



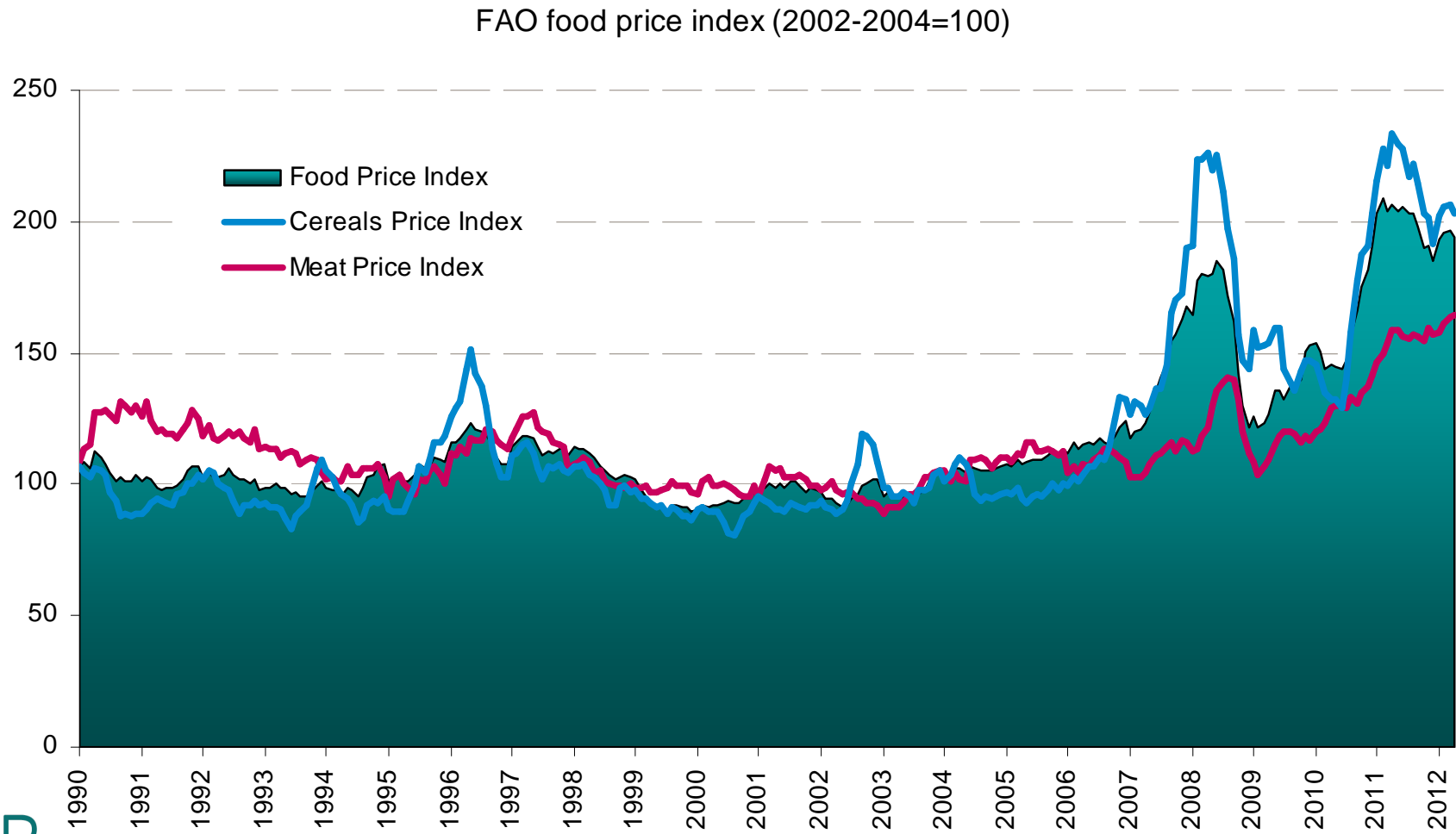
# Economic potential of Agriculture and Pig production in Baltic region

Mindaugas Jurgelis, analyst  
30 May, 2012



# Global tendencies of food production

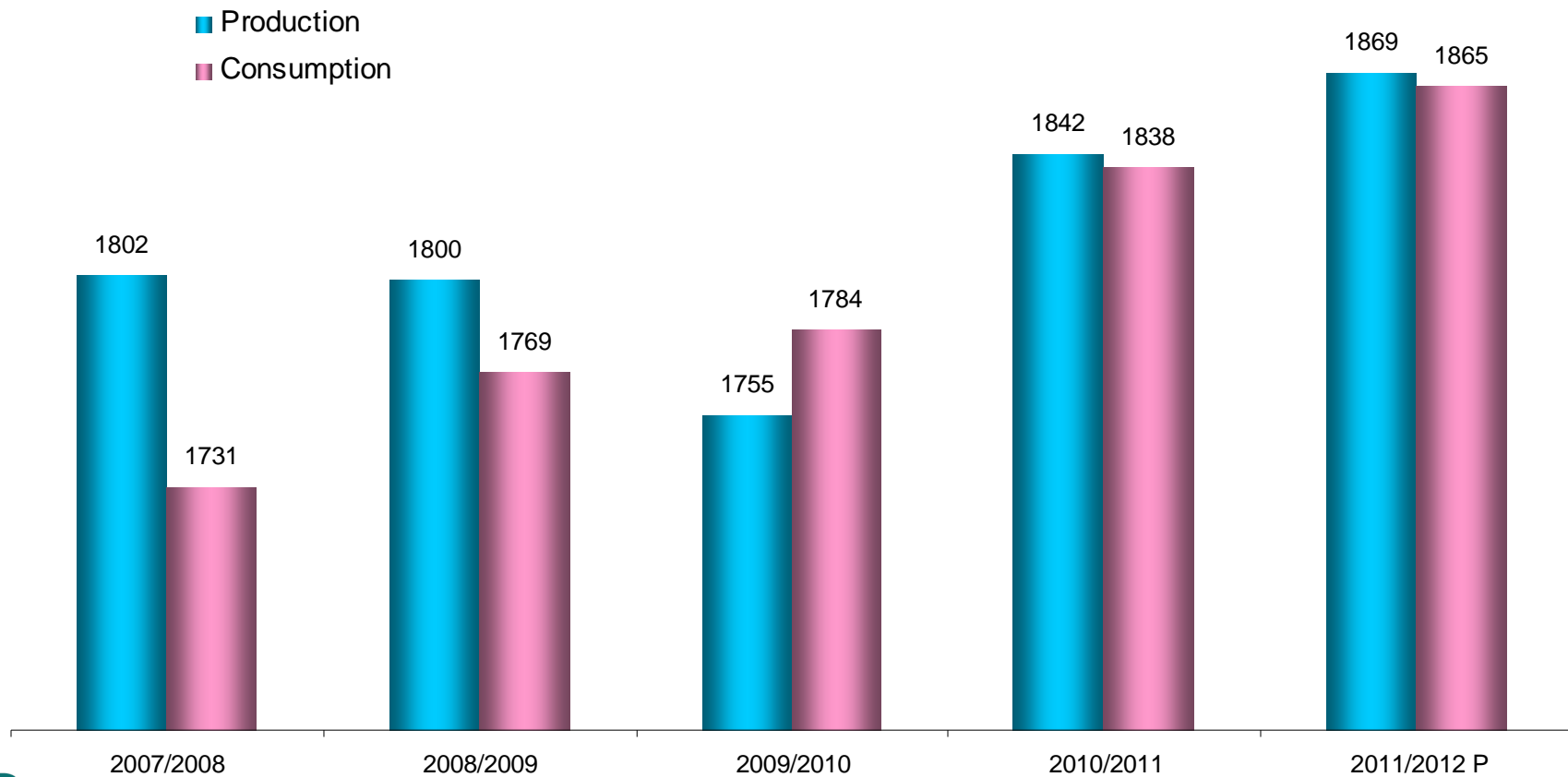
# Food prices near historical peak level



Source: FAO

# This year global grains supply is forecast to surpass demand

Worldwide supply and demand of grains, mn tonnes



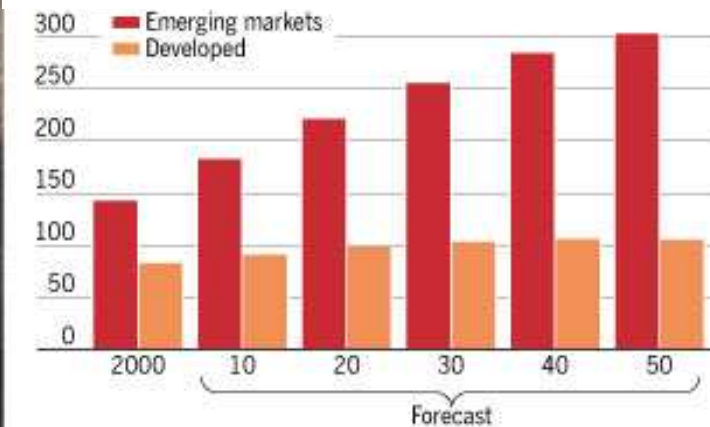
# Meat consumption is expected to grow rapidly



