



**Dream big,  
start small, act  
now**

.....

**Naglis Narauskas**

Chairman of the board



# World milk sector

TODAY WE ARE TALKING ABOUT SUSTAINABILITY, BUT NEVER IN THE HISTORY THERE WERE SO MANY DIFFERENT FACTORS, WHICH HAVE AN INFLUENCE ON THE MILK MARKET

▶ Finance sector

▶ Regulatory changes

▶ Emergency market performance

▶ Bio fuel consumption explosion

▶ Comodity stock (futures)

▶ Currency exchange rates

▶ Climate exchange

▶ Population increase/food demand

▶ Soya as an alternative protein

▶ Oil price

▶ Fertilizers

## CHANGES INFLUENCE

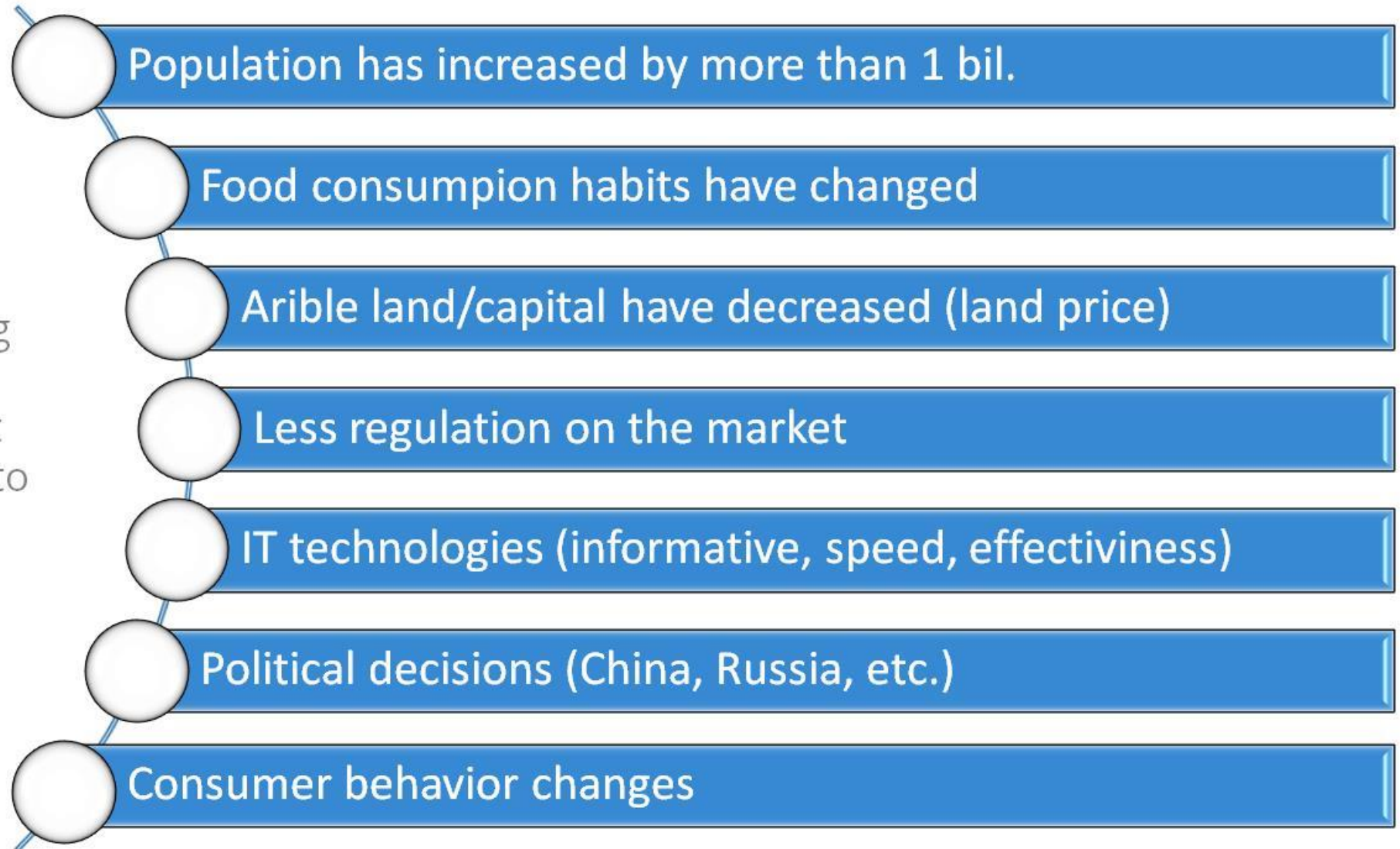
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Today milk market instability is forced by the factors which are not stable by them self. It has a significant influence on the supply/demand ratio, production quantities, prices and profits.



## Many things have changed during the last 10 years

If you think that everything is changing too fast – it is just a feeling. Reality is that speed will keep going to increase.



