Ministry of Agriculture of The Republic of Lithuania

1. Are price formation, transmission and transparency issues along the food chain important and if so for which stakeholders and why?

These factors are very important. In particular, it is very important that the mechanisms of price formation and change would be made transparent and public. Our small country where the competitiveness of manufacturing and trade sectors is limited or non-existent has especial need for transparency and publicity, which major factor in checking price increase. Secondly, the food chain usually involves four parties, i.e. farmers, processors, traders and the state (VAT). Food chain price analysis allows determining what part of food chain is responsible for the increase of price and what underlying reasons for increase of prices are: whether it is the objective play of market forces or purely subjective decisions of stakeholders. Third, since we are members of the EU market and we are affected by the general price situation in the EU markets. During the last 10 years, our price level is has been approaching the EU average, but it still lags behind by about 25 percent.

2. What are the three most important issues with respect to food prices that have raised concern over the recent period?

First, it is the introduction of euro.

Second, it is the growth of the prices of material resources (including prices of agricultural output) and changes in the cost of living.

Third, the Russian embargo on food imports.

3. Have you undertaken any institutional initiatives in recent years to improve your understanding of impacts of price formation, transmission and transparency on stakeholders in the food chain? Do these involve more than one ministry or units in a ministry, and if so which? These should include new working groups, new statistical units and special government offices and how they are administratively set up and operate. Any cross department activities in this area would be of particular interest.

The Minister of Agriculture has approved food retail market research rules and procedures. Farmers, consumers, the Ministry of Agriculture as representing all the food chain and the Government are stakeholders the most interested in pricing transparency in the food chain. Trade and processing industries are under the direct jurisdiction of the Ministry of Economy, but they use the same statistical information base.

4. Are there non-governmental institutions which are involved in the same activities? Please include trade unions, co-operatives, consumer groups or business Associations.

Some professional associations are involved in the data collection process, for example the Vegetable Growers Association, which provides statistical data on farm-gate selling prices of vegetables.

5. Please describe briefly statistical and analytical activities undertaken on a regular or ad hoc basis. Please include special studies and research projects, database development, statistical analyses and other relevant activities.

Following the rules on food retail market research approved by the Minister of Agriculture the Agricultural Information and Rural Business Centre has created the retail price database for food products as a part of the agricultural and food product market information system. The retail price database is used for collecting data in a systematic fashion, and preparing analytical reports for publication. Food retail price surveys are published by the AIRBC on their website www.vic.lt website as well in the official statistical publication "Agrorinka" and the website www.produktukainos.lt .

Ministry of Agriculture of Republic of Lithuania

The responses about food priece formation, transparency and monitoring

1. Is there a monitoring entity of food prices, food price transmission and/or of contractual arrangements along the chain in your country? What is its name? When was it established? Does it look specifically at certain products/sectors?

Price monitoring of Lithuania is done by the state owned company the Agricultural Information and Rural Business Centre (hereinafter - AIRBC) which was established in 2001 and by the Statistics Department of Lithuania (hereinafter - SDL). The SDL performs statistical research designed to determine the consumer price index. The AIRBC performs weekly food price surveys in seven largest Lithuanian retail chains in urban areas which have the share of more than 50 percent of the total retail trade volume, and monthly food price surveys in rural areas and farmer marketplaces.

Statistics are collected for the following groups of products: drinking milk and milk products, pork, beef and veal, poultry (chicken, turkey) and eggs, fish (fresh, chilled, frozen, canned), cereal products (bread, pasta, grains), vegetables (potatoes , carrots, cabbages, cucumbers, tomatoes, onions, garlic), fruit, water, oil, salt, honey.

In marketplaces the statistical data is collected for cattle, poultry, pigs, rabbits, sheep, goats and grain.

One of the main tasks of the price monitoring process is finding out how much every link in the food chain contributes to the price of the final product.

2. What is the rationale behind the existence of this monitoring entity? What does it add to what was done in the past in terms of monitoring food prices in your country?

The main tasks of any price monitoring body include improving transparency of the food chain (producers, processors, wholesale companies, retail companies), mitigating fluctuations of agricultural prices, promoting more competitive pricing, exerting pressure towards stakeholders in food chain against excessive or unjust pricing practices, and balancing the interests of producers and sellers. Price monitoring is especially important for primary agricultural producers which are the hardest hit by the lack of transparency in markets, because they are the weakest link in the food chain. Price monitoring can disclose the mechanisms and dynamics of the price formation process, point out spots in the food chain with unduly high price augments. Multi-annual price comparison charts allow producers to quickly assess multi-annual price trends and the impact of extreme conditions (over-production or crop failure) and facilitate making optimal decisions.