Changes of global meat prices



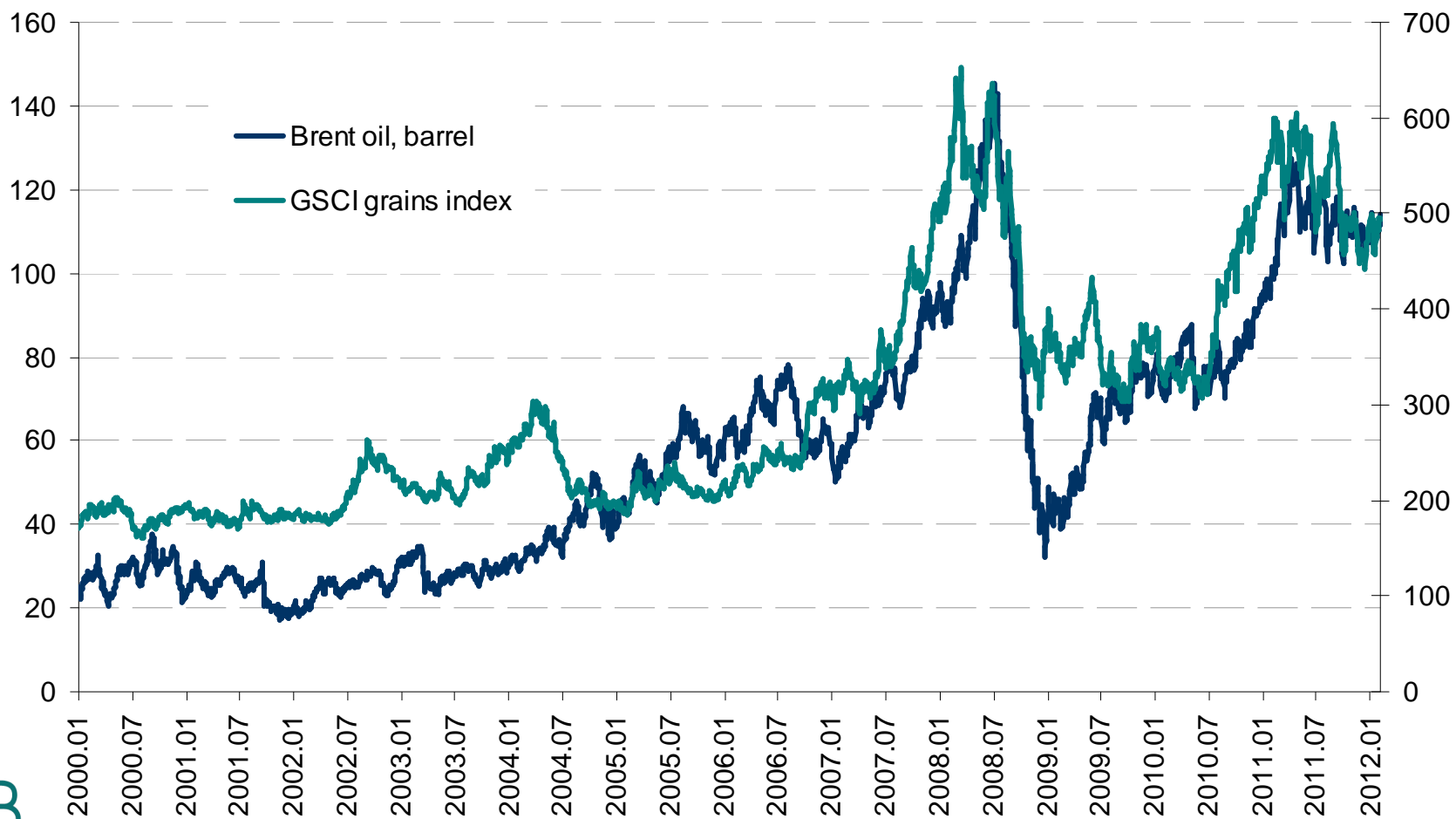
Meat demand, mn t



Sources: FAO; International Food Policy Research Institute

# Prices of oil and grains are strongly correlated

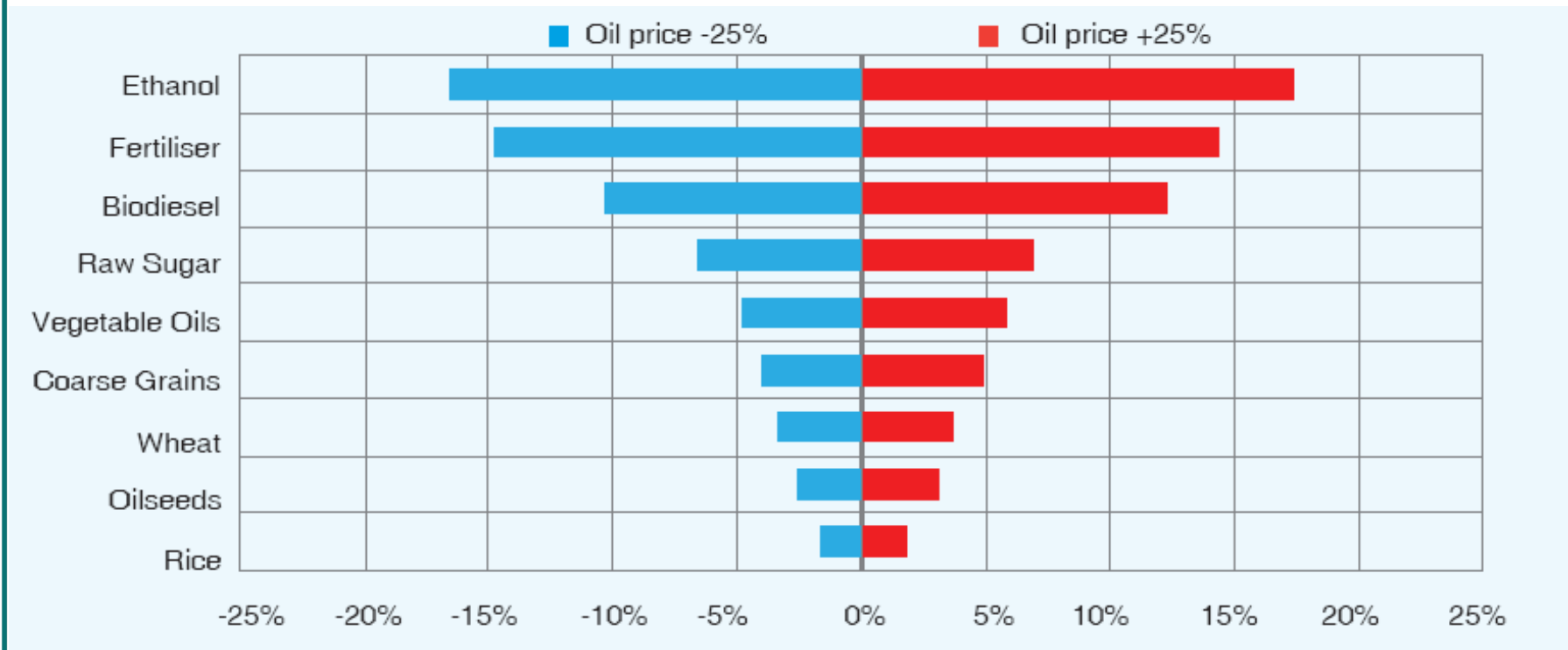
Prices of Oil and Grains, USD



Source: Reuters EcoWin

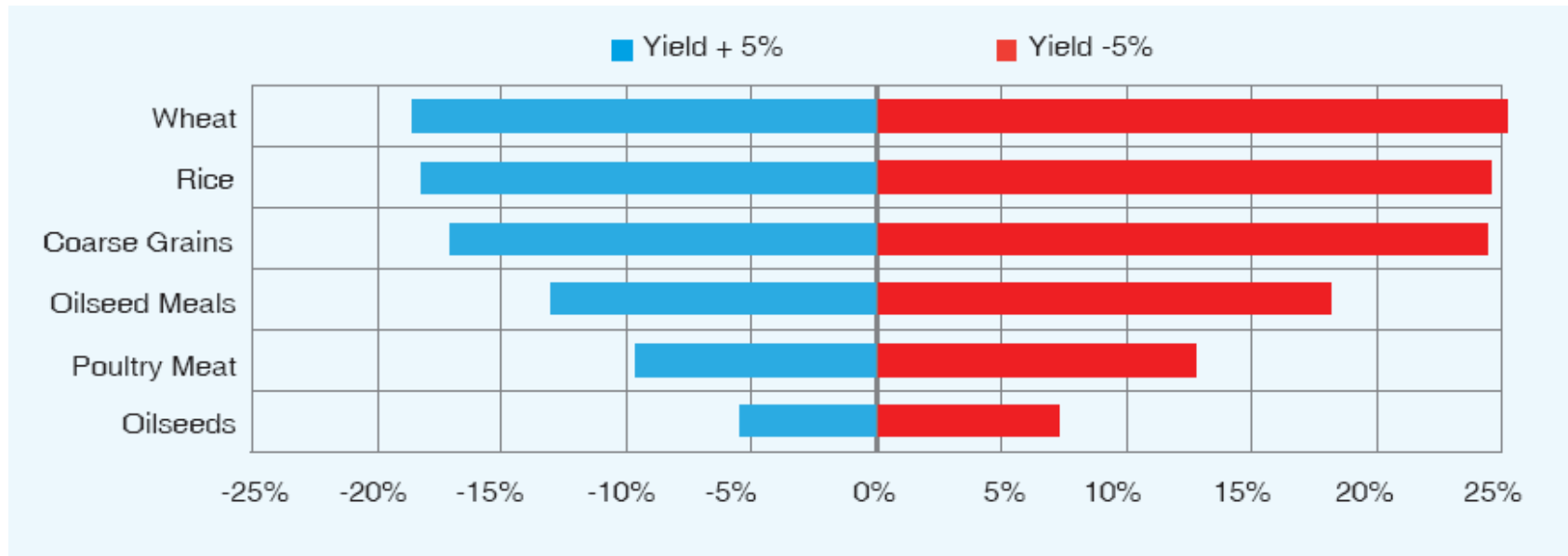
# Agriculture is sensitive to oil price fluctuations

Impact of a 25% increase/decrease of the crude oil price on world commodity prices



# Weathers make agriculture prices unpredictable

Impact of 5% increase/decrease of annual yield of cereals on world commodity prices





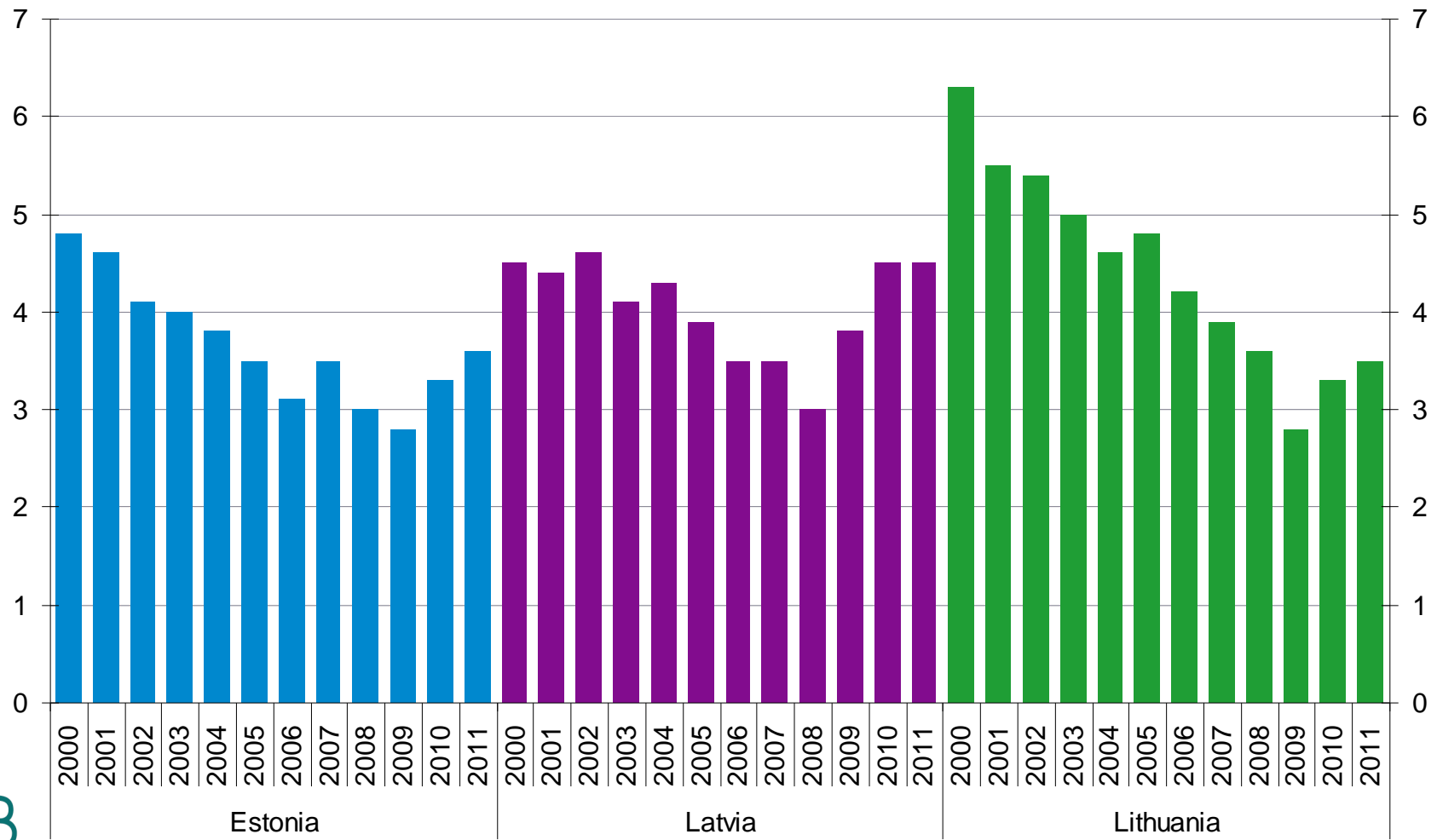
## Future of agriculture: major tendencies

- The demand for food products will rise more rapidly than the supply
- Food prices will remain elevated
- Prices will be highly volatile