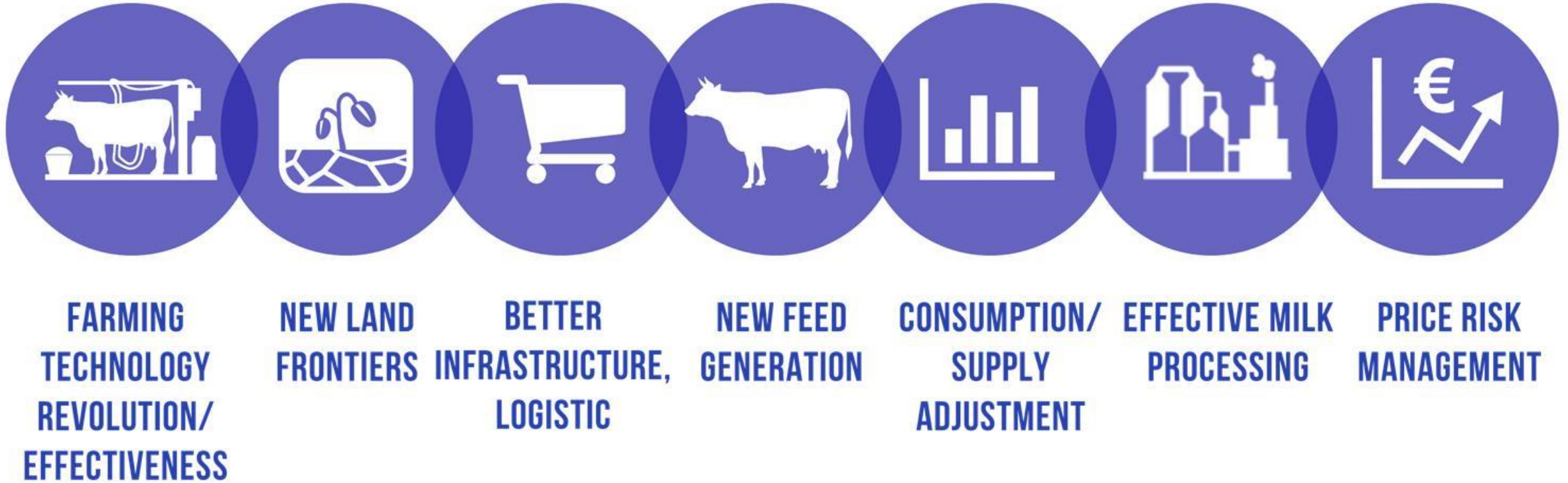
## Task No.1 – risk management

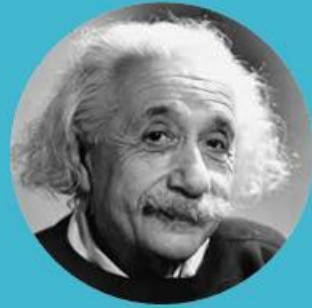


### Reducing of risks and volatility is the task No.1 for dairy sector

35% of CEO's believe that increased volatility of commodities and currencies represents the greatest economic risk to their companies

# World approach of risk management





**Albert Einstein**

“

**If you want to  
win, first of all  
you have to  
play**

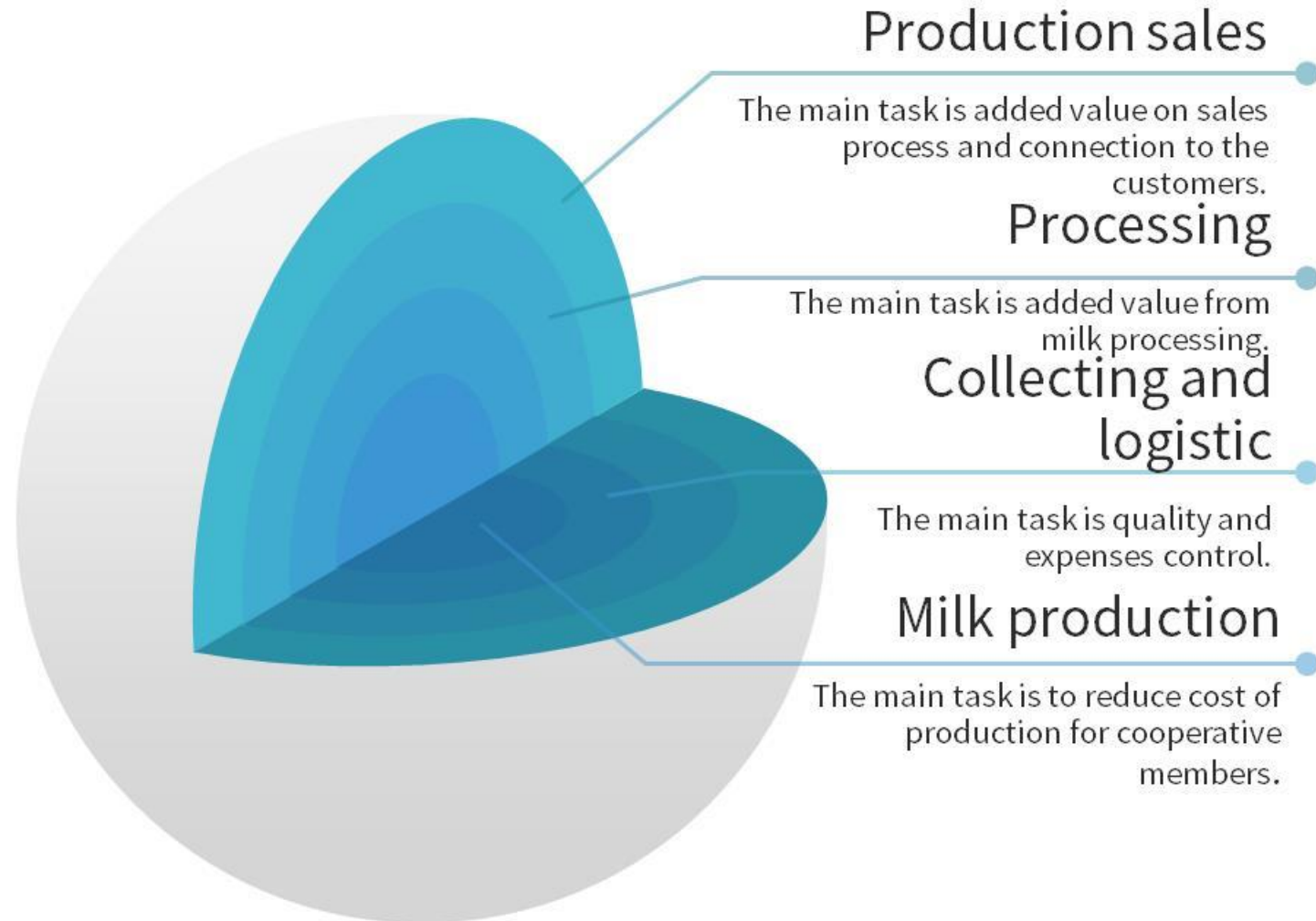
## **We believe in vertically integrated cooperation**

**Cooperation** (lat. cooperatio) — the combination of persons for purposes of production, purchase, or distribution for their joint benefit.

