

# THE STRUCTURE OF MILK PROCESSING AND MARKETING IN LATVIA

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# Today about:

- ❑ The role of milk processing sector in Latvian agri-food sector
- ❑ Privatisation and overcapacity
- ❑ Production trends
- ❑ Foreign trade
- ❑ Price developments in dairy sector
- ❑ Structures and mergers
- ❑ State policy - goals and tools



# The role of milk processing sector in Latvian agri-food sector

	1995.	1996	1997	1998	1999	2000
Share of milk production in final product of agriculture, %	26.2	31.5	29.4	32.5	28.2	23
Share of milk processing in food processing sector, %	19.2	18.0	17.7	17.8	18.8	19
Export of dairy products, mil. EUR	20.3*	31.3*	32.2	28.2	21.3	22,9
Import of dairy products, mil. EUR	3.8*	4.2*	7.2	10.3	11.7	
Share of dairy products in total agrifood exports, %	10.8	14.0	13.7	14.6	16.1	17,8

Source: Latvian Position paper for EU accession negotiations.

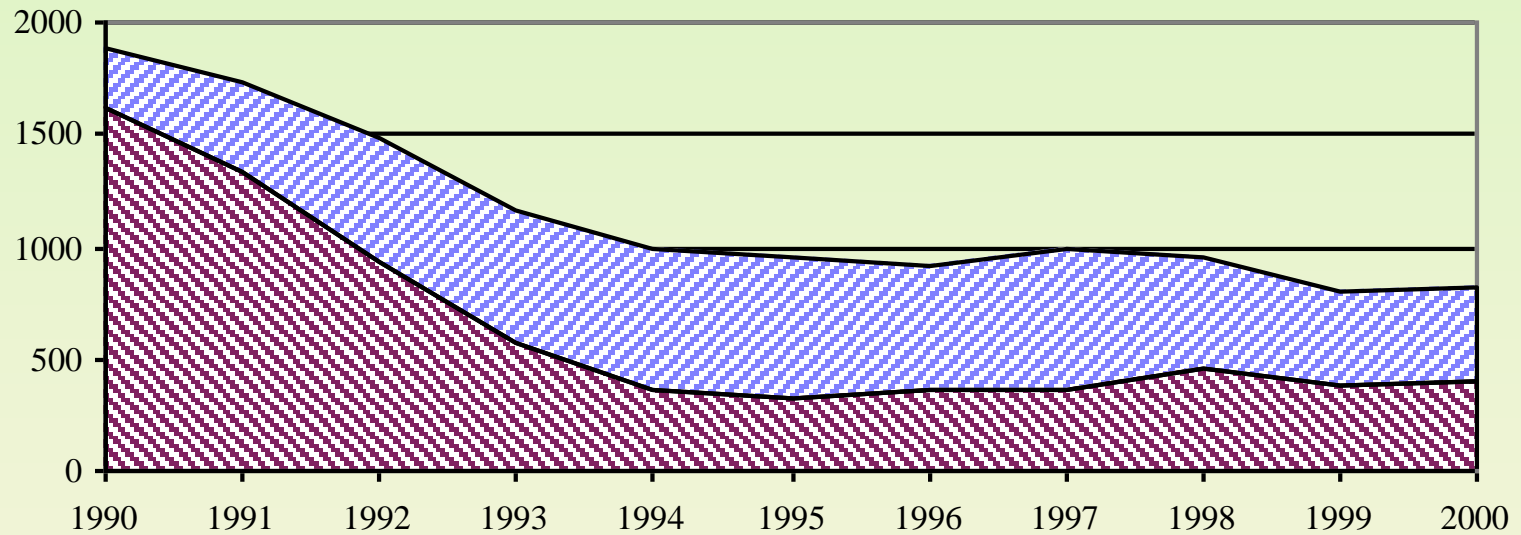


# Privatisation, structures and overcapacity

- ❑ Privatisation in milk processing
  - 1992- 1993, along with the farming privatisation
  - Approach –
    - ✓ Restitution to co-operatives
    - ✓ Privatisation via “joint-stocking”
- ❑ Production – capacity scissors in milk processing
  - Increase in capacity by ~ 30%
  - Decrease in raw milk flow by ~45%