# Agriculture in Baltics

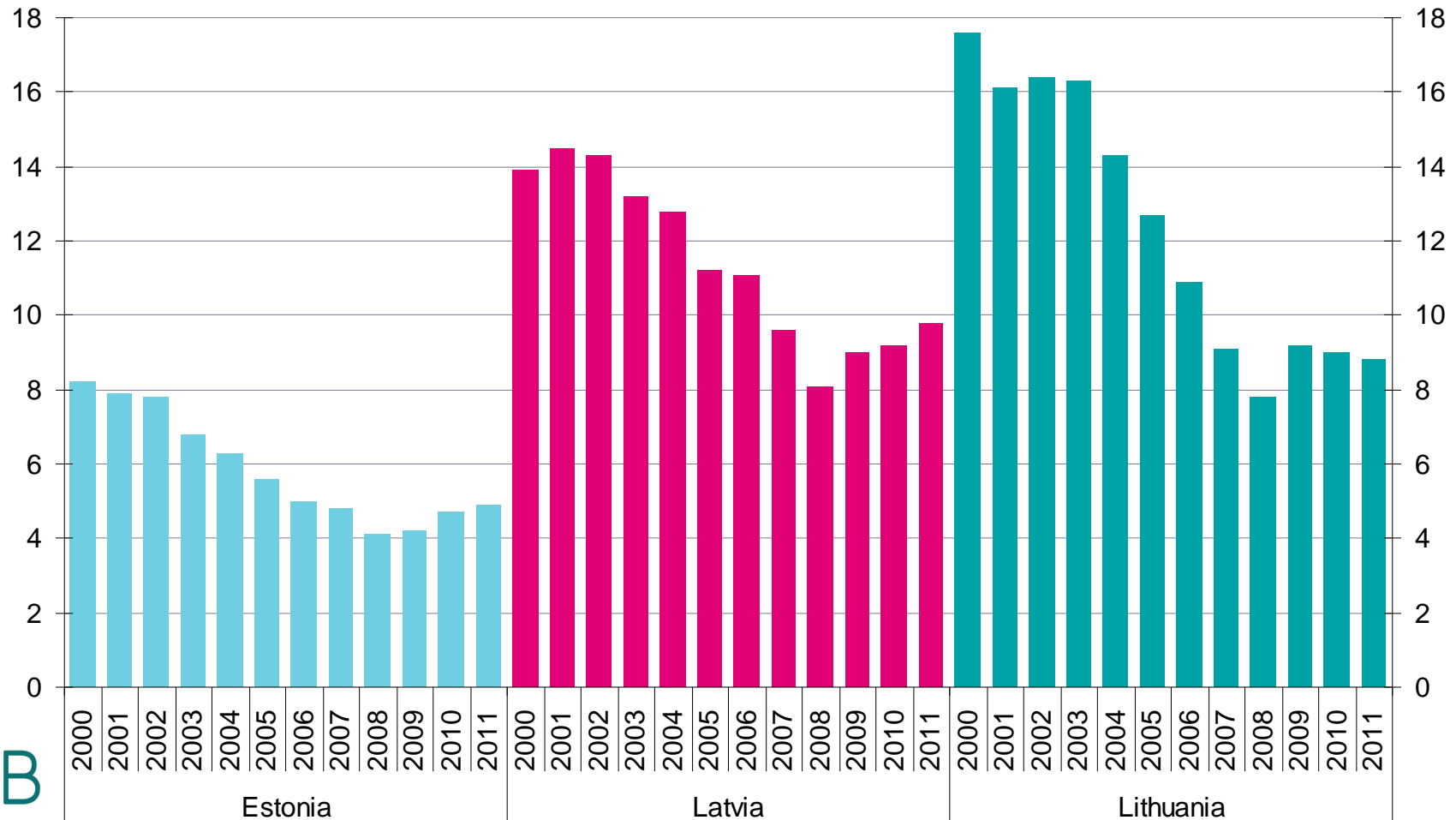
# Agriculture is regaining lost ground in national economies

Value added in agriculture, % of total



But the number of people employed in the sector will continue to fall

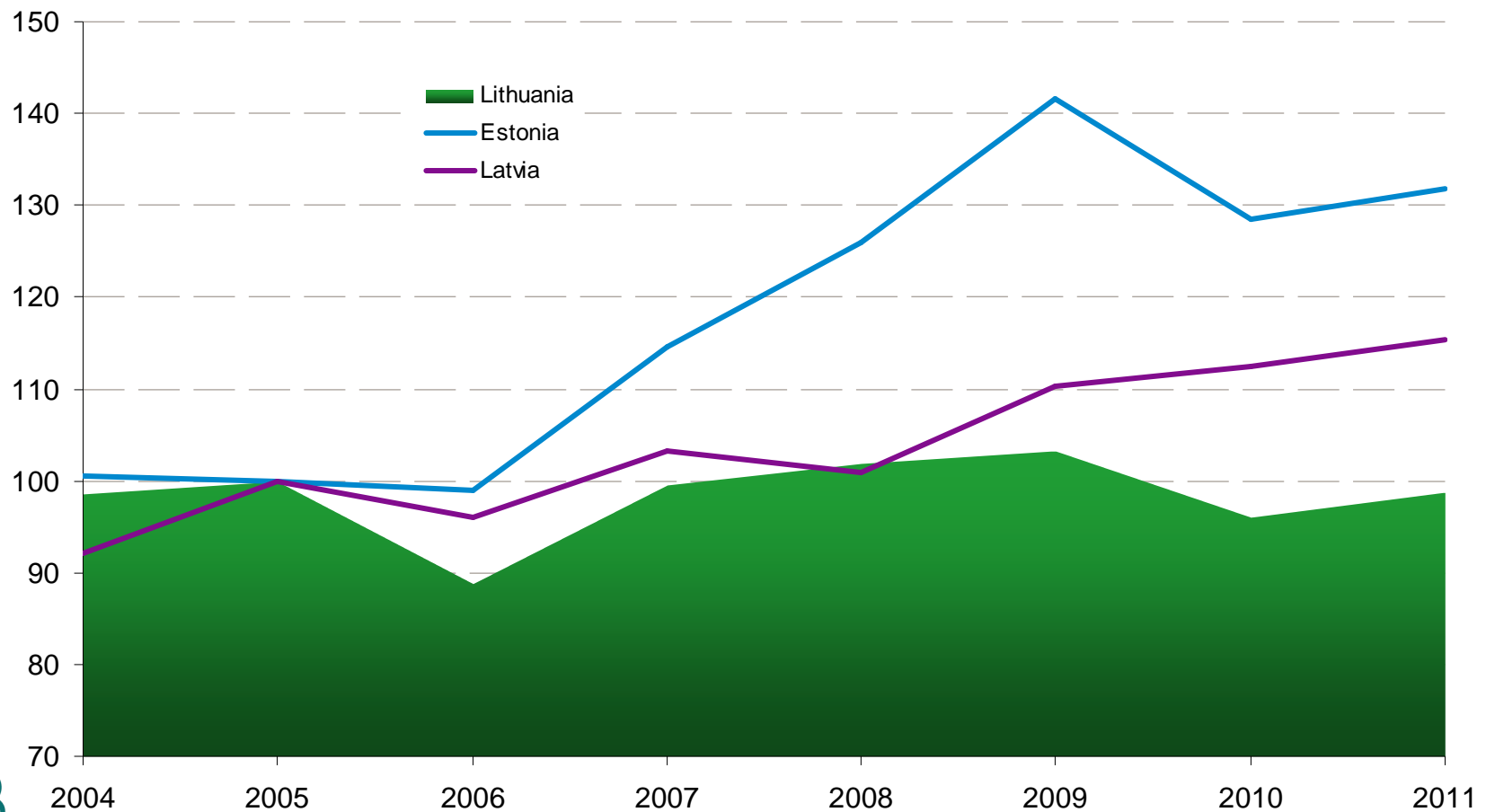
People employed in agriculture, % of total



Source: Eurostat

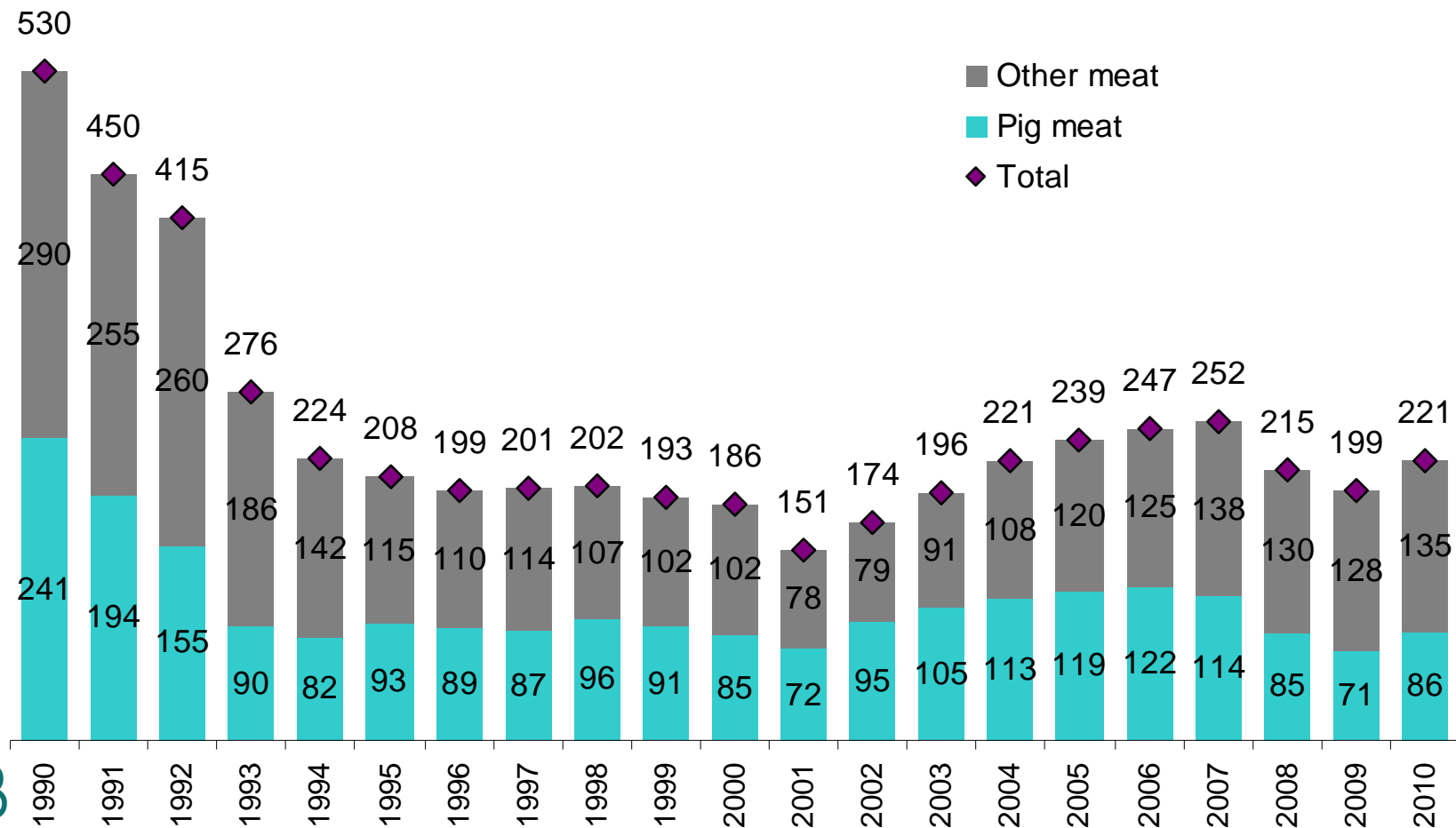
# Last year the output of agriculture grew in all three Baltic states