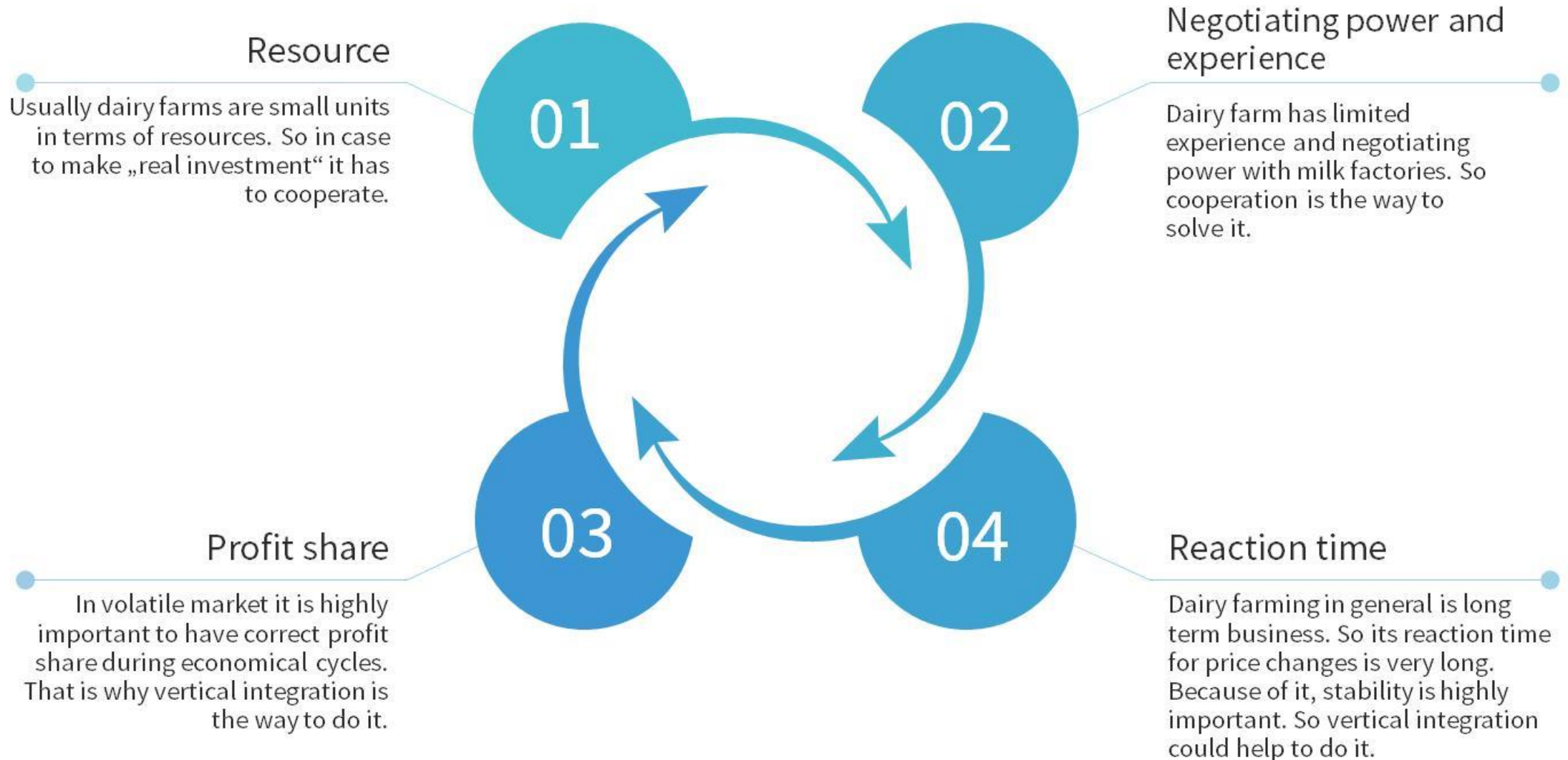
**Vertical integration** — Vertical integration is a strategy where a company expands its business operations into different steps on the same production path, such as when a manufacturer owns its supplier and/or distributor.



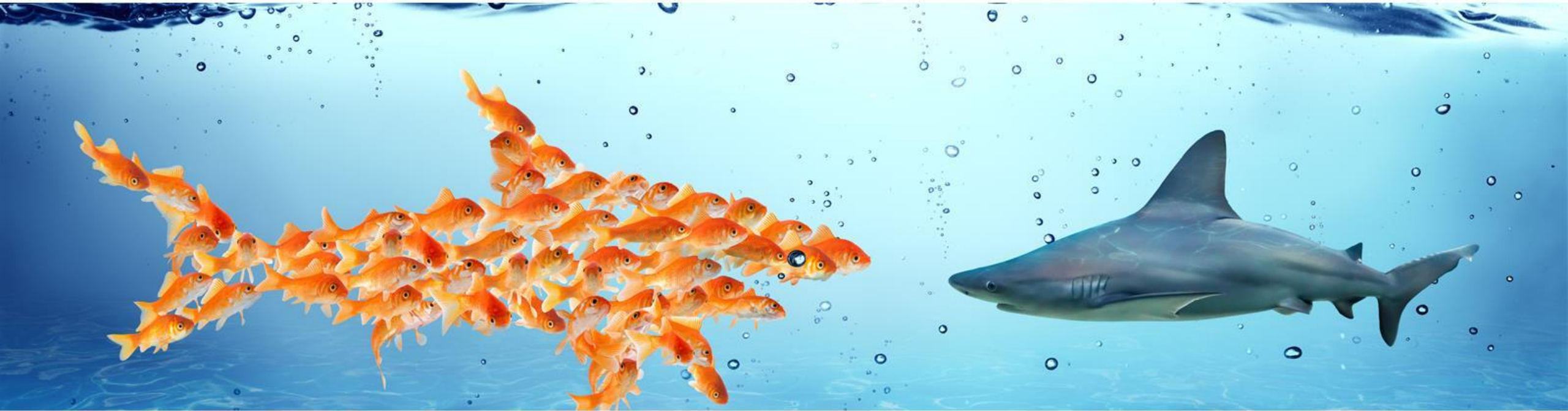
# Vertically integrated dairy sector – it is the way to manage risks



# Why vertically integrated cooperation is so important in dairy sector







### **Power of the group – it is tool of cooperatives and not a task**

Quite often we understand cooperation like jointment of the forces to resist winning against someone. Especially in terms of price negotiation. But in reality it is just a tool to reach your tasks.

