

GOVERNMENT OF THE REPUBLIC OF LITHUANIA

DECREE

On the Approval of the Programme for the Regulation of Agricultural and Food Products Market and Export Promotion

No 788

30 June 1998

Vilnius

The Government of the Republic of Lithuania hereby d e c r e e s:

to approve the Programme for the Regulation of Agricultural and Food Products Market and Export Promotion (attached).

Prime Minister

Gediminas Vagnorius

Minister of Agriculture

Edvardas Makelis

Approved by

Government Decree No 788 of 30 June 1998

Programme for the Regulation of Agricultural and Food Products Market and Export Promotion

General Provisions

1. To ensure the creation of a productive, internally and internationally competitive agricultural sector of Lithuania, the transition to a qualitatively new market regulatory mechanism based on measures of direct and indirect effect is necessary.

Indirectly, the agricultural market in Lithuania is regulated by certain measures, one of which being the intervention buying legalised by the Law on the State Regulation of Economic Relations in Agriculture. Moreover, with the aim of integrating Lithuania's agriculture into the EU market, it would be appropriate to align the projected market regulatory measures with the measures of the Common Agricultural Policy of the EU with due regard to the reforms launched or still debated.

2. This programme covers the existing regulatory measures related to the agricultural and food products market, addresses major problems in this field, lays down the objectives and the methods of market regulation and gives a more detailed presentation of the regulation of the market related to the main agricultural commodities, i.e. cereals, meat and milk. Methods of the regulation of the sugar market in accordance with the Law on Sugar of the Republic of Lithuania are provided for in relevant decisions of the Government. This programme also reviews exports of agricultural produce and other food products, describes the state export promotion policy and lays down the measures for the implementation thereof, stipulates export promotion possibilities and the related problems, as well as provides for the measures for the development of foreign trade. With regard to the volume of exportable agricultural and food products, and considering the international obligations, the costs and possibilities of the implementation of the programme are projected. The programme also defines the functions of the Lithuanian Agency for the Regulation of the Agricultural and Food Products Market, as well as specifies its organisational structure, management, supervision, market information system, required resources and their sources.

The Programme has been drawn up with regard to the National Agricultural Development Programme, strategies for developing cereal, meat and dairy farms, provisions of the Rural Support Fund, and foreign experience.

This programme has been worked out by the officials of the Ministry of Agriculture, the Institute of Agrarian Economics and the Lithuanian Agricultural Agency of International Trade.

## Regulation of the Agricultural and Food Products Market

Regulatory measures of the agricultural and food products market and the effects thereof

3. Regulation of the agricultural and food products market is regulated by the Law

on the State Regulation of Economic Relations in Agriculture of the Republic of Lithuania, one of the objectives of which is to maintain the balance of the agricultural and food products market and to ensure income for producers of agricultural and food products. So far, this objective has been mostly pursued through direct regulatory measures guaranteeing the buying up of the main agricultural commodities for minimum marginal prices without exceeding the established quotas since 1995. In addition to the aforementioned regulatory measures provided for in the Law, subsidies have been granted, direct payments have been made, and reserves regulating the basic food products market have been accumulated.

The analysis shows that such regulation produced both positive and negative effects. On the one hand, a minimum income for agricultural produce according to the established quotas was guaranteed to farmers, which resulted in the increase in real prices for agricultural products, and the

improvement of the parity of the said prices for different agricultural products. On the other hand, price regulation hindered a further development of market relations. Due to the fact that the minimum marginal prices of agricultural produce according to quotas were higher than the market prices thereof, more resources from the state budget had to be allocated to subsidise agricultural producers and those engaged in the processing of agricultural produce, as well as to subsidise exports. Direct regulatory measures were applied to the buying up of meat, milk, cereals, oilseed rape and flax according to the established quotas.

The state of the grain market was particularly grave. The increase in the supply of grain in 1998 requested twice as many budgetary allotments as planned. The resources were used for the storage of grain and for subsidising the buying up and export of grain. Due to the price regulation of grain (for fodder) in 1995-96, the pig breeding and poultry farming sectors were weakened considerably.

### Major problems

4. The most serious problems related to the system of the regulation of the agricultural and food products market that currently exist are the following:
  - 4.1 when the minimum marginal purchase prices are determined, the balance between market supply and demand is not always guaranteed;
  - 4.2 the established prices insufficiently stimulate the production of best quality produce;
  - 4.3 as a result of high established prices, the marketing of products on foreign markets becomes difficult;
  - 4.4 two market segments (through a quota system and not) in relation to the same product by applying different prices in each case distort market relations;
  - 4.5 a comparatively large part of profits goes to the retail trade network;
  - 4.6 the real income of producers is increasing too slowly;
  - 4.7 there remain outstanding liabilities to the farmers;
  - 4.8 expenditure on irrational production and processing has been reduced insufficiently;
  - 4.9 the competitiveness of agricultural and food products on foreign markets has not been increasing.

