

Market Information Systems – principles and practice Experience from Lithuania



Presentation by:

Dr. A. Gaižutis

Marketing department of Vilnius University

Chairman, Forest Owners Association of

LITHUANIA

*Workshop: " Forest Products Marketing - from principles to
practice"*

Balkans and South-East Europe

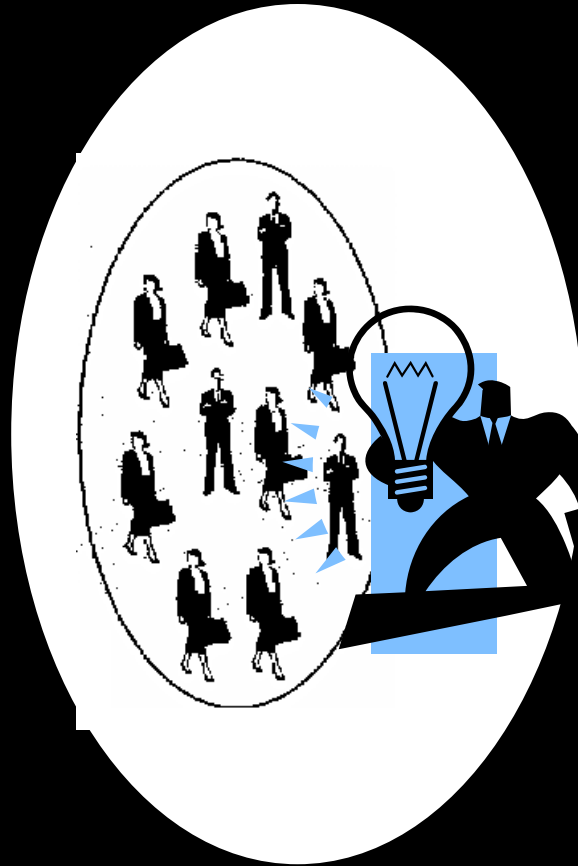
3 – 6 April 2006, Novi Sad, Serbia



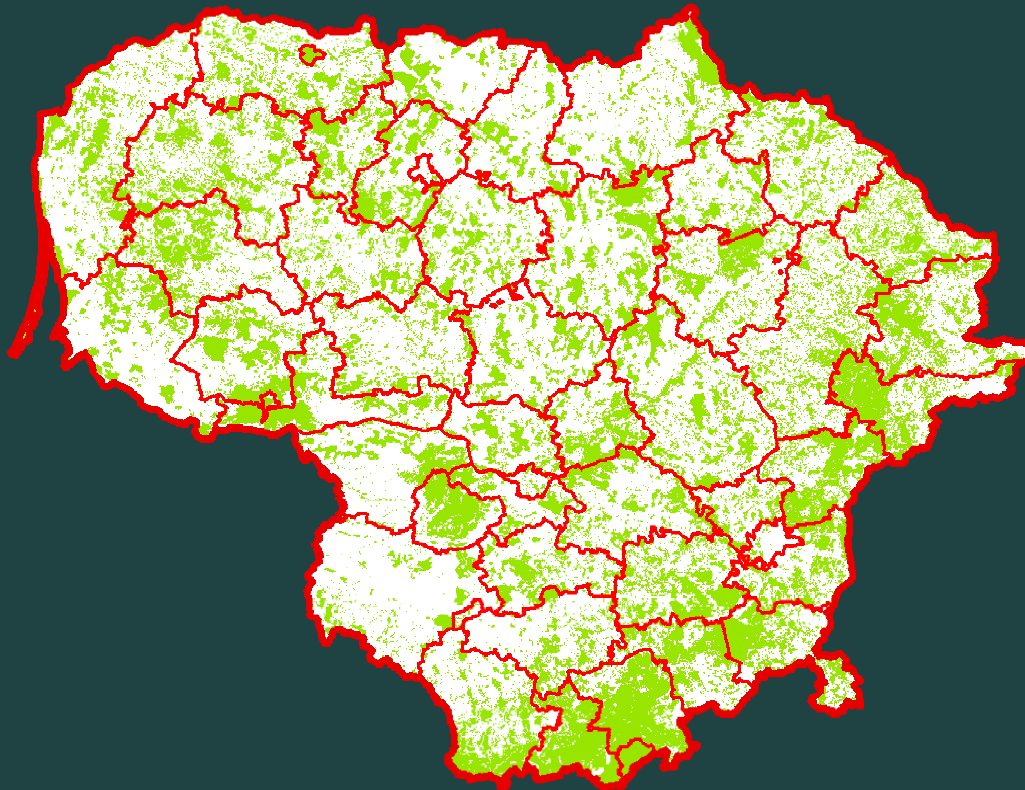
Content of presentation

- Introduction –why MIS is needed??
- Background
- How MIS was set up : case of Lithuania
- Conclusions

WHY Marketing Information System?



LITHUANIAN FORESTS 2005.01.01



Area total **2091.2** thous. ha
32% from land area
- of mature stands 326.2 thous. ha
Growing stock
volume total **393.2** mil. m³
- of mature stands 81.5 mil. m³

- I. Strict reserves – 1.2%
- II. Special purpose forests – 12.1 %
- III. Protective forests – 16.1 %
- IV. Commercial forests – 70.6 %

Forest Ownership Categories in Lithuania

01.03.2006



Private Forests 34% (of total forest area)

State Forests 50 %

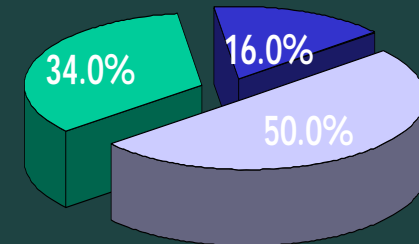
Other -could be privatised 16 %

Private forest area ~720 thous. ha

(expected to be over 850 thous. ha- when Restitution will be completed)

