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NOTE

From: General Secretariat of the Council
To: Delegations
Subject: AOB item for the meeting of the “Agriculture and Fisheries” Council
on 26 May 2026:
Continuing difficult situation in the Lithuanian dairy sector
- *Information from Lithuania*

The Lithuanian dairy sector continues to experience a prolonged period of crisis.

The continuing decline in milk purchase prices, together with rising production input costs, is placing dairy farms in an extremely vulnerable and economically challenging position. Market volatility, Russia’s war of aggression against Ukraine, and military actions in the Middle East are creating significant challenges and uncertainty. In the context of these developments, the European Commission should pay particular attention to the situation in the dairy sector, take urgent measures to preserve viability of dairy farms and ensure stability of the sector.

Sharp and significant decline in milk prices, which began in autumn 2025, has placed dairy producers in a critical situation. In March this year, the average raw milk price in the European Union stood at EUR 43.07/100 kg, representing a year-on-year decrease of 19%. In Lithuania, the decline in milk prices has been even more pronounced, with prices falling by 30% over the year to EUR 37.12/100 kg in March. Although milk prices are declining following a period of relatively high prices that lasted from the second half of 2024 until autumn 2025, the current price level is already significantly below historical averages. In Lithuania, the average milk purchase price in the first quarter of 2026 was around 15.8% lower than the average price recorded during the corresponding period over the previous three years.

At the same time, the situation in dairy product export markets has deteriorated sharply. Lithuanian dairy processors are facing severe disruptions in cheese export markets, both within the European Union and in third countries. Demand has stagnated, buyers' stocks remain full, and new export contracts are being concluded extremely slowly. As a result, cheese stocks are rapidly accumulating in warehouses, while prices in international markets have fallen below production cost levels. Under current market conditions, processors are increasingly forced either to sell products at a loss or to accumulate unsold production, which directly undermines their ability to maintain stable raw milk procurement from farmers.

The situation is further aggravated by oversupply in export markets and increasing competitive pressure among EU dairy exporters. At the same time, seasonal increases in milk production are expected in the coming months, creating additional oversupply pressure and increasing the risk of an even sharper decline in producer prices. Without immediate intervention, the current market imbalance may trigger an accelerated withdrawal of dairy farms from production and create long-term structural damage across the dairy supply chain.

It should be noted that the downward trend in raw milk prices in Lithuania persists despite certain signs of stabilisation in dairy product markets. In Lithuania, the milk purchase price decreased by 2.9% in March 2026, while a further decline of around 2.4% is forecast for April. Milk prices are expected to fall to EUR 36.24/100 kg in April.

At the same time, the prices of agricultural production inputs continue to rise rapidly; for example, diesel fuel prices increased by 56% over the year. These rapidly widening "price scissors" are leading farms to withdraw from milk production.

Of particular concern is the fact that withdrawal of dairy farms from production may lead to long-term and irreversible structural consequences. Once milk production is discontinued, returning to the sector often becomes economically unfeasible due to lost investments, reduced production capacity, and labour shortages. This is especially relevant in regions where dairy farming is one of the main agricultural activities, ensuring employment, income, and the vitality of rural areas.

It is also important to note that, in recent years, Lithuanian dairy farms have made significant investments in farm modernisation, the implementation of sustainable production methods, and compliance with environmental requirements. However, high market volatility and sharply reduced revenues are jeopardising continuity of investment projects, increasing financial pressure on farms, and raising the risk of difficulties in meeting financial obligations to credit institutions.

The European Union, including Lithuania, is one of the world's leading exporters of dairy products. A stable and competitive dairy sector is important not only for competitiveness of the European agri-food sector, but also for ensuring global food security. Therefore, timely support to address the current crisis is essential to preserve production capacity, ensure the continuity of the sector, and avoid long-term negative structural consequences for rural economies. Experience from previous crises demonstrates that timely market support measures implemented by the European Commission have significantly contributed to stabilising the economic situation of dairy farms.

Lithuania considers that the current market situation requires urgent and coordinated action at the European Union level in order to prevent further deterioration in the dairy sector.

Therefore, Lithuania calls on the European Commission to:

- immediately activate the private storage aid scheme for cheeses, in order to help stabilise the market and prevent forced sales of products below production costs;**
- immediately mobilise support from the agricultural reserve in order to support dairy farms.**