### Objectives of Direct and Indirect Market Regulation

5. A projected solution of the aforementioned problems would be the establishment of provisional minimum marginal prices, direct payments and indirect market regulation – intervention (guaranteed) buying.

6. The basic objectives of direct and indirect market regulation are the following:
  - 6.1. to sustain the prices of basic agricultural and food products determined by the Government of the Republic of Lithuania, to ensure that these products are bought up and paid for within due limits;
  - 6.2. to increase exports of agricultural and food products;
  - 6.3. to form state agricultural and food products reserves;
  - 6.4. to increase product competitiveness on the domestic market – improve the quality thereof.

#### Methods of Implementation

7. The organisation of the intervention buying and the marketing of products shall be vested in the Lithuanian Agency for the Regulation of the Agricultural and Food Products Market (hereafter Agency for the Regulation of the Agricultural and Food Products Market), the objective of which is to implement the state policy of market regulation and export promotion – to organise the buying up, storage and marketing of surplus main agricultural and food commodities.
8. In pursuing its objective, the Agency shall perform the following functions:
  - 8.1. organise the buying up, storage and marketing of surplus main agricultural and food commodities with regard to the supply and demand thereof, and the fluctuating price tendencies on domestic and foreign markets;
  - 8.2. form and administer state food products reserves;
  - 8.3. submit proposals to the Ministry of Agriculture concerning the mechanism of market regulation and export promotion.
9. In addition to the organisational system, the following price system is determined for the implementation of the intervention buying programme:
  - target price;
  - advance purchasing price;
  - settlement price.

Target price means a purchase price of agricultural and food products forecasted by the government institution, which ensures minimum disposable income. Such price is determined according to the actual market prices of individual products and the standard costs of their production.

Advance purchasing price means a minimum price of agricultural and food products guaranteed by the State, paid upon selling them to the Agency for the Regulation of the Agricultural and Food Products Market.

Settlement price consists of an advance purchasing price plus additional payments the amount of which depends on the final selling price of products on domestic or foreign markets.

10. Intervention buying shall regulate the market of the following basic agricultural commodities: cereals, meat and dairy products (butter, milk powder, and cheese).

The markets for separate products shall be regulated differently.

### Regulation of Basic Agricultural and Food Products Markets

#### Cereals

11. The cereals market shall be regulated by:

- intervention buying;
- protective measures of the domestic market;
- export support measures.

The State shall undertake to guarantee the buying up of surplus cereal crops of an established quality (1<sup>st</sup> and 2<sup>nd</sup> class food wheat, rye, leguminous crops and buckwheat) for the minimum purchasing price set by the State. The time of purchase shall extend from the beginning of August of the current year until the end of March of the following year. Intervention buying from a single agricultural entity shall not be limited. Transportation costs shall be borne by the agricultural entity. The target purchase price shall be determined with regard to the cereal prices applied on the biggest world exchanges and on the domestic market. An advance purchasing price shall be paid to producers for their surplus food cereals, which accounts for 70 per cent of a fixed target price, and the final settlement with producers shall be made upon the disposal of cereals but not later than until 1 July of the following year (the payment shall be made in two installments: an advance payment shall be followed by the final settlement).

Upon selling the purchased cereals, the Agency for the Regulation of Agricultural and Food Products Market shall pay the difference to the grain producer between the final marketing price and the advance purchasing price subtracting the storage and operating expenses borne by the Agency.

The selling of cereals from the intervention stocks shall be subject to an open tender procedure.

## Meat

With the aim of stabilising the market and ensuring certain determined disposable income to stock producers, as well as for the purpose of avoiding or slowing down the decrease in prices, the system for the regulation of the market in beef is being developed. The basic elements of this system are the following:

- intervention buying;
- direct payments to the producers of agricultural products for a single animal sold;
- export subsidies.

The volumes of export support shall be determined by the Ministry of Agriculture with regard to the capacities of the Rural Support Fund, price fluctuations and trade conditions.

In determining the target price, in addition to the prime aforementioned principle the following factors shall be taken into consideration:

- tendencies for the production and consumption of beef on the domestic market;
- the state of the milk and dairy products market;
- economic indicators of the previous year.

