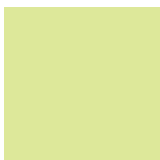
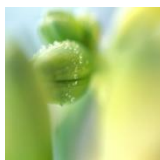
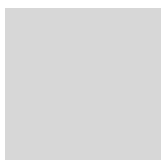
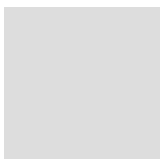




THE PROPOSALS FOR STRATEGIC DIRECTIONS AND TARGETS OF THE LITHUANIAN AGRICULTURAL SECTOR

MSc Ovidija Eičaitė, PhD Vida Dabkienė



Proposals for strategic directions and targets of the Lithuanian agricultural sector – the national strategy by 2030

- Last year, the Lithuanian Institute of Agrarian Economics prepared the proposals for strategic directions and targets of the Lithuanian agricultural sector – the national strategy by 2030 **“The sustainable Lithuanian agriculture for vibrant rural areas”**
- These proposals are entirely based on the concept of sustainable development.

Sustainable development and agriculture

- Sustainable development concerns all economic sectors, including agriculture.
- In the context of sustainable development, agricultural sector is recognized as a priority.
- Taking into account the multifunctional character of agriculture and many serious economic, social and environmental problems caused by industrial agriculture, the sustainable development of agriculture becomes a goal to be pursued.
- Sustainable development of agriculture comprises the reconciled development of economic, social and environmental aspects of agricultural activity by ensuring the **economic viability of agriculture, well-being of farmers, other rural people and whole society, environmental protection.**

Agriculture in Lithuania and awareness of the importance of sustainable development

- In Lithuania, agriculture is one of the most important strategic sectors and plays an important economic, social, environmental and cultural role.
- Farming and related activities constitutes the fabric of life in rural areas, where one-third of the Lithuanian population lives.
- There is a growing awareness of the importance of sustainable development which arises from public expectations that are related to provision population with healthy and good quality food, preservation of safe and clean environment and maintenance of rural communities.

Basic elements of the national strategy of the Lithuanian agricultural sector

The national strategy by 2030 **“The sustainable Lithuanian agriculture for vibrant rural areas”**

presents:

- Mission and long-term vision of the Lithuanian agricultural sector.
- Comprehensive analysis of the current situation by identifying core problems and achievements in the economic, social and environmental domains.
- SWOT analysis.
- Clearly highlighted goals.
- Priorities for sustainable development of the Lithuanian agricultural sector.

Mission of agricultural sector

- To provide the population with high quality, safe and healthy agricultural and food products by ensuring economic security of the country.
- To enable the rural population to receive income necessary for a dignified life and to follow the lifestyle related to agricultural activity.
- To preserve natural resources, clean and safe environment, landscape and biodiversity for future generations.



Vision of agricultural sector

- Agriculture will remain the partial or main source of income for a significant part of the rural population.
- Agricultural activities will be based on principles of bio-economy and circle economy by using resources in a sustainable manner and seeking to leave a better and more beautiful environment for future generations.
- A lot of farms will be involved in various activities (crop farming, livestock farming, fisheries, tourism, energy production and others) and this will improve the regeneration of natural resources and risk of loss of income.
- Lithuania will remain an exporter of agricultural and food products but farmers will be more oriented to satisfying the needs of the Lithuanian consumers.
- Agricultural sector will offer many business opportunities, more farmers will use the innovative models of business organization and different ways of supplying food to consumers, more farms will conduct various processing activities to make food products.
- Cooperation will provide more services for farmers and become important in all stages of food supply chain.
- Rural areas will become an attractive place to live for the urban population and educated rural population since the agricultural activity will be more creative and income will be similar as that in urban areas.
- Socio-economic and demographic differences between remote rural areas and rural areas close to the biggest cities will be smaller.

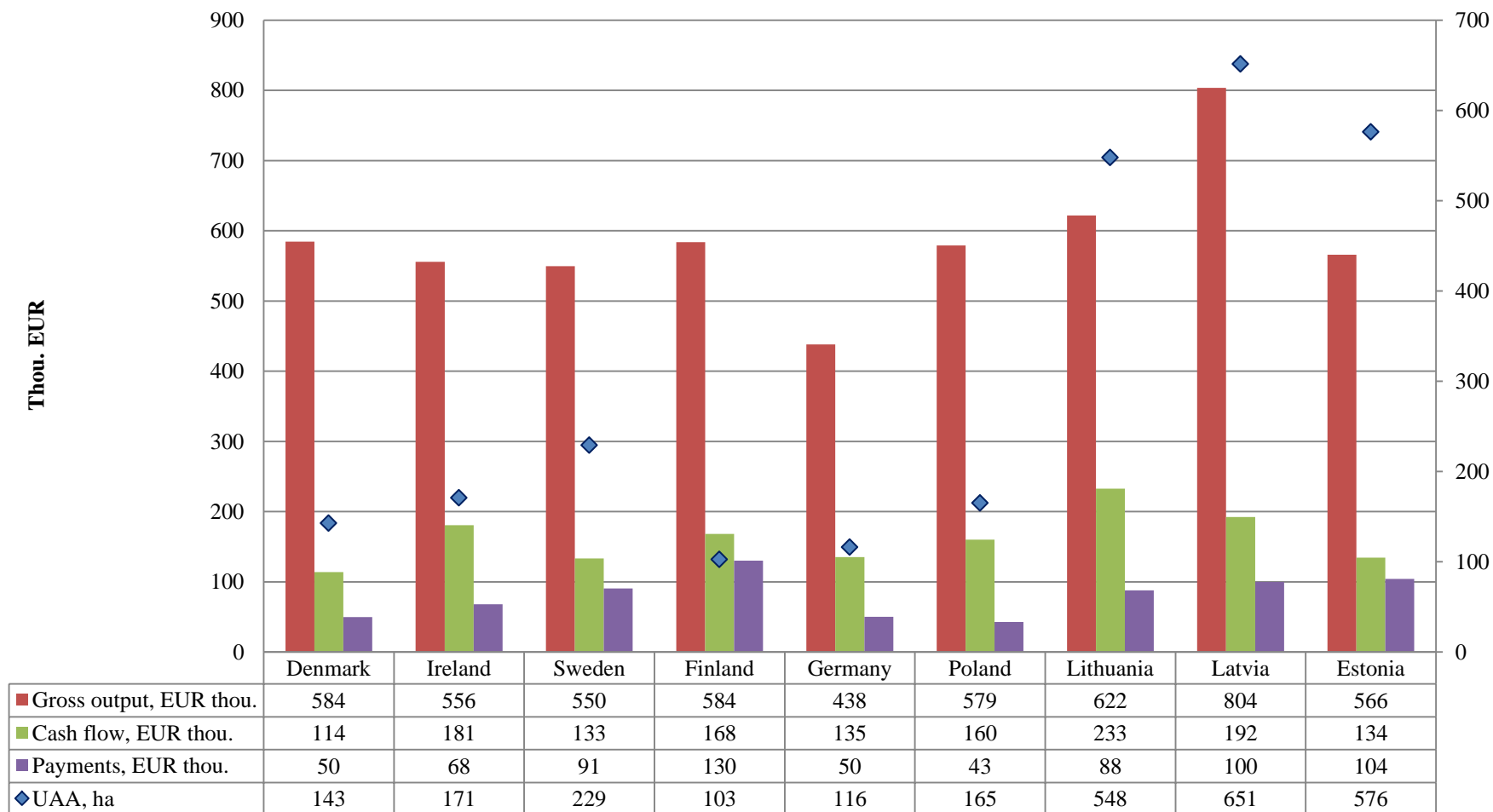
Objective of the strategy

The objective of the strategy is to create the preconditions for a majority of the Lithuanian farmers to receive income that would allow to regenerate financial, human and natural resources and ensure activity over the long term.

This objective should be achieved on the basis of economic, social and environmental principles of sustainable development.

