



Food Market Diversification Approach - Lithuanian case

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INTRODUCTION

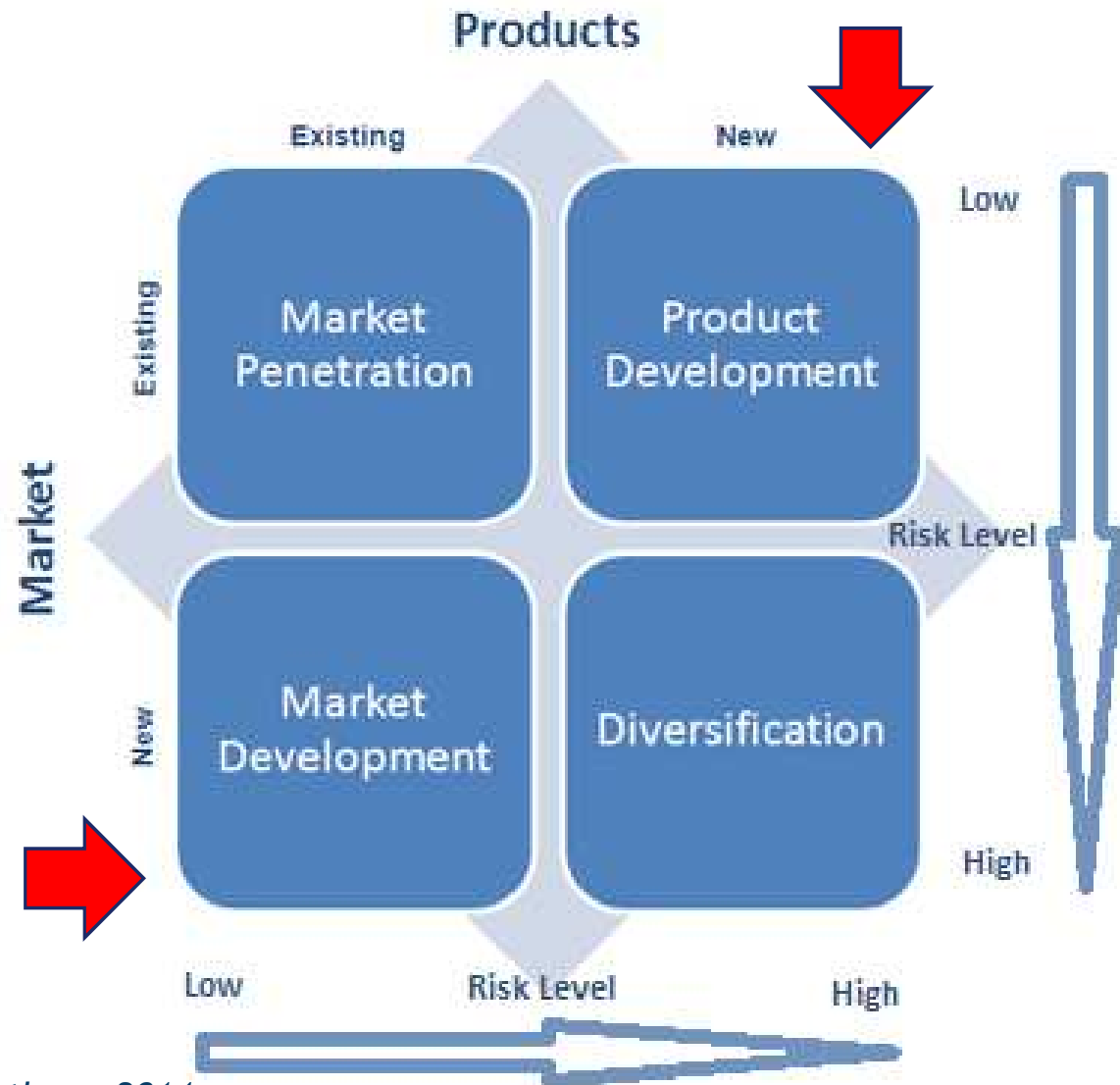
The main goal of the paper is to investigate the market diversification approach in Lithuanian agricultural and food sector.

The tasks are as follows:

1. to analyse the transformation of Lithuanian international **trade conditions** before and after the EU accession;
2. to investigate the dynamics of international **trade flows** and structure of agri-food exports;
3. to compare **export geography** of Lithuanian agricultural and food products before and after the EU accession;
4. to explore the level of agricultural and food products exporters' **orientation on international markets**.

1. Transformation of Lithuanian international trade conditions

THEORETIC BACKGROUND



Source: Ansoff Matrix modified by authors, 2014

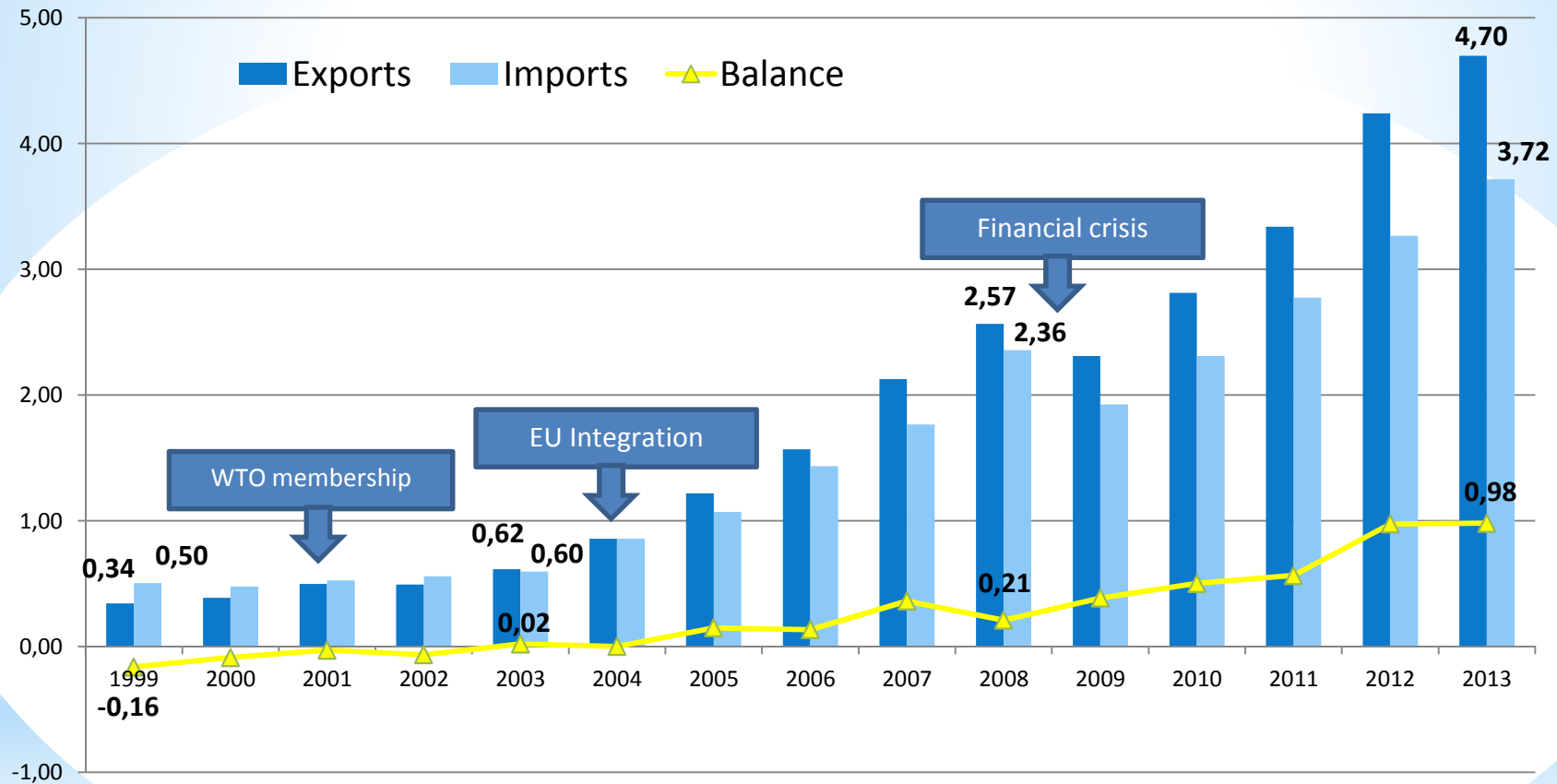
Changes in international trade conditions

A map of Europe with Lithuania highlighted in red. The map shows the outlines of European countries and the surrounding seas. The background is a light blue and yellow gradient.