14. Intervention measures shall be taken in cases when:

- 14.1 the average price of livestock is lower than 80 per cent of the target price within a period of two weeks;
- 14.2 the production meets the established quality requirements.

15. Since 1997, direct payments have been made for the livestock of a good quality.

To promote the rearing of livestock to produce meat direct payments are being differentiated.

## Milk and dairy products

16. Milk sector shall be regulated by:

- intervention buying;
- special measures (according to the season)
- quality promotion measures
- export support measures

17. According to the list subject to approval, intervention buying may be applied to

butter, milk powder, canned milk and cheese, and state support may be granted with regard to the storage of production.

18. Only those dairy products which comply with the established quality requirements

shall be sold into intervention. The dairy products kept in storage can only be used for the following purposes (in an open tender procedure or directly):

- for the production of feedingstuffs (milk powder);
- for exports;
- for the support in food products.

19. The Government of the Republic of Lithuania shall approve the minimum

marginal prices for purchasing raw milk (3.4 per cent of fat and 3 per cent of albumens), which are different in summer and winter. With the aim of ensuring the income generation capacity of an established amount and promoting the production of milk of a better quality, subsidies may also be granted. A minimum marginal purchasing price of raw milk combined with a subsidy should guarantee a minimum income to milk producers, and, therefore, is calculated according to the following factors:

- real income of producers earned depending on the season, and with regard to the costs of production of raw milk;
- world market prices of dairy products;
- an assortment of the produce of processing enterprises.

20. The Agency for the Regulation of the Agricultural and Food Products Market

shall buy up the set quota of dairy products for an advance purchasing price on condition that the products meet the established quality requirements.

#### Sources of finance for market regulatory measures

21. Direct support for the market regulatory measures is provided from the

resources of the Rural Support Fund, and the main sources of finance for the purchase may be the following:

- credit resources of commercial banks (granting of loan guarantees);
- targeted appropriations from the Lithuanian state budget.

LTL 1 million shall be earmarked to the Lithuanian Agency for the Regulation of the Agricultural and Food Products Market from the Privatisation Fund, of which LTL 0.5 million is allotted for the formation of the authorised capital and another LTL0.5 million for the covering of the establishment of the Agency and other expenditure.

A state guarantee up to LTL 300 million is planned to be granted to the Lithuanian Agency for the Regulation of the Agricultural and Food Products Market and enterprises engaged in the processing of agricultural produce for purchasing surplus agricultural produce. An additional amount of LTL 40 million shall be earmarked to the Rural Support Fund from the Privatisation Fund to cover the losses incurred by the grain processing enterprises as a result of the difference between the selling prices and the marginal prices (purchase prices) paid to farmers and agricultural entities.

22. If the Lithuanian Agency for the Regulation of the Agricultural and Food

Products Market in implementing public programmes (in purchasing and marketing surplus agricultural produce) incurred losses in selling agricultural and food products on the Lithuanian and foreign markets, these losses resulting from the price difference, as well as other supplementary expenditure related to this type of activity would be covered from the resources of the Rural Support Fund provided for these programmes, or other resources earmarked by the decision of the Government of the Republic of Lithuania.

#### Development of Agricultural and Food Products Export

#### Export of Agricultural and Food Products of Lithuania

23. In 1994, the foreign trade balance in relation to agricultural and food products

was positive and amounted to LTL 1013 million; in 1995 it decreased up to LTL32.4 million, and in 1996 it became negative and accounted for LTL94.9 million. In 1997, the foreign trade balance was negative and amounted to LTL29.4 million.

Within the period of 1994-96 exports of agricultural and food products were increasing. In 1994, exports of the aforementioned products amounted to LTL1949.2 million, in 1995-LTL1982.7 million, and in 1996 – LTL2296.6 million. In 1997, exports of agricultural and food products amounted to LTL2472.1 million.

Imports within the respective period were also increasing. In 1994, imports of agricultural and food products accounted for LTL936.3 million, in 1995 – LTL1950.3 million, in 1996 – LTL2391.5 million and in 1997 – LTL2501.4 million.

A negative foreign trade balance was determined by the fact that export was growing slower than import.

The majority of agricultural and food products were exported to the CIS and the EU countries. In 1995, export of these products to the CIS countries was worth LTL1159.8 million (58 per cent of all agricultural and food products exports). In 1996, exports increased to reach LTL1440.6 million (63 per cent of all exports). In 1997, exports to the CIS countries accounted for LTL1459.6 million (59 per cent of all agricultural and food products exports).

