Animal Health Certificate. Such certificate is necessary when an animal is taken from one breeding place to another, sold to animal traders or is carried from herd, infected with contagious diseases to the slaughterhouse.

#### **Socially acceptable control of contagious animal diseases in the EU and Lithuania**

Within the last few decades, the attitude towards measures of prevention, control and fight against contagious animal diseases has been changing. Until 1991, EU countries used to vaccinate animals against dangerous contagious diseases. However, after creation of internal market, the development of economical relations and improved position of European export preconditioned abandonment of animal vaccination as main measure of animal protection against contagious diseases. Considering that dangerous contagious animal diseases were very rare in the EU, and that the vaccines could not protect sensitive animals from infection, the following decision was taken: in case of contagious animal disease outbreak, animal movement restrictions and compulsory slaughtering of infected and animals within the restricted area should

be applied. When applying these measures, a lot of healthy animals of different age was slaughtered and destroyed.

However, the last outbreaks of the contagious animal diseases showed that Europe is not protected from contagious animal diseases. Therefore, the right question arose: is it ethical to kill animals aiming to liquidate the disease? With such contagious animal disease prevention, control and fight measures, stockbreeders and countries' agriculture suffer great economical losses and social and cultural policy is disrupted.

Both EU countries and State Food and Veterinary Service of the Republic of Lithuania have plans of prevention, control and liquidation of contagious animal disease, aiming to prevent spreading of these diseases using socially acceptable disease control policy.

## **9.2.ANIMAL BREEDING**

The key function of the State Animal Breeding Supervision Service under the Ministry of Agriculture ( hereinafter – the Service) is to control the implementation of the Law on Animal Breeding of the Republic of Lithuania and other legal acts related to the breeding and to implement the state policy in animal breeding.

Volume II of legislation regulating animal breeding in the Republic of Lithuania was prepared and published in 2004.

In 2004, 170 applications were filed for issuance of permits to engage in the activities of insemination. The Commission for Licensing Animal Insemination Technicians established by the Service discussed the applications received and issued 157 permits to engage in insemination activities.

Last year 469 breeding beef cattle were imported to Lithuania, out of them, even 256 cattle were brought from France for the first time, a motherland of beef cattle. 281 breeding heifers, 9 breeding horses, 280 breeding live pigs, 361 breeding sheep, 1,586 doses of semen by reproducers of breeding boars and 63,187 doses of semen by reproducers of breeding bulls were imported to in 2004 too.

National animal breeding institutions nurtured and sold 2,413 breeding heifers, 173 breeding horses, 6,698 breeding live pigs, 633 breeding sheep and 23 breeding goats in 2004. 121,000 same-day chickens and 2,950 breeding beasts were brought from abroad.

### **Livestock breeding**

Main activities in year 2004 while implementing programs on selection of cattle species and animal breeding, included cattle performance monitoring, milk content and quality testing, development of information systems on animal breeding, analysis of data received, testing of bulls according to performance characteristics of progeny and their appearance, analysis of data on breeding institutions and breeding herds and monitoring of activities of approved breeding institutions.

The Agricultural Information and Rural Business Center is responsible for processing in breeding information systems the data on performance and reproduction as well as assessment of breeding value. There are 207,000 or 44 % of recorded cows from total amount of cows grown in the country.

Genealogical structures of cattle species of every region were analyzed during performance monitoring in 2003–2004 together with summaries on use of herds of recorded bulls.

There are 77 cattle breeding institutions and 233 breeding herds in the Republic wherein 56,000 cows and heifers are kept. Within a reporting period, on the average a milk-recorded cow produced 5,231 kg of milk of 4.36 % fat and 3.40 % protein per annum, while at breeding institutions milk production totaled to 6,285 kg of milk of 4.50 % fat and 3.46 % protein content. Year 2004 already saw 547 farms keeping 10 and more cows, which gave 6,000 and even more kilograms of milk on the average. Great attention was paid to sampling of selected cows, increase of their performance, their targeted coupling in order to get hogs of high-genetic value. Average performance of recorded black-and-white cows in 2004 amounted to 559 cows – 7,942 kg of milk of 4.53 % fat and 3.39 % protein, 401 red cows amounted to – 8,203 kg of milk of 4.55 % fat and 3.49 protein.