Value added at constant prices in Agriculture, 2005 = 100



# Will meat production form a positive trend?

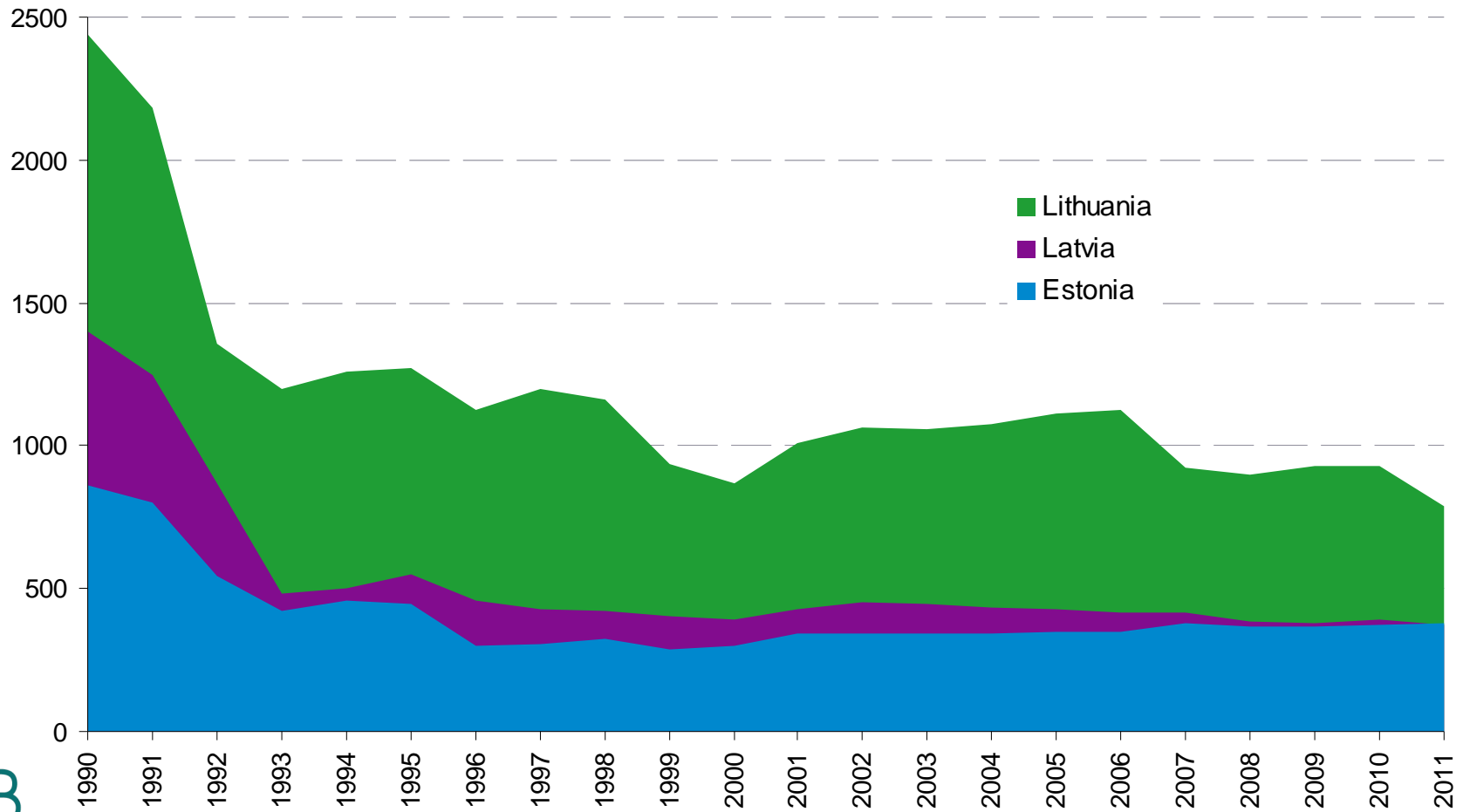
Meat production in Lithuania, thsd. tonnes



Source: Lithuanian bureau of statistics

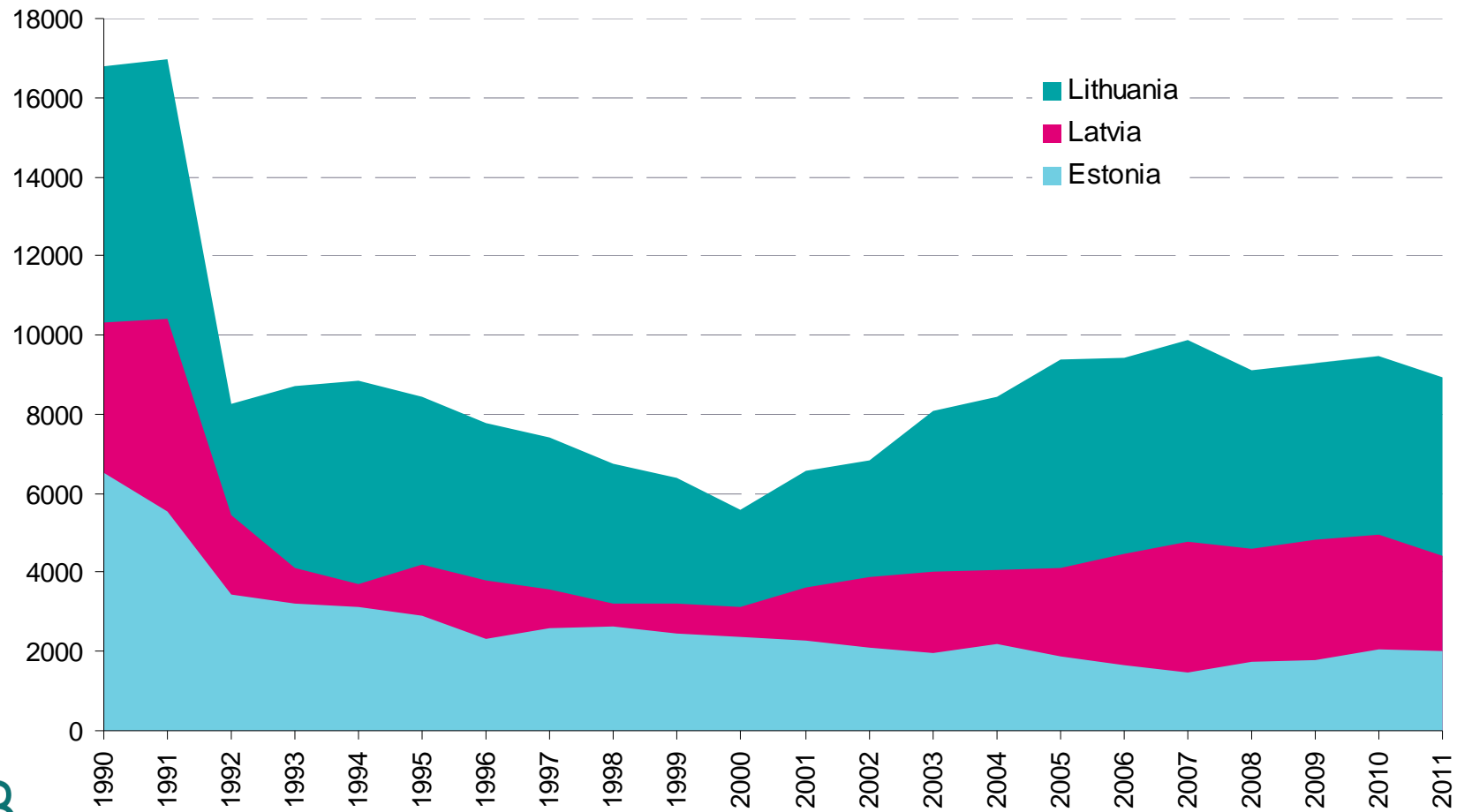
# Number of pigs has diminished significantly

Number of pigs at the end of the year, thsd



# Poultry numbers show more resistance

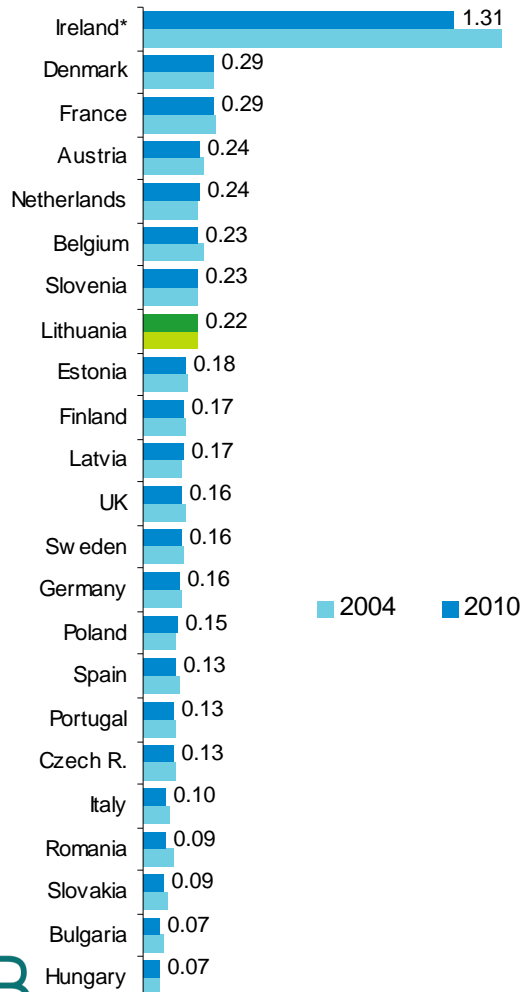
Number of poultry at the end of the year, thsd