The value of Lithuania's exports related to agricultural and food products to the EU market amounted to LTL545.7 million (27.4 per cent) in 1995, LTL394 million (17.2 per cent) in 1996, and LTL495.6 million (20 per cent) in 1997.

Lithuania also exports agricultural and food products to Russia. In 1995, exports to this country amounted to LTL711 million (35.9 per cent), in 1996 – LTL879 million (38.3 per cent), and in 1997 - LTL891 million (36.1 per cent). Exports of agricultural and food products to Belarus in 1995, 1996 and 1997 accounted for 11.2 per cent, 11.4 per cent and 14.5 per cent, respectively. Exports to Latvia in 1995, 1996 and 1997 amounted to 4.8 per cent, 5.9 per cent and 7 per cent, and to Estonia – 3.2 per cent, 4.6 per cent and 3.4 per cent, respectively.

The main export commodity is the livestock production which represented 46 per cent, 45.5 per cent and 46.2 per cent of all exported agricultural and food products in 1995, 1996 and 1997, respectively. The second export commodity is the finished foodstuffs worth 30.3 per cent, 37.8 per cent and 35.1 per cent of all agricultural and food products exports in 1995, 1996 and 1997, respectively.

Exports of some agricultural and food specialities has been stable or on an increase. The following products have been exported for a number of years already: dairy products (milk powder, cheese, butter, canned milk), cattle meat, meat preserves, fish and fish preserves, confectionery (chocolate, sweets, etc.), canned fruit and vegetable, rapeseed oil, etc.

24. Lithuania increases the production of ecologically clean products. It started to buy up certified ecoproducts and plans to start their processing and marketing. These products could be used for the production of canned vegetable and fruit, ground products, etc. There is a possibility that these products could be marketed in future due to the fact that according to the Action Programme for the Development of Ecological Farming, trade fairs of certified ecoproducts will be organised in Lithuania and abroad within the period of 1998-2000.

#### Objectives of the Lithuanian Policy for Foreign Trade in Agricultural and Food Products

25. The objectives of the Lithuanian foreign trade policy are closely related to the

changes in production of agricultural and food products and export capacities thereof. Lithuania has a comparative advantage in producing some of the agricultural and food products, however the export of these products is impeded by the quality of produce, as well as problems related to the

market search, certification, etc. Support for the export of agricultural and food products shall be provided in accordance with the Lithuanian foreign trade policy.

26. The objectives of the Lithuanian foreign trade policy related to agricultural and food products shall be laid down with regard to the capacities of marketing these products on foreign markets, and avoiding the violation of the interests of local producers. The objectives shall be short-term and long-term.

27. The short-term priorities are the following:

- 27.1 to maintain and expand as much as possible exports of Lithuanian commodities to the priority countries;
- 27.2 to export a wider range of commodities;
- 27.3 to make use of all preferential quotas of agricultural and food products that the EU assigns to Lithuania according to the provisions stipulated by Free Trade Agreement;
- 27.4 to improve cooperation among the organisations coordinating export activities;
- 27.5 to make sure that the exporters acquire more competence in foreign trade, and are acquainted with the experience of international trade;
- 27.6 to inform exporters about the possibilities of exporting Lithuanian agricultural and food products abroad;
- 27.7 to enhance the public image of Lithuanian commodities abroad;
- 27.8 to work out a strategy for marketing Lithuanian commodities abroad.

28. The long-term priorities are the following:

- 28.1 to improve the foreign trade balance – increase exports related to agricultural and food products;
- 28.2 to ensure the competitiveness of Lithuanian agricultural and food products;
- 28.3 to increase farmers' income when marketing surplus produce on foreign markets;
- 28.4 to ensure that the quality of exportable agricultural and food products meets the EU and international standards, and seek the reduction of the cost price thereof at the same time;

29. If the aforementioned objectives are attained, receipts to the budget from the exported produce will increase, and the marketing thereof on foreign markets will become easier.

Measures of Export Development in Relation to Agricultural and Food Products

## State Measures of Export Promotion

30. One of the most important measures to promote export of Lithuanian

agricultural and food products, is to establish a favourable environment for export development, to draft and enact legislation stipulating legal and economic conditions (trade regime) , as well as to work out economic measures for export development on the state level.

31. At present, such export regulatory measures as the Free Trade Agreement, trade

and economic cooperation are used extensively. With the aim of creating more favourable conditions related to export of agricultural and food products, bilateral and multilateral agreements with foreign countries have been signed. The most important of them are the free trade agreements with the EU, EFTA, CEFTA countries, as well as Latvia, Estonia and other countries. For the purpose of export promotion, Lithuania has abolished a number of export barriers in the last few years: quantitative export restrictions (export quotas, licenses) are no longer applied, nearly all export duties on agricultural and food products have been abolished.