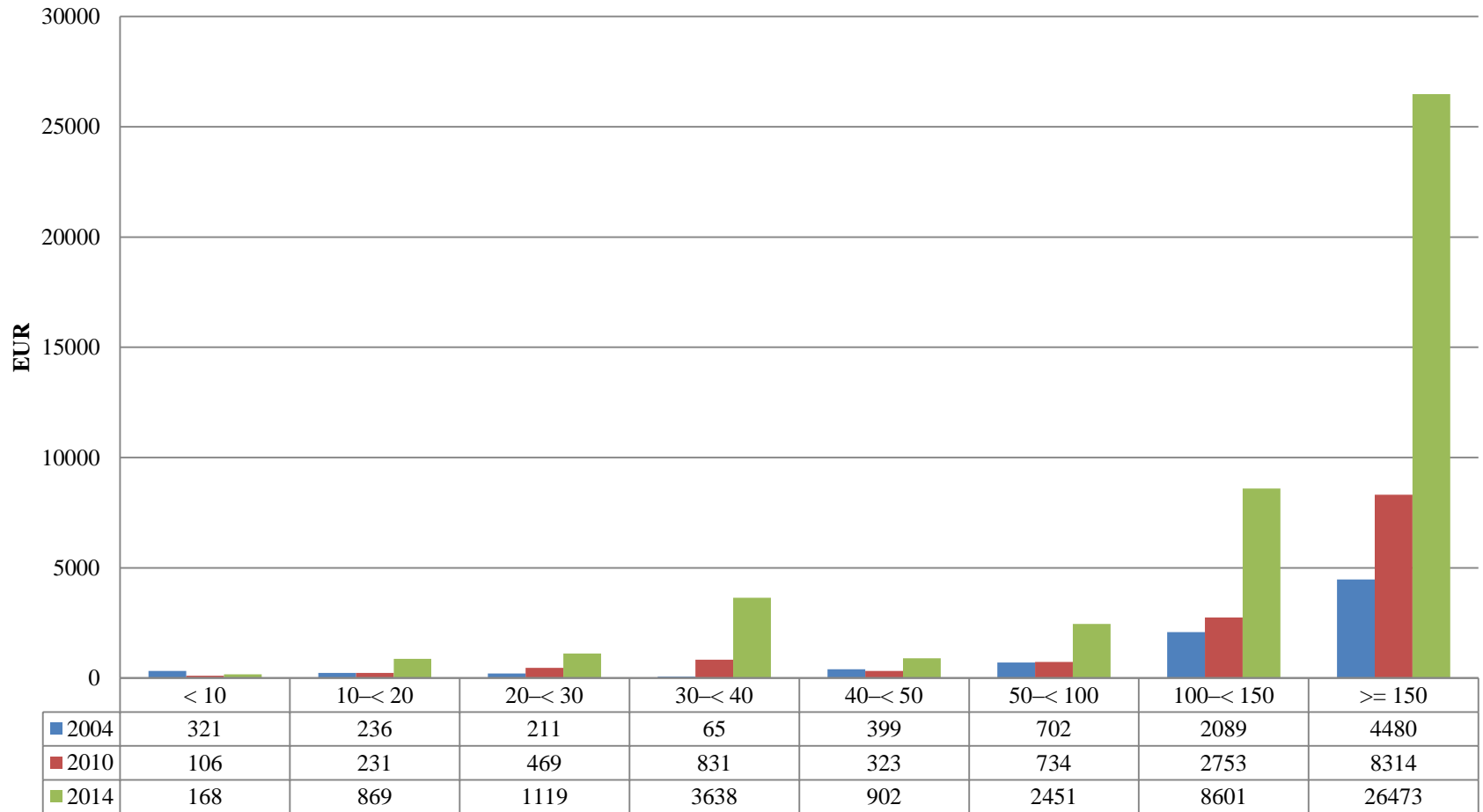
Situation in economic domain: Achievements of large farms

Main results of the agricultural activity of the farms with an economic size of EUR 250 thou. and more but less than EUR 500 thou. in 2013



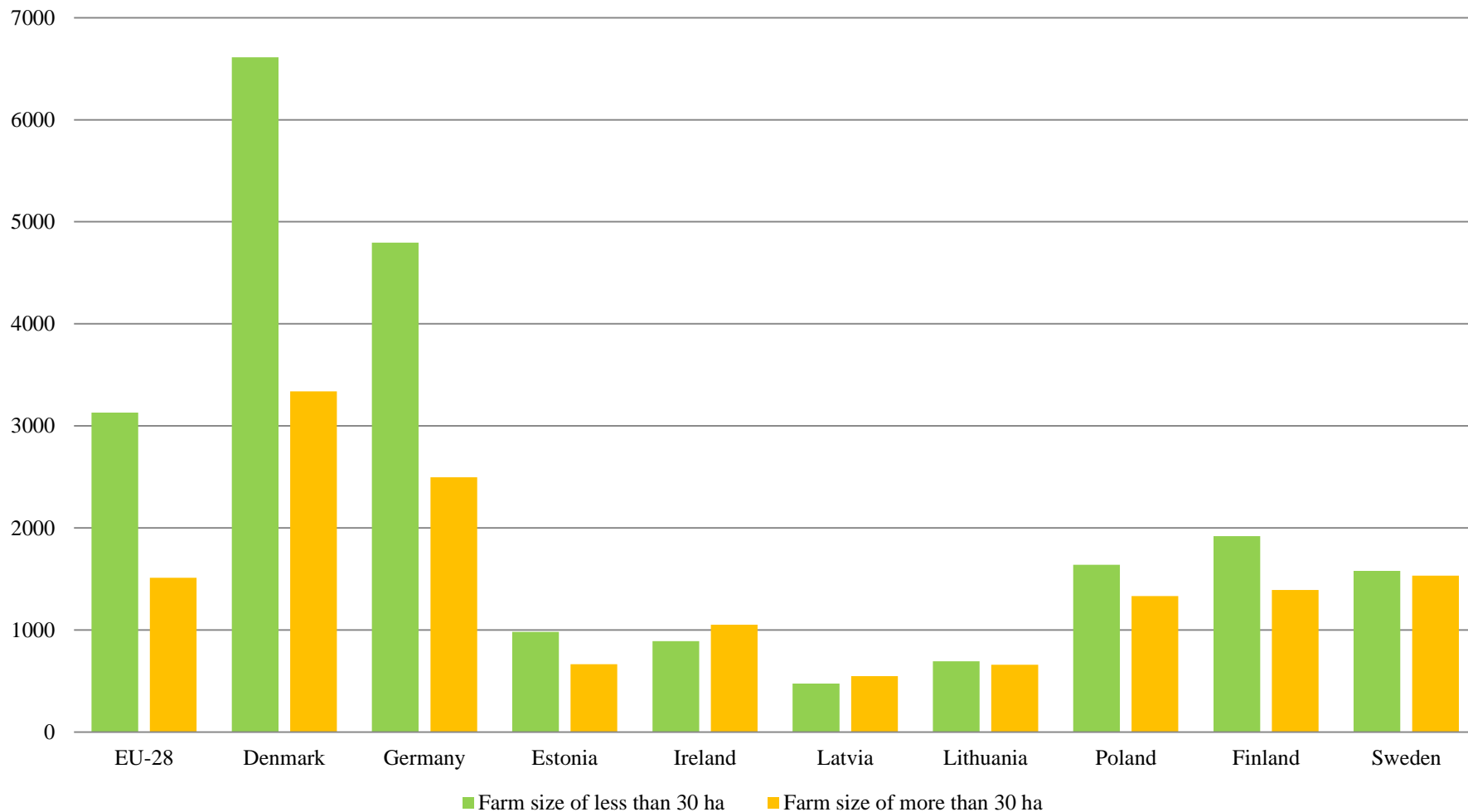
Situation in economic domain: **Financial capacity of farms to acquire agricultural land**