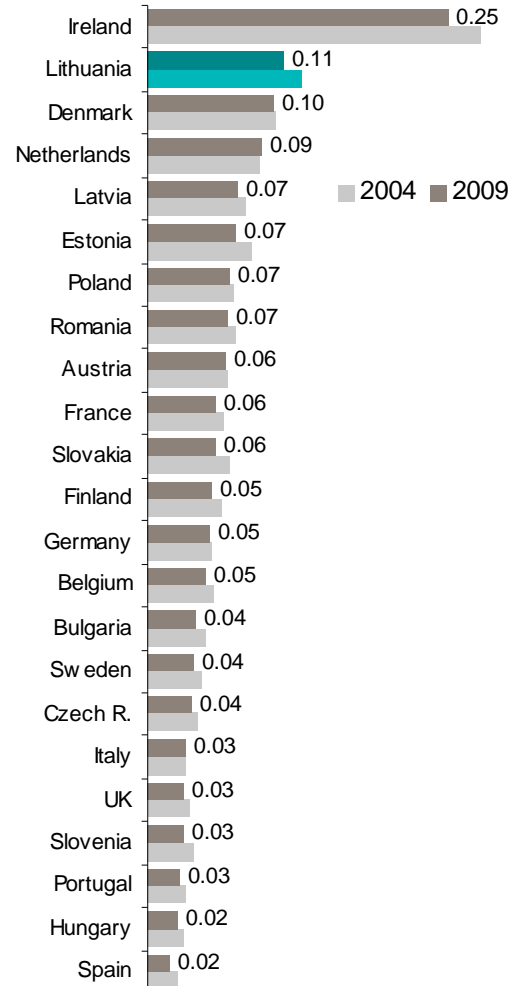


# In relative terms Lithuania still looks strong

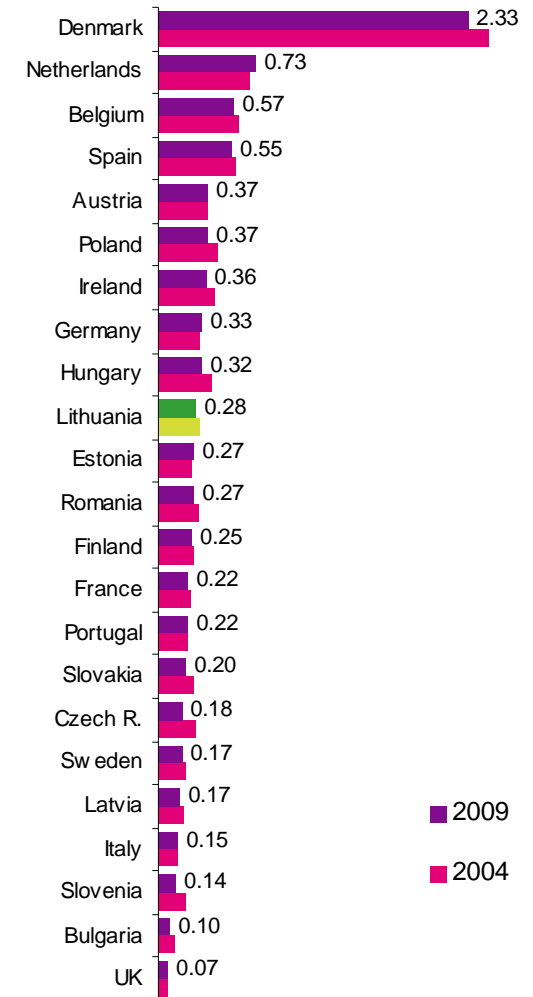
Number of cattle per capita



Number of dairy cows per capita



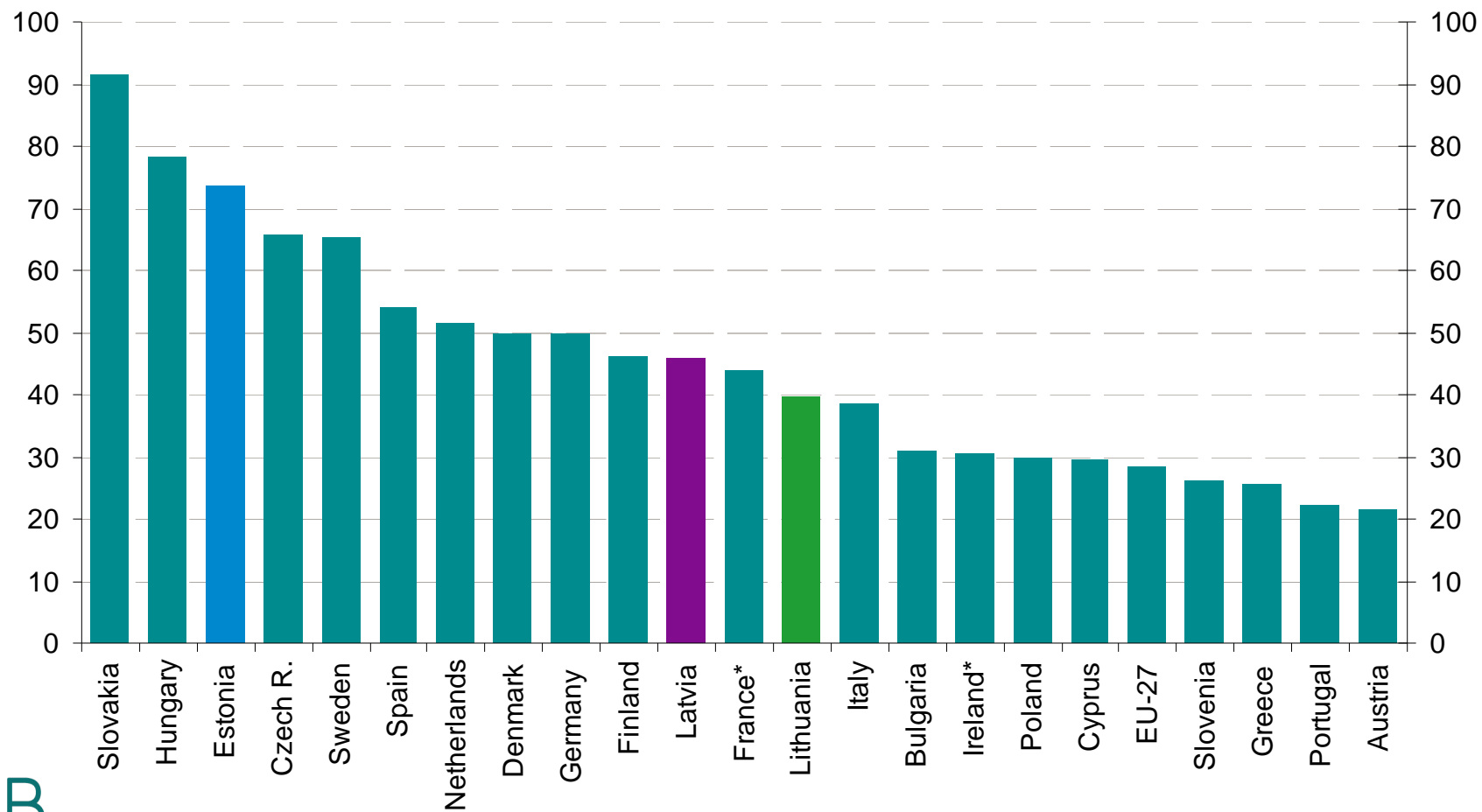
Number of pigs per capita



# Livestock farming in Baltics: main obstacles

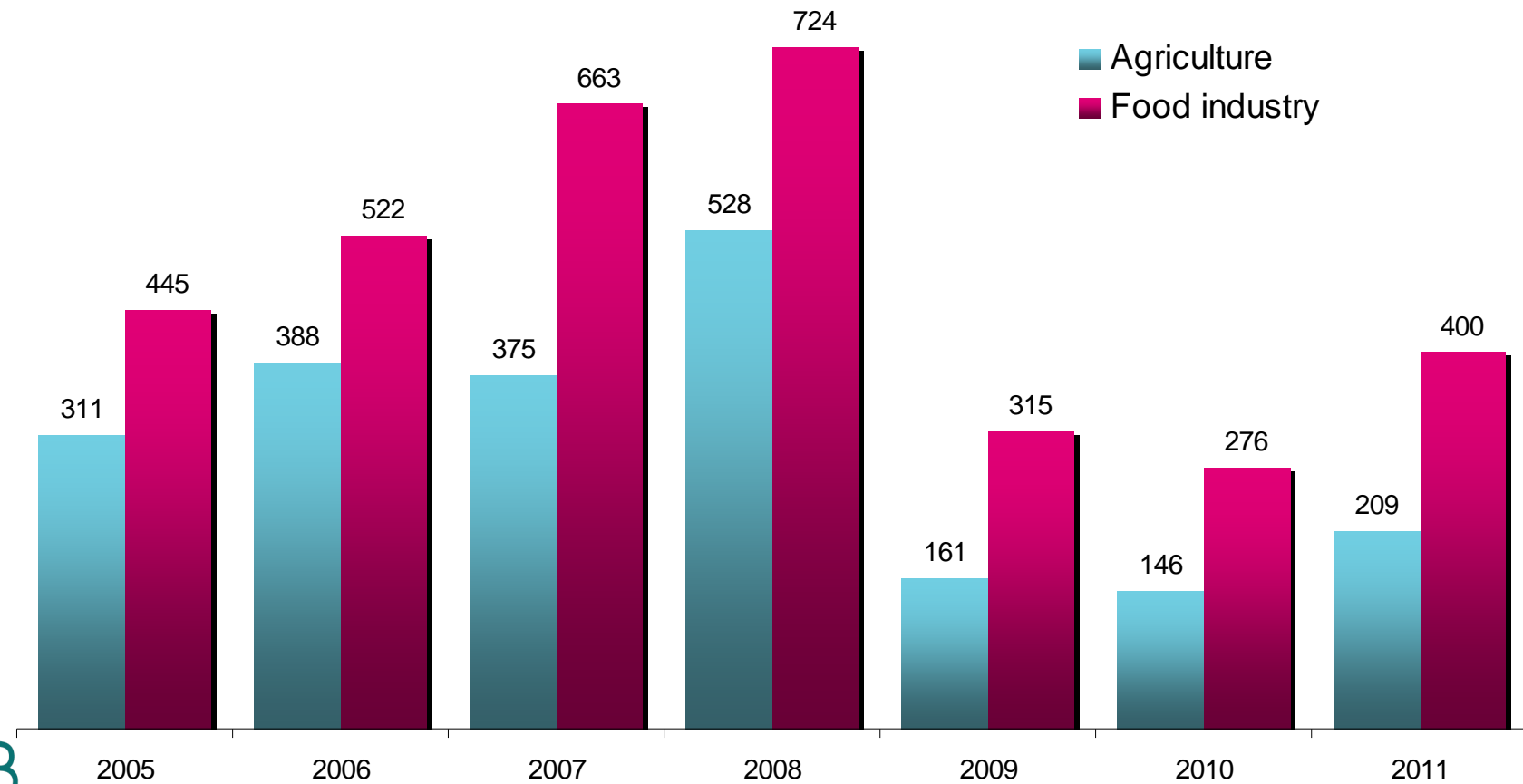
# Agriculture's productivity is rather low in Latvia, Lithuania

Productivity in agriculture, % of national average



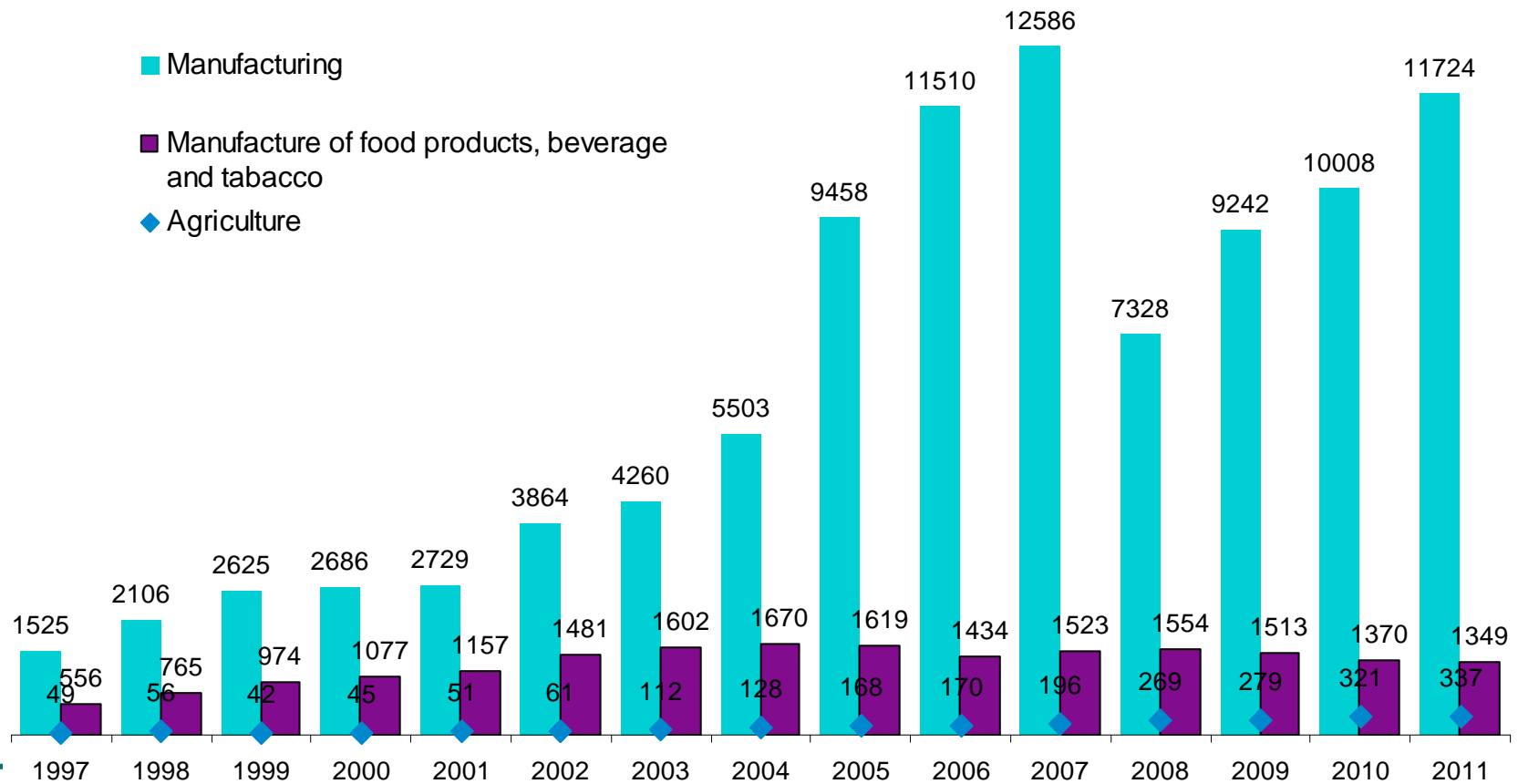
# Fixed investment in agriculture remains modest