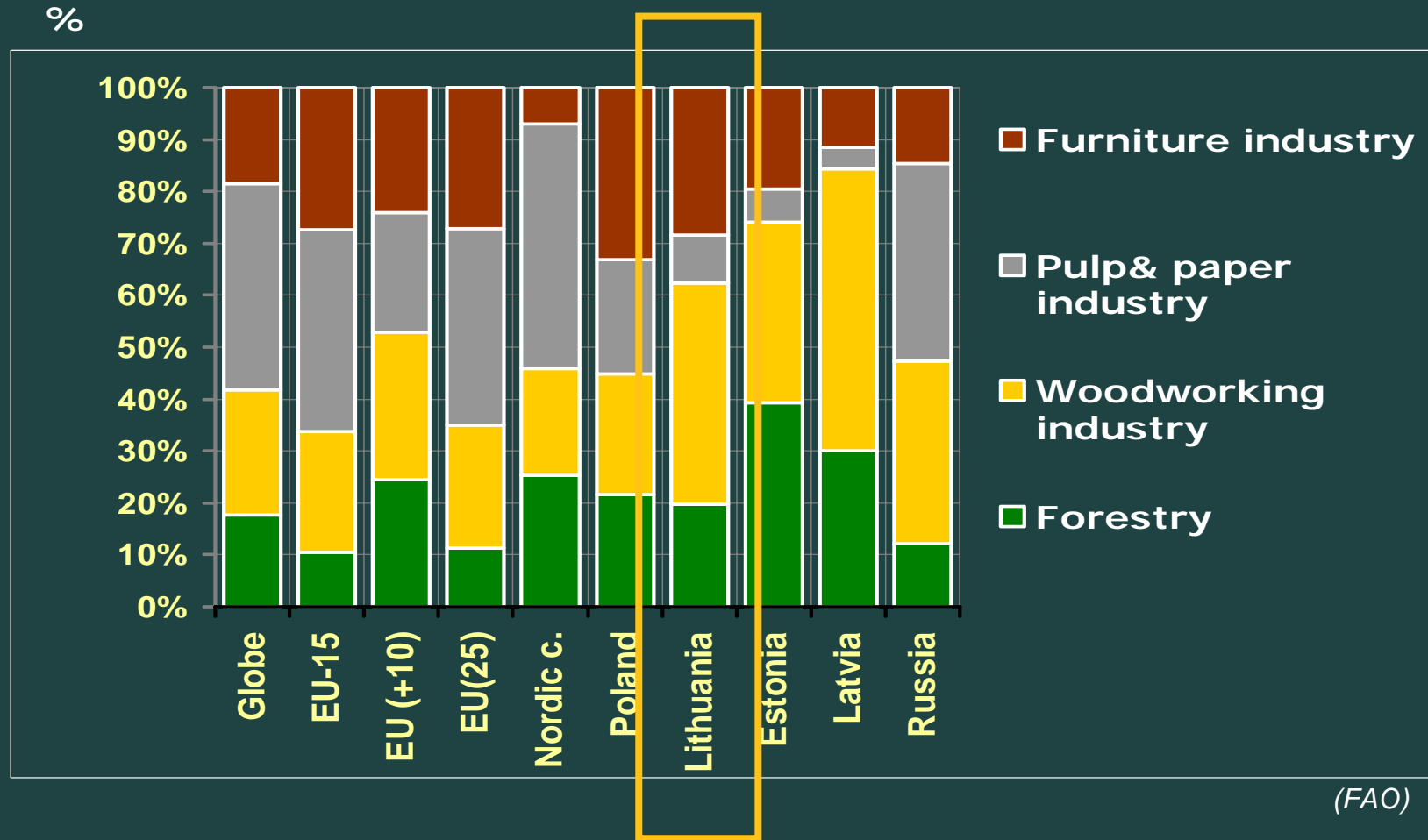
No of private forest owners ~250 thous.

Average area of private forest holding 4.6 ha



Source: FOAL, Ministry of Environment of Lithuania, 2006

The structure of value added created by Forest sector (2000)