Farm investments in agricultural land in 2004–2014, EUR



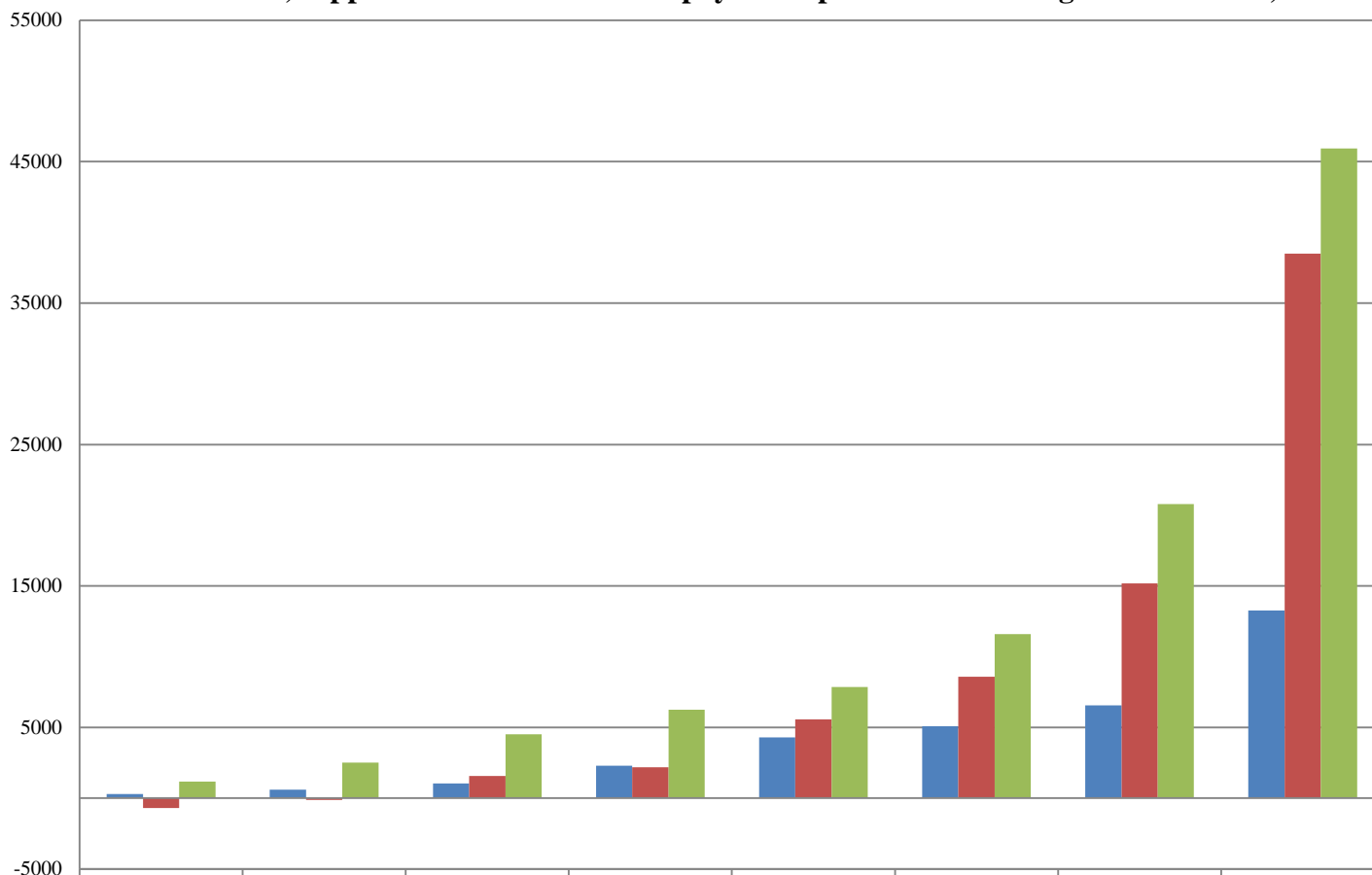
Situation in economic domain: **Development of economic potential of small farms**

Standard production of small farms in some EU Member States in 2013, EUR/ha UAA



Situation in economic domain: **Development of investment capacity of farms**

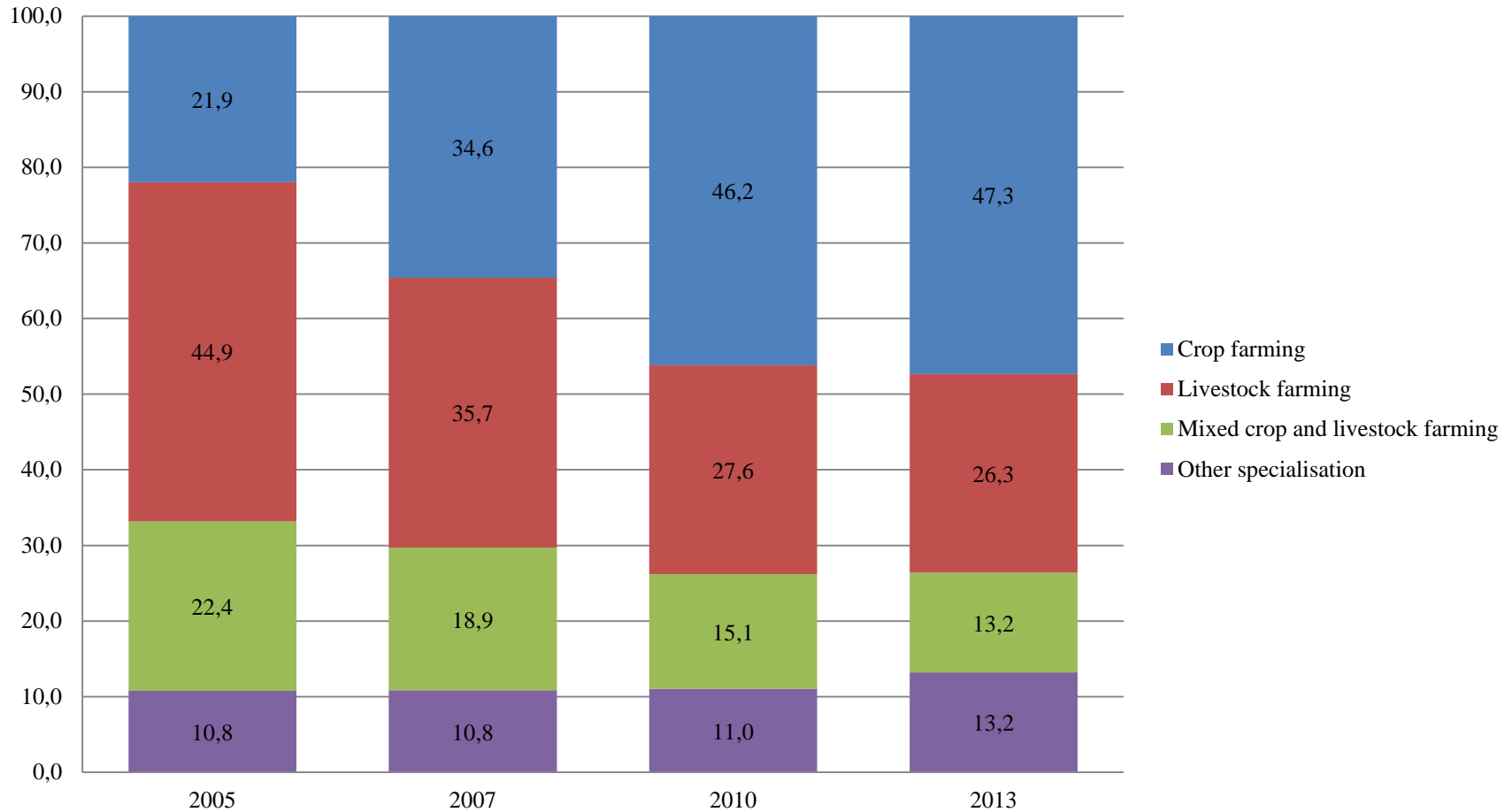
Net investments, support for investments and payments per farm on average in 2004–2014, EUR



	< 10	10–< 20	20–< 30	30–< 40	40–< 50	50–< 100	100–< 150	>= 150
■ Support for investments, EUR	286	597	1045	2293	4301	5084	6567	13263
■ Net investments, EUR	-697	-127	1573	2190	5566	8585	15178	38485
■ Payments, EUR	1173	2506	4521	6247	7858	11595	20795	45921