# The real tasks of cooperation for long term results

**Resources:** land, cows, inventories, money, experience, labor force, time.



Joining of the resources

**Added value.** Task is to reach maximum of added value in possible fields: reduction of costs, increasing of prices and etc.



Participation in creation of added value

**Act together.** Action together which leads result and taking responsibilities on your decisions.



Cooperation in action and responsibilities

## Joining of the resources based on 1000t. of milk a day



per kg.

**10.000,-**  
EUR/day



**300.000,-**  
EUR/month



**3.600.000,-**  
EUR/year



# Vertically integrated cooperation



**01 Maximizing of the profit**

**02 Volatility amortization**

**03 Independent solutions**

A close-up photograph of several hands of different skin tones cupping a mound of dark, rich soil. A small, vibrant green seedling with several leaves is growing out of the center of the soil. The background is softly blurred, focusing attention on the hands and the plant. The image is partially framed by a white curved shape on the left side.

# **Main conditions for successful cooperation**

“ Leadership is the capacity to translate vision into reality.

*Waren Bennis*



# Leader



A leader is one who knows the way, goes the way, and shows the way.

People make history and not the other way around. In periods where there is no leadership, society stands still. Progress occurs when courageous, skillful leaders seize the opportunity to change things for the better.



# Vision, idea and goal



**Idea which joins** – you have to choose the idea which would be attractive for all members, and could help to joint efforts to build it.



“ The secret of change is all of your energy not on fighting the old, but on building the new.

*Socrates*



# Transparency



**It is the basic of trust**

Transparency has to be in :

- Creation of cooperative;
- Uploading of goals;
- Management;
- Sharing the added value/profit;
- Everyday activities.

“**The lack of transparency results in distrust and a deep sense of insecurity.**”



# That system works all around the world



**KERRY**

*Valio*



**SODIAAL**



glanbia 

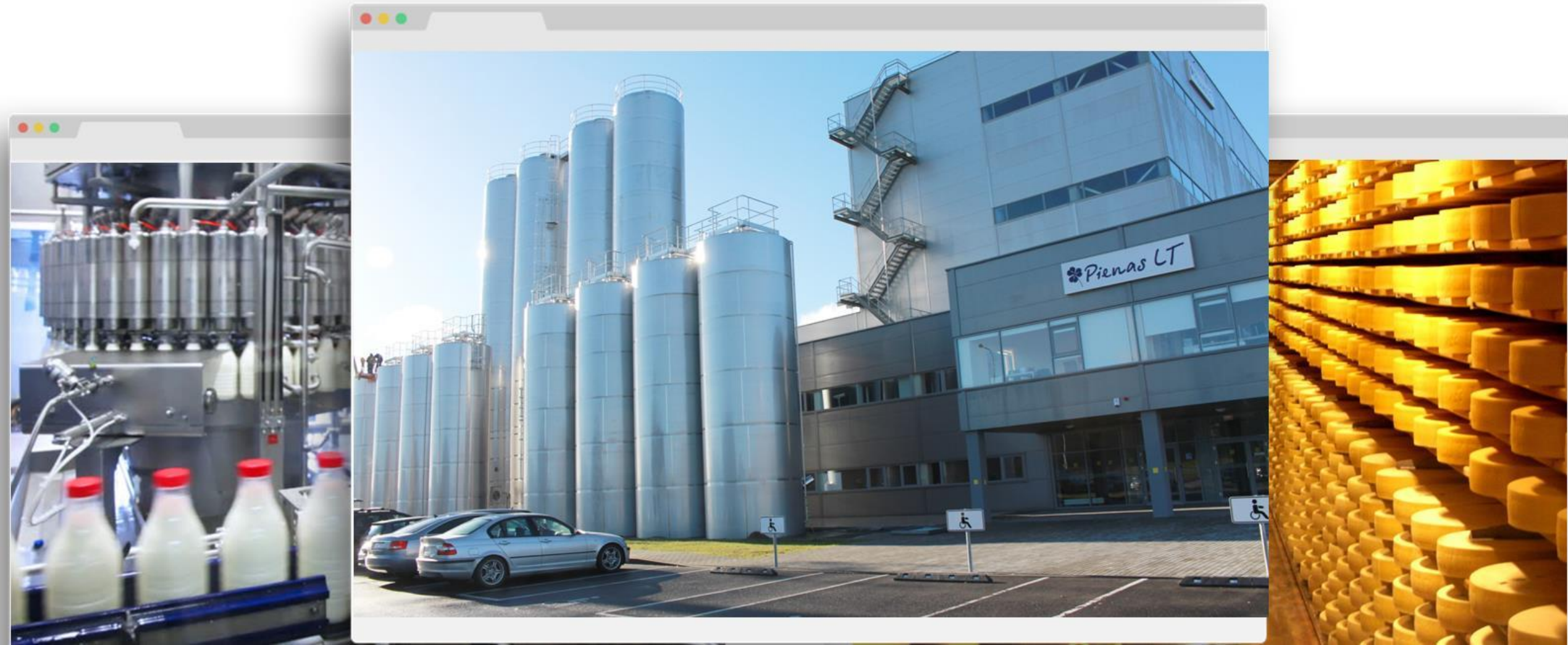
**MILRAM**





# Processing of the milk is one step further

Do you need to process the milk? And if yes, then what to produce?