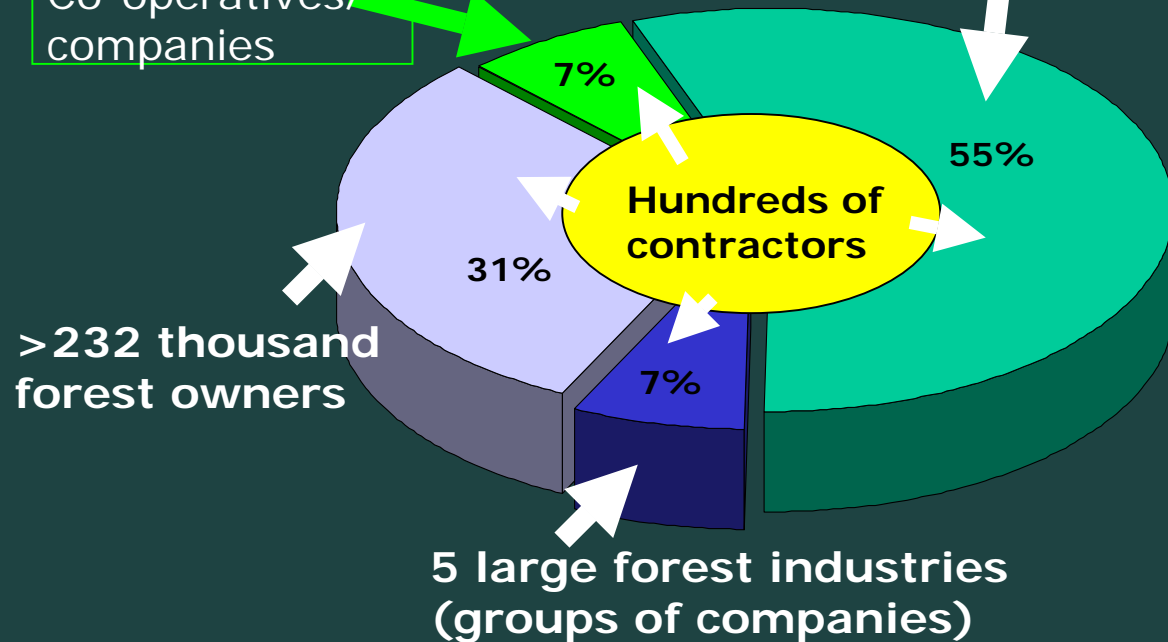


LITHUANIA: ROUNDWOOD SUPPLY

6.5 mln.m³ ⇒ sales ~ 240 mln.USD

42 state forest enterprises: accounts 1-2% of market share each one

FOAL group
Co-operatives/
companies

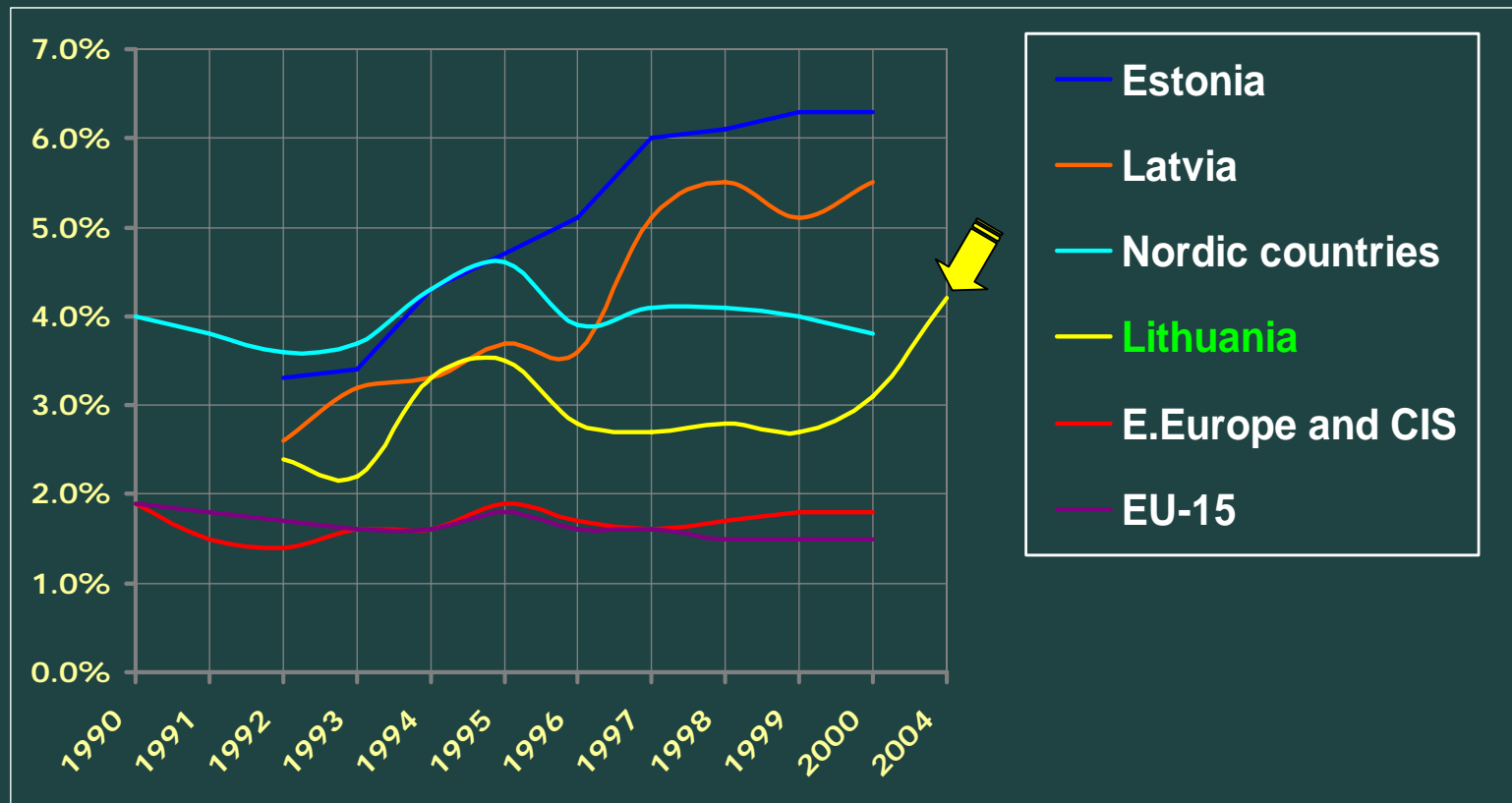


~34 mln.USD

Hundreds of transport companies and entrepreneurs, railway

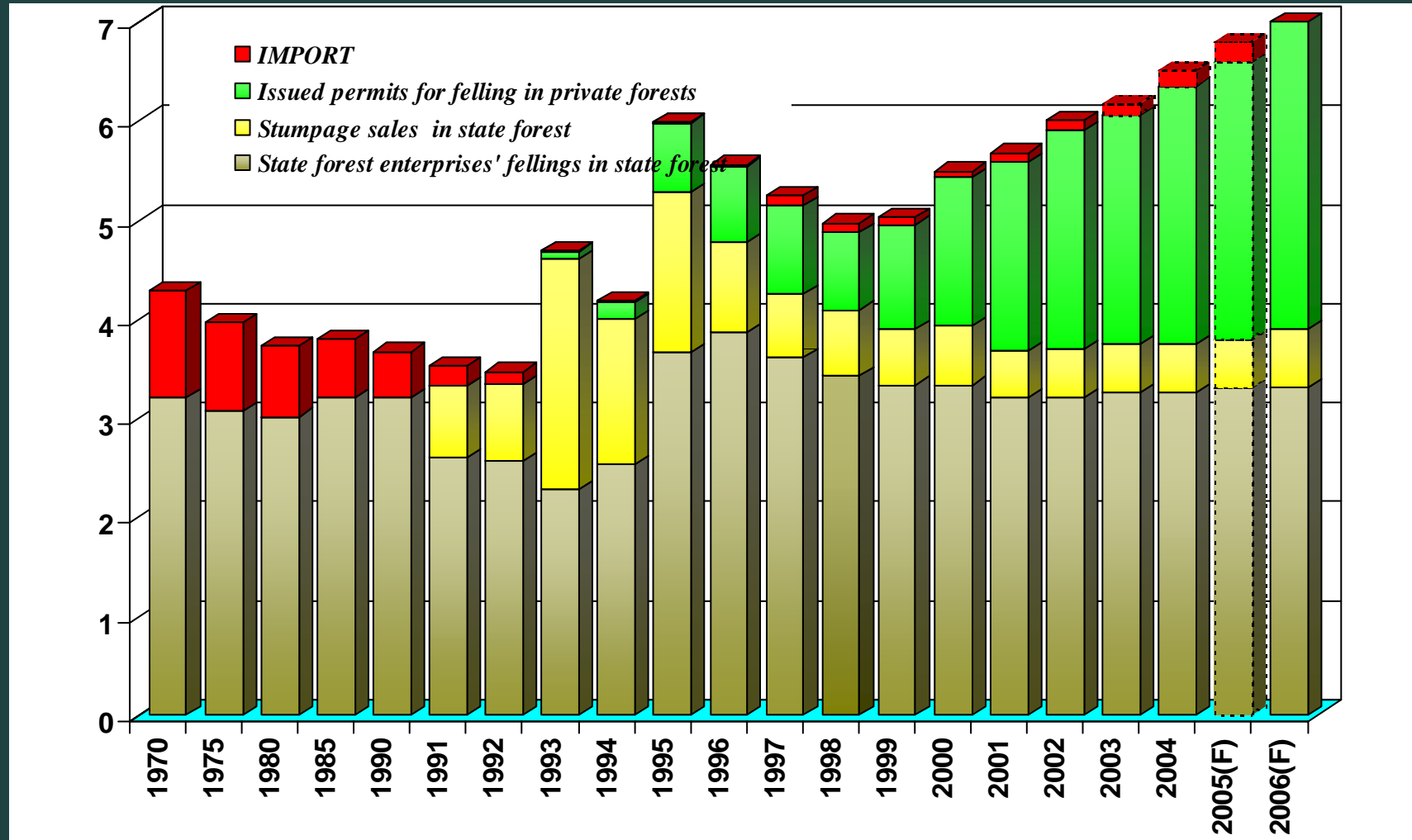
Source: INFOMEDIS 2004,2005

Input of Forest sector to GDP (%) 1990 – 2004



(FAO)

ROUNDWOOD SUPPLY IN LITHUANIA 1970 – 2005 (mln. m³)



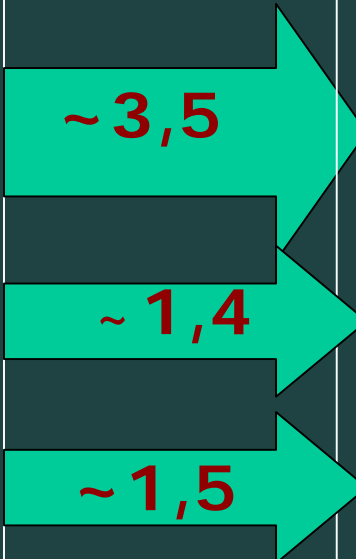
Roundwood flow in the market (2005)



SUPPLY

- STATE FOREST
(3,7 mln.m3)
- PRIVATE FOREST
(2,5 mln.m3)
- IMPORT
(0,2 mln.m3)

Σ 6,4 mln.m3



CONSUMPTION

- Domestic industry
- Export
- Households (fire wood)

Σ 6,4 mln.m3

Source: INFOMEDIS 2006

The need for MIS (1) STATE SECTOR

- Since 1993, well developed and functioning market information system exists (**MEC**, later-**General State Forest Enterprise**)
- First funding came through bilateral project (Denmark) in 1993, **3 person-years**, since the project ended in 1994 and no external funding was available, Ministry saw a use of existing product and started to fund MEC.
- In general, just for keeping the system running it costs about **2 person full-time** sitting on this (multiply by salary, you get a cost). The are ad-hoc expenditures, like software development. The key - to have right people, those who gain the trust from market players +have analytical skills.
- **VMT NAUJIENOS** in Lithuanian



Forest Products Marketing - LITHUANIA

• *Since 2000: “Statistical Yearbook of forestry” published annually by MEC, then – by the State forest survey service (<http://www.lvmi.lt/vmt>), in Lithuanian and English*



- 1 Forest resources
- 2 Forest ownership and administration
- 3 Protected areas and biodiversity
- 4 Forest health
- 5 Silviculture
- 6 Forest protection
- 7 Multiple use of forests
- 8 Roundwood procurement
- 9 Round wood market
- 10 Forest industry
- 11 Forest economy
- 12 Labour force and education

For more see: http://www.lvmi.lt/vmt/leidiniai.php?form_currentid=86&lang=en

The need for MIS (2)

PRIVATE SECTOR

New MIS – **INFOMEDIS**- launched in 2001

(<http://www.forest.lt>)

In order to be attractive for owners, they must offer them advantages

-one of these advantages – **higher price.**

-To get higher price you need to know **prices, supply** and **demand trends** in the market - this helps to negotiate with buyers.

As state forests had well functioning system already, it was simply adopted to cooperating private forestry companies (FOAL umbrella).

Currently 15 cooperatives & companies supply data about their roundwood sales.