- * 1990 - restoration of an independent state of Lithuania;
- * 1993 - trade liberalization started, changes in national legislation;
- * 2001 - Lithuania became a member of WTO;
- * 2004 - Lithuania became a member State of the European Union.
- * 2008 - Global financial crisis
- * 2014 - Russian ban

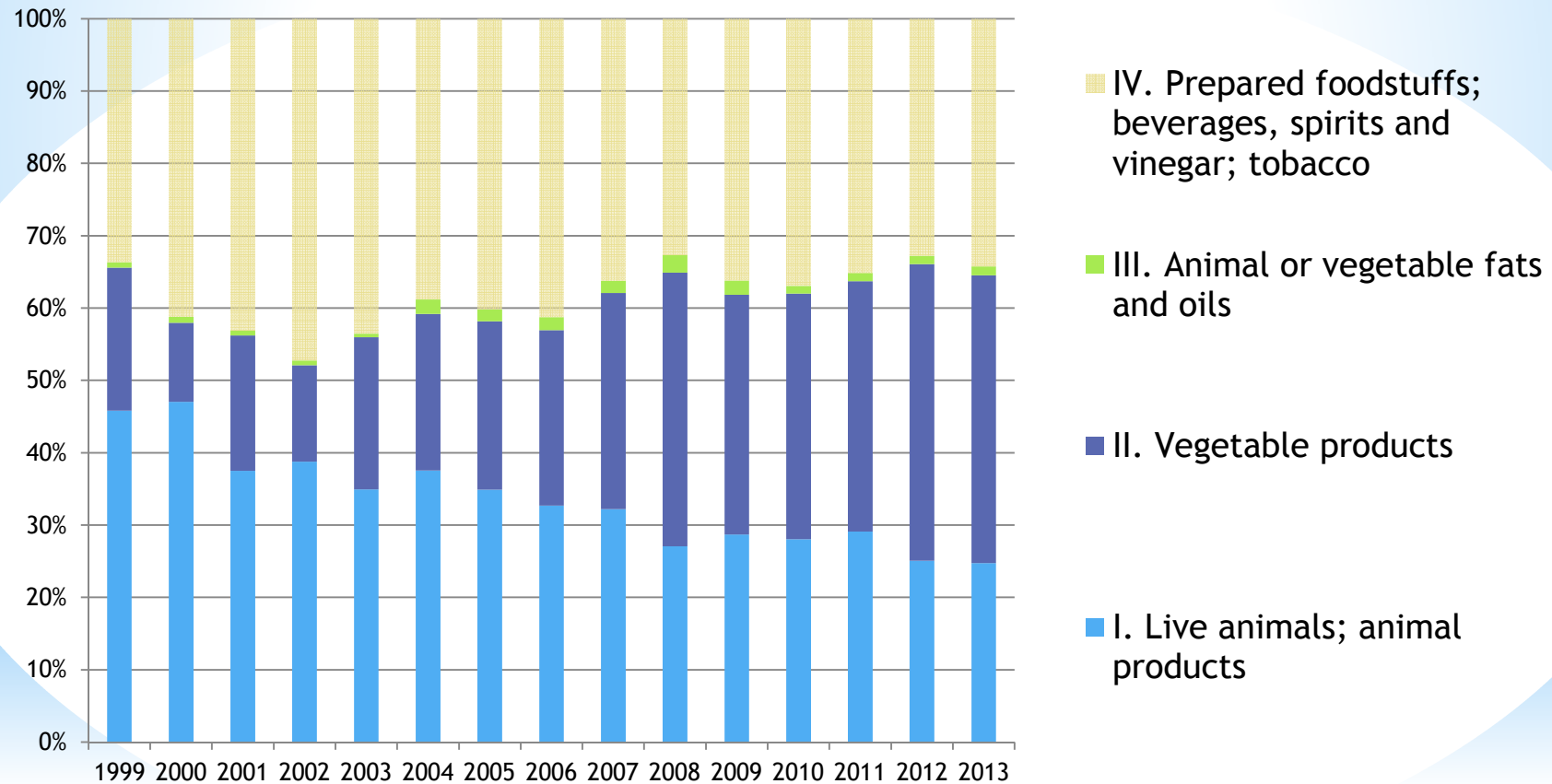
2. Dynamics of international trade flows and structure of agri-food exports