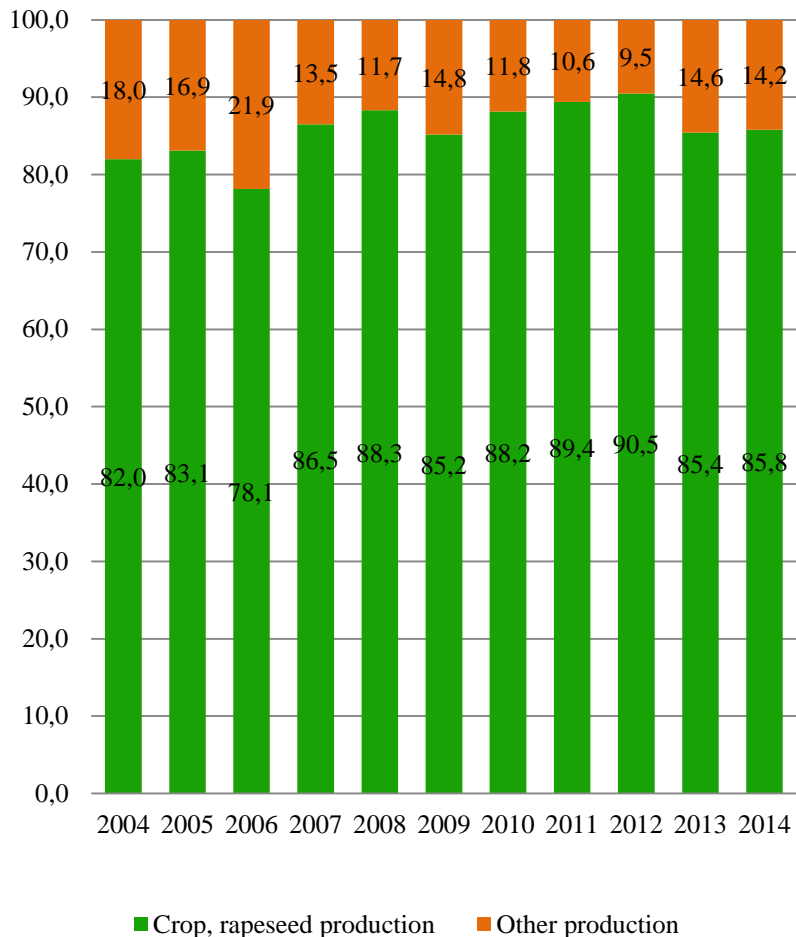
Situation in economic domain: **Specialization in agriculture**

Farm structure by type of farming in 2005, 2007, 2010 and 2013

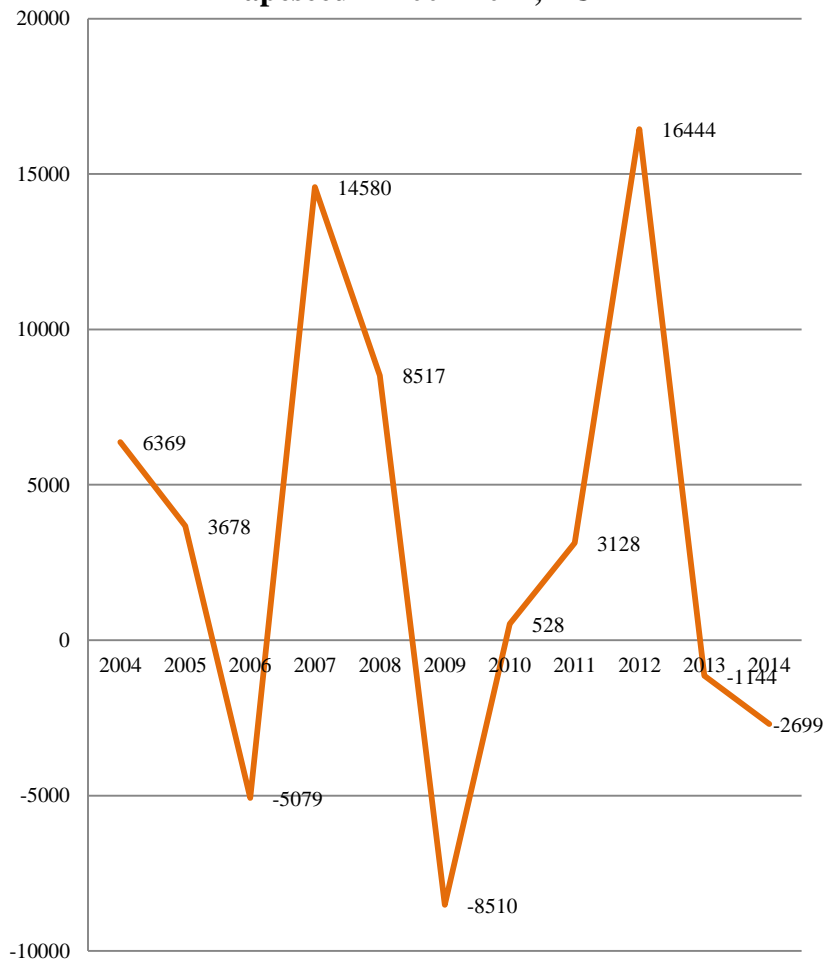


Situation in economic domain: Reduction of farming risk

Specialization of farms producing crop and rapeseed in 2004-2014, %



Gross profit of farms producing crops and rapeseed in 2004-2014, EUR



Situation in economic domain: **Development of cooperation**

The scope of cooperation between the Lithuanian farmers was relatively small. In 2010, only 1.3 per cent of total farmers were members of cooperatives.



Situation in economic domain: **Risk reduction measures**

Crop insurance:

Insured crop area 2007-2014, thou. ha

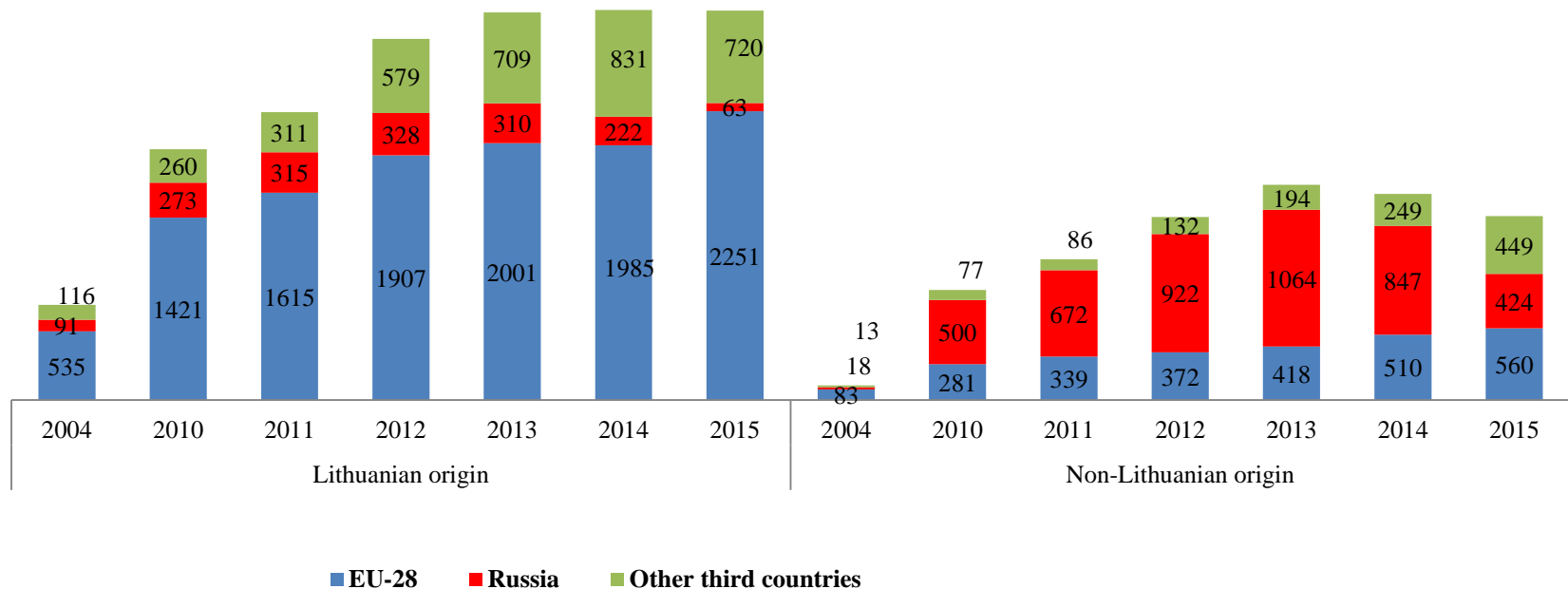
	2007	2008	2009	2010	2011	2012	2013	2014
Crop area potential for insurance (thou. ha)	1317,6	1304,4	1431,5	1450,1	1474,2	1571,1	1612,7	1682,2
Insured crop area (thou. ha)	64,2	106,5	78,7	269,6	125,6	150,6	211,1	199,6
<i>Share of insured crop area, %</i>	<i>4,9</i>	<i>8,2</i>	<i>5,5</i>	<i>18,6</i>	<i>8,5</i>	<i>9,6</i>	<i>13,1</i>	<i>11,9</i>