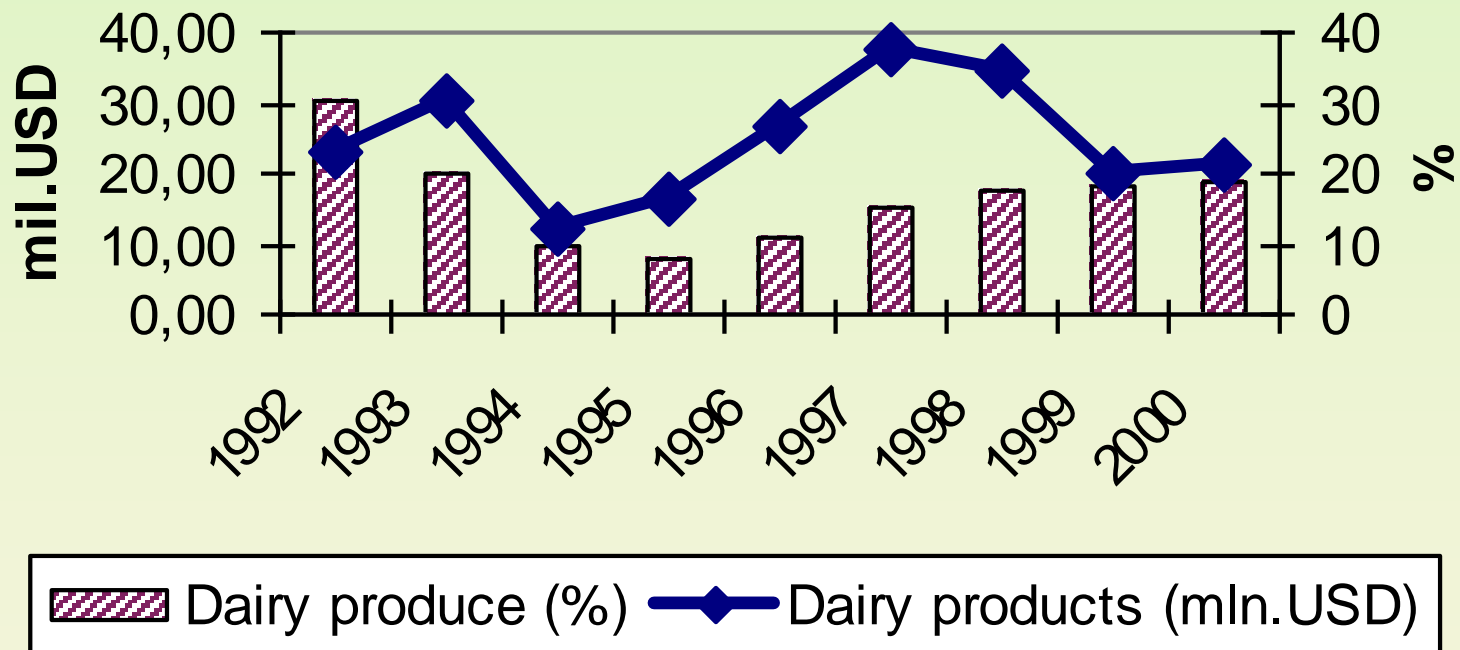
# Production trends



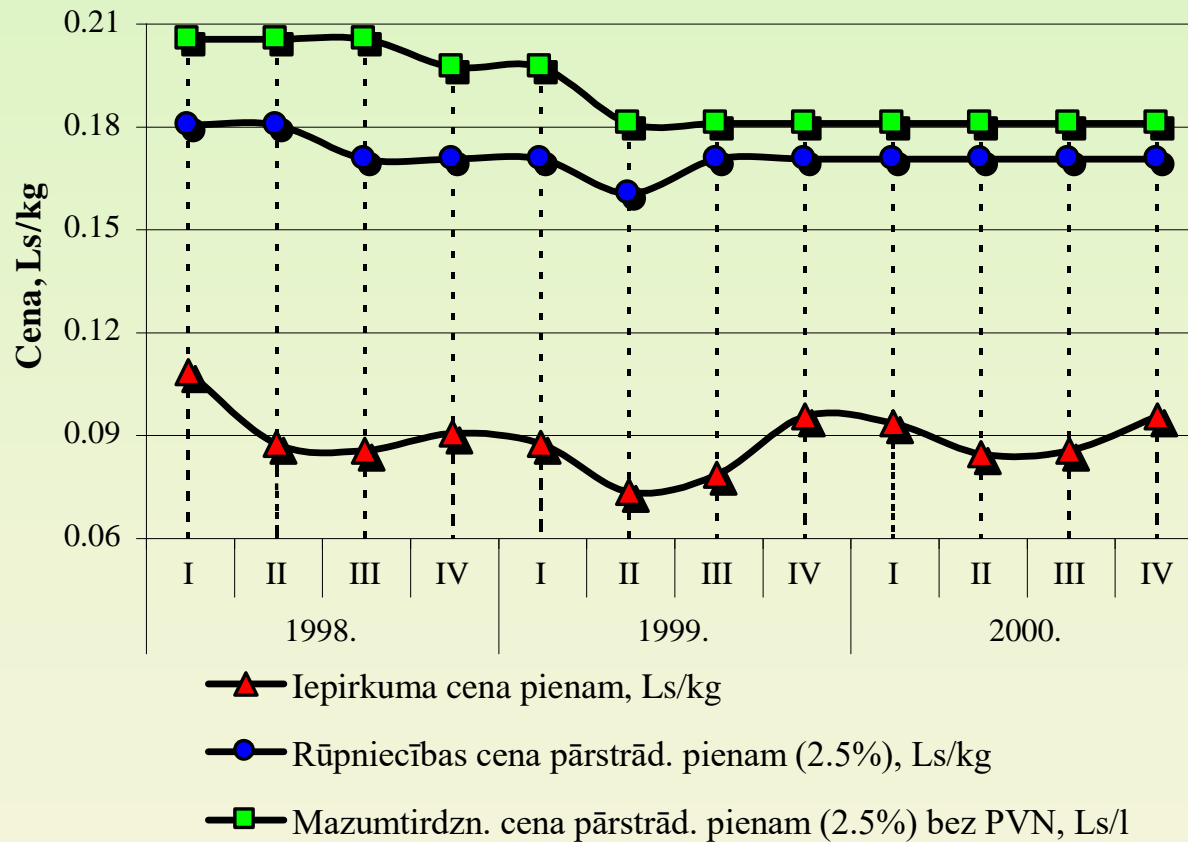
■ - delivered to industry (thsd.t) ■ Total milk production (thsd t.)