32. With the aim of promoting the marketing of surplus agricultural and food

products on foreign markets, the Ministry of Agriculture has drafted and approved the procedure for the support of export of agricultural and food products.

33. The following problems impede the promotion of exports of agricultural and food

products:

33.1 the conditions of import in some of the states to which Lithuanian exporters would like to sell their produce do not satisfy the exporters;

33.2 tariff import quotas that the EU assigns to Lithuania are not made use of to a required extent;

33.3 difficulties emerge relative to the procedure of settlement for the exported produce.

The possibilities and conditions relating to the application of export subsidies, as well as other conditions in relation to foreign trade will be determined by the conditions under which Lithuania enters the Free Trade Organisation.

34. In order to achieve a strategic objective, i.e. create a favourable environment for the promotion of exports related to agricultural and food products, it is necessary:

34.1 to analyse permanently foreign trade policy of other countries with regard to foreign countries and the exportable products;

34.2 to make a better use of trade privileges that are granted following the bilateral and multilateral free trade agreements;

34.3 commitments, to apply the measures protecting the domestic market until the competitiveness of the Lithuanian agriculture is ensured;

- 34.4 with the change of the market conditions and taking into account the interests of Lithuania, to draft proposals for changing the regime of foreign trade in agricultural products;
- 34.5 to provide information on privileges and requirements applicable to the exportable products and exporters that are stipulated by the bilateral and multilateral agreements;
- 34.6 to implement the procedure for the support of export of agricultural and food products;
- 34.7 to seek a more favourable trade regime with foreign states (Russia, the Ukraine, Belarus);
- 34.8 to insure exports;
- 34.9 to apply the buying of agricultural and food products, regulating the market.

#### Gathering and Provision of Information on the Conditions of Markets

35. The success of an exporter in foreign markets is mostly determined by the

knowledge and experience acquired. An important element of export promotion is the creation of the information system for collecting, processing and providing information to a consumer. The information system covers the collection, analysis and presentation of the essential purpose-oriented information to potential and existing exporters. This system should be an indivisible part of the information system related to agriculture.

36. The basic problems related to the information on the conditions of markets are as follows:

- 36.1 .1 Insufficient economic information on the domestic market, lack of the analysis and a periodical and adequate presentation thereof;
- 36.2 inadequate information on foreign agromarkets and the specifications of trade operations (structure of contracts, conditions for supply, ways of settlement, etc.);
- 36.3 incomplete informational infrastructure;

37. To achieve a strategic objective, i.e. accumulate, analyse and disseminate information on foreign markets and the Lithuanian produce, as well as to provide more extensive knowledge of foreign trade to exporters, it is necessary:

- 37.1 to create a database of the capacities of the domestic market;
- 37.2 to create a database of foreign agromarkets;
- 37.3 to create an Internet page on the agricultural and food products produced in Lithuania and the services provided;
- 37.4 to analyse permanently and disseminate information on the states to which Lithuania has potential capacities to export its produce;
- 37.5 to start and maintain permanent relations with the diplomatic missions and trade agencies of Lithuania, as well as market information centres of foreign states.

The Lithuanian Agricultural Agency of Foreign Trade, the Lithuanian Institute of Agrarian Economics, the Lithuanian Chamber of Agriculture, the Lithuanian Agriculture Consultancy Service, the Lithuanian University of Agriculture shall accumulate information within their competence and ensure the exchange thereof;

- 37.2 establish an information centre in Lithuania in which enterprises could get information on customs tariffs applied by foreign countries, as well as quality, packaging, sanitary and other trade requirements;
- 37.3 compile and publish periodical reference publications.

#### Quality assurance of agricultural and food products and the creation of the certification system

38 With the aim of increasing exports of agricultural and food products produced in Lithuania, it is important to seek a good quality of these products and to aim at building up customers' confidence in producers with regard to the stability of product quality. To this end, the certification of products, as well as the creation and introduction to the enterprises of quality management systems fully compatible with the requirements of the international quality management standards of ISO 9000 series are projected. Moreover, the implementation of the Europe (Association ) Agreement requires adherence to the EU directives regulating product quality. This is one of the conditions of Lithuania's membership of the EU.

39 The basic problems in this field are as follows;

- 39.2 Lithuanian agricultural and food products do not meet the EU requirements for product quality in a majority of cases;
- 39.3 the infrastructure for the assessment of food product quality is imperfect;
- 39.4 performance results of the Lithuanian testing laboratories and certification bodies are currently not recognised in the countries of Western Europe (they are recognised only by some of the CIS, Eastern and Central European countries).

