

Interview with Jonas Vilionis, President of the Lithuanian Milk Producers' Association



Mr Vilionis, what is the current situation of Lithuanian milk producers? What milk prices do you have at the moment?

Currently, Lithuanian milk producers receive an average of 18-22 euro cents per litre of raw milk. The situation is getting worse, as the milk buying prices are still decreasing. And the prospects for the near future show another price drop by 2.9 eurocents. The Belarus market, which seemed like a potential solution for Lithuanian milk producers, appears to be no salvation and cannot be relied on. We are constantly looking for new markets; however, it is a long and difficult process, which does not happen overnight. Therefore the situation for Lithuanian milk producers is absolutely unstable and still worsening. A large number of Lithuanian dairy farmers are on the verge of stopping milk production, or re-orienting towards other agricultural sectors, which would be a real shame for a country with such a long

tradition of milk production as Lithuania.

What did the last 12 months bring to Lithuanian milk producers?

The last year has been totally unstable and uncertain for Lithuanian milk producers. We have suffered major losses, and there seems to be no definite end to the current situation.

What impact did the Russian embargo actually have on Lithuanian milk producers?

Compared with 2013, the year 2014 will mean approximately 50 million euro losses to Lithuanian milk producers. Since the Russian embargo, every month means losses, which are difficult to assess.

The European Commission granted 14.1 million euros to Lithuanian milk producers in response to the Russian ban. How do you assess that aid?

We really appreciate the attention the European Commission has paid to the Baltic States and our milk producers, acknowledging the critical situation we are now facing. However the support granted by the Commission is far too little to compensate for our actual losses (in our initial request, we asked the Commission to cover 37 million euro losses for Lithuanian milk producers only). The Lithuanian Milk Producers' Association has also appealed to the EU authorities for this amount. Therefore the support allocated by the Commission will only offer very temporary relief for our milk producers. If the situation does not start improving very soon (although it shows no signs of improvement yet), our farmers will be forced to reduce their herds and will start slaughtering their cows. In Lithuania, with a very long tradition of dairy farming, it will have an extremely negative impact on our rural economy and society.

What do you expect for 2015, especially after the abolition of milk quotas?

Lithuania has never fulfilled its milk quota. According to the Milk Market Observatory data, in 2012-2013 we only fulfilled 79% of the milk quota. Considering the current situation and raw milk buying prices, we can forecast Lithuania is not going to fulfil its milk quota for this year either. Lithuanian milk processors import approximately 1.5 tons of raw milk every day from neighbouring countries, and it is indeed a significant volume of milk for our country, having a major impact on the raw milk prices. With the current trends, we cannot but predict losses and bankruptcies of individual dairy farmers. As soon as the milk quotas are abolished, we foresee vast amounts of milk coming into Lithuania, and we fear this process will be

beyond our control, meaning potentially yet another collapse in prices (which are already far below acceptable levels).

What should be done on the political side?

In Lithuania, there is a law on unfair trade practices, which should control the distribution of revenues among farmers, processors and retailers. However, this law is obviously ineffective. Currently, the producer merely receives 18% of the price obtained; the rest goes on taxes and is shared among the processor and retailer. We are adamant that such a price distribution is unfair and must be controlled more strictly by the State, ensuring effective application of that law on unfair trade practices. The State should demonstrate more effort to ensure the viability of the milk sector in Lithuania as it is one of the key agricultural sectors, with very long traditions and ensuring considerable input into the rural economy.

Could you please describe a typical Lithuanian dairy farm? How many cows, the quantity of milk produced etc.

The majority of Lithuanian dairy farmers keep up to seven cows. However we also have modern dairy farms with 1,000 cows. Farms with 50-100 cows produce about 70% of the total amount of milk in Lithuania. Our Association unites the farms of various sizes and levels of modernization, but our farmers acknowledge the importance of being associated, and are very keen on our membership of the EMB, acknowledging it as the most important lobby organization of EU milk producers. We are eager to be accepted as members of the EMB, and believe we can make a valuable contribution to the work of this association.