Cattle breeders were paid for 1,112 selected cows. Selected cows are only cows the pedigree thereof approved, performance and appearance satisfy the set requirements.

Pedigree registers are maintained by associations of animal breeders and improvers – approved animal breeding institutions. Cattles are listed into herd-books in compliance with the requirements of EU directives. The following approved breeding institutions were listed into herd-books :

Association of Lithuanian Black-and-White Cattle Improvers – 36,836 cows and heifers;

Association of Lithuanian Red Cattle Improvers – 39,978 cows and heifers;

Association of Lithuanian Animal Breeders – 33,755 cows and heifers.

Quality of bulls kept in breeding institutions and their semen is constantly analyzed, as well as their semen extraction and utilization. Besides, acquisition conditions of dairy and table hogs of high genetic value have been investigated, their sampling carried out.

800 selected cows from 27 regions, daughters of 546 tested bulls and 213 breeding calves were given to the Animal Pedigree Testing Laboratory of Animal Breeding Institute of Lithuanian Veterinary Academy for testing their pedigree. Data on implemented testing was presented to SE “Cattle Performance Monitoring“and specialists of the Service. Reasons for mismatch of analyzed pedigree with animal insemination technicians and other breeding specialists are presented for adjustment of animal pedigree to the Agricultural Information and Rural Business Center.

### **Pig breeding**

There are 40 pig breeding institutions in the Republic wherein on 1 January 2005 were kept 82,000 pigs, among them 6,400 sow pigs and 0,26 thousand boar pigs. Breeding institutions usually grow Lithuanian White Pigs that amount to 31 % of all sow pigs; there are also Yorkshire (19 %), Giant White (18 %) and Landrace (30 proc.) sow pigs.

The prolificacy in breeding institutions in 2004 was 10.9 piglets, number of farrows per year amounted to 1.8, the increase of live pigs was 133 thousand. There was increase of 133,000 pigs in breeding institutions in 2004. Prolificacy of sow pigs was 10.9 pigs, the number of farrows per year – 1.8. A new breeding pig assesment system was established in 2004 – 14,000 pigs were evaluated by means of the **BLUP**-method. The BLUP-method enables to evaluate and select the best animals for breeding in their early age and use the genetic potential most efficiently. Breeding institutions sold 6,533 thousand pigs ,

among them 39 boars and 6,494 sows. 137 breeding pigs and 28 breeding boars were purchased from other countries. When selling breeding pigs, it is necessary to invite State breeding inspectors which shall confirm genetic value of pigs and prepare summaries for payment of subsidies.

8 insemination centers sold 135,000 doses of semen of boar pigs in 2004. Breeding establishments kept 214 different species of boars which semen is sold to animal insemination technicians, farmers, and large pig breeders as well as to Belarus. The best sale was Landrace boars' semen - 38 %, Yorkshires – 19%, Pietrains – 24%, Giant Whites - 8 % and 1.6% of Lithuanian Whites and different species of hybrids. BLNĮ “Lietnorsvinas” sold the majority of doses of pig semen - 48 %, JSC “Litgenas” – 38 %.

The National Pig Breeding Station is the only institution in the Republic which is responsible for coordination of pig breeding work and wherein all data on performance of all boars and sows in breeding institutions is accumulated and analyzed. The fattening testing of pigs is carried out in the Station where boars and sows are evaluated according to fattening and fleshy characteristics of their progenies. This year 141 boars and 706 sows were evaluated. 2,038 progenies were selected for evaluation. Year 2004 saw evaluation of muscularity of 15,000 live pigs at pig breeding institutions (evaluated by an apparatus “Piglog”). The best live pigs are kept to replace the herd.