Food price monitoring is of paramount importance for policy-making bodies. Public authorities can take into account long-term price trends and this facilitates developing or revising the legal framework and formulating the state policy. It is important that prices would be recorded by a formally established statistical authority, since it can guarantee that the statistical date would be unbiased and reliable.

One of the benefits of the monitoring institutions is publicly available information. The information we collect is official, publicly available, and easily accessible to users.

3. Can you identify three key objectives of this institutional initiative? Have they been reached? Did you set up an assessment process? Can you describe experiences that were not as successful?

In our opinion our main objectives have been achieved. These include providing transparent and publicly available information about prices and market processes both to general public and policy makers. Policy makers and stakeholders have got the tool which they can use in assessing market changes and analyze causal relations between different relevant factors. Transparent, reliable and unbiased information about prices throughout the food chain makes stakeholders aware of real situation, especially during the time of economic crisis and/or sharp upward or downward movement of prices, for example, in the period before the introduction of euro and shortly afterwards. A special study to find out whether the expectations of stakeholder have been met has not been made, however the data collection questionnaire is reviewed annually and adjusted if needed.

Statistical price survey is carried out in accordance with the terms of reference set by the Ministry of Agriculture and approved by the SDL. The quality of the statistical data is assessed in accordance with procedures contained in the terms of reference.

Currently the collection of price information is done by the staff of the AIRBC who visit supermarkets, village shops and farmers marketplaces. This requires a substantial investment of time and funds. Consequently, our next goal could be the creation of the software that could allow monitor and record supermarket prices in database automatically. Moreover, the automatic recording would render the data more reliable, avoiding biased distortions. However, recording prices in rural shops and markets will still have to be done manually. Experience shows that transport costs account only for a small portion of costs (about 10-15 percent).

Lithuanian Institute of Agrarian Economics is responsible for data collection. It performs the following: the Main agricultural products and buying food producers and retail prices analysis and Lithuanian foreign trade of agricultural and food monitoring.

4. Who are the "clients" of this monitoring entity: government, specific stakeholders along the chain, consumers? How do they use the tool to your knowledge?

The clients of the monitoring entity are the government, scientists, market analysts, food consumers, entrepreneurs.

Under agreements with some of the state institutions, the information on prices is regularly sent by e-mail. Most of the information is publicly available and easily accessible to users. The monitoring entity has its own website visited in average by about 1,000 visitors per day and about 41 thousand visitors per month. If necessary, specific information for researchers and other interested parties is available upon written request.

The system enables agricultural producers to closely monitor the developments of producer prices in domestic and foreign markets and take adequate decisions in negotiations with product collectors and processors.

5. What is the cost of getting this monitoring entity up and running in terms of:

- Involvement of ministries, statistical offices, stakeholders along the chain

- Financial implications for its regular functioning?

The AIRBC is run by the Ministry of Agriculture, which is also its founder. The AIRBC cooperates with the Lithuanian Department of Statistics by mutually sharing statistical information about the prices of food products in different segments of retail markets. Annual expenditure of the AIRBC is 110 thousand Litas (32 thousand Euro). The staff responsible for price monitoring consists of 19 persons, including 16 with 1 working day in month (in-situ data collection), 6 persons

with 3 working days per week (data collection), 2 persons (data management and preparation of summary reports), and 1 person with 1 working day per week (data analysis). The study is organized as extra work performing other tasks AIRBC workers, as such be necessary to record prices at markets on weekends (because most of the work in markets).

6. What are the future plans for this entity?

Our future plans are maintaining and improving the system, while taking into account the needs of the market. One of the new tasks could be monitoring of volumes and prices of discounted sales of products and low-priced products in supermarkets, the share of this type of sales is on increase and if unaccounted would distort the overall statistics.

7. **Does the private sector have a demand for and willingness to provide greater transparency regarding price formation along the food chain according to your experience?**

Lithuanian private sector continues to make demands for more detailed and reliable information on pricing, however, if possible, seeks to dodge the obligation to provide information on prices for statistical purposes.

8. **Have you identified impediments to price transmission along the food chain? What policies do you think might help mitigate those impediments? Have policy actions been taken? For example, have measures been taken to ensure that food markets are competitive and integrated in your country? What is your assessment of their effectiveness? Are any future policy initiatives affecting relationships along the food chain in the pipelines?**

In order to ensure that the food market be competitive and well integrated in the Lithuanian economy, the Competition Authority of the Republic of Lithuania exercises control in accordance with the Law “On the prohibition of unfairel practices of retailers” (No XI-626, 2009). This kind of control together with price monitoring and availability of public information in media works against unjust profit sharing between retailers and primary produces in the favor of the former. Over the last few years in Lithuania has not revelead a serious impediments to price transmission along the food chain.