



**COUNCIL OF
THE EUROPEAN UNION**

Brussels, 13 June 2012

11295/12

**AGRI 412
AGRIORG 103**

NOTE

from: Lithuanian delegation
to: Council

Subject: Difficult situation in the dairy sector

Delegations will find attached a note submitted by the Lithuanian delegation, to be dealt with under "Any other business" at the meeting of the Council (Agriculture and Fisheries) on 18 June 2012.

Lithuania expresses its further concerns on deteriorating situation in the milk sector.

As it was already stated by Lithuania on earlier occasions butter price declined by 32 % over a year in the internal market of the EU, while monthly it went down by almost 8 %. Over a year prices of skimmed milk powder dropped by 15 %, whole milk powder - 17.3 % and Gouda type cheese - 9.5 % accordingly.

Over 85 000 t of butter have now been put into storage in the EU since the measure entered into force on March 1 and the quantity is almost the same as in the year of crisis 2009.

The demand in export markets has decreased, which leads to an increase of stocks. In early May 2012 stocks of milk products in Lithuania went up (for example butter – by 3 times in comparison to the corresponding period of 2011). All these factors determine the decline in raw milk prices. The raw milk price paid to milk producers in Lithuania is still one of the lowest prices in the EU and in March 2012 it was 12.6 % lower than EU average. **The raw milk prices during the period of February-May 2012 in Lithuania decreased by 23.1 % (now is at the level of 23.3 EUR/100 kg, but part of small scale producers get only 17 EUR/100 kg). There is a trend of further decrease of raw milk prices during this summer season.** Lower milk producers' income causes delays in their underway investment projects aimed at modernizing dairy farms. Milk producers are planning to limit their milk production or even to withdraw from it.

The country's dairy sector is highly dependent on foreign trade in dairy products as Lithuanian milk sector is orientated to export of milk products. Lithuanian milk processing enterprises export more than 50 % of all processed milk in the form of various milk products (export to third countries makes 37 % of overall export).

In our view market measures, applied currently, are not proving to be effective enough to cope with deteriorating situation on the milk market and further additional measures with immediate effect are needed to stabilize the situation in the milk sector, i.e. Lithuania asks the European Commission to reconsider its position on the temporal renewal of export refunds for dairy products. Lithuania strongly believes that export refunds would facilitate and improve competitiveness of European Union exporters in the world market and stabilize the overall situation in the milk sector.

Moreover, as for a medium and long term perspective Lithuania would advocate analysing all possibilities to review the outdated intervention prices for butter and skimmed milk powder which should reflect and take into account rising production costs more accurately.