### **Horse breeding**

In Lithuania in 2004 the number of horses totalled to 64,000. Out of them 2,837 are kept in 6 horse breeding institutions and 47 breeding herds, out of them: 335 stallions, 1,083 mares and 1,419 young horses. Different species of horses i.e. Lithuanian Heavy, Large Zemaitukai, Zemaitukai, Trakehners, American and Russian trotters, Arabian are grown in breeding institutions and breeding herds.

Trakehners horses make the greater part of breeding horses – 36.2 % of total amount of breeding horses, Lithuanian Heavy – 30.1 %, Trotters – 13.5 %, Large Zemaitukai – 8.3 %, Zemaitukai – 7.7 % and Arabian – 4.2 % while the core of formed population of Lithuanian riding horses and Baltic Hanovers consists of 304 breeding mares, 102 licenced stallions and 569 young horses (grown in Europe and selected for breeding of the riding species) that makes up 28 % of all breeding horses in Lithuania. In 2004 breeding institutions and breeding herds sold 173 breeding horses.

### **Breeding of sheep, goats, beasts and birds**

There were 2 breeding institutions, 19 sheep and 8 goat breeding herds, 6 animal breeding herds, 12 rabbit breeding herds, 1 first row and 8 second row reproductive farms in Republic in 2004.

Lithuanian Black Headed, Local Coarse Wool, Romanov, Ostfryz, Suffolk, Berishon-Dusher, and Texel sheep are incubated at sheep breeding institutions and breeding herds. Demand for breeding sheep was growing rapidly in 2004. If during 2003 breeding institutions and breeding herds grew and sold 701 sheep, then in 2004 – only 633; therefore 994 breeding sheep and rams were purchased in total in the Republic, out of them 361 sheep were imported from neighbouring EU countries – species of Suffolk, German Black Headed, Ostfryz, German White Headed, Berishon-Dusher and Oxforddown.

Lithuanian Local Goats, Zaanen Goats, Czech White Goats, etc. are grown in goat breeding herds. Goat breeding institutions and breeding herds sold 23 units of goat kids for 2,900 Lit of payouts.

There was 1 first-row turkey reproduction farm and 8 second-row hens, geese and turkey reproduction farms in 2004. Hens, geese and turkeys reproduction farms breed laying hens and table hens, Lande geese

and Big – 5, But - 8 and But – 9 turkey races. AB “Vilniaus paukštynas“ imported the most quantity – 41,500 units of same-day chicken.

There are 6 beast breeding herds in the Republic wherein different species of minks and foxes are raised. In order to improve beast breeding herds, 2,950 of breeding beasts were imported in 2004.

There are 12 rabbit breeding herds with 800 breeding rabbits in Lithuania. Species of France Sheep, Belgium Giant, Rex, New Zealand, Vienna Giant, Vienna Blue, Vienna White and many other species of rabbits are nurtured in breeding herds.

In order to develop qualitative breeding fishery 3.13 million of breeding peleds and vendance fish eggs, with 940 breeding carps, were purchased in 2004.

### **9.3.PLANT PROTECTION**

Lithuania has successfully fulfilled all the obligations given to the EU institutions in the field of phytosanitary, and the legal base of phytosanitary in general was harmonized and complied with the EU requirements already before 1 January 2004. When Lithuania became the EU Member State, all the EU legal acts in the Official Journal are published in the Lithuanian language, and therefore it is easier to apply them – it is possible to present them to the regional divisions faster.

In the field of phytosanitary, Lithuania is actively cooperating with the EU institutions. Managers and specialists of the State Plant Protection Service (hereinafter – the Service) participate in the meetings of workgroups of the EC chief specialists of plant health as well as in the EC meetings on plant health and agricultural issues; they participate in the EC meetings of the Standing Committee on Plant Health and the meetings of the Plant Protection Products Legislation Division of the Standing Committee on the Food Chain and Animal Health, thus in this way they can directly influence the decisions made, which later have to be implemented in Lithuania and in other EU Member States.

The Service represents Lithuania not just in the EU, but in international organizations as well – International Plant Protection Convention and European and Mediterranean Plant Protection Organization. International cooperation and participation in the activities of institutions was recognized and evaluated – in 2004 Lithuania was elected to the Executive Committee of the European and Mediterranean Plant Protection Organization.