Farm diversification:

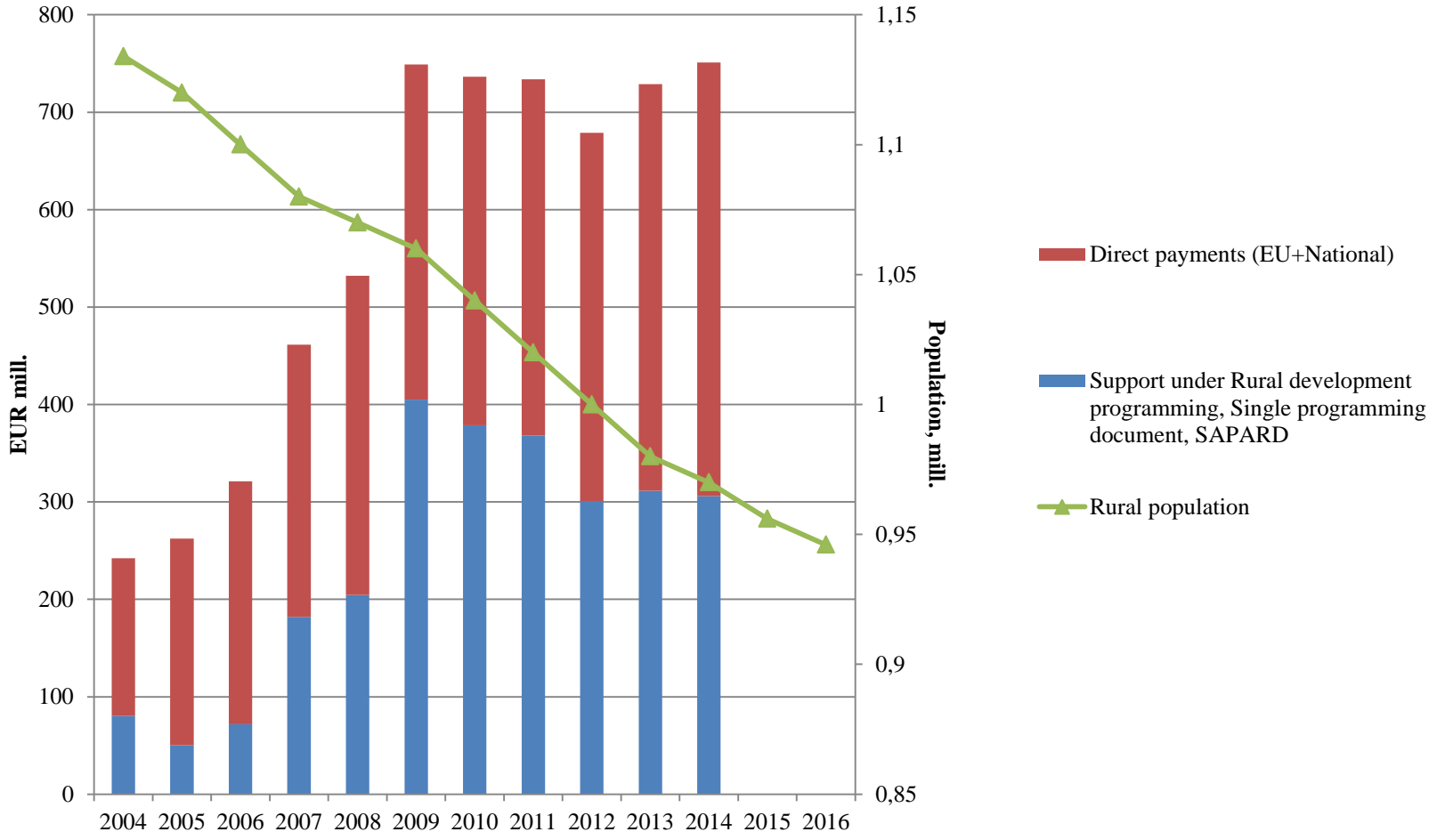
In 2013, only 1.09 per cent of all Lithuanian farms were diversified.

Situation in economic domain: **Diversification of exports of agricultural products and food products**

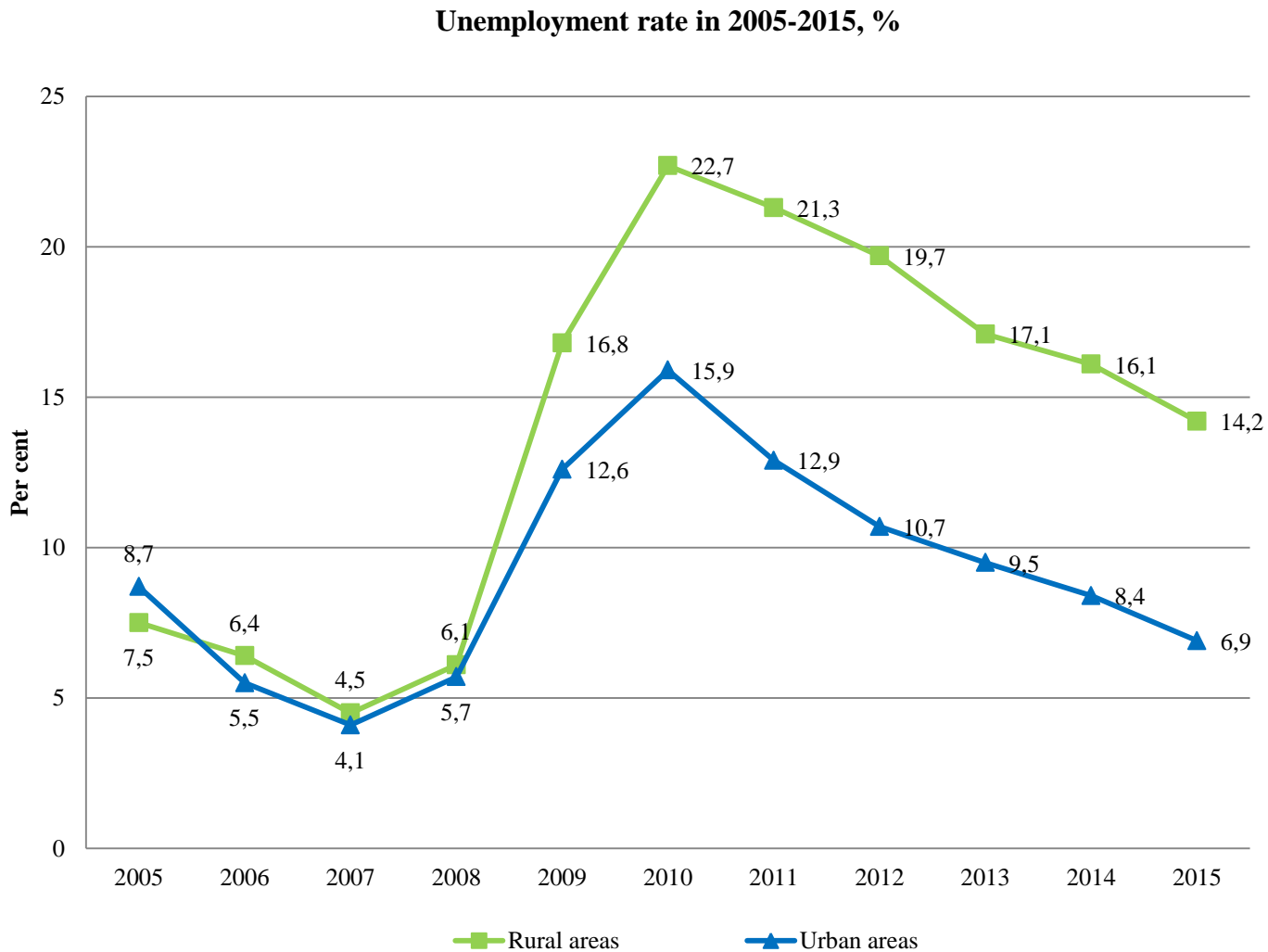
Exports of agricultural and food products by country in 2004 and 2010–2015, EUR mill.