International trade of Lithuanian agri-food products, billion EUR



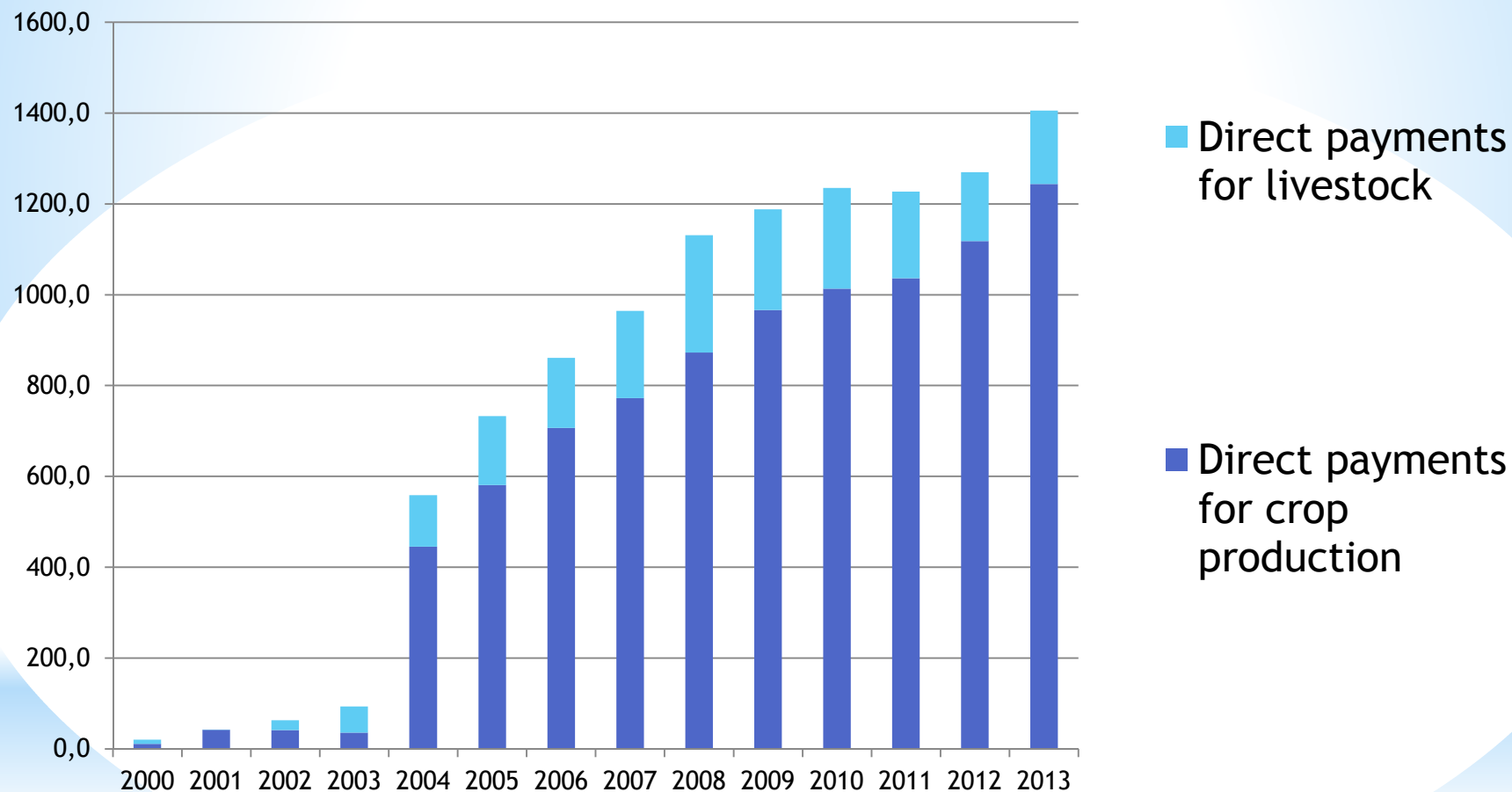
Source: Statistics Lithuania, 2014

Structure of Agri-food Exports and imports by CN sections, per cent



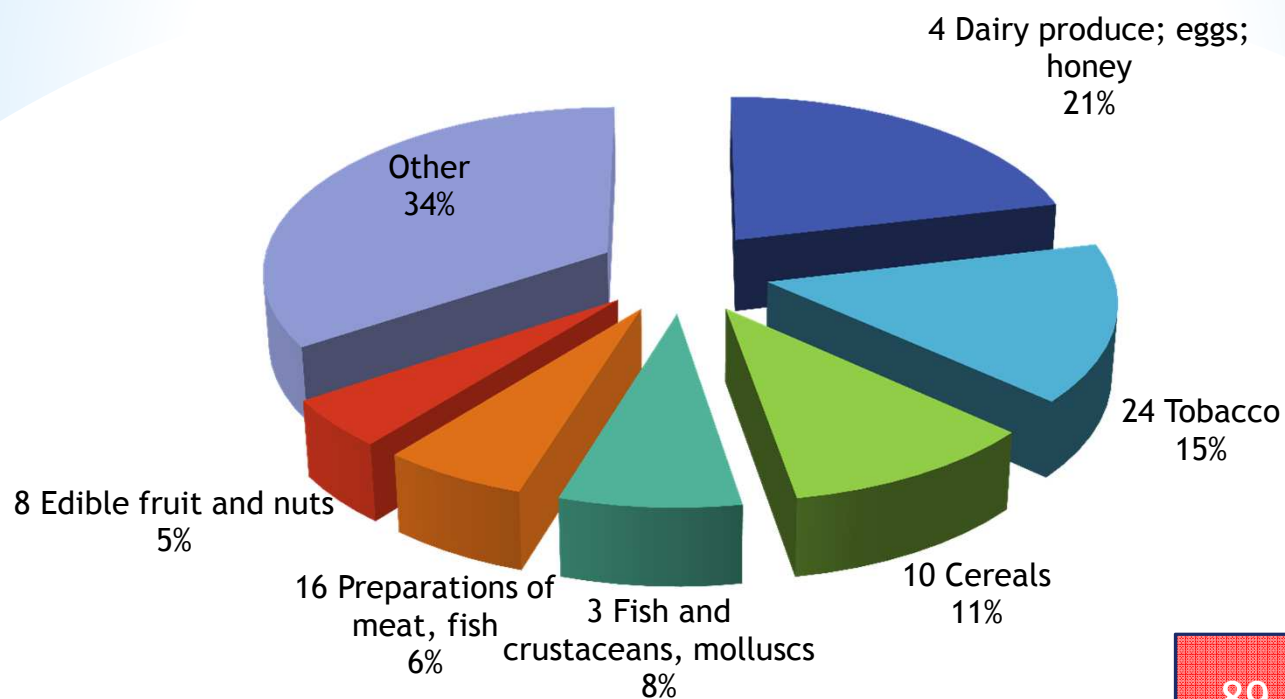
Source: Statistics Lithuania, 2014

Direct support to agricultural sector in 2000-2013, mln. LTL



Source: Ministry of Agriculture, National Paying Agency, 2014

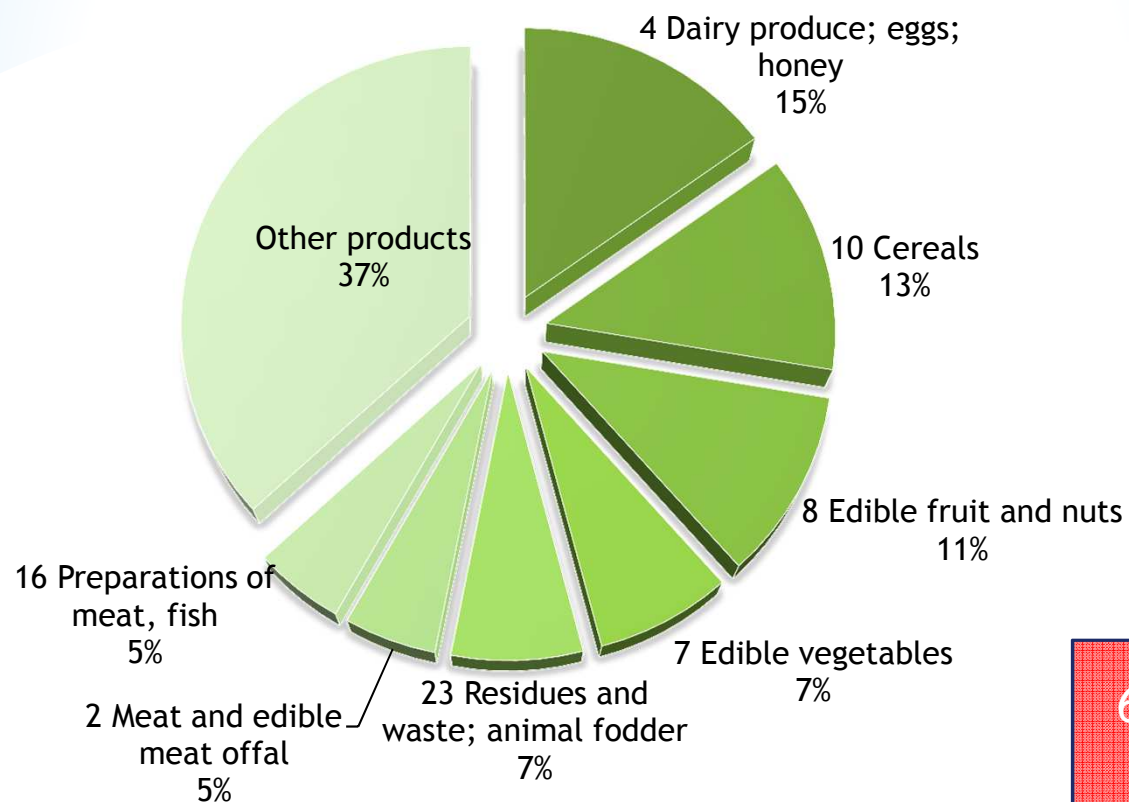
Agri-food exports structure by products in 2003, per cent