In 2005, the EC organized several TAIEX seminars in Lithuania about veterinary and phytosanitary system effective in Lithuania, as well as the preparation processes for the EU accession. It is considered that Lithuanian veterinary and phytosanitary control is one of the best in the whole EU. On 4 - 8 April 2005, there was a seminar organized (for the West Balkan countries), and on 25 April (Bulgaria, Turkey, etc.) – another seminar.

The Service continues its successful participation in PHARE projects: in 2004 a quarantine greenhouse was finished and it was put into operation; the project “Reinforcement of Plant Protection Measures and Procedures and Identification of Plant Kinds“ was implemented as well as the following short term project - “Strengthening of Administrative Capacities of the State Plant Protection Service and Implementation of Post-registration Plant Protection Control“, PHARE Twinning Project No. 2003.004-341.02.03 projects;

also - institutional development tool project of the transfer period “Reinforcement of Administrative Capacities and Strengthening of the Plant Origin Product Control System Capacities“.

### **Phytosanitary Register. Plant Passports**

The goal of the Phytosanitary Register is to inspect all the plant growers, producers, buyers, processing and packing companies, whose activities in one way or another related to plants, plant products and other objects, which require phytosanitary control. When transporting such products from one place to another there is a risk of distributing harmful organisms (pests, illnesses, etc.). In 2004, seminars on transportation regulations were organized in all 10 counties. Registration in the Phytosanitary Register is a guarantee that all the plant production undergoes regular phytosanitary control. Only after registration in the Register, the growers can obtain plant passport – a document valid in all the EU Member States. In 2004, 599 objects were registered in the Phytosanitary Register, and over 1066 register objects had to renew their registration. Over 100 000 plant passports were issued.

### **Quality Inspection**

Based on the EU terms quality control of fresh fruits and vegetables slightly changed. During 2004 140 750 tons of imported fresh fruits and vegetables from 44 (like in 2003) countries of origin were inspected according to the trade standards. Almost 47 % of this amount was inspected before Lithuania joined the EU, and cargos from other EU Member States are inspected only randomly.

In 2004, the main suppliers of fresh fruits and vegetables were Poland (especially onions and apples), Spain (cucumbers, tomatoes, strawberries), Holland (carrots and pears). After 1 May 2004, products not meeting trade standards from Poland flooded Lithuanian market. The officials working in the regional plant protection and quarantine points tested these products and identified that approximately 50 % of the inspected fruits and vegetables had one or another shortcoming. Most frequently external quality shortcomings were identified (approximately 500 cases, 147 out of this number - of citrus fruits) or incorrect or missing marking (nearly 330 cases, 133 out of this number - of apples), and only a few cases regarding weight (20 cases, kiwis). Imported apples, paprika and citrus fruits accounted for the majority of all the quality requirement violations. To this end, approximately 6010 tons of fruits and vegetables had to repeat the process of commercial processing. More than half of this amount had to be marked and that the fruits and vegetables could be sold in the market. Whereas in 2003, the quality class had to be lowered to almost 60 % per cent of the products failing to meet trade standards and 4 times more production – 362 tons - had to be destroyed than in 2004 (Picture 1).

Taking into consideration the fact that the inspectors implementing fresh fruit and vegetable control continuously encountered with importers, who due to selfish reasons do not implement the requirements of the officials to perform commercial processing of products, on 12 August 2004, the Service started cooperation with mobile inspection groups from the Customs Department. Until the end of the year, they organized joint inspections that lasted 49 days. 115 fresh fruit and vegetable cargos were inspected. More than 83 % of the cargos did not meet the trade standards set in the EC regulations. Briefly speaking, almost all production imported by small importers from Poland cannot be supplied to the market without commercial processing. Until the end of 2004, only 5 out of 58 illegal importers registered in the Phytosanitary Register administered by the Service.