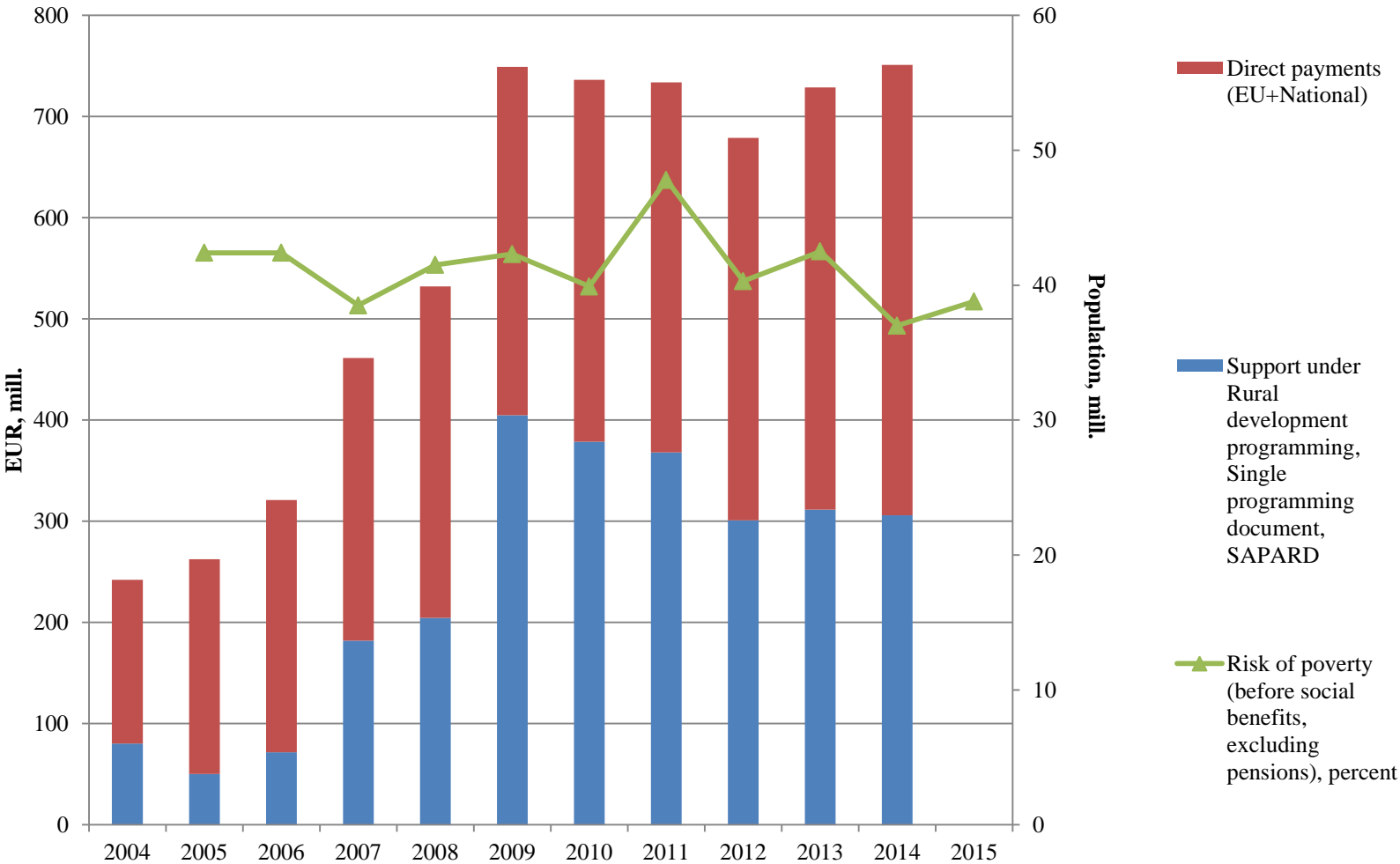
Situation in social domain: Declining rural population and growing support



Situation in social domain: Rural employment



Situation in social domain: Risk of poverty and growing support



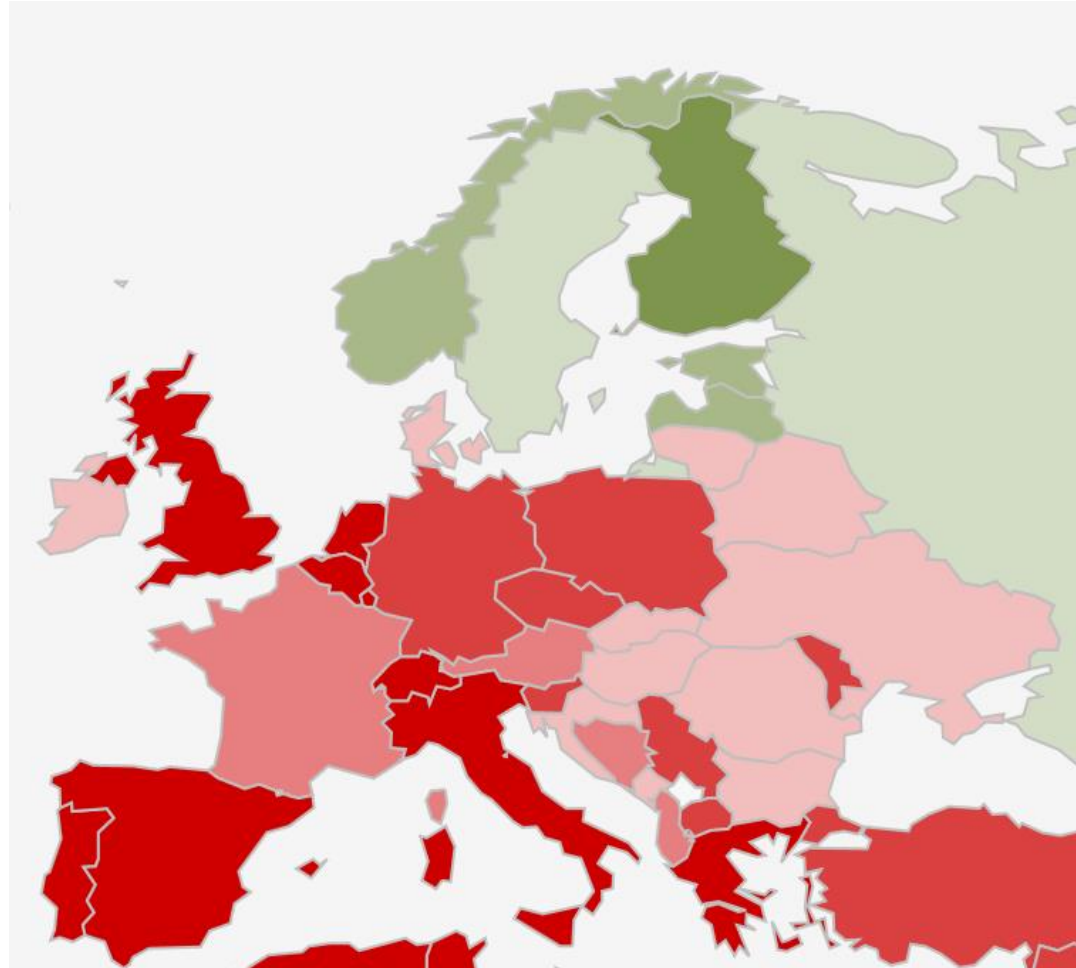
"Strategies for the agri-food sector and rural areas – dilemmas of development"

Situation in social domain: **Business development in rural areas**

- In 2014, there were about 12,000 small and medium-size enterprises in rural areas, which accounted for more than 99 per cent of all enterprises operating in rural areas.
- In 2014, there were 10.3 SMEs per thousand of rural population in rural areas and 15.3 SMEs per thousand urban population in urban areas.

