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NOTE

From: General Secretariat of the Council
To: Delegations
Subject: Continuing crisis in the dairy sector
- Information from Lithuanian and Latvian delegations

Delegations will find in the Annex a document on the above subject to be presented by the Lithuanian and Latvian delegations under "Any other business" at the "Agriculture and Fisheries" Council on 25 April 2023.

Continuing crisis in the dairy sector

High tension and deteriorating situation in Lithuanian and Latvian dairy sectors have been raised in the AGRIFISH Council, its preparatory Special Committee on Agriculture since the beginning of this year. In February, both Member States jointly drew attention to the critical situation in their dairy sectors requesting the European Commission to take urgent EU-level measures. It has also been discussed with Commissioner J. Wojciechowski and its services. Since then, significant difficulties continue.

According to the latest data the raw milk purchase prices, which have been falling sharply in Latvia and Lithuania over the last few months, remain at very low level, while high costs of production persist.

In Lithuania the average raw milk price in March (38,19 EUR/100 kg) was 19.8% lower than in March 2022. In Latvia the average raw milk price in March was 34,37 EUR/100 kg, which was by 20.9% lower than in March 2022. Raw milk prices in both countries remain the lowest across the EU and well below the EU average. All factors and arguments set out previously by Latvia and Lithuania (doc. 7386/23) remain very relevant, leaving our milk producers continuously struggling to stay in business. It should be taken into account that summer season brings additional pressure onto the market, as increased milk production levels will not let raw milk prices to recover.

Furthermore, there is no bright future expected at any time soon. The European Commission itself notes this in its short-term Outlook for EU agricultural markets, published few weeks ago. It forecasts declining EU raw milk price and a downward trend for the prices of dairy products, as well as decrease in exports of dairy products. Domestic consumption is not recovering and, unfortunately, there are no positive signs on the international markets. The GDT Price Index remains on a downward trend for the considerable period. Its recent decrease is even bigger than in previous months. Taking into account that Lithuanian and Latvian dairy sectors are highly dependent on exports as well as the developments in external markets, this trend remains of great concern.

It is vital to take urgent EU-level actions and introduce EU financial support for the dairy sectors struggling to survive. It is of utmost important to prevent irreversible negative effects for the dairy sector in the region, as well as spreading of crisis even further to other Member States, neighbouring ones in particular, as there are some worrying signs already.

Therefore, Lithuania and Latvia are repeatedly calling on the European Commission to urgently introduce exceptional EU financial support to stabilize the situation in the dairy sector.