89,2 per cent
Lithuanian
origin

Source: Statistics Lithuania, 2014

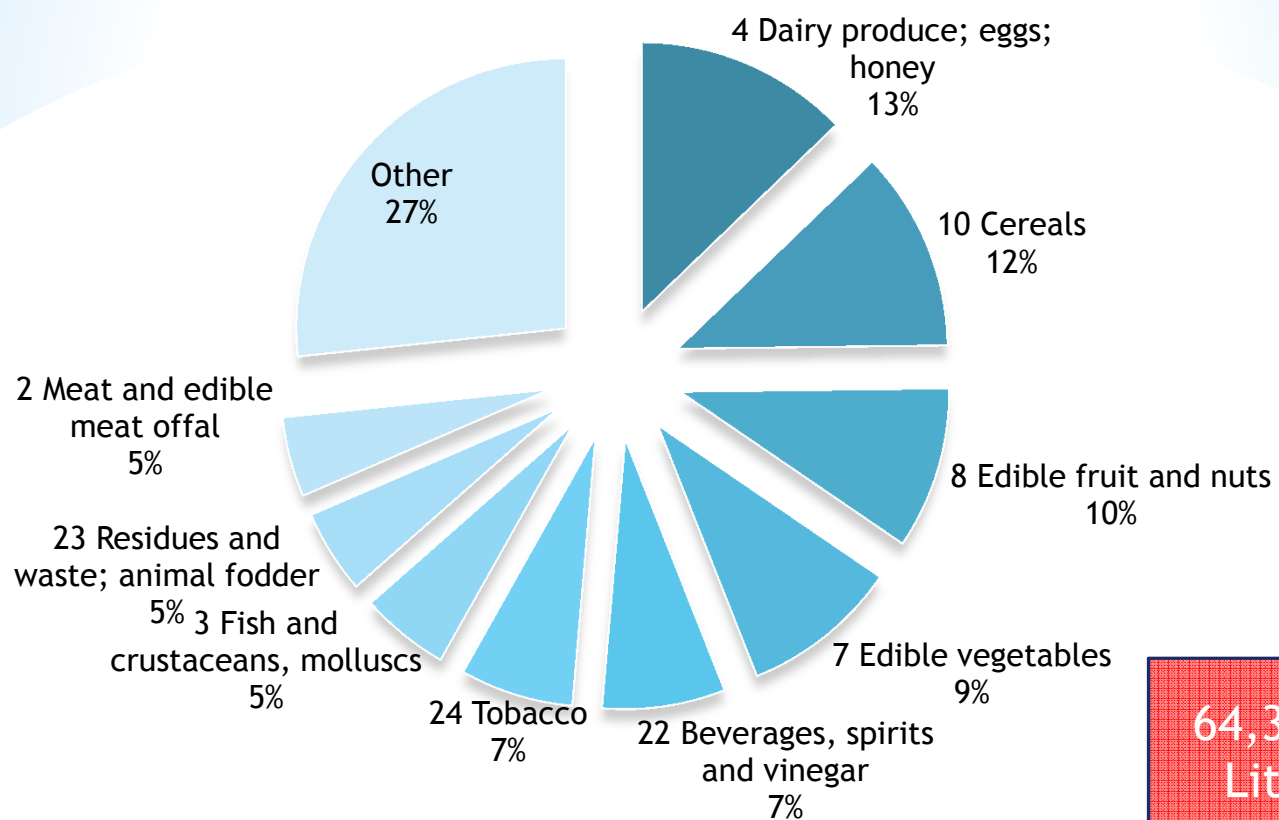
Agri-food exports structure by products in 2008, per cent



68,9 per cent
Lithuanian
origin

Source: Statistics Lithuania, 2014

Agri-food exports structure by products in 2013, per cent

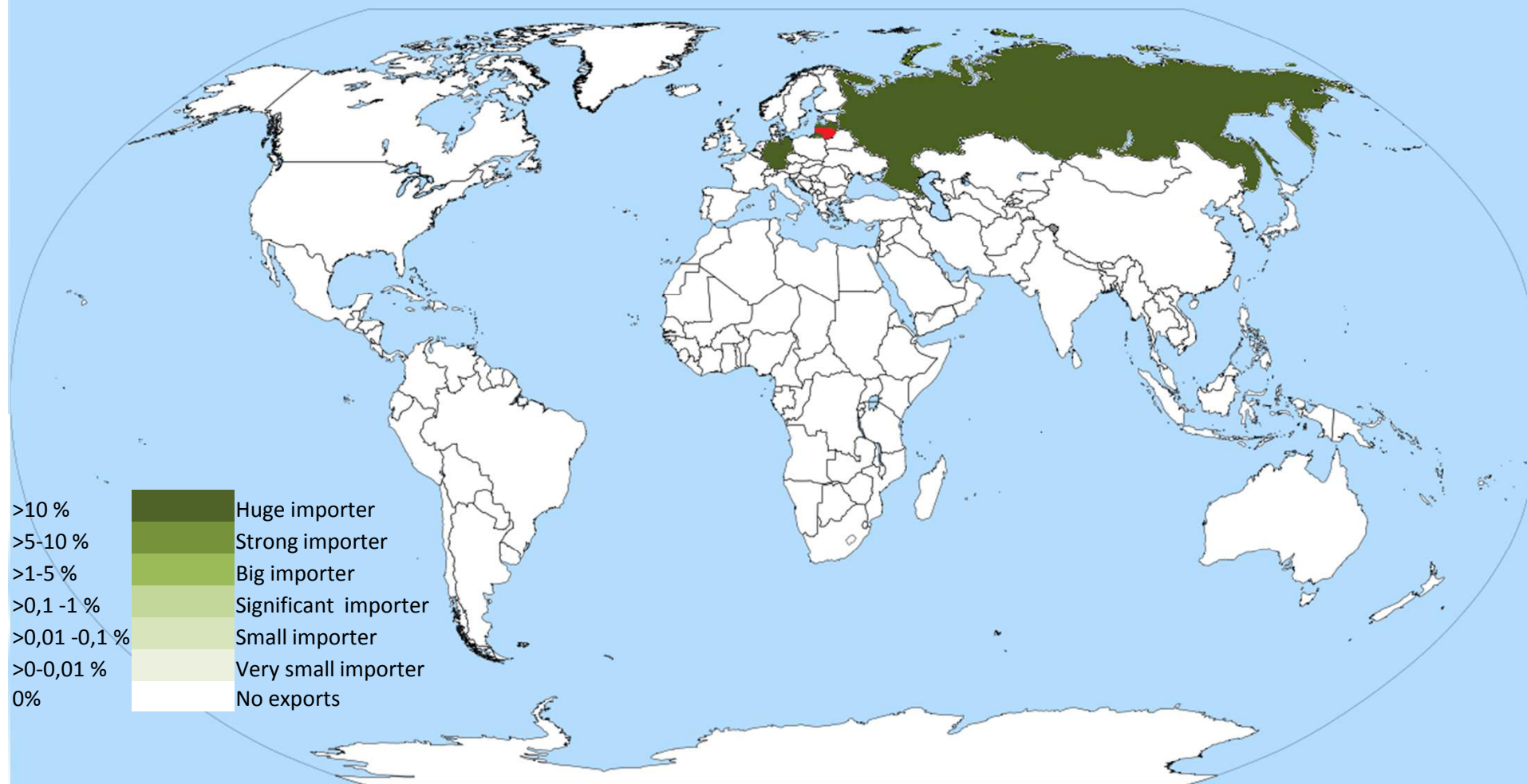


64,3 per cent
Lithuanian
origin

Source: Statistics Lithuania, 2014

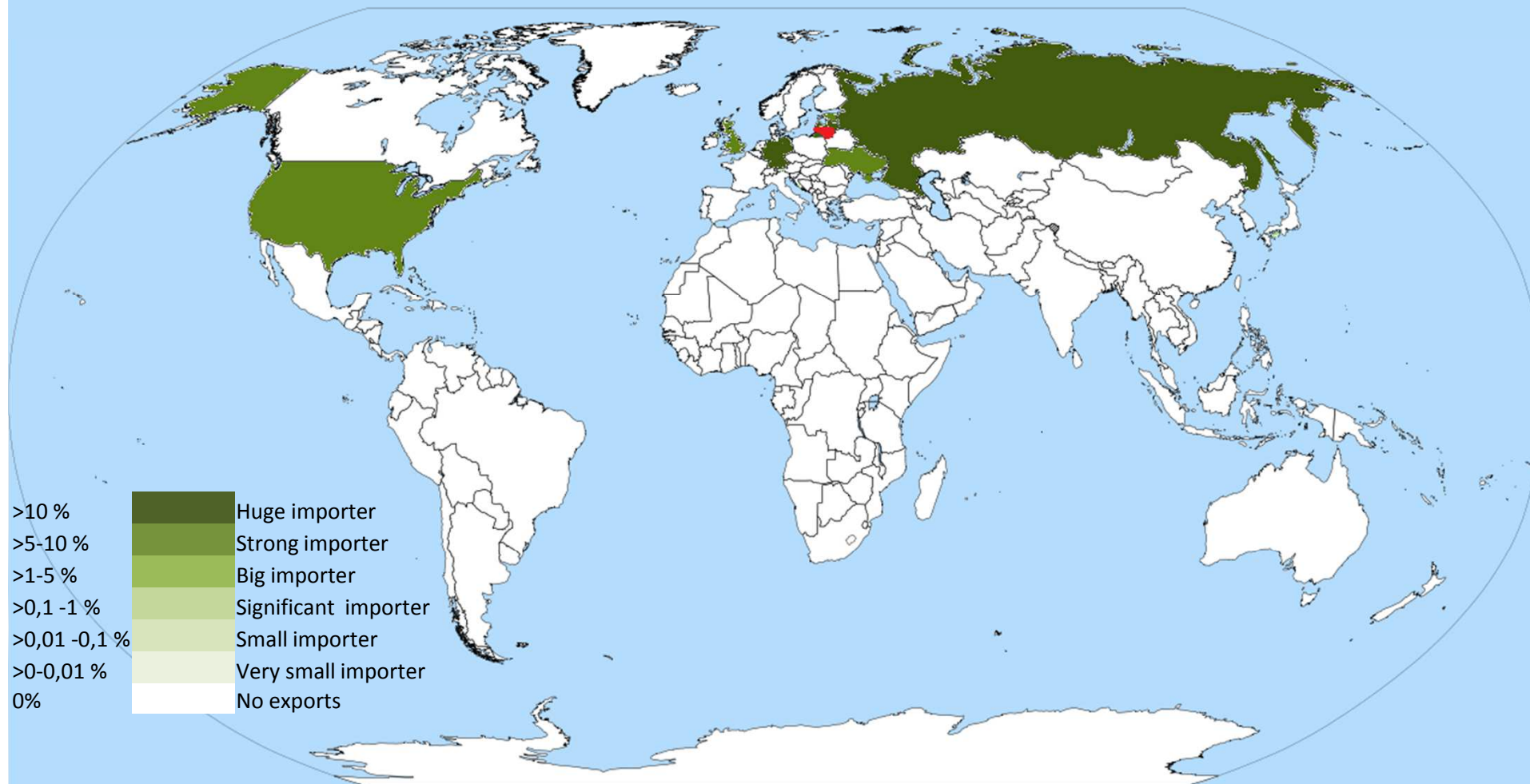
3. Lithuanian agri- food exports geography