Situation in environmental domain: **Ecological footprint**

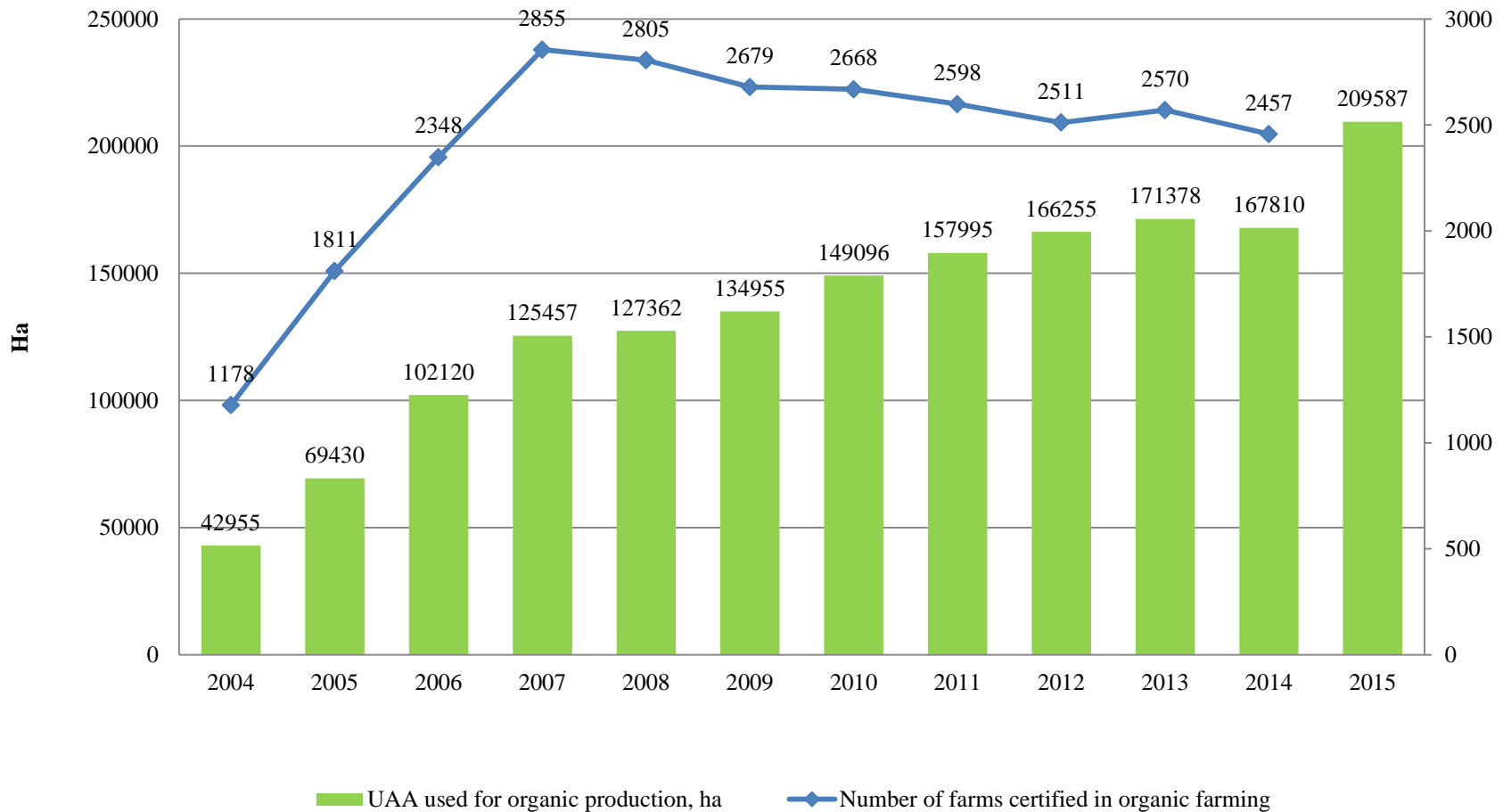
Lithuania is running an ecological deficit as its Ecological Footprint exceeds its bio-capacity. Despite the fact that this deficit is very small (only -0.2 GHA), Lithuania is losing the image of “green country”.



Ecological Wealth of Nations
Global Footprint Network

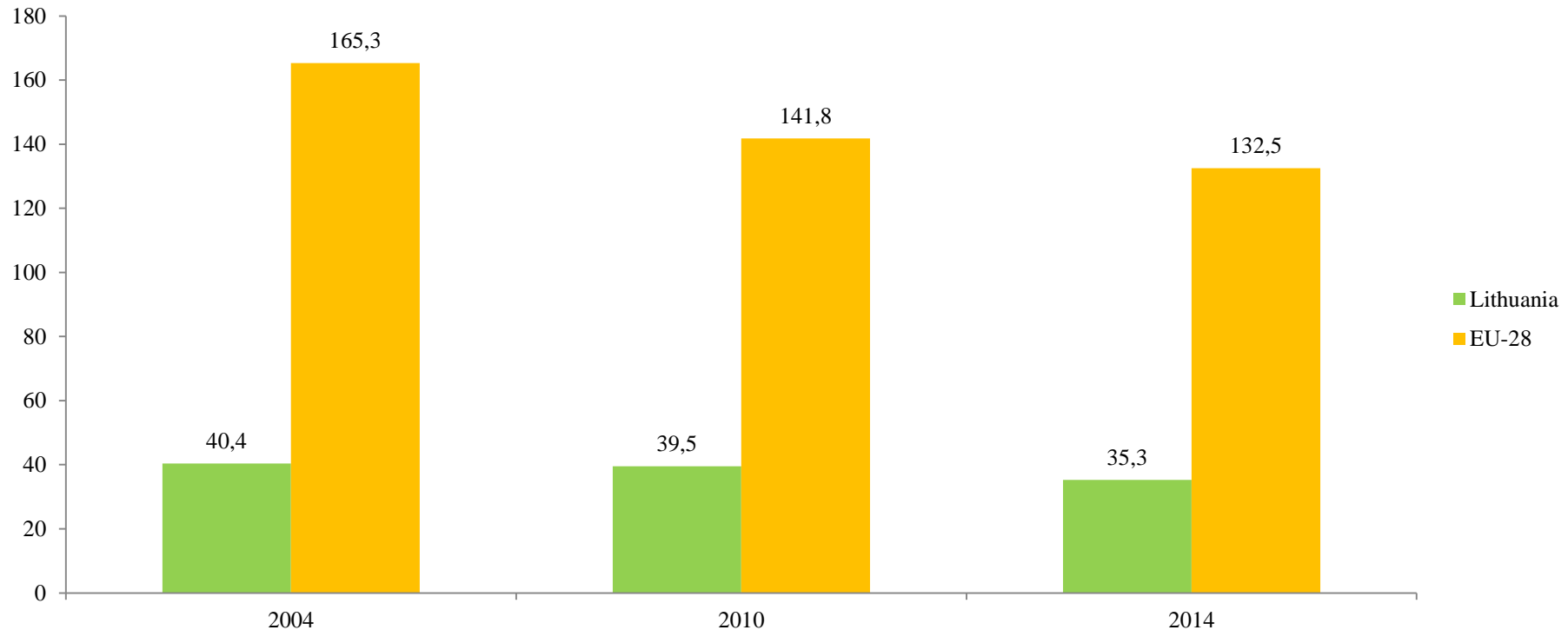
Situation in environmental domain: **Development of organic farming**

Number of farms certified in organic farming and UAA used for organic production in 2004–2015



Situation in environmental domain: **Improvement of energy efficiency of agricultural activity**

