INFORMATION NOTE

from : Lithuanian delegation

to : Council

Subject : Situation on the Milk Market

Delegations will find attached a note from the Lithuanian delegation concerning the above.
SITUATION ON THE MILK MARKET

Recently, the decrease of dairy product prices in World and Community markets can be observed. Butter price has reached a level of winter period 2007, prices of skimmed milk powder and whey powder went beyond the level of January 2007. The decrease pace of cheese prices was slightly slower.

Export prices of Lithuanian dairy products have declined by 30 - 45 percent if compared to second half of 2007 and show a tendency of further decrease. In March 2008, export price of lactose declined 2.5 times, whey powder – 2 times, butter and cream – by 40%, skimmed milk powder – by 33%, cheese – by 13% in comparison with export-favourable period of 2007. We suppose that the situation is common in other EU member states.

At the same time, the demand in export markets has decreased, thus causing the increase of stocks. In the beginning of March 2008, stocks of milk products increased: skimmed milk powder – 14 times, whey powder – 3 times, lactose – 5.5 times and preserved milk products – 2 times in comparison to the corresponding period of 2007.

All these factors determine the decline in raw milk prices. Therefore, from the beginning of this year, Lithuanian milk purchasers reduced raw milk prices by approximately 20 percent and intend to continue so. Diminished prices of raw milk cause discontent of more than 50 thousands Lithuanian milk producers.

It should be noted that, during the past few years, costs of milk production increased significantly: in February 2008, comparing with the same month of the previous year, the index of purchase prices of the means of agricultural production rose up by 40%. Motor fuel price increased by 30%, mineral fertilizers - by 74%, compound feedingstuff for cattle – by 52.5 %.
Current trends in world dairy product market suggest the continuation of decrease. Thus, milk purchasers and processors may not be capable of paying the raw milk price which would cover growing expenditure on milk production. Reduction in milk producers’ income causes suspensions of the underway investment projects aimed at modernization of dairy farms. Milk producers are planning to limit or even withdraw from milk production, to organize protest actions.

Having in mind the importance of this situation to the countries exporting a big part of their milk production to the third countries, and with a view to preserve the present level of raw milk prices, we would like to request to renew export refunds for skimmed milk powder, butter, cheese and preserved milk products.