Exports structure of Lithuanian origin agri-food products by countries in 2003, %



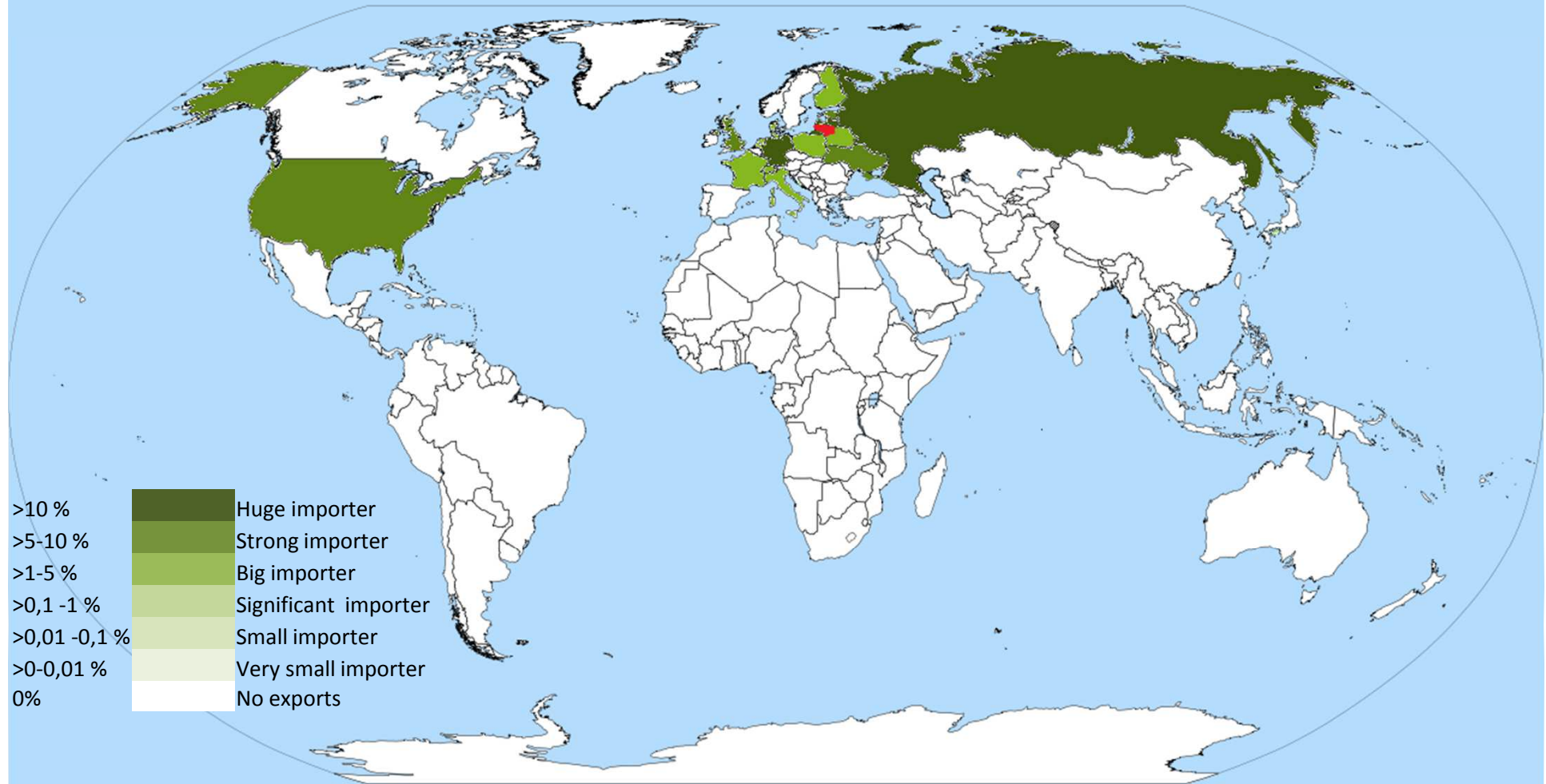
Source: prepared by authors

Exports structure of Lithuanian origin agri-food products by countries in 2003, %



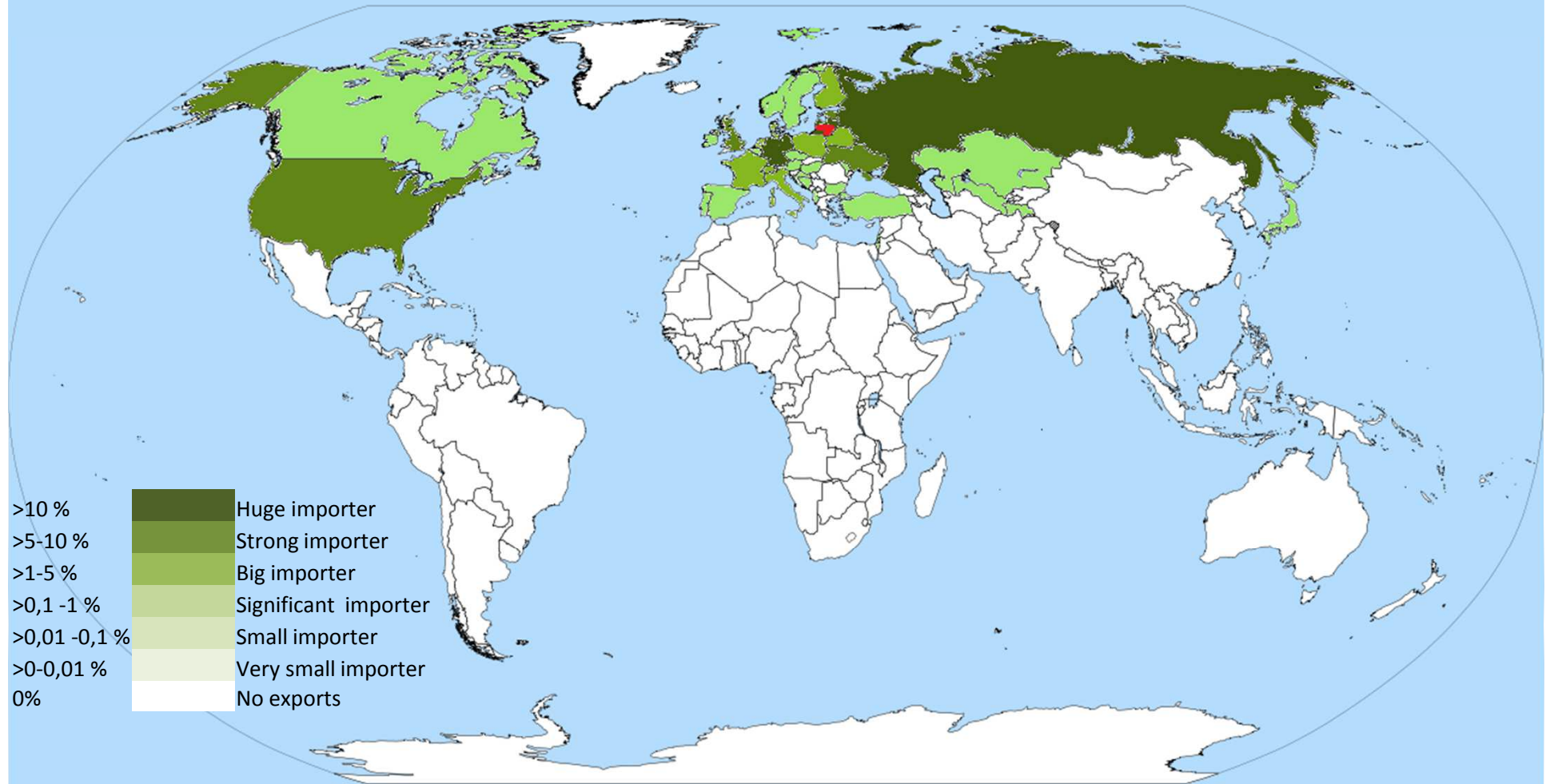
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Exports structure of Lithuanian origin agri-food products by countries in 2003, %