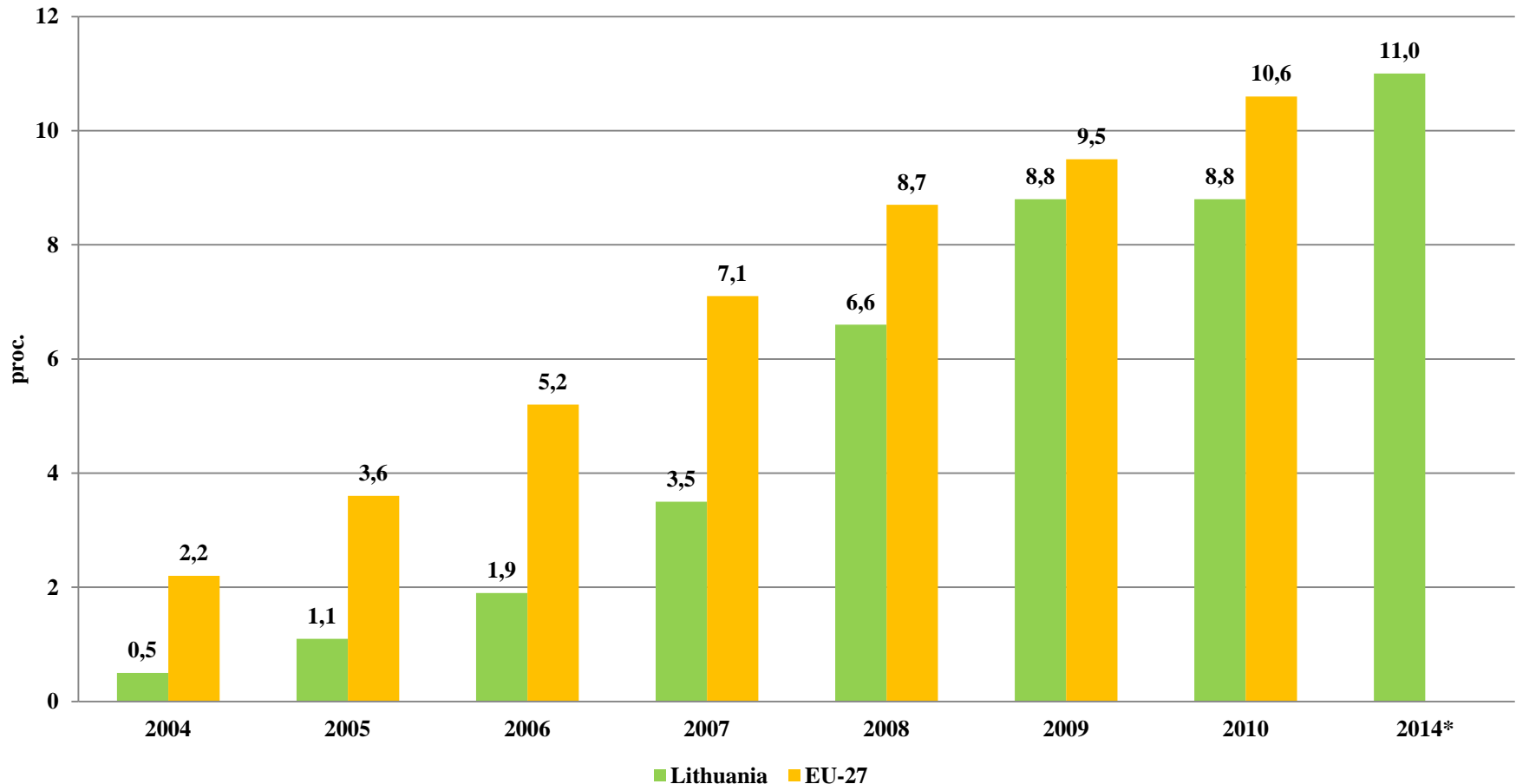
Agricultural gross value added per tonne of energy consumed in Lithuania and EU-28, thou. EUR/toe



"Strategies for the agri-food sector and rural areas – dilemmas of development"

Situation in environmental domain: **Development of primary energy production of renewable energy from agriculture**

Share of primary energy production of renewable energy from agriculture to total renewable energy production in Lithuania and EU in 2004–2014, per cent





Strengths

- Large farms have been provided with modern technologies and are able to compete with large farms from other EU Member States.
- The Lithuanian consumers prefer domestic agricultural and food products over imported.
- A growing number of farms process their own production.
- The Lithuanian agribusiness is less sensitive to changes in energy prices.
- The high nature value farming is developing in Lithuania.



Weaknesses

- Investments made in some farms were not economically justified.
- By introducing industrial technologies in many small and medium-sized farms, it was not possible to achieve the growth of technical efficiency.
- The role of cooperatives remained weak.
- The abandonment of livestock farming resulted in decreasing of grassland areas and reduced use of organic fertilizers. Insufficient crop rotation lead to the deterioration of soil fertility.
- The prevailing business model of uncreative and physically hard work was unattractive to young people.
- The imbalance in redistribution of aid resulted in reduction of the number of farms and forced emigration from rural areas.
- The intensification of agricultural production contributed to insufficient biological regenerative capacity.



Opportunities

- With increasing income and changing consumer preferences, it is likely that the consumption of high quality and organic products will increase.
- Modern information technologies provide opportunities for small and medium-sized farms to sell their high quality products processed on farms directly to consumers.
- With the growing public awareness of the importance of sustainable development, the social movements promoting health diet and ideas of sharing economy, focusing on the maintenance of rural areas and encouraging cooperation between farmers and consumers are getting stronger.
- An application of advanced technologies and innovations allows large agricultural holdings to farm efficiently and solve environmental problems.



Threats

- The EU aid for the agricultural sector may decrease.
- With the prevalence of crop and rapeseed production, the risk to suffer losses increases for a large part of the Lithuanian agricultural sector.
- As the size of population in rural areas decreases, the living conditions for families of farmers become unattractive due to insufficient networks of social, education, transport services.
- The decreasing number of farms will lead to a growing number of abandoned sites and buildings and the deterioration of landscape.
- Since the number of working-age population is decreasing in rural areas, there may be a labor shortage in agriculture.
- Giving the high priority to projects which promote accumulation and regeneration of material capital, the importance of development of social skills, mental health and emotional culture of rural population will be further ignored.

Key changes that would allow to achieve this objective



Industrial agriculture is being developed	Bio-economy is being developed
Production volumes are being increased	Farmers' income are being increased
Low cost strategy is being implemented	High-value product strategy is being implemented
Gross value added is being increased	Net value added is being increased
Traditional food supply chain is being strengthened	Short food supply chain is being strengthened
Creation of cooperatives between farmers is being promoted	Cooperation between farmers and consumers is being promoted
Export of agricultural and food products is being increased	Import of agricultural and food products is being decreased

Economic principle

To ensure the flow of financial resources that are necessary for innovative agricultural activity by enabling all people who are engaged in this activity to receive adequate income and have a decent standard of living

Main strategic priorities

- Application of innovative management decisions and technologies.
- Application of product differentiation strategy.
- Development of livestock farming and horticulture.
- Promotion of farm diversification and different insurance forms.
- Promotion of cooperation between farmers and other forms of innovative cooperation between farmers and other stakeholders.
- Encouragement of participation of more Lithuanian people in introduction of innovative agricultural business models.

Social principle

To ensure the regeneration of human resources in rural areas by increasing the attractiveness of these areas to live and develop business

Main strategic priorities

- Encouragement of young people to involve in family agricultural business.
- Creation of additional sources of income.
- Increase in income and decrease of poverty among rural residents.
- Attraction of new residents to rural areas.
- Promotion of cooperation between rural residents.
- Creation of jobs and development of new skills for long-term unemployed and social benefits recipients.
- Promotion of cooperation between urban and rural population.

Environmental principle

To ensure the use of technologies which reduce the environmental impact of agricultural practice by addressing the problems of climate change, resource scarcity and biodiversity loss

Main strategic priorities

- Promotion of use of farming practices that contribute to more sustainable use of resources.
- Promotion of high nature value farming that is combined with other economic activities.
- Promotion of application of bio-economy and bio-energy achievements in agriculture with particular focus on production of renewable resources from waste.



**Thank you for your
attention!**