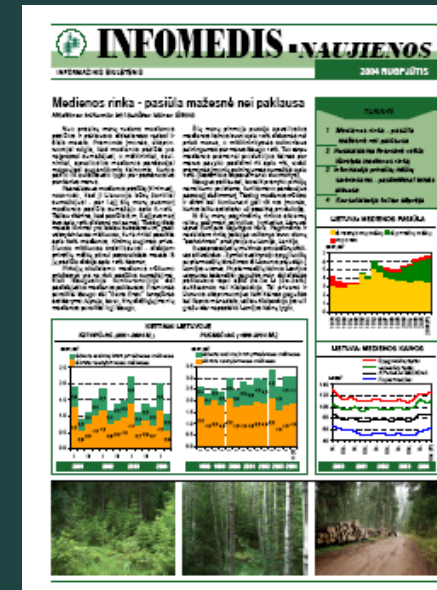
Data coverage is rapidly growing:

30,000 m³ in 2001

80,000 m³ in 2002

500,000 m³ in 2003

~850,000 m³ in 2004/2005



The features included in a MIS

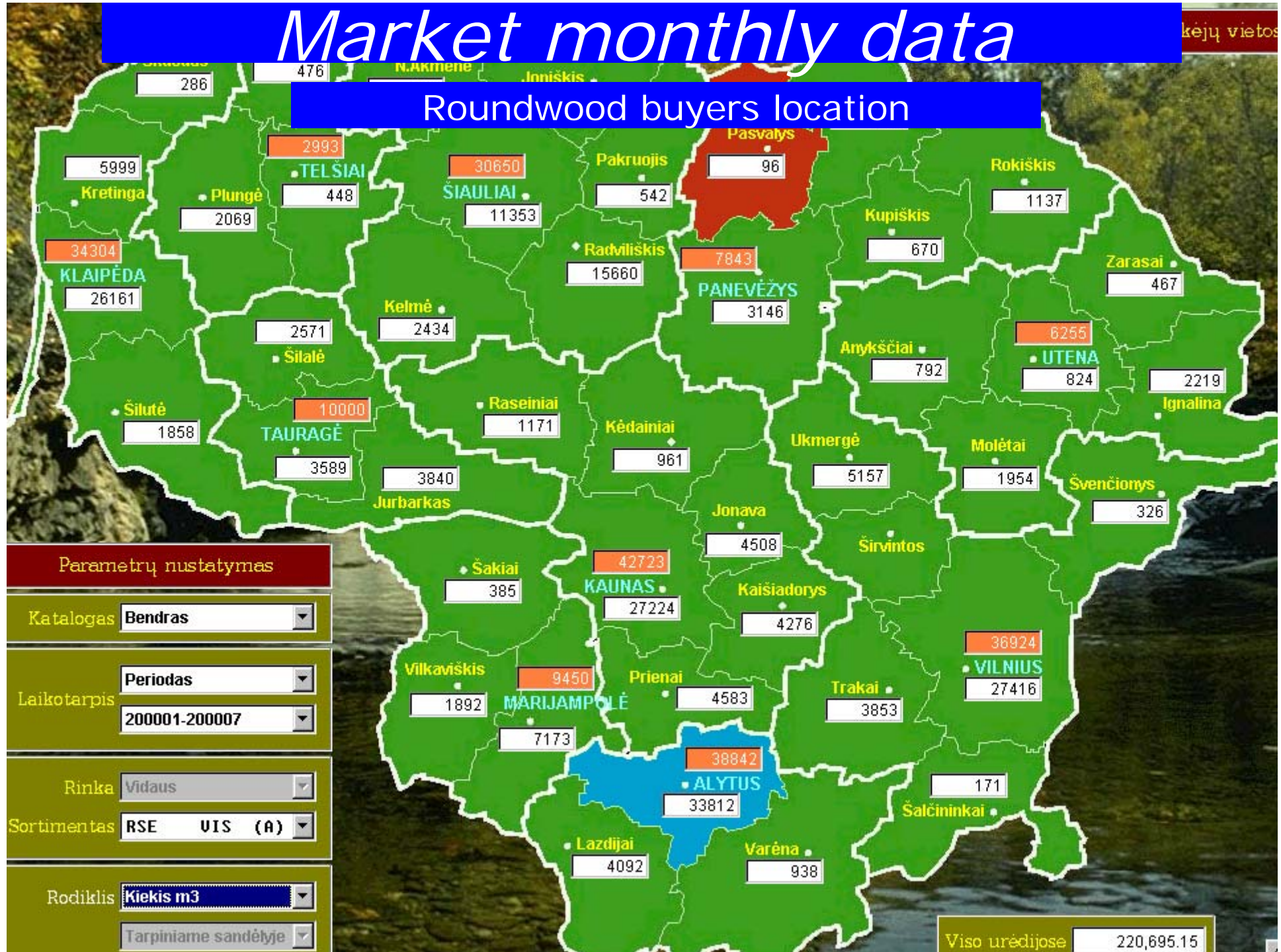
- MIS started from simple - monthly collection of **sales transaction data (quantity + price** by assortment) and calculation (and dissemination back to data providers) of **average prices**.
- Further data are supplemented with **felling, export import data** and analysed quarterly - this gives a picture of **total supply/demand situation**.
- **Dissemination** is a key also, i.e. After primary data collection, some consolidated information must go back to those doing real business.
- **Monthly (MEC naujienos)** or/and quarterly publications putting together key trends and forecasts + trends in neighbouring countries help(ed) to get a trust from primary data providers and stop their feeling that they are sending data but not getting anything back.