## Decision to process the milk

Answer to yourselves:

Will you be able to manage it?

Will you be able to create added value?

Will you be able to take responsibilities on your results?

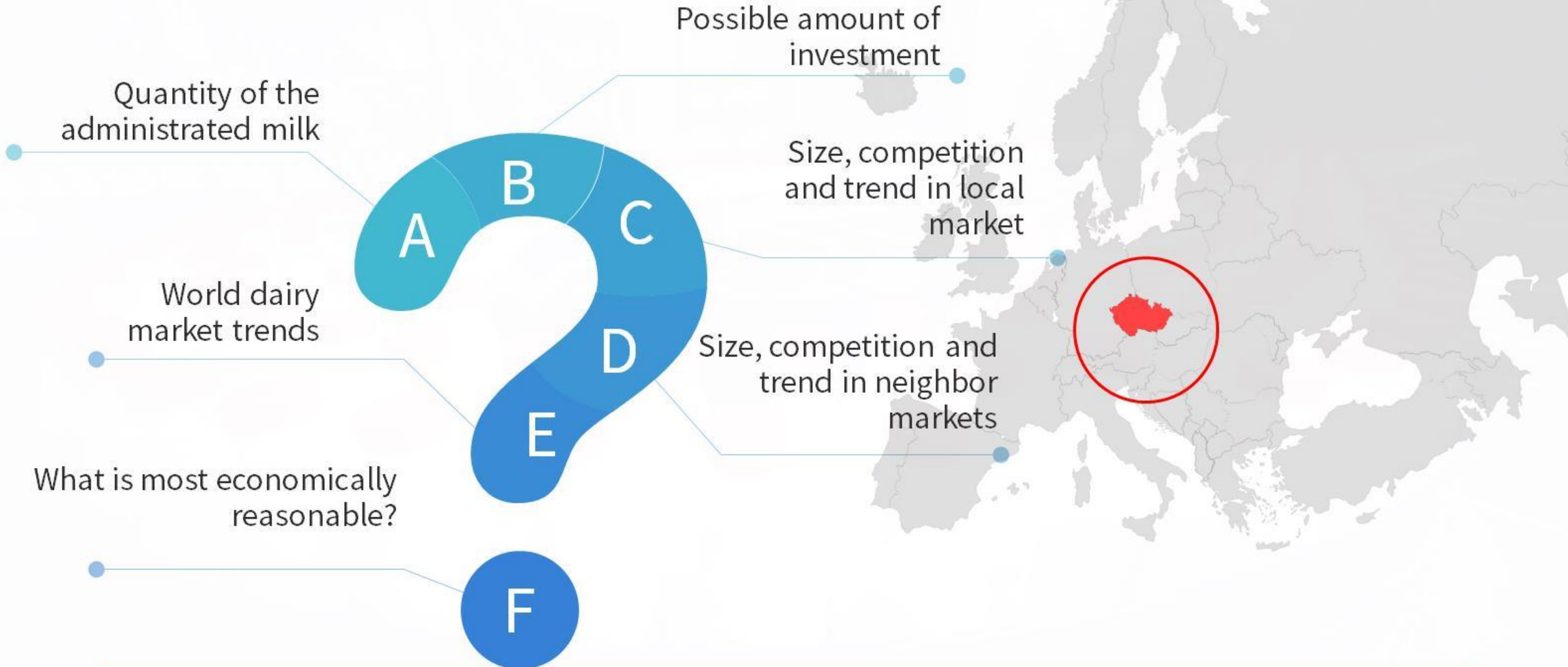
**Decision**



You can decide to start or not. But if you will decide to start – then you **have to act.**