40 A strategic objective of Lithuania is to align its legislative framework with the EU

standard acts and technical regulations, as well as international standards (ISO, Codex Alimentarius Commission, etc.), and to seek the compatibility of the quality of agricultural and food products with the requirements of the EU.

To this end, it is necessary:

- 40.2 to develop a conformity assessment system – restructure the testing laboratories of agricultural and food products according to the EU requirements;
- 40.3 to participate in international programmes for the equalisation of data of laboratory trials;

- 40.4 to establish the procedure of state support to enterprises introducing quality systems according to the requirements of the international ISO 9000 standards, and provide for the sources of finance thereof;
- 40.5 to establish Lithuanian standards fully compatible with the EU requirements;
- 40.6 to participate in the programme PRAQIII financed from the PHARE funds in training the quality management specialists;
- 40.7 to participate in the programme PRAQIII financed from the PHARE funds *Costs of bad quality*.
- 40.8 to create a quality control system.

#### Export support measures

41. The prime objectives of export support are to assist exporters in increasing the competitiveness of the Lithuanian produce on international markets and improve the trade balance of Lithuania. To this end, the following measures are anticipated:

41.1 to create and maintain a good public image of Lithuanian food industry and the production thereof. It is essential to permanently accumulate and disseminate information on products of a good quality produced by the Lithuanian enterprises operating in the food industry, as well as the trends of the development and new products thereof, and to publish commercial publications and distribute them on international and specialised food product exhibitions, fairs, as well through the embassies and trade agencies of foreign states, as well as promote the competitive advantage of Lithuanian agricultural products through mass media.

41.2 to encourage enterprises to replace their obsolete and ineffective technologies into modern with the aim of reducing the production costs and the cost price of produce, and, consequently, contribute to the competitiveness of production;

41.3 to encourage enterprises in every possible way to implement the requirements of internationally recognised quality certificates.

42. One of the most popular means creating the public image of a product on the international market is a trademark capable of distinguishing products of one undertaking from those of competitors. It is rather costly, however it gives a possibility to create the most acceptable image of a product for consumers.

43. An undertaking may jointly carry out an extensive analysis of foreign markets, negotiate with the largest foreign trade companies with the aim of ensuring a better competitive position as regards international trade. The creation of a single trademark for dairy products is planned. The single trademark should be exclusively granted to those products which comply with the established international quality standards.

The objectives of the creation of a single trademark for the exportable dairy produce are as follows:

- 43.1 to combine the efforts of the undertakings operating in the dairy industry for the purpose of achieving a better competitive position on the market;
- 43.2 to improve the public image of Lithuanian dairy products on the international markets;
- 43.3 to improve the quality of dairy products in order to meet the EU requirements;
- 43.4 to prepare measures for a substantial increase in the exports of dairy products;
- 43.5 to ensure dynamic, rapid and at the same time well-planned development of the dairy industry in the upcoming decade;

44. It is important that at least some of the milk processing enterprises would express

their interest in the creation of a single trademark, which would jointly with the Lithuanian Agricultural Agency of International Trade work out the strategy of the implementation thereof;

The implementation of the single trademark programme would strengthen Lithuanian enterprises operating in the dairy industry and would enable them to compete with the largest foreign producers in their push for the eastern markets, which would consequently contribute to the attractiveness of the Lithuanian dairy industry to foreign investors.

45. Export promotion activities are also related with placing products on the market

and among other things they cover:

45.1 organisation of international and specialised food products exhibitions, fairs and outgoing missions;

45.2 provision of services of export marketing;

45.3 coordination of activities of organisations, which are engaged in export coordination;

46. The Lithuanian Agricultural Agency of International Trade, the activities

of which include the organisation of the participation of Lithuanian exporters in international fairs and outgoing missions considers to put on Lithuanian displays in a majority of specialised agricultural and food products exhibitions.

47. An important market of the Lithuanian food industry is the Russian Federation,

therefore, a particular focus will be placed on Lithuania's participation on the exhibitions held in Russia. This would contribute to the creation of a good image of Lithuanian produce, search for new export markets and consolidate Lithuania's position therein.

48. For the purpose of ensuring permanent exports of agricultural and food products,

it is necessary to assist exporters to:

48.1 conduct thorough market research;

- 48.2 prepare effective advertising;
- 48.3 help exporters conclude favourable, profitable and long-term transactions;
- 48.4 choose a proper way of product supply;
- 48.5 work out a strategy for a single trademark for dairy products

The aforementioned activities should help individual exporters plan and conduct export operations successfully, and, at the same time, progressively improve Lithuania's balance of trade.