Fixed investment, mn LTL

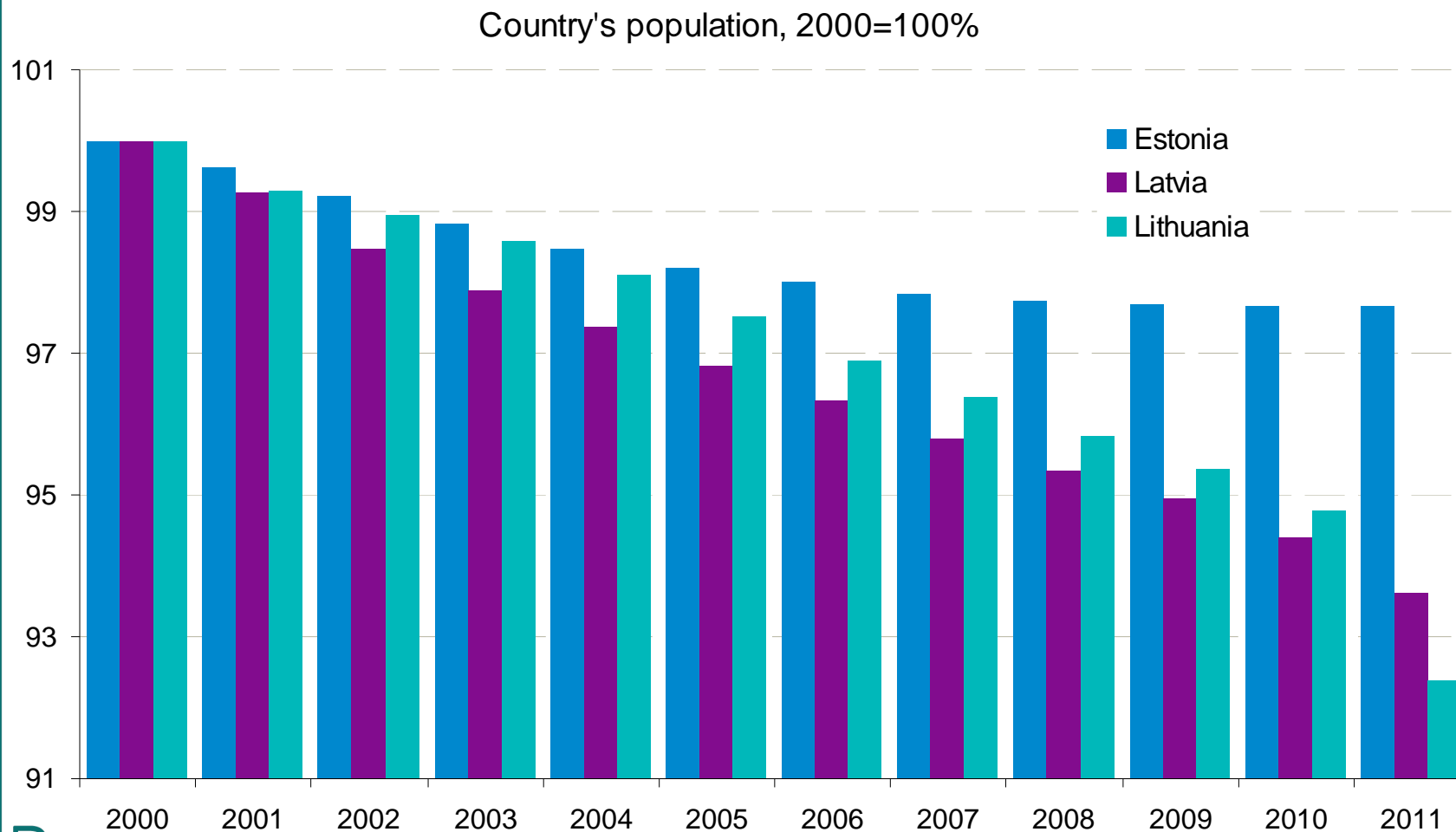


# Lack of foreign investment is clear

FDI in manufacturing and agriculture, mn LTL

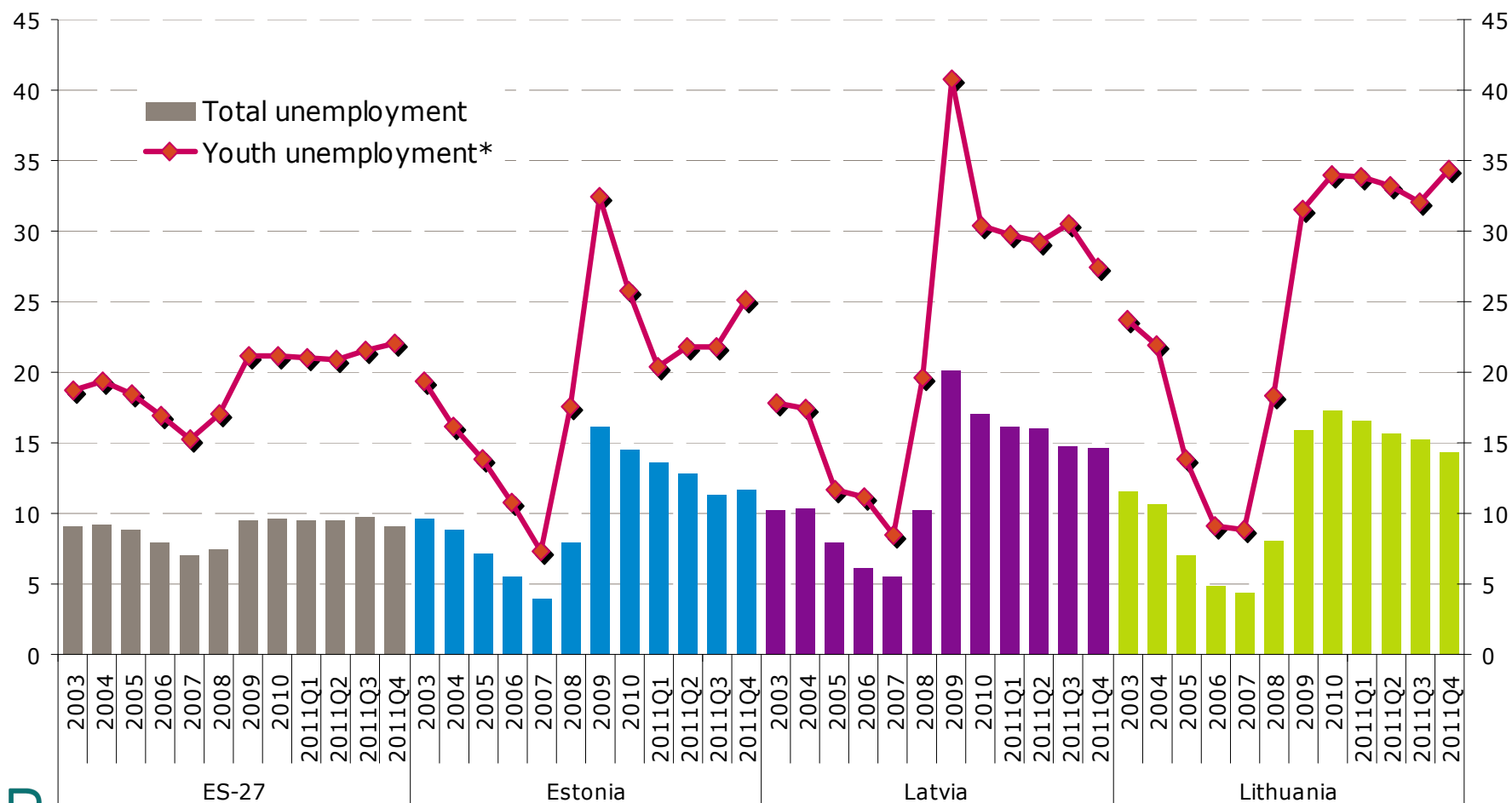


# Negative demographic tendencies prevail in Latvia, Lithuania



# Unemployment remains elevated

Seasonally adjusted unemployment rate, end of period, %

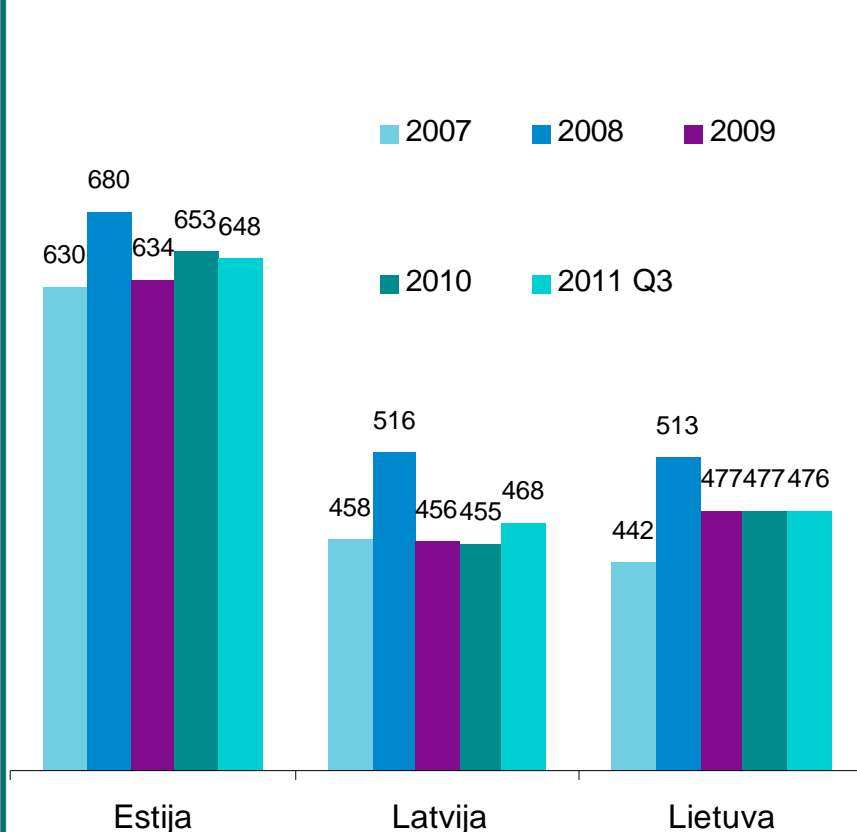


\*Youth unemployment rate – in the age group ≤ 24 years;