Market monthly data



Market monthly data

Roundwood buyers location



Parametų nustatymas

Katalogas Bendras

Laikotarpis

Periodas
200001-200007

Rinka Vidaus

Sortimentas

RSE UIS (A)

Rodiklis

Kiekis m3

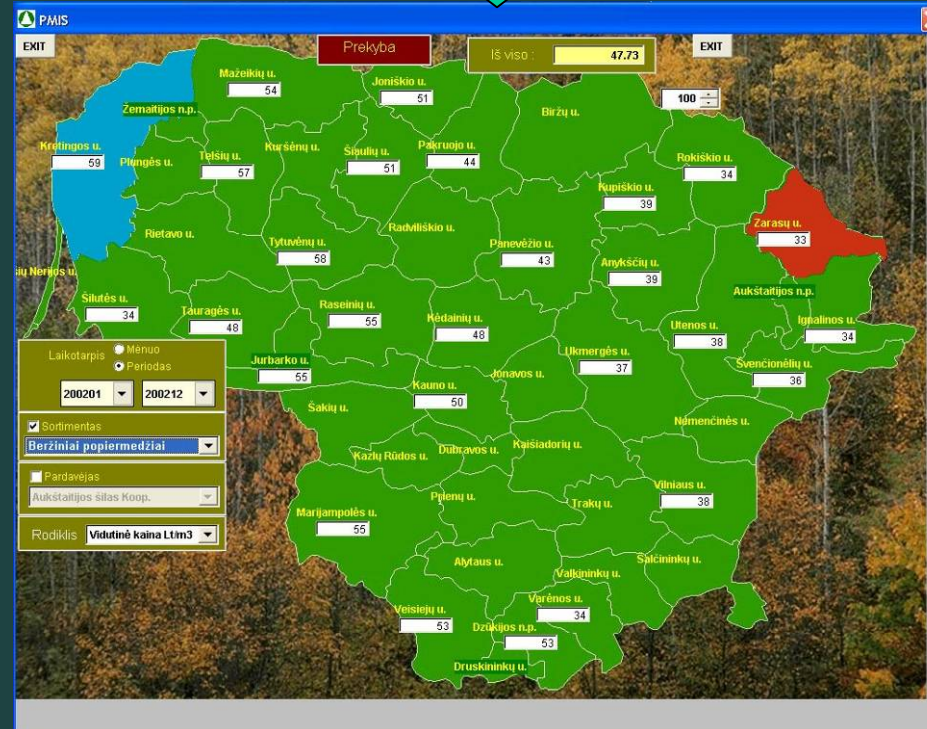
Tarpiniame sandėlyje

Viso urėdijose

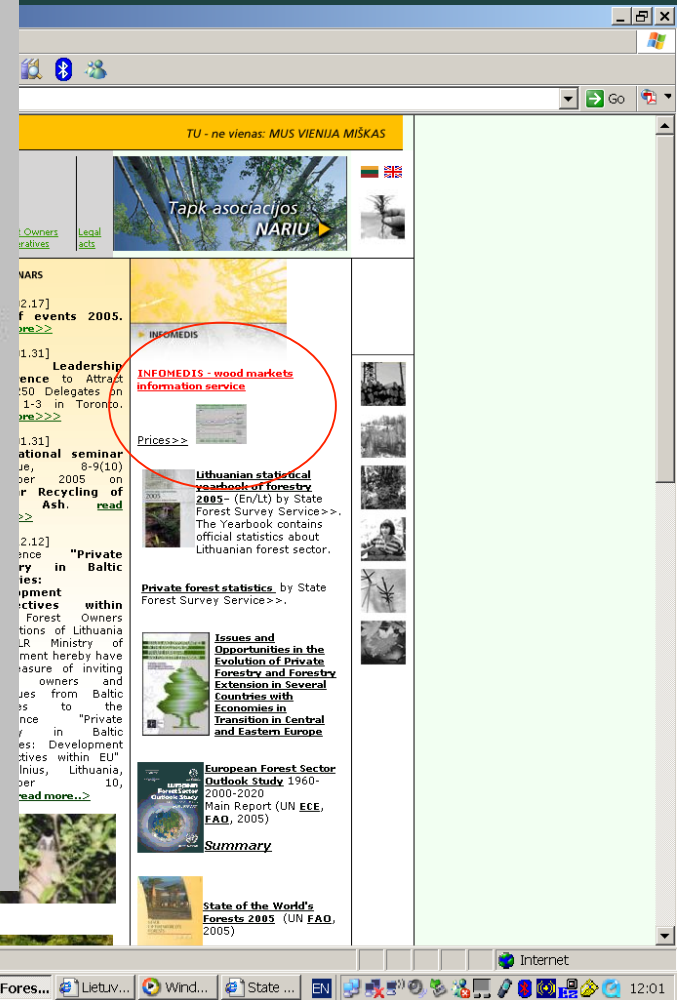
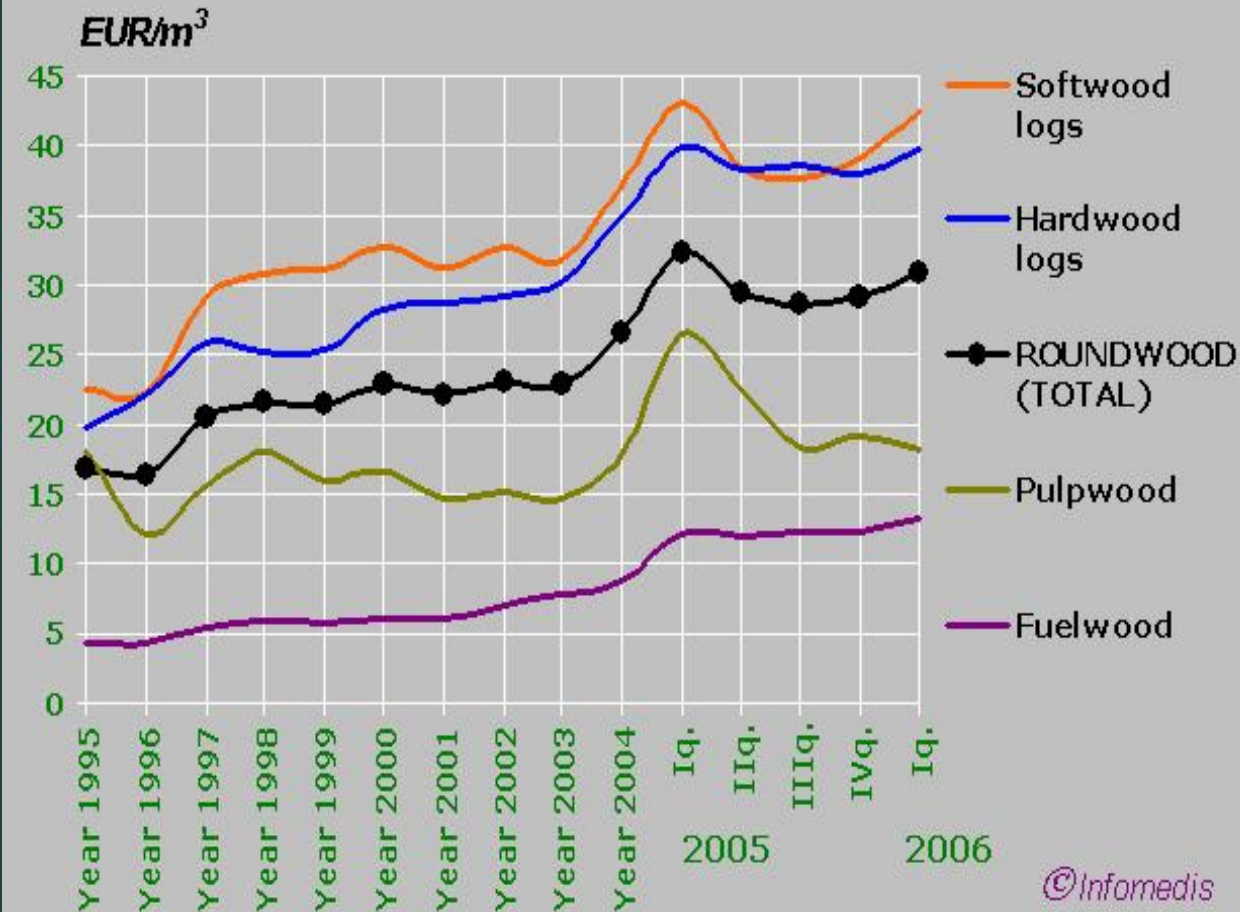
220,695.15