# Decision what to produce?

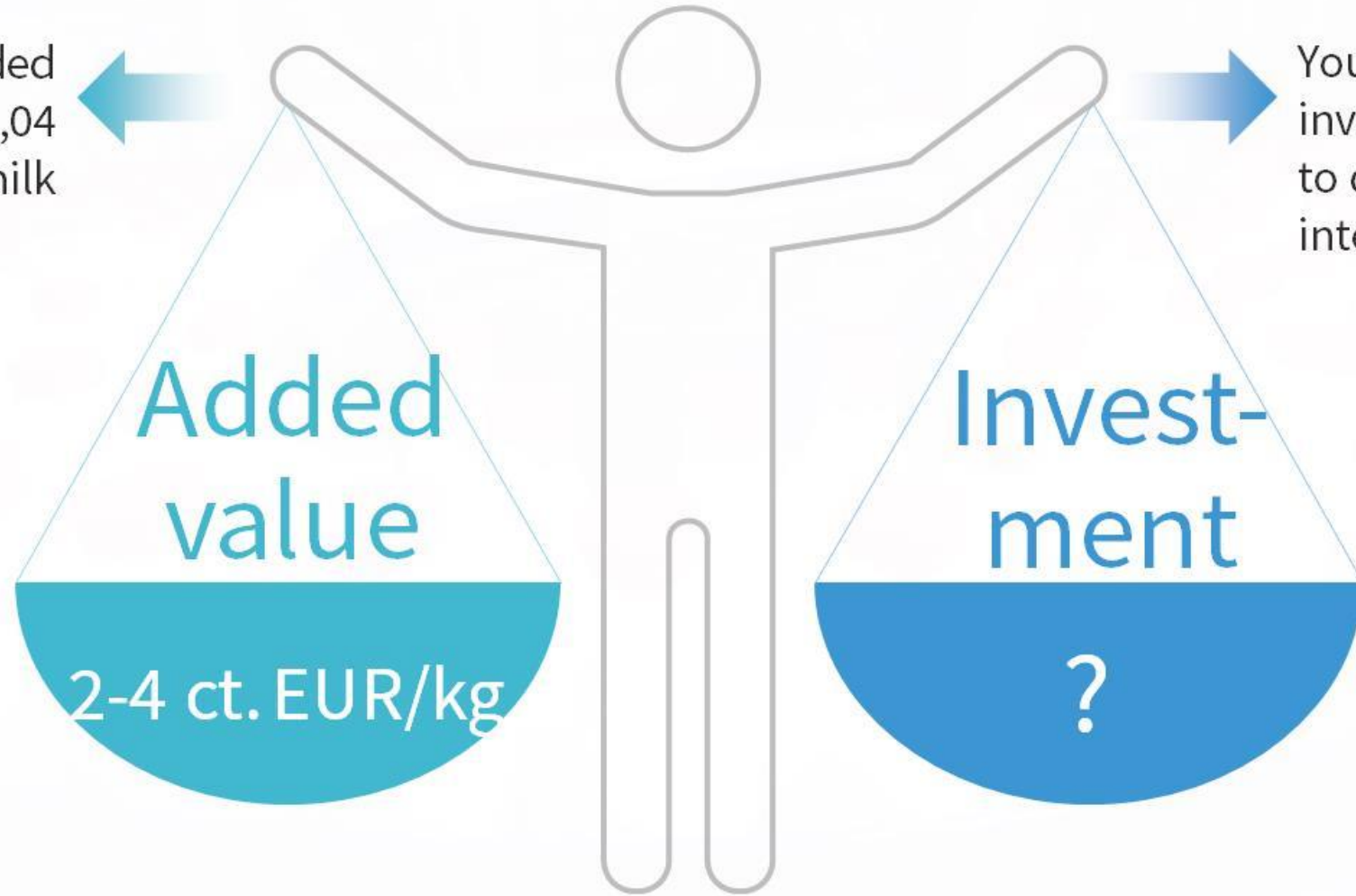


**The shorter supply chain (market nearest to milk production) – the better results.**



## Added value which you can expect?

You can expect added value 0,02-0,04 EUR/kg. milk



You have to calculate investment size and to decide is it interesting or not?

# The reasons why the strategy often remains on paper

Statistics show that about 90% of strategies remain on paper



## Leader

The lack or distrust of the leader stops the idea itself



## Planning/reporting

The lack of time plans and reports on their implementation makes the project unobtainable and often impracticable



## Lack of idea

The lack of a clear idea reduces the desire to do something



## Defocus

If at the same time there are work on a number of directions- this leads to a defocus to a particular project and often to his death



# Doing is the main path to the success





# Our path from The idea to Milk factory



Pienas LT

ŽEMĖS  
ŪKIO VEIKLOS  
PLŪKIMO  
(PARA...)  
Projektas vykdomas  
Žemės ūkio ministerijos  
lėšomis

# Reasons why we created our cooperative?

## World economy crisis

2008

The global crisis has affected the world prices of dairy products and, thus, also the prices of raw milk

01 Economy crisis

## Oligopoly situation on the market

5 processing plants bought over 90% of raw milk, which did not allow farmers to "hope for competition"

02 Oligopoly situation

**Establishment  
in 2008**

## 40:60 Local market/ Export

40% of dairy products are used internally, 60% is export. It was necessary to look for solutions that would allow the export of milk or dairy products

04 Local market just 40%

## World practice

The world practice suggests that a vertically integrated cooperative can be a solution to the problem.

03 Best practice



# The path from the idea to the milk factory

**2008**

## Establishment

During the first year of operation, 160 farms of different sizes has joined the cooperative.

**2008**

## Personal logistics

From the very beginning, the cooperative purchased milk carriers for the collection and transport of milk.

Also it was beginning, of working on quality control of milk.

**2010**

## Milk export

By controlling the assemblage and quality of milk, we started exporting to other countries.

**2011**

## Project- „factory“

The idea of own production gets its course. We started search of possible funding.



# The path from the idea to the milk factory

**2013/07**

## Start of construction

The cornerstone of the new plant was laid on the pure field.

**2015/06**

## Technological line

The assembly of processing line for the production of milk protein concentrates begins.

**2016/07**

## Launching a "wet line"

The technological line of milk processing was launched.

**2017/01**

## Launching drying towers

The drying towers for drying of milk proteins and milk permeate were launched.

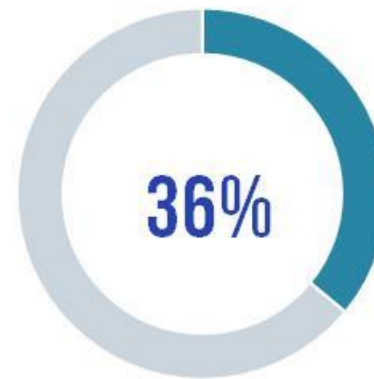
**TOTAL COST OF THE PROJECT WAS 39.431.502 EUR**