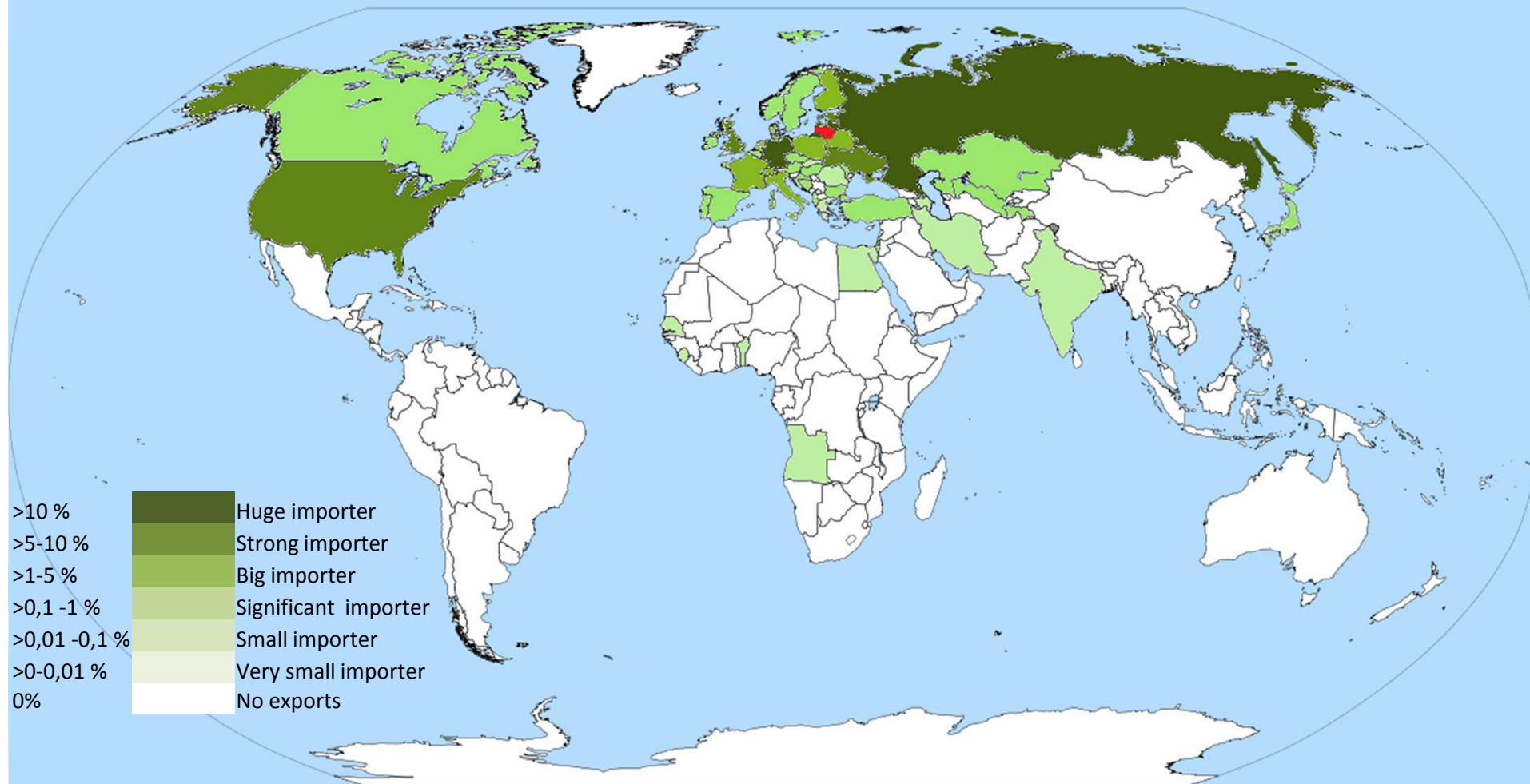
Source: prepared by authors

Exports structure of Lithuanian origin agri-food products by countries in 2003, %



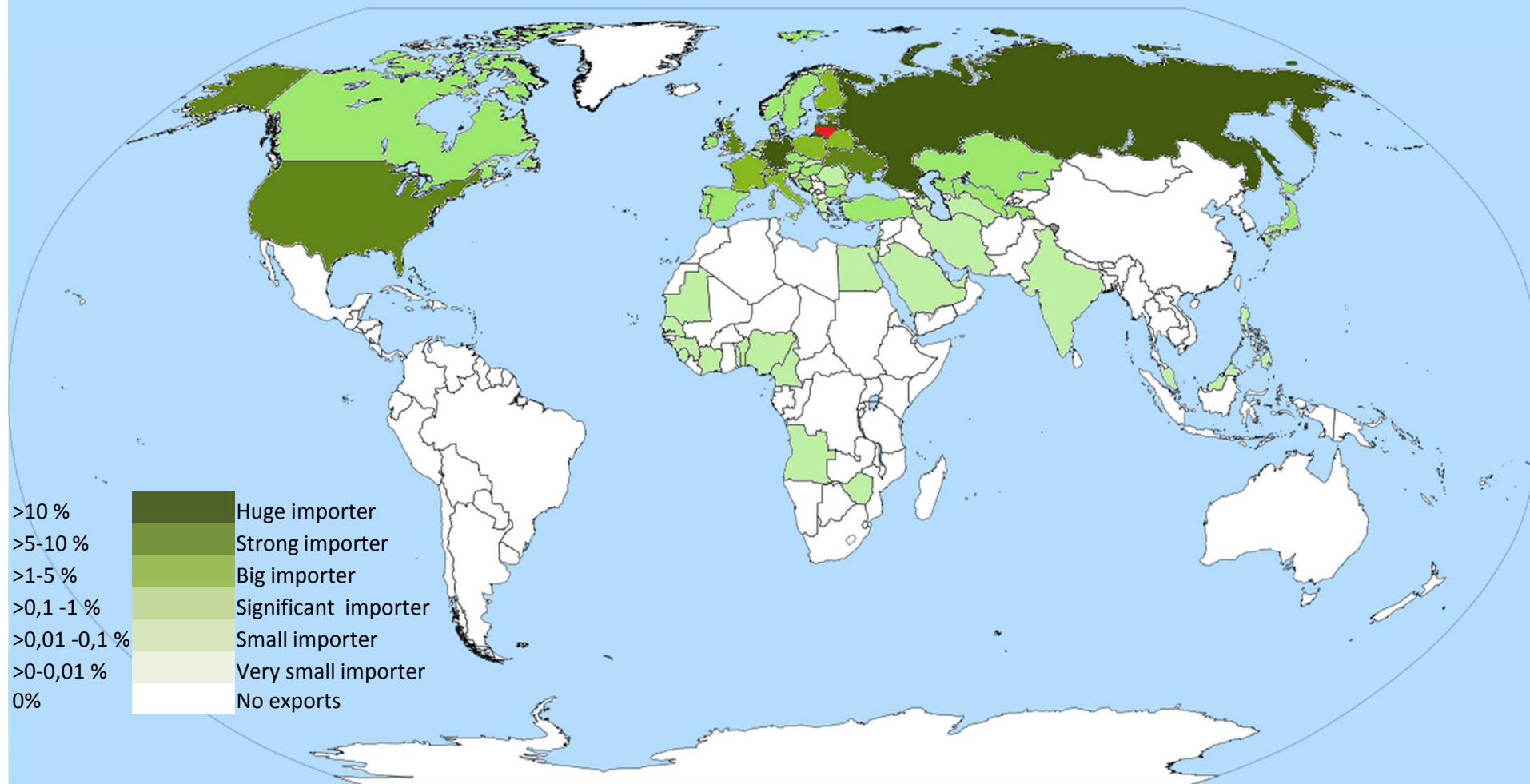
Source: prepared by authors

Exports structure of Lithuanian origin agri-food products by countries in 2003, %