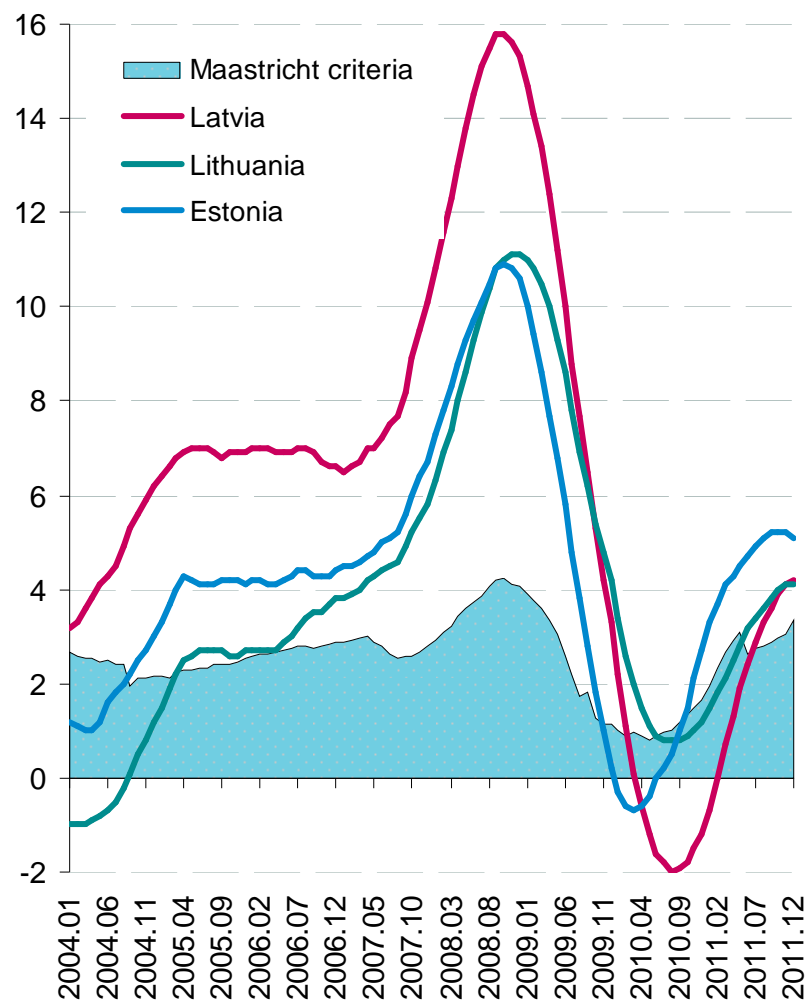
Source: Eurostat

# Inflation outpaces wage increases

Average monthly net wages, end of period, EUR



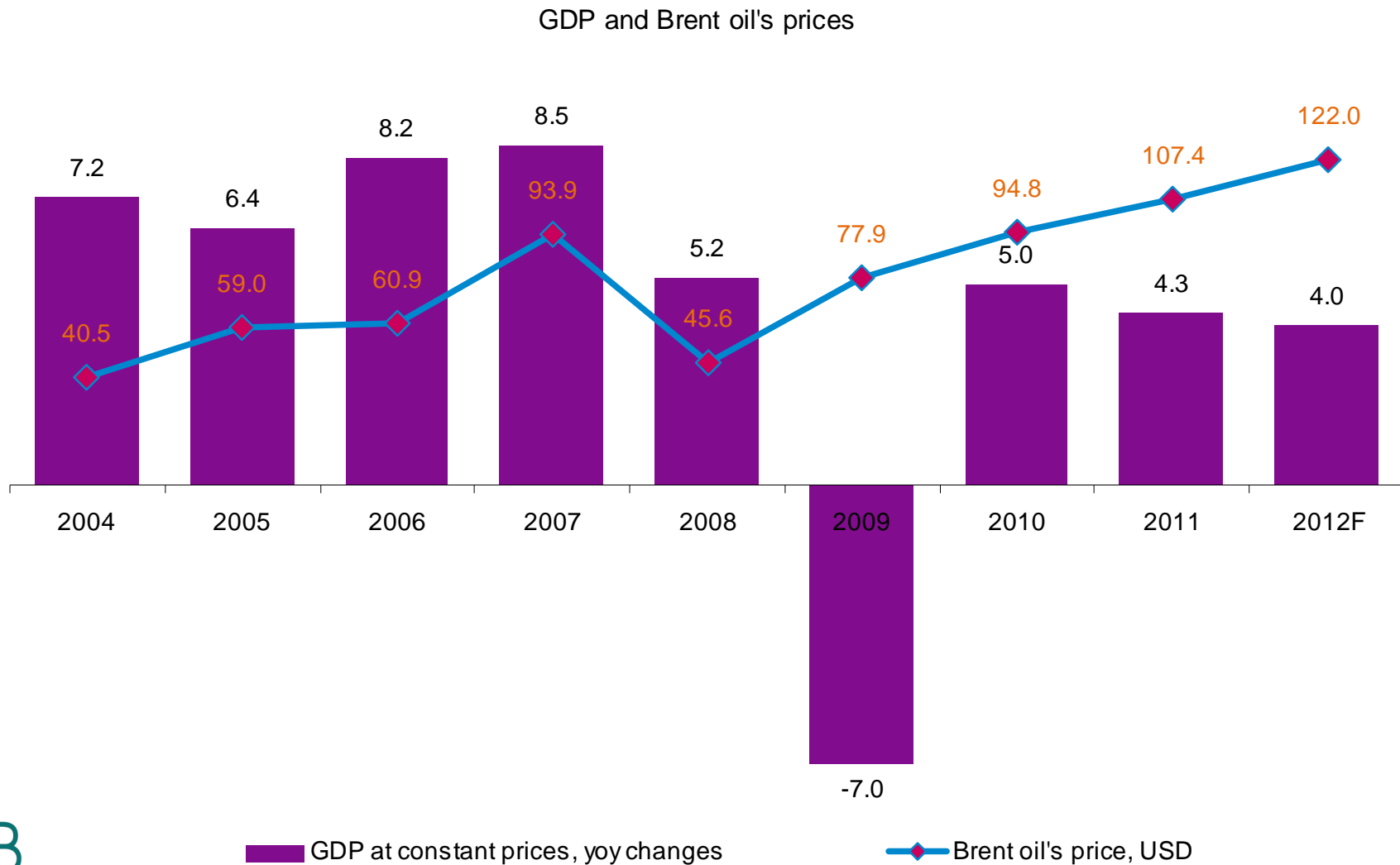
Average HCPI yearly inflation, %





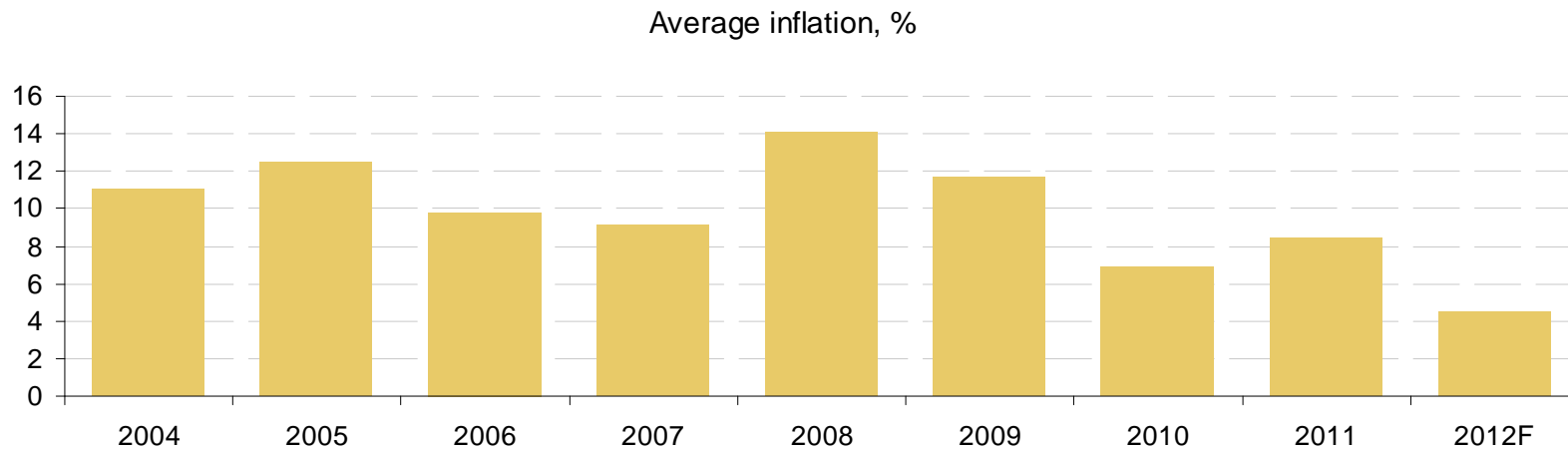
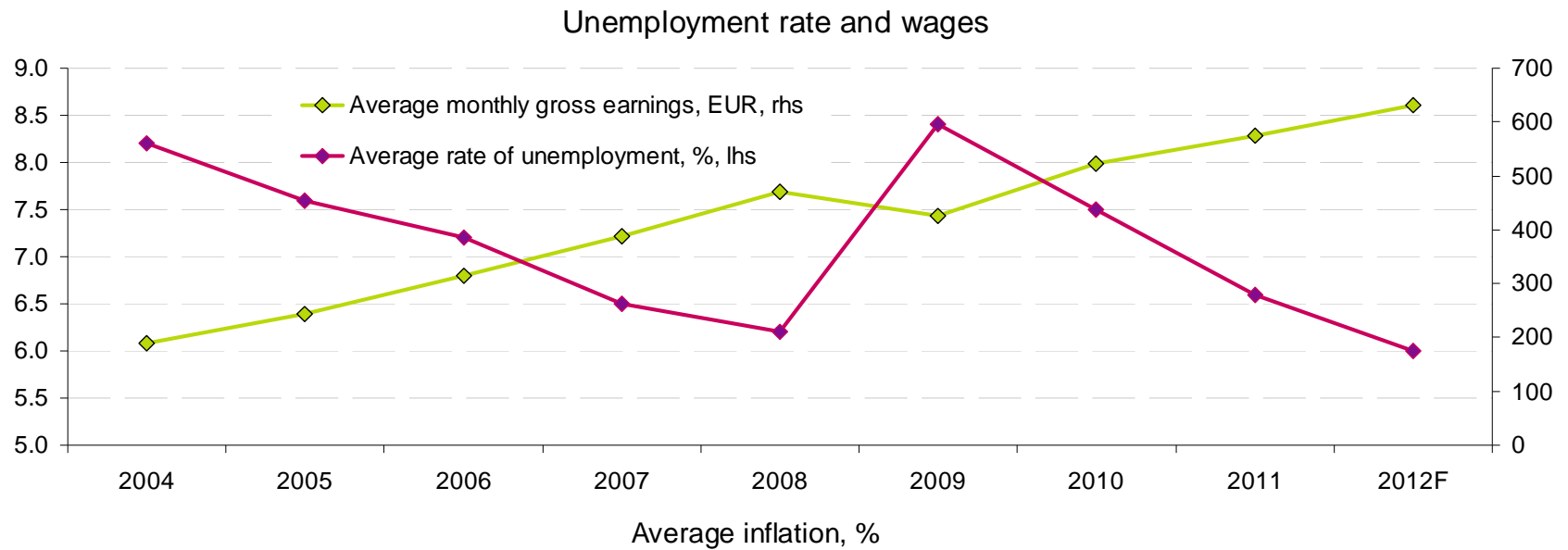
# Prospects of Pig Production: Export markets