**BUILDINGS AND  
INFRASTRUCTURE**



**TECHNOLOGICAL  
LINE OF THE „WET  
PART“**



**3 DRYING  
TOWERS**



**EU FUNDS**



# Today we are:



> 17000 COWS



> 215 FARMS



> 400T/D MILK



> 600T/D PROCESSING

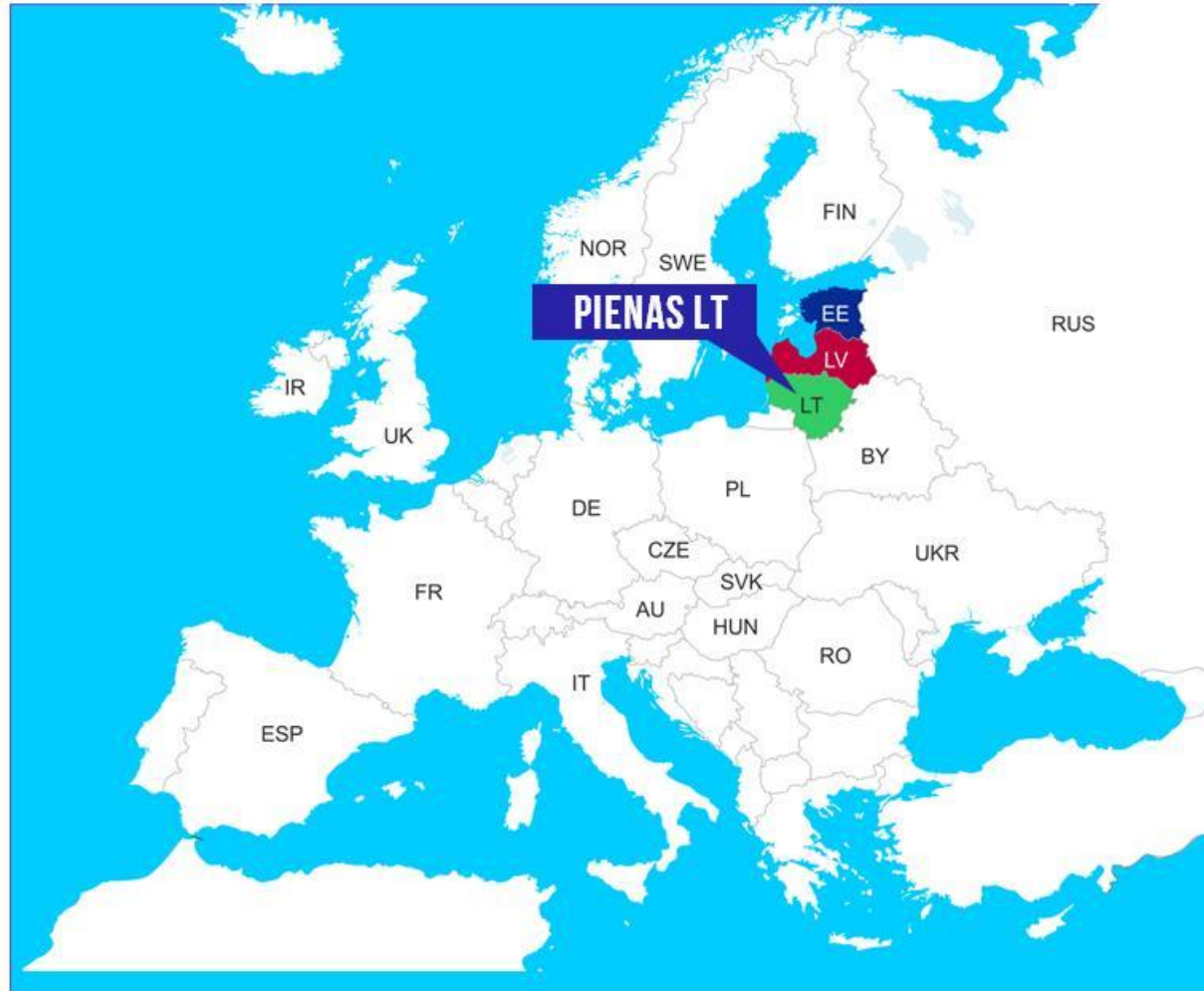


> 150 STUFF





# Today we are biggest dairy cooperative in Baltic States



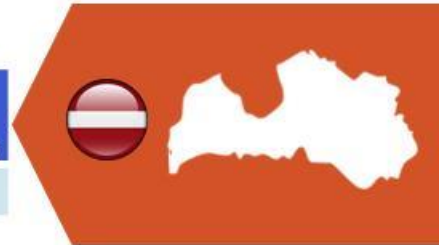
## ESTONIA

Population	No of dairy cows	Cow milk deliveries, t	Cow milk production per capital, kg
1.300.000	96.000	730.000	560



## LATVIA

Population	No of dairy cows	Cow milk deliveries, t	Cow milk production per capital, kg
2.000.000	166.000	804.000	402



## LITHUANIA

Population	No of dairy cows	Cow milk deliveries, t	Cow milk production per capital, kg
2.900.000	314.000	1.435.000	495