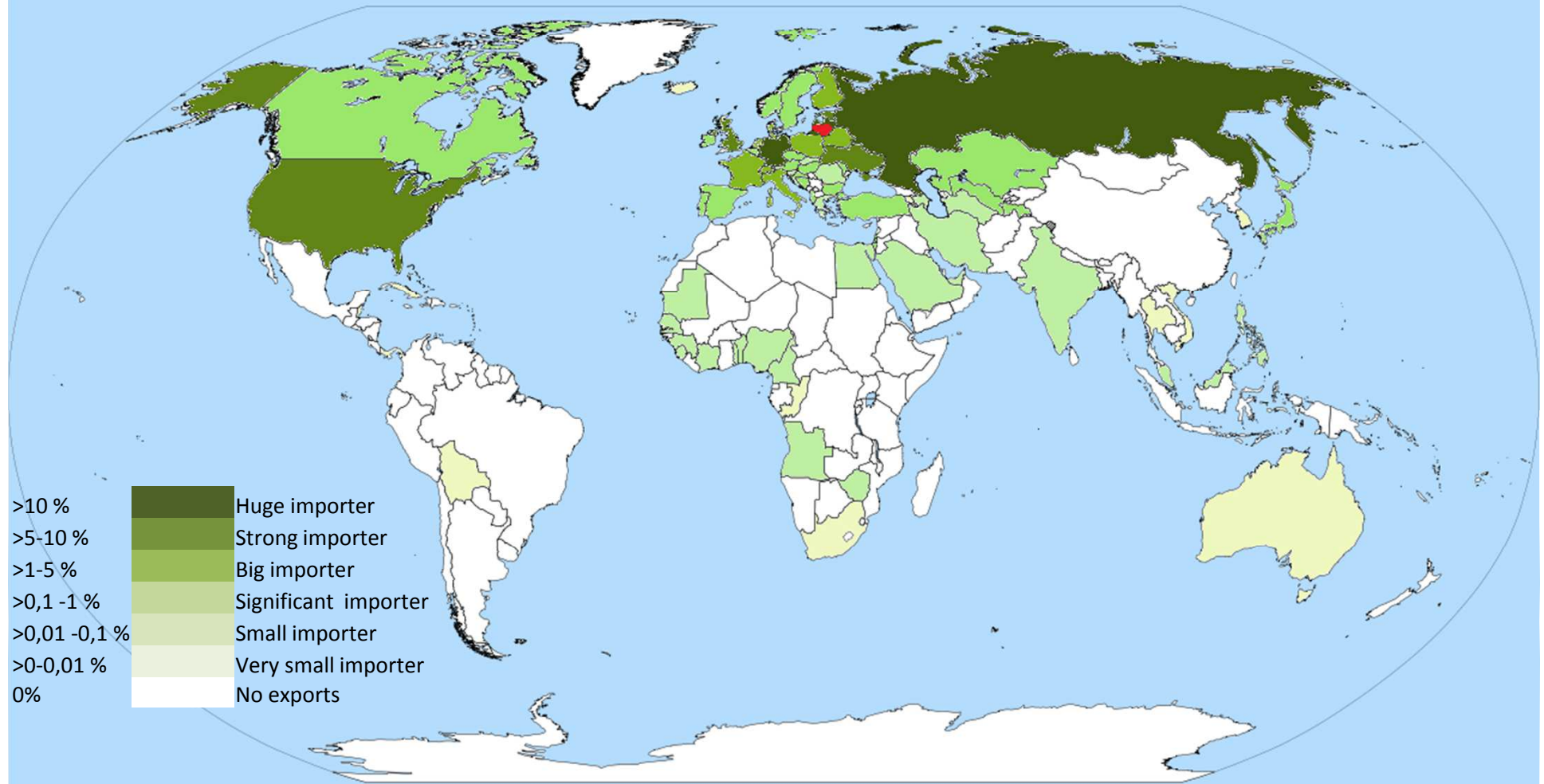
Source: prepared by authors

Exports structure of Lithuanian origin agri-food products by countries in 2003, %



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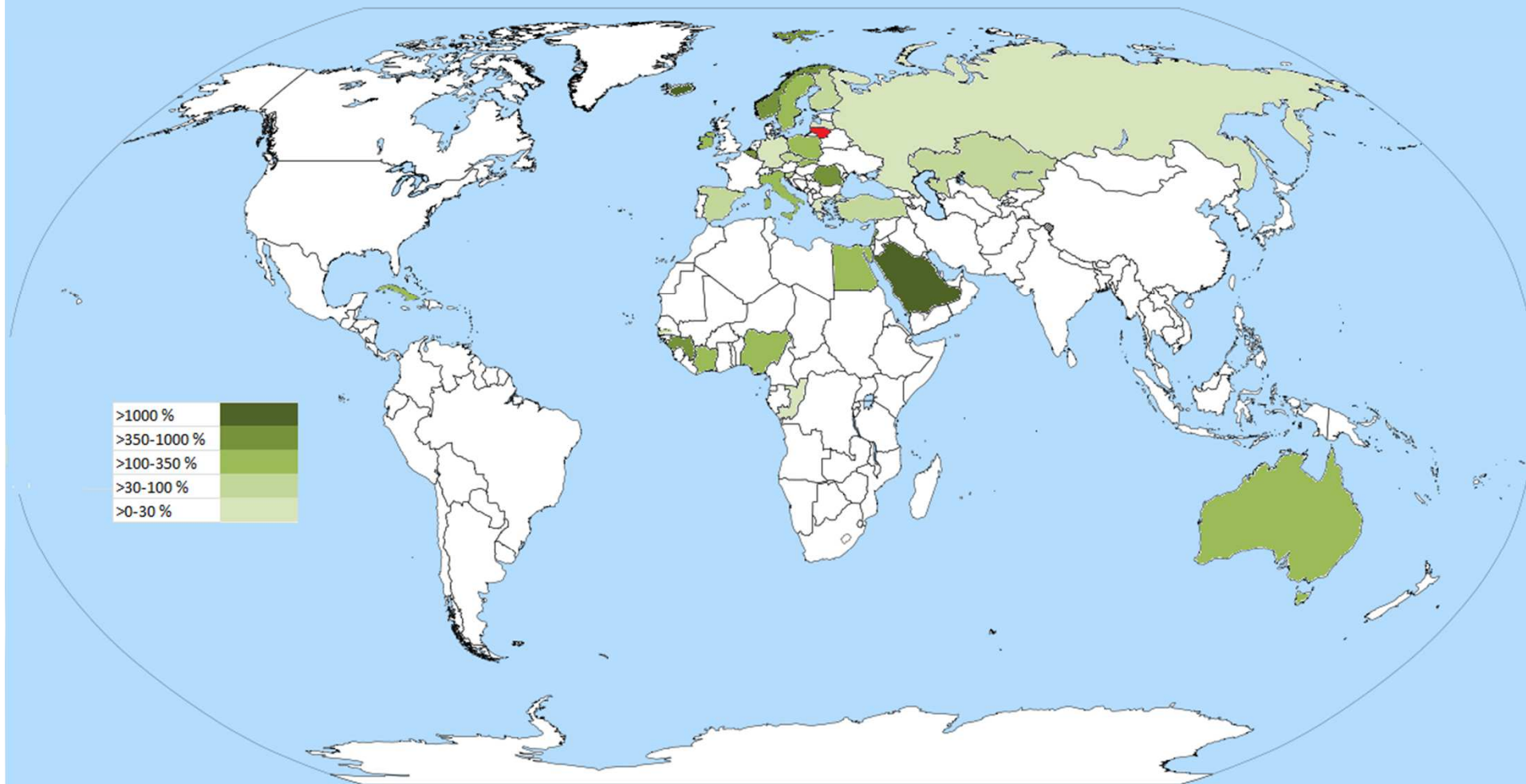
Exports structure of Lithuanian origin agri-food products by countries in 2003, %