In the previous year, the Lithuanian production prepared for sale was inspected more frequently, as compared to 2003. 379 inspections were carried out and 99 cases were registered when Lithuanian products did not meet the quality requirements, which is a decrease by 13 %, if compared to 2003. Commercial processing of the majority of products was more exhaustive than in 2003 – e.g. there were fewer cases of incorrect or missing marking (especially on cucumbers and beets). This problem is still relevant, because the inspections carried out in 2004 revealed that as much as 16 % of the production contained marking errors.

### **ISPM 15 Standard**

The Service implements phytosanitary measures standard No. 15 (regarding wooden packaging material, ISPM 15). It checks, what kinds of timber were used, and controls the compliance to this standard. Companies willing to mark their products have to be technically evaluated and certified. In 2004, 15 companies were entitled to use the approved MPM mark. Company certification is a voluntary process – a company decides for itself, if it wants to be certified. Inspection is performed at least twice a year.

### **Control of Genetically Modified Organisms**

A system of safe usage of genetically modified (GM) plants and genetically modified products meeting the EU bio-security sector policy is being created in the country. On the Lithuanian border, the Service is inspecting GM plants, plant products and multiplying material imported from third countries and not meant for people's food and animal feed, and which, like the transit ones, are registered in a special computer database.

Legal persons and natural persons can bring to Lithuania from the EU and grow here only those GM products which are given permission to be used in the EU. And it is possible to bring GM goods to Lithuania from non-EU countries only after receiving a permit from the Ministry of Environment and providing all information about usage of the GMO to the Ministry.

### **Registration of Plant Protection Products**

Upon the request of the applicant, the Service entitles the applicant – issues a permit – to supply the market with plant protection products. The permit is issued when the product undergoes thorough investigation in the scientific institutions and a special Consulting Commission recommends its usage. Plant protection products, whose active ingredients are included into the List of Active Ingredients, are registered for a period not longer than 10 years, and the products containing new active ingredients are registered only temporarily – for no longer than 3 years.

In 2004, 8 plant protection products for professional usage were registered and 5 - re-registered, and respectfully, 2 and 2 – for individual usage. The registration of 2 plant protection products was cancelled, the regulations of 2 plant protection products were changed and 1 product for individual usage was not registered.

In 2004, specialists of plant protection division reviewed usage requirements of 31 plant protection product, active ingredients of which were given new maximum allowed concentrations, in order to meet the requirements of Good Agricultural Practice. Starting 30 July 2004, when the Classification and Marking Order of Hazardous Chemical Materials and Substances for Plant Protection Products became effective, 89 plant protection products were re-classified.

### **Post-registration Control of Plant Protection Products**

In 2004, the State Plant Protection Service issued 253 permits to import, 121 permit to store and 200 permits to sell plant protection products.

According to the training program of sales agents, selling plant protection products, state plant protection inspectors organized 119 training sessions and trained 326 individuals responsible for sale and storage of plant protection products and issued certificates to them.

In 2004, the inspectors participated in seminars, conferences on the storage of plant protection products, on their sale, marking, usage and control related issues 105 times. Last year a seminar and a workshop TAIEX seminar on Post-registration Control of Plant Protection Products was organized, where experts from Belgium and Greece shared their experience.

Under the training program for the users plant protection means, approved by the Ministry of Agriculture, 4972 users of plant protection products were trained and presented with certificates on finishing a course on plant protection, which entitles them to buy and use plant protection products meant for professional usage for five years.

Last year 1023,6 tons (by active ingredient) of plant protection products were used in our country for extermination of agricultural plant illnesses, pests and weeds. In 2004, 1964,5 thousand hectares, i.e. by 282,7 thousand hectares more than in 2003, were treated with plant protection products. Herbicides against weeds were used in 1036,1 thousand hectares, and that is by 98,1 thousand hectares more than in the year 2003.

In order to preserve the people's health and environment from harmful impact of plant protection products, the control of the storage, trade, packing, marking and usage of plant protection products was implemented in compliance with the provisions of legal acts, and 3293 inspections were performed and 1024 violations were recorded in the course of these inspections.