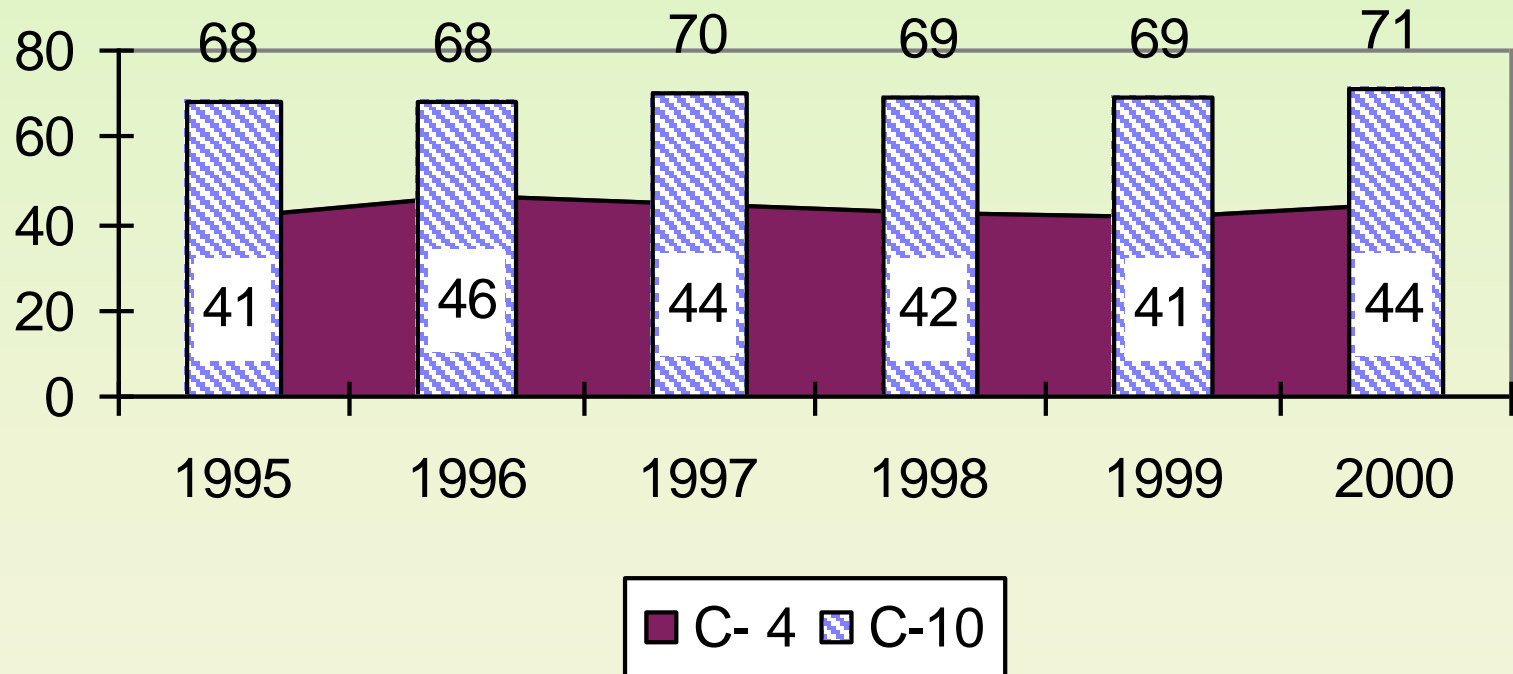
# Changes in total value of exports of dairy products and in the importance in total agri-food exports in 1992 – 2000



# Price developments in dairy sector



# Market share of the largest dairy processing enterprises between 1995 and 2000, in %





# State policy - goals ....

## □ Goals

- the upgrading of milk processing enterprises to the EU quality, hygiene and food safety requirements
- production of high quality, competitive dairy produce for both domestic and export markets – increasing of competitiveness
- stabilisation of domestic dairy market and development of export markets

## .... State policy – tools

- ❑ Enforcement of EU harmonised legislation
- ❑ SAPARD
- ❑ Market promotion –
  - International food-fairs
  - Latvian quality product;
  - **CO-OPERATION BETWEEN AND WITH MARKET ACTORS**