#### Institutional Network of Export Coordination Related to Agricultural and Food Products

49. The formation of the institutional network of export coordination marks the final

stage of the implementation of the export promotion programme. The basic institutions responsible for an active promotion of exports of agricultural and food products are the Ministry of Agriculture, the Chamber of Agriculture, the Lithuanian Agricultural Agency of International Trade, the Institute of Agrarian Economics, the Agency for the Regulation of the Agricultural and Food Products Market, as well as other institutions and organisations (the Lithuanian Economic Development Agency, Export and import insurance, associations, etc.)

The Ministry of Agriculture shall represent Lithuanian producers and exporters of agricultural and food products with regard to relations with the governmental institutions of other foreign states, as well as during negotiations on international trade issues on behalf of the Government.

The Chamber of Agriculture shall investigate the marketing of produce of farmers and other agricultural producers, shall unite farmers into trade organisations (cooperatives), and in cooperation with other institutions and organisations shall search for markets for the marketing of produce.

50. One of the most important ways of export promotion in a majority of countries of

the world is special organisations of export promotion. On 9 April 1997, the Ministry of Agriculture set up a public institution - Lithuanian Agricultural Agency of International Trade, the prime objective of which is to improve Lithuania's balance of trade in relation to agricultural and food products. Other objectives of the Agency are as follows:

- to assist in working out Lithuania's strategy for exporting agricultural and food products;
- to create a good public image of Lithuanian agricultural and food products;
- to search for new markets for marketing agricultural and food products;
- to furnish exhaustive and effective information to the Ministry of Agriculture and economic entities on the most promising markets for the marketing of produce.

The Institute of Agrarian Economics shall conduct trade research and apply new methods of information processing.

51. The basic problems related to the coordination of exports of agricultural and food

products are the following:

- 51.1 insufficient cooperation among institutions and organisations;
- 51.2 inadequate use of institutional and organisational capacities to promote exports of agricultural and food products;
- 51.3 weak institutional network.

52. To achieve a strategic objective i.e. make the activities of organisations and

institutions in the sphere of export promotion related to agricultural and food products, more efficient it is necessary:

- 52.1 to make sure that a representative in the Ministry of Agriculture in Latvia, the Chamber of Agriculture and other institutions promote exports of agricultural and food products;
- 52.2 to promote the integration of farmers into trade cooperatives;
- 52.3 to make use of support granted by the organisations and institutions promoting exports;
- 52.4 to work out a scheme for the cooperation of Lithuania's institutions in developing exports of agricultural and food products.

53. The measures for the implementation of this programme in the period between 1998 and 2000 are provided in the Annex bellow.

#### Annex to the Programme for the Regulation of Agricultural and Food Products Market and Export Promotion

#### Measures for the Implementation of the Programme for the Regulation of Agricultural and Food Products Market and Export Promotion in 1998-2000

Measure	Activity guidelines	Responsible institutions	Term of implementation	Financing	
				Needs	Sources
Promote exports	Seek a more favourable trade regime with Russia, the Ukraine and Belarus	Ministry of Agriculture, Ministry of Foreign Affairs	2000		
	Implement the order of export	Ministry of Agriculture	1998	According to the needs	Rural Support

	promotion in relation to agricultural and food products					Fund
	Enter the World Trade Organisation	Ministry of Foreign Affairs	1998-99			
	Draft bilateral and multilateral agreements and negotiate trade concessions	Ministry of Agriculture, Ministry of Foreign Affairs	Permanently			
Gather, analyse and furnish information on the conditions of markets	Create the market information system	Lithuanian Agricultural Agency of International Trade	1998	LTL million	2	Rural Support Fund
	Create a database on the capacities of the domestic market	Lithuanian Agriculture Consultancy Service	1998			
	Create an Internet page on the agricultural and food products produced in Lithuania	Chamber of Agriculture, Lithuanian Agricultural Agency of International Trade	1998			
	Analyse information on the countries to which Lithuania has potential capacities to export its produce	Lithuanian Institute of Agrarian Economics, Lithuanian Agricultural Agency of International Trade, Chamber of Agriculture	Permanently			
	Provide information on	Ministry of Agriculture,	Permanently			