MARKET INTELLIGENCE

EKOM	VARENA	RSP	136.91	120.0	KALUNO RAJ.	UAB "EČIŲKLUOS MIŠKAS"	UAB "ALONP"	0	120
EKOM	VARENA	RTG S PUŠ	36.29	85.0	VARENOS RAJ.	UAB "EČIŲKLUOS MIŠKAS"	ALDONOS DIBURVIENES IĮ	10	95
EKOM	VARENA	RTG S PUŠ	30.86	99.0	MARIJAMPOLĖ	UAB "EČIŲKLUOS MIŠKAS"	UAB "ASAJAP"	16	115
EKOM	VARENA	RTG S PUŠ	7.00	94.0	MARIJAMPOLĖ	UAB "EČIŲKLUOS MIŠKAS"	UAB "ASAJAP"	16	110
EKOM	VARENA	RTG S PUŠ	37.31	89.0	MARIJAMPOLĖ	UAB "EČIŲKLUOS MIŠKAS"	UAB "ASAJAP"	16	105
EKOM	MOLETAI	RSE	43.08	139.0	SIRVINTŲ RAJ.	MSK "AUKŠTATUOS ŠILAS"	UAB "ATHORTA"	11	150
EKOM	UTENA	RSE	36.64	136.0	SIRVINTŲ RAJ.	MSK "AUKŠTATUOS ŠILAS"	UAB "ATHORTA"	14	150
EKOM	JURBARKAS	RLB	41.45	140.0	JONAVA	UAB "EKOMEDIENA"	UAB "BALDAI JUMS"	20	160
EKOM	JURBARKAS	RLB	71.60	145.0	JONAVA	MSK "JONAVOS ŠILAS"	UAB "BALDAI JUMS"	15	160



LITHUANIA: Roundwood prices in 1995-2006 (average price at forest roadside)



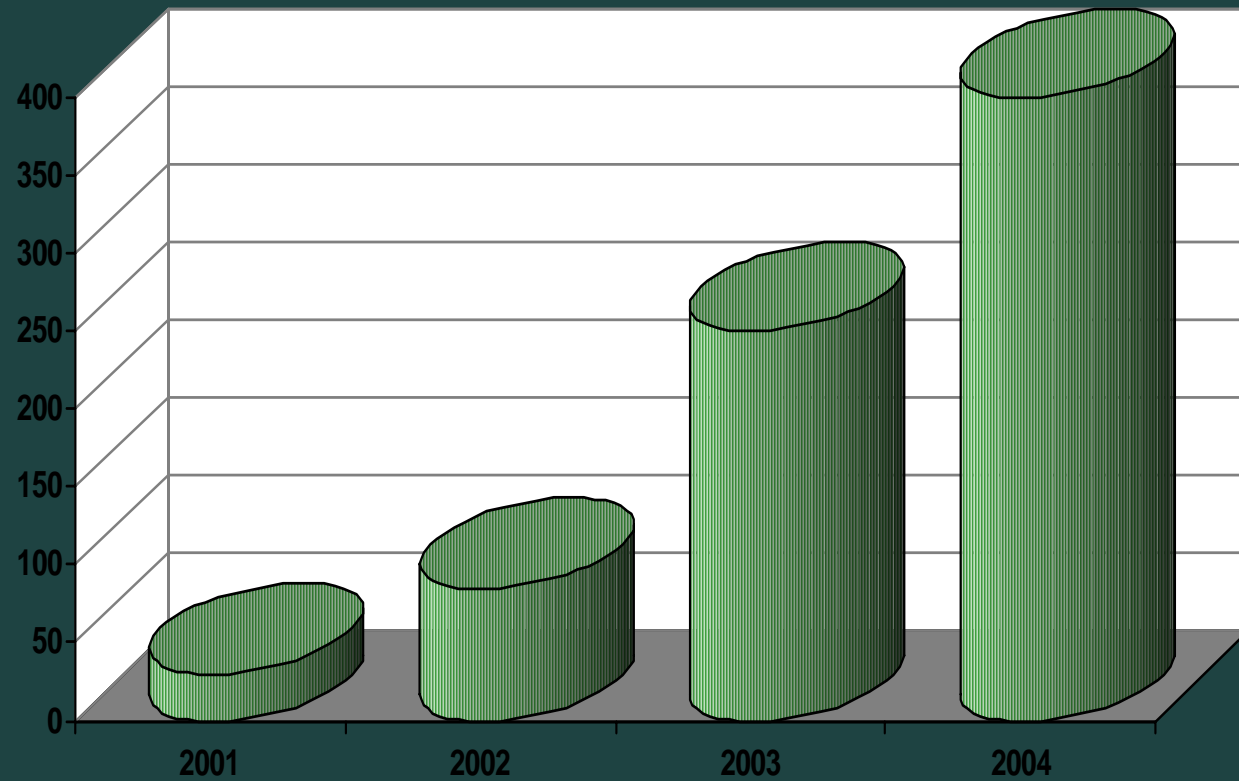
Source: INFOMEDIS 2004-2006
www.forest.lt