State plant protection inspectors together with the Service specialists of regional points inspected 350 vegetable and flower growers. 442 greenhouses, 371 of which were plastic and the majority of which are not heated ones, were inspected. It was identified that 32.3 % of the inspected growers breached the regulations on growing plant protection products in greenhouses. According to oral statements of the growers, the inspected greenhouses produce 24,640 tons of vegetables, most of which are cucumbers and tomatoes, which are usually not sorted and sold in the market places. The greenhouse inspection on the usage of plant protection products that has started this year will continue every year.

### **Research on the Serious Agricultural Plant Illnesses and Pest Spread**

In 2004, when implementing the principles of Good Plant Protection Practice (GPPP), the Service carried out observations of the spread of agricultural plant illnesses and pests as well as their scope. Agricultural plants were continuously observed during the vegetation period: winter and summer wheat, rye, wheat-rye, barley, also potatoes, sugar beets, flax, peas, winter and summer rape. The spread of 30 main agricultural plants illnesses and 23 pests was researched. In 2004, specialists performed 8100 accountings and phenological observations.

Specialists analyzed the expediency of fungicide usage with the help of special computer program "Decision making system for potato plague in 2004".

Laboratory equipment used for identifying viruses in plants using ELISA method was renewed, a universal micro-plate reading device – spectrophotometer - was purchased as well as automatic high speed micro-plate washer, automatic program micro-plate filler, automatic micro-plate transporter. In 2004, a quarantine greenhouse was built and equipped as a necessary part of modern phytosanitary research

laboratory. The first seed potatoes were planted for identification of quantity viruses according to the potato certification system.

### **Potato Growing**

As far as there were many cases of potato flower rotting, the EU gave Lithuania a transitional period for implementation of potato flower rotting control. During this period it is forbidden to import potatoes to the EU countries. Having summarized all the statistical data about the results of potato flower rotting control, the Service contacted the European Commission asking to evaluate the improvement in the field of potato flower rotting control and revoke the above-mentioned transitional period.

Each year the Service inspects seed potatoes supplied to the market by all farmers under “Mandatory requirements for seed potatoes“ and registers the results in the Phytosanitary register. Healthy products are given a plant passport. The planned evaluation of the seed potatoes growing farms was carried out. Farms made improvements, the majority of them switched to strict specialization and ceased growing potatoes for food. The total number of seed potatoes grown in Lithuania is 45, and the potato area is 302,59 hectares. In 2004, the soil for planting potatoes was inspected in 13 seed potatoes growing farms and in 104 farms growing potatoes for food.

**Training of Quality Control Inspectors.** In 2004, after the EC added walnuts and champignons into the list of controlled products in respect to quality, the Service in cooperation with the Lithuanian Orchard and Garden Institute organized training on the application of trade standards to the above mentioned products to the inspectors, and also organized 9 seminars on the implementation of quality requirements for fresh fruits and vegetables with the lecturer - an expert from Germany.

### **Information provision**

Information about the current situation of crop area in the regions of Lithuania during plant vegetation is provided by regional plant protection and quarantine points of the Service, which are located in every region. General weekly information is collected and analyzed in the plant protection division, also provided by telephone and is available on the Internet site of the Service [www.vaat.lt](http://www.vaat.lt).

## **9.4. SEED GROWING**

The national policy in the areas of seed cultivation, grain, grain products and fodder is implemented and compliance with the laws and regulations on seed cultivation, grain and fodder is ensured by the State Seed and Grain Service under the Ministry of Agriculture (further referred to as the Service). It was established in mid 2000 after the reorganisation of the State Seed Inspection and the State Grain Inspection.

The Service controls marketing of plant propagating material. In 2003, during the seed trading season, it carried out 375 inspections to ensure that the seed entering the market complies with the requirements established by legal acts.

The Service attests suppliers of plant propagating material. The commission established by the Service visits both legal and natural persons that apply to be attested as suppliers of plant propagating material and

assesses their production facilities, equipment and all the other conditions necessary to ensure good quality of marketed plant propagating material. In 2003, it attested 217 suppliers of plant propagating material. During the same year, the Service approved 13000.6 hectares of seed crops and 8,242,850 units of garden plants and certified 30,043 tonnes of seeds of field and garden plants and 4,400,685 units of garden plants.