	the privileges granted by the bilateral and multilateral agreements which have been signed	Lithuanian Agricultural Agency of International Trade, Lithuanian Agriculture Consultancy Service			
Guarantee the quality of products and the certification thereof	Develop the conformity assessment system- restructure laboratories of agricultural and food products according to the EU requirements	Agricultural and food products laboratories	1998-2000		
	Participate in the international programmes for comparing data of laboratory tests	Agricultural and food products laboratories	1998-2000		
	Prepare the order for the promotion of undertakings introducing quality systems according to the requirements of the international ISO 9000 standards	Ministry of Agriculture, Lithuanian Institute of Agrarian Economics	1998		
	Draft legal acts compatible with the EU requirements	Technical committees of standardisation	1998-2000		
	Participate in the PFARE programme PRAQIII in training quality	Ministry of Agriculture, Lithuanian Standards Board under	1998		

	management specialists	the Ministry of Local Administration Reforms and Local Authorities			
	Participate in the PHARE programme "Costs of bad quality"	Ministry of Agriculture, Lithuanian Standards Board under the Ministry of Public Administration Reforms and Local Authorities	1998		
Create a good image of Lithuanian agricultural and food products	Accumulate and disseminate information on the products produced by the undertakings of the Lithuanian food industry and tendencies of the development thereof, as well as on the conditions of trade in Lithuania and on the world market	Lithuanian Agricultural Agency of International Trade	Permanently		
	Publish and distribute commercial publications	Lithuanian Agricultural Agency of International Trade	Permanently		
	Disseminate information on agricultural and food products of a good quality through Lithuania's diplomatic	Diplomatic missions and trade agencies of the Republic of Lithuania, Ministry of Agriculture,	Permanently		

	missions and trade agencies	Lithuanian Agricultural Agency of International Trade			
	Work out and implement jointly with the milk processing enterprises the programme for issuing a single trademark of the exportable produce	Lithuanian Agricultural Agency of International Trade	1998		
Create an institutional network	Register a state company Lithuanian Agency for the Registration of the Agricultural and Food Products Market	Ministry of Agriculture	1998	LTL0.5 million for the authorised capital, and LTL0.5 million for administrative expenditure	Privatisation fund
	Make sure that the Chamber of Agriculture contributes to the promotion of exports of agricultural and food products	Ministry of Agriculture, Lithuanian Agricultural Agency of International Trade	1998		
	Exchange information on markets	Ministry of Agriculture, Lithuanian Agricultural Agency of International Trade	Permanently		
	Supplement the Rural Support Fund with the funds to cover the losses incurred by the grain processing	Ministry of Finance	1998	Up to LTL 40 million	Privatisation fund

	enterprises as a result of a difference between the purchase and the selling price				
	Grant a state guarantee of up to LTL 300 million to the Lithuanian Agency for the Regulation of the Agricultural and Food Products Market	Ministry of Finance	1998		
Investigate export markets	Cooperate with foreign agricultural and food product agencies in the exchange of information and experience in organising and coordinating the activities of exporters	Lithuanian Agricultural Agency of international Trade	Permanently		
	Cooperate with foreign missions in the search for strategic partners	Lithuanian Agricultural Agency of international Trade	Permanently		
	Conclude contracts on the exchange of information and cooperation in the field of export marketing between the basic exporters and the Lithuanian Agricultural Agency of	Lithuanian Agricultural Agency of International Trade	Permanently		

	International Trade				
	Help exporting companies conclude and implement individual marketing programmes	Lithuanian Agricultural Agency of international Trade	Permanently		
	<p>Establish trade agencies abroad and create a network of trade agents for effective export developmet:</p> <p>Analyse the activities of retail and wholesale trade networks of the foreign states;</p> <p>Organise the presentation of the Lithuanian produce on trade sites, conduct polls among purchasers, and implement the programmes for product sale support;</p> <p>Cooperate with the local mass media in organising press conferences and advertising Lithuanian agricultural and food products; facilitate the organisation and coordination of</p>	Lithuanian Agricultural Agency of International Trade	According to the needs and financial capacities		

	exporters' distribution activities				
Organise international fairs, exhibitions and outgoing missions	Create a database of the organisation of international fairs and exhibitions on agricultural and food products	Lithuanian Agricultural Agency of International Trade	1998		
	Disseminate information on the fairs and exhibitions on agricultural and food products being held, and organise the participation of interested enterprises and organisations therein	Ministry of Agriculture, Lithuanian Agricultural Agency of International Trade	permanently	LTL 1.44 million for the participation on international exhibitions	Export Support Fund
	In cooperation with the Ministry of Foreign Affairs organise the participation of potential exporters in outgoing missions	Ministry of Agriculture, Lithuanian Agricultural Agency of International Trade, Ministry of Foreign Affairs	permanently		