FOA of LITHUANIA (LMSA)

- **25 co-operatives & companies of forest owners**
 - providing full range of services
 - Over 130 specialists employed
 - 40 000 m³ wood trade in 2001,
 - 100 000 m³ –in 2002
 - 250 000 m³ –in 2003
 - ~450 000 m³ –in 2004
 - **Network expanding rapidly:** *consultations for 20 000 forest owners, consultancy visits to 8000 forest estates*
- **PFEC – extension services** (*1637 private forest owners trained in courses*)
- **INFOMEDIS** **Market information system** (*monthly roundwood sale prices in private forest*), November 2001
- **EKOMEDIENA:** *centralized roundwood sales from private forests in Lithuania, marketing company, operations from October 2002*
- **PEFC LITHUANIA** – *national governing body for PEFC certification*

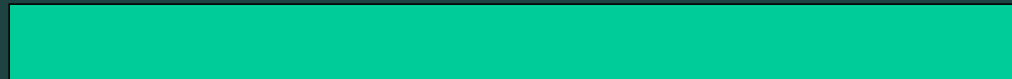


FOAL umbrella companies' roundwood sales (1000 m³)

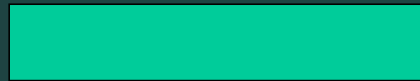


source: INFOMEDIS

0,45 mln.m³ means:



17% wood supply
from private forests

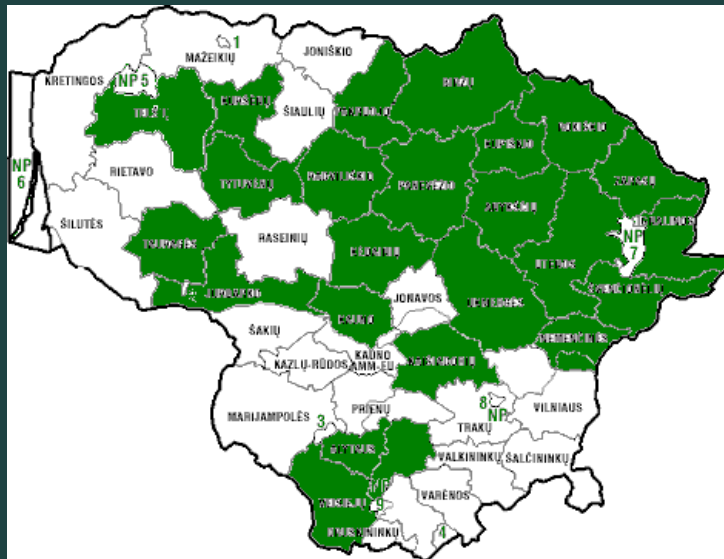


7% wood
supply total

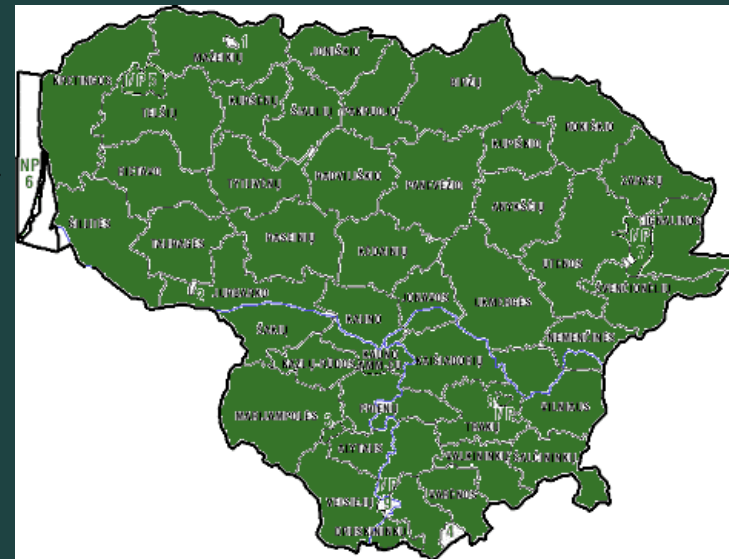


1,3% Baltic countries

2001



2005



(INFOMEDIS)



Conclusions:

Availability of **well timed market information** + **sufficient data coverage** helps to **get better prices** in the market

+20-30% result for private forest owners in Lithuania after marketing system was launched (*i.e. reached real market price level*)

Thank you!