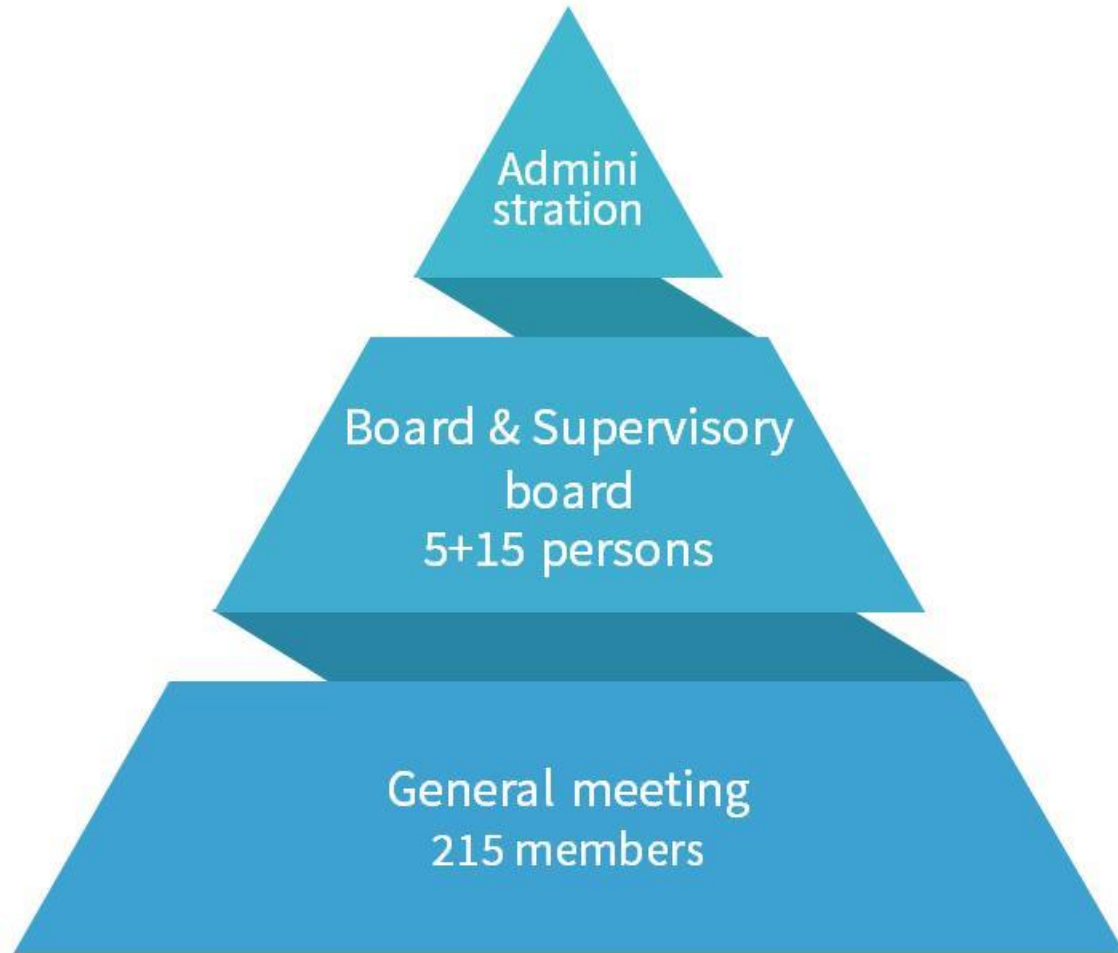


## PIENAS LT

Farms	No of dairy cows	Cow milk deliveries, t	Pienas LT/LT, %
210	17.000	149.650	10,43%



# Management and responsibility



## Administration

Managing daily activities. Responsible for fulfilling the task.

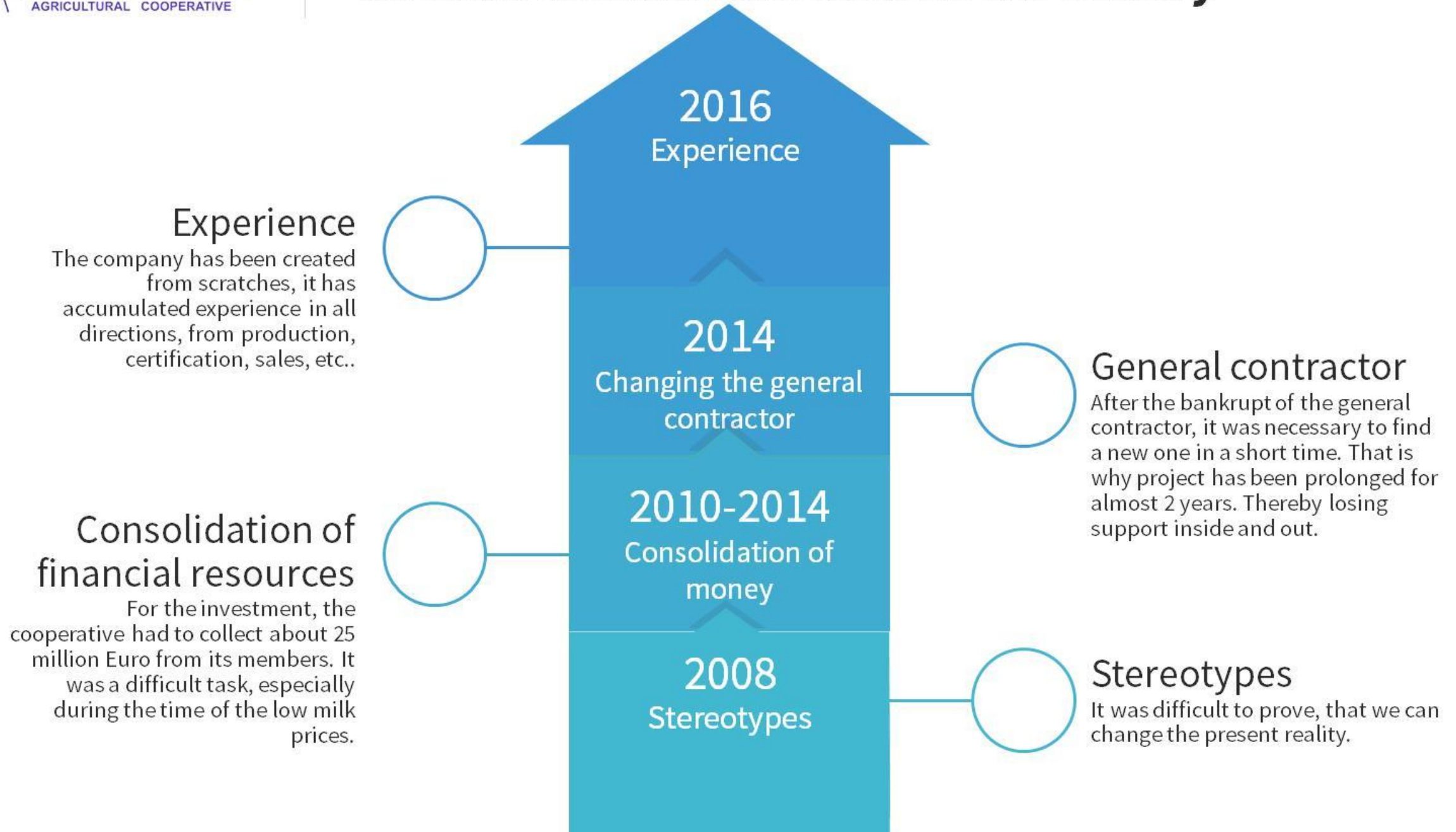
## Board

Exposes the tasks of the Administration, supervises, creates strategic plans of development, etc.

## General meeting

Decides and approves all strategic, principle issues, elects the Board, etc.

# The most difficult moments of our history



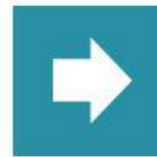


# Strong together or individually smart? It is personal decision



You can consolidate:

- Knowledge;
- Resources;
- Know – How;
- Efforts.



Or you can be individually smart, and try to find your own way and face future risk individually.

**BUT YOU HAVE TO BE PROACTIVE AND NOT REACTIVE**

**Dream big. Start small. Act now.**

- Robin Sharma





**QUESTIONS?**



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