Voluntary _ Public

Date: 10/13/2011

GAIN Report Number: LH 1103

Lithuania

Post: Warsaw

Lithuanian Farmers Not In Hurry to Sell Wheat Crop

Report Categories:

Agricultural Situation
Agriculture in the News
Grain and Feed

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Report Highlights:

Initial estimates are that 1.8 million tons of wheat will be threshed this year, nearly double the country's requirement of 850,000 tons. Approximately 1 million tons of wheat should be available for the export market.

General Information:

In a recent Baltic Times article Lithuanian farmers were portrayed as harvesting crops by day and browsing the Internet by night to track movements in international markets. Last year's drought and corresponding ban on grain exports by the Russian government elevated awareness among Lithuanian farmers on the value of monitoring factors affecting grain markets globally, from supplies to inputs such as oil and fertilizer prices. Greater awareness this year is translating to slower, more deliberate action by Lithuanian farmers with moving their production on to the market in anticipation of price hikes in the future. Last year, the farm-gate price for extra class wheat rose from a pre-Russian export ban price of 350-400 litas/metric ton to over 700 litas (about 202 Euros) with the ban in effect.

Lithuania's Farmer Association (LFA) Vice-Chairman explained to the Baltic Times that this year's general crop harvest was not the best overall, but that wheat was definitely better than the other field crops. Despite adverse conditions last winter, when many plants froze, most of the wheat crop managed to survive the chilling temperatures. The rapeseed crop, the country's largest cultivated crop, however, had suffered severe damage.

The LFA spokesperson went on to say that current year market trends, given continued relative stability in world grain markets and prices of oil and fertilizer inputs, favor the Lithuanian wheat exporter. He noted that the Lithuanian market may not respond quickly to adverse factors affecting the global market but it does adjust quickly to market changes in Russia. Russia holds the edge on lower price for its grain but Lithuania wheat quality is considered much better than Russia's, and that is where the country prevails, in the higher quality-oriented Egyptian or Saudi Arabian markets.

Right now the cat-and-mouse game is on in Lithuania. Farmers are not too eager to sell and buyers are hopeful prices will decline to entice producers to sell. The Baltic Times article quoted that "*only those farmers who are locked in on prices, set in advance agreements among grain buyers, have no choice but to abide by the agreement obligations. The lock-in prices still stir much dispute, and even confusion, among Lithuanian grain growers. The agreements, following the example of Western farmers, are meant to assure grain growers that their production will be bought up at agreed, fixed rates, regardless of any shake-ups in the market. The agreements may be attractive during calm grain-growing seasons; however, last year, with the doubling in price within a couple of months, the locked-in farmers bit their nails in frustration, missing out on the higher prices*".

Last year many farmers just simply terminated their agreements, preferring to pay cancellation fines, because market prices rose to 700 litas when contract prices sat around 250 litas. LFA reported that the locked-in prices are a lot better this year, surpassing the market rate and that this grain season is rated "optimistic." Other industry analysts agreed noting that this year's purchase price for very good quality grain should command a premium of at least 100 litas per ton. Farm leaders were in agreement that prices this year will be defined not as much by objective factors - weather conditions, scope of yield and demand – but by speculation in the financial markets.

The Agro-Concern Group, one of the biggest of its kind in the country, emphasized for the article the importance of stability in the financial markets. "*The prices will be definitely determined by the situation in the financial markets. If the double-dip financial crisis expands throughout the world, it makes no sense to expect high prices in the grain market. If, joining the efforts, the world avoids a double-dip; the grain prices should stabilize, or even go up. Therefore, the farmers today hinge on not only the weather conditions, but also on the stability of the financial markets and speculation in it*".