Source: prepared by authors

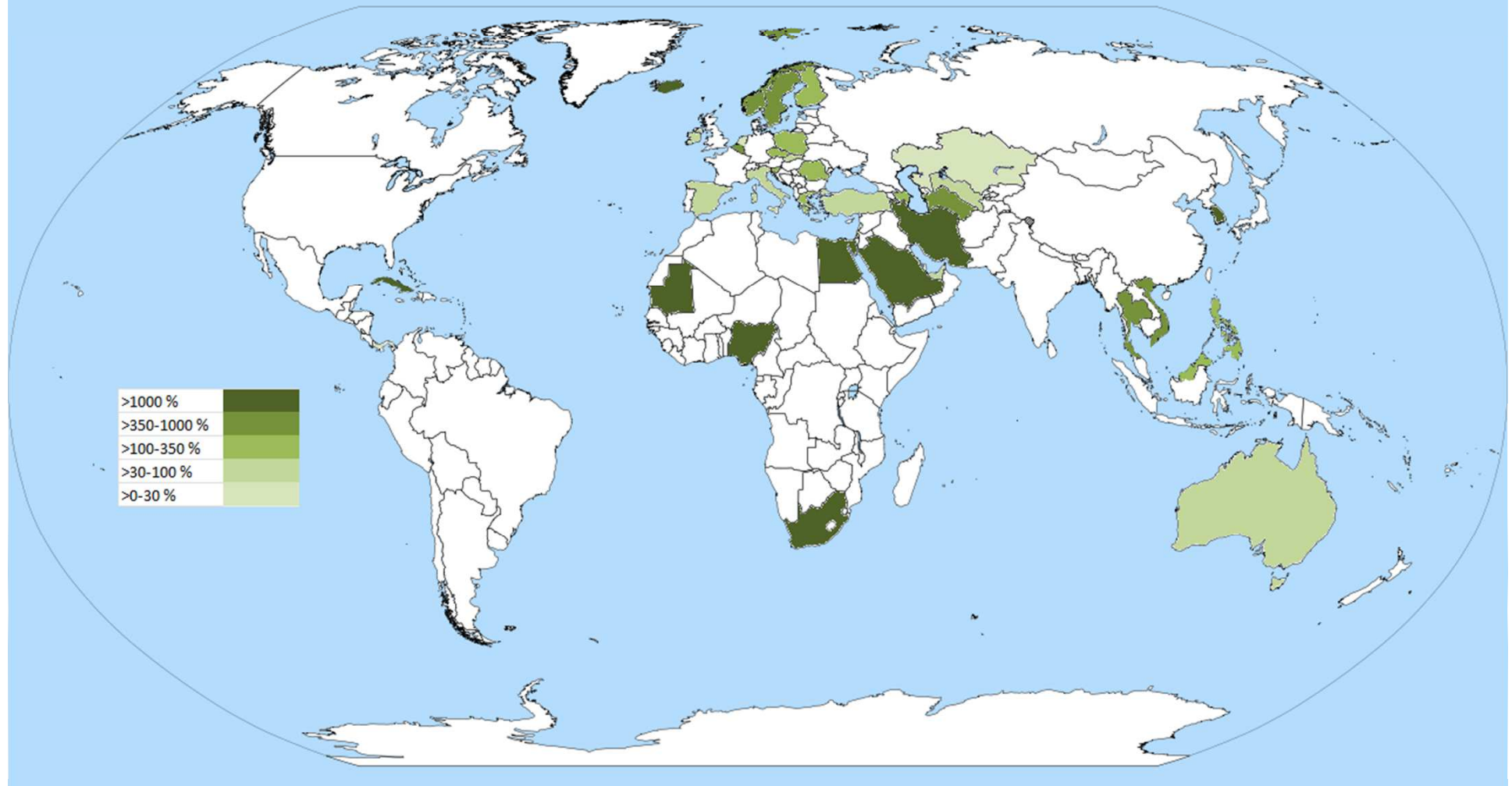
4. Agri-food exporters' orientation on international markets

Exports growth rate of Lithuanian origin agri-food products by countries, 2008 in comparison to 2003, %



Source: prepared by authors

Exports growth rate of Lithuanian origin agri-food products by countries, 2013 in comparison to 2003, %



Source: prepared by authors

Expert evaluation on export diversification in agri-food sector (1)

Agri-food products	Level of processing	Intention for exports	Existing export markets	Expected export markets
Meat and meat products	High	Dried and cold-smoked meat products; frozen veal	Russia, Belgium, Netherlands, Kazakhstan, Azerbaijan, South-East Asia	Saudi Arabia, Philippines, USA, Africa, Japan, South Korea, China
Milk and milk products	High	Cheese, curds, butter, milk sugar, lactose	EU, Russia, USA	China, USA, Japan
Ice cream	High	Ice cream in a waffle cup	Germany, USA, United Kingdom, Ireland, Denmark	There is no need

Expert evaluation on export diversification in agri-food sector (2)

Agri-food products	Level of processing	Intention for exports	Existing export markets	Expected export markets
Fish	Average	Mackerel, fish meal	Sweden, Poland, Denmark, France	There is no need
Fish products	High	Crab sticks, surimi products	Baltic countries, EU, Scandinavian countries, Asian countries, USA	Brasil
Grains	Low	Grains	EU, Iran, Saudi Arabia, Egypt	Asian and African countries
Grain products	High	Frozen wheat gluten, gluten-dried powder	EU, USA	There is no need

Expert evaluation on export diversification in agri-food sector (3)

Agri-food products	Level of processing	Intention for exports	Existing export markets	Expected export markets
Bread and other bakery products	High	Frozen bread, biscuits	Latvia, Poland, Germany, Ireland, United Kingdom, Spain, Netherlands, USA, Cyprus, Israel, Portugal, Italy, France, Belgium, Greece, African countries	Scandinavian countries, Canada, New Zealand, Brasil
Chocolate and chocolate products	High	Chocolate, chocolate candies, toffee	Latvia, Germany, United Kingdom, Estonia, Israel, Poland, Ireland, USA, Russia	Sweden, Romania, Netherlands
Beer	High	Cider, kvass	EU, Russia, USA	Norway, Austria, Hungary

CONCLUSIONS (1)

- ✓ Despite many efforts of liberalizing foreign trade of agri-food products in early nineties, membership in WTO in 2001, real benefit was get, when Lithuania entered the EU. Agri-food exports and imports volumes rose intensively, on average 23 per cent for exports and 21 per cent for imports during the period 2004-2013.
- ✓ Analysis showed that exporting firms simultaneously seek to balance their growth across both the geographic and product diversification domains. Lithuanian agricultural products, which get higher EU support (ex. direct payments), prevail on foreign markets (ex. milk products, grains, wheat gluten, etc.).

CONCLUSIONS (2)

- ✓ After the EU accession Lithuania became a gateway for other European exporters for reaching Eastern countries. The volumes of Lithuanian origin products in total agri-food exports fell down from 89.2 per cent in 2003, till 64.3 per cent in 2013.
- ✓ Analysis of the export geography of Lithuanian origin agri-food products showed that country has three stable markets (Russia, Germany and Latvia). It is strongly dependent on those markets. Nevertheless market diversification appears from 2008. In 2013 this tendency has strengthen. Breakthrough in agri-food exports is expected to the African, Asian, Scandinavian countries and Australia

THANK YOU

FOR YOUR ATTENTION