The Seed Quality Testing Laboratory of the Service performs testing of seed quality indicators and issues Seed certificates. Since 1993, it has been an accredited member of the International Seed Testing Association. In 1994, it acquired the right to issue international seed quality certificates with regard to 30 types of plants. To ensure credibility of testing results, the Laboratory established a Quality system. The scope of the system is much broader than the scope of the ISTA accreditation. The requirement to comply with the Quality system is ensured not only when performing tests for the ISTA certificates but also when selecting samples and testing seeds for the national seed certificates.

While approximating the national seed cultivation system and legal acts with the EU legal provisions, the Service specialists accompanied by researchers from the Lithuanian Agriculture, Horticulture and other institutes carried out an analysis of relevant EU legal provisions and established a Lithuanian seed cultivation system meeting the international requirements. In 2001, while meeting Lithuania's commitments to the Organisation of Economic Co-operation and Development, the Service started performing vegetation tests of certified seeds of grain, perennial grass, oil and fibre plants in the 2 hectare land plot of the Academy, Kedainiai region. As of 2005, sugar beet and vegetable seed will be subject to vegetation testing. These tests are a compulsory and constituent part of seed certification in the EU. The purpose of such tests is to ensure varietal identity and purity of certified seed marketed. With the onset of such testing the Lithuanian seed certification system was completely brought in line with the system applied in the EU member states.

While implementing the national grain policy corresponding to the EU requirements, the Service performs monitoring of quality inspection and maintenance of accepted, transferred, stored and sold grain subject to intervention measures. Since 2004, when Lithuania became part of the EU, intervention purchasing of grain, its storage and selling control has been performed in compliance with the EU legislation. The Service specialists inspect preparedness and suitability of economic entities to purchase intervention grain and submit their opinion to the relevant bodies. Moreover, the Service is obliged to perform grain quality assessment in compliance with the procedure established by the EU Council Regulations 824/00 and 2148/96 and monitor the state of grain quality during their storage. Early this year, a grain quality testing laboratory was set up in the newly reconstructed premises (at Kalvariju st. 204C, Vilnius). The laboratory complies with the international requirements and carries out quality testing of grain intervention purchasing using the methods specified in the EU regulations.

Lithuania has created an analytical network, Infratec, for rapid quality assessment of grain, their products, combined fodder and raw materials. The network links 48 devices via modem connection. The Service is the operator and the methodological instructor of the network use; it makes calibration adjustments and uses standard samples to check the correctness of findings, makes analysis of the latter and keeps them in the test database. The modern grain quality testing laboratory carries out all the quality tests necessary to ensure correct device readings, proper storage of data in the database and improve calibration equation. Moreover, the laboratory has modern equipment to identify various indicators and make quality testing of

various grains in the international grain trading market. It also makes quality testing of grain and their products as requested by economic entities.

The Service specialists inspect export and import grain and their products and issue quality certificates. In 2003, the Service specialists inspected 464,000 tonnes of export grain and their products and issued 2,798 quality certificates.

The obligation of the Service implementing the Law of the Republic of Lithuania on Licensed Warehouses and Warehousing Documents is to issue licenses for the warehousing activities. The Service specialists examine preparedness of economic entities willing to operate a licensed grain warehouse for such an activity and compliance with the requirements. The latter are rather strict thus it is necessary to ensure compliance of such enterprises with the established criteria and carry out their capacity assessment. In 2003, the Service issued three licences to engage in grain warehousing activities.

The Service specialists provide consultation and practical assistance to enterprises, farmers and agricultural companies purchasing grain about how the quality indicators of purchased grain are assessed, quality stability of stored grain should be ensured and legislation providing for quality-quantity stocktaking, standards and other matters should be implemented.

The Service is authorised to issue permissions for fodder production and/or trade. In 2003, it issued 471 permissions to engage in fodder production and marketing and inspected 740 economic entities. The Service specialists examined the documents submitted by economic entities to make sure they are in line with the requirements established in the relevant legislation and provided consultation to various economic entities.