# Russian economy is expanding but remains dependent on oil prices



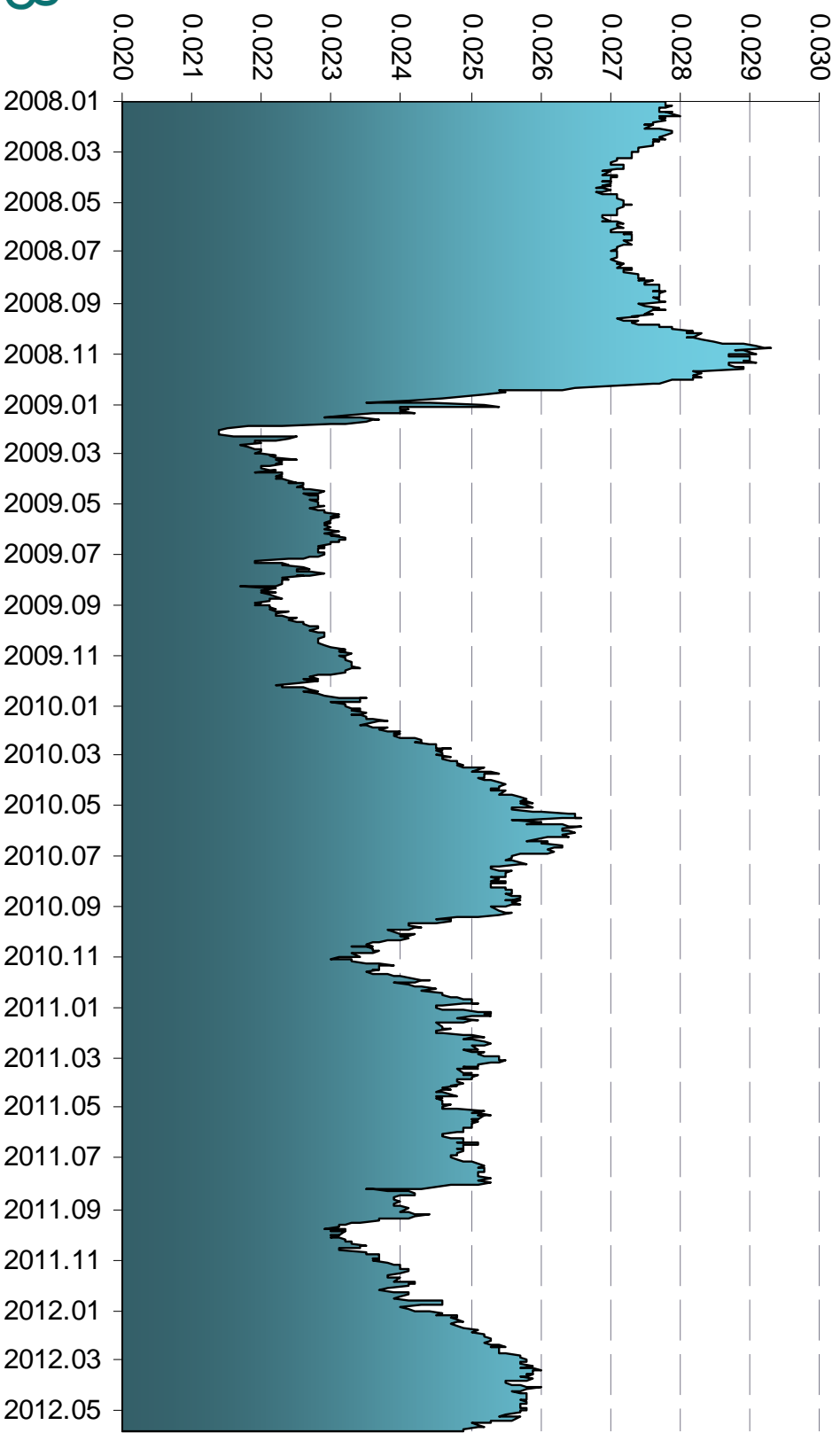
Source: Bloomberg, Troika Dialog

# Inflation in Russia at record lows



# Ruble is loosing its value again

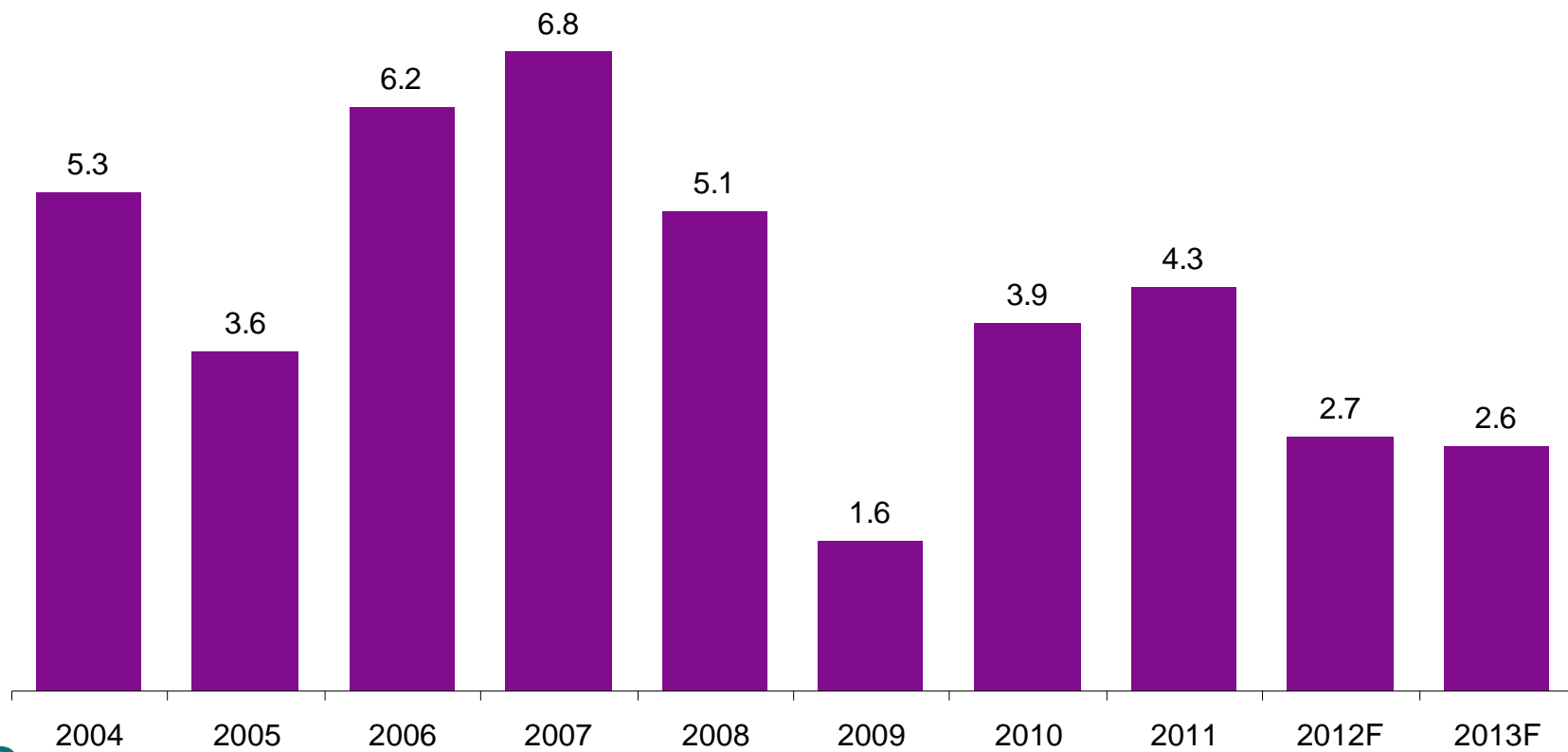
RUB/EUR rate



Source: Bloomberg

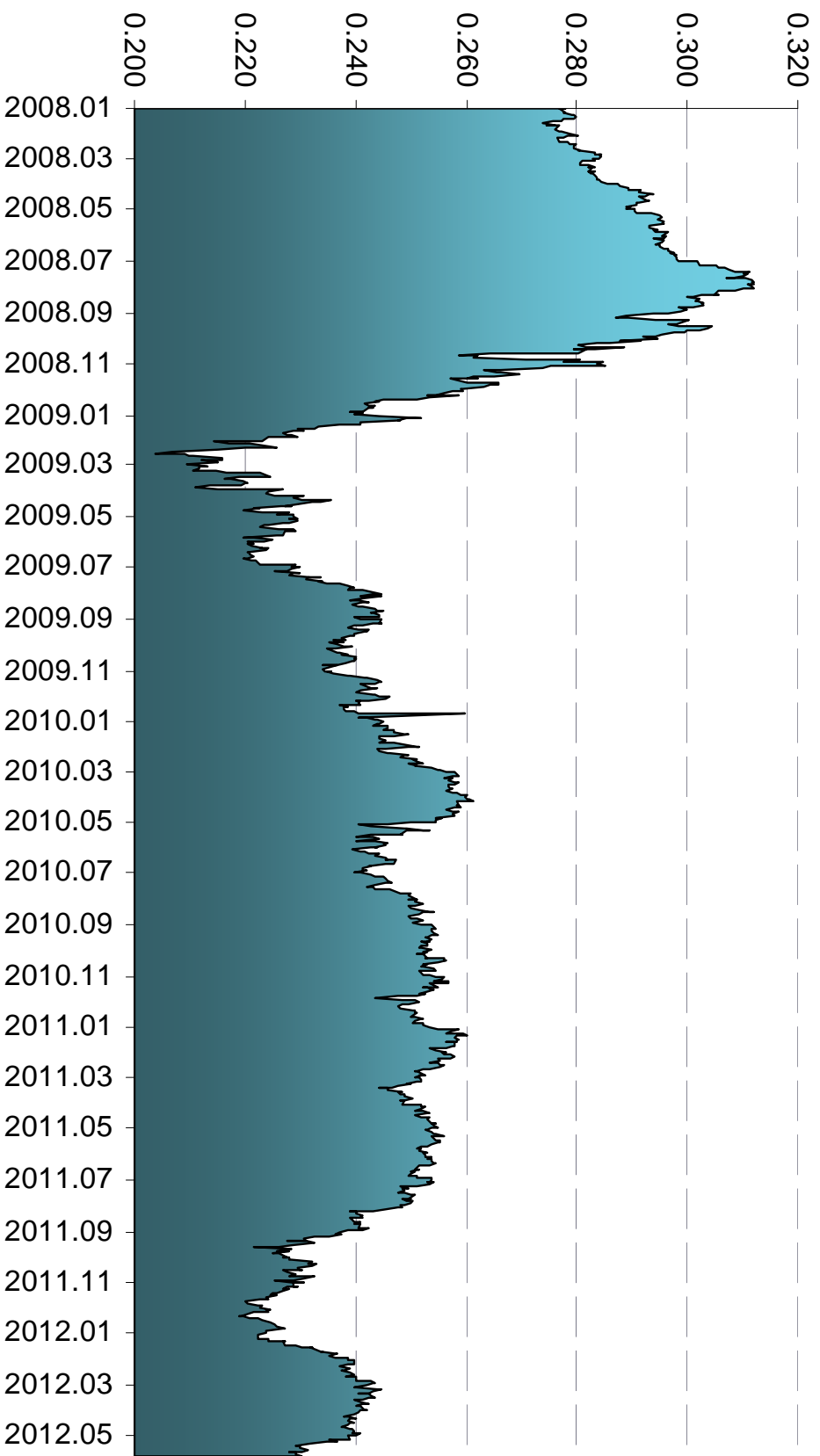
# Poland: Strong Economy...

GDP at constant prices, yoy change, %



# ...and weak currency

PLN/EUR rate



Source: Bloomberg



## Conclusions

- Good medium and long term growth prospects for agriculture
- Agriculture regaining prominence in national economies in the Baltics
- Productivity in the sector remains rather low
- In order to grow sustainably producers will have to find their way to larger markets

Thank you for your attention!

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