



**COUNCIL OF  
THE EUROPEAN UNION**

**Brussels, 8 July 2009**

**11814/09**

**AGRI 301**

**NOTE**

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from: Lithuanian delegation  
to: Council

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Subject : Increase in export refunds for cheese

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Delegations will find attached a note submitted by the Lithuanian delegation, to be dealt with under "Any other business" at the Council meeting (Agriculture and Fisheries) on 13 July 2009.

THE INCREASE IN EXPORT REFUNDS FOR CHEESE

The difficult situation in the dairy sector has already been raised many times and at different institutional levels. We appreciate the European Commission's efforts in this field (introduction of and increase in export refunds, extension of the intervention period for certain dairy products). However, from the Lithuanian point of view, considering the difficult situation in the sector and the economic downturn, these measures are insufficient. In our opinion, export refunds for cheese (such as *Edam*, *Gouda*, *Tilsit* etc.) must also be increased, because, despite the fact that cheese is one of the EU's leading dairy exports, export refunds for cheese, unlike many other dairy products, have not been increased since they were reintroduced in January 2009.

Given that the situation in the dairy market was raised at the EU Summit Meeting on 19 June 2009, and that the European Commission is planning to publish the report on the EU dairy sector by 22 July 2009 (a month earlier than requested), we expect that the report will include the very topical issue of increasing export refunds for cheese.

Lithuania's dairy industry exports over 50 percent of all processed milk, in the form of various dairy products (exports to third countries account for 35 percent). Therefore the results of dairy activities are highly dependent on the conditions of foreign trade in dairy products.

Owing to the global financial crisis, demand for dairy products has recently decreased, and dairy product prices are still at a very low level. In many Member States product prices went beyond the intervention level. The currency devaluation in trading partner countries (such as Russia and Belarus) has made EU dairy products relatively more expensive, thus decreasing demand for them.

The current lower farm-gate prices for milk do not cover milk production costs which have increased in recent years. The purchase price for milk in Lithuania is the lowest in the EU, amounting to just EUR 16,66 / 100 kg. Farmers who have taken up farm modernisation projects or are participating in EU-funded farm modernisation projects find themselves in a particularly difficult situation. Owing to the financial crisis, bank loan interest rates have increased by 4 percentage points (the annual interest rate in LTL is about 11 percent).

An increase in export refunds for cheese would be of considerable support to producers and exporters at this critical time and would help the EU dairy producers to stay competitive on the world market.

