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MILK
and milk products

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Reports, publications, studies and documentation

MILK
AND MILK PRODUCTS

1995 edition

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Directorate–General for Agriculture
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INTRODUCTION

The information in this document is arranged in three parts:

- the "analysis" part describes the market situation and the mechanisms of the market organization in the product;
- the "statistics" part gives most of the tables appearing for the product in the annual report on the agricultural situation in the European Union;
- the Council decisions on the agricultural prices provide a vital illustration of the Community's policy in this sector.

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DESCRIPTION OF THE MECHANISMS OF THE COMMON MARKET ORGANIZATION*

The milk and milk products market organization, which came into operation on 29 July 1968, is governed by Regulation (EEC) No 804/68, as last amended by the Act of accession of Austria, Finland and Sweden.

It covers the following products;

- fresh, preserved, concentrated or sweetened milk and cream;
- butter, cheese and curds;
- lactose and lactose syrup;
- milk-based compound feedingstuffs.

The milk year runs from 1 April to 31 March.

This sector takes one of the largest shares of total EAGGF Guarantee spending. This share has however decreased markedly from 42% in 1980 to 12.9% in 1994.

1. Economic background

The Community of the Twelve is the world's largest milk producer. In 1993 milk production accounted for about 16.6% of the total value of final agricultural production.

Almost half of the Community's milk production is supplied by Germany (the main producer) and France.

At the end of 1994, the dairy herd, milk production and deliveries to dairies were thus estimated at 21.0 million head, 111.1 and 102.6 million t respectively.

Compared with the situation at the end of 1983, on the eve of the introduction of the additional levy by the Council, these figures represent a decrease of 27.5%, 11.4% and 10.4% respectively.

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* Translated from *Avant-projet de budget général des Communautés européennes pour l'exercice 1996.*

The total use of milk products in the Community as a whole shows a long-term upward trend of 0.5% a year and currently totals about 97 million t of milk. In the short term, the trend is more erratic and there have recently been signs of a stabilization of milk consumption rater than a steady growth.

It should be noted in particular that without any special disposal measure on the internal market, total consumption of milk in the Community would stabilize at about 87 million t.

The general trend in Community consumption of butter is a decrease of around 1% a year. This figure would probably be higher if it were not for the special sales schemes.

For all other milk products, the long-term trend for consumption is no change or a slight increase.

Community production is in surplus, although the self-sufficiency rate varies from one product to another, but in almost all cases it is well over 100%. The Community therefore has to contend with the surpluses.

Public stocks of skimmed-milk powder rose from 37 000 t at the end of 1993 to 72 000 t at the end of 1994; they had totalled 473 000 t at the end of 1987, 7 100 t at the end of 1988, 4 800 t at the end of 1989, 333 000 t at the end of 1990, 414 000 t at the end of 1991 and 47 000 t at the end of 1992.

Public and private stocks of butter fell from 207 000 t at the end of 1993 to 118 000 t at the end of 1994; they had totalled 958 000 t at the end of 1987, 202 000 t at the end of 1988, 124 000 t at the end of 1989, 332 000 t at the end of 1990, 302 000 t at the end of 1991 and 241 000 t at the end of 1992.

Exports were considerably lower in 1994, at an estimated 11 million t; they had totalled 13.2 million t in 1993, 13.8 million t in 1992, 12.8 million t in 1991, 12.4 million t in 1990, and 14.2 million t in 1989. As regards individual products, in 1994 exports of fresh products, casein and whey powder rose (by 2.8%, 4.9% and 13.2% respectively), while there was a decrease in exports of most other milk products: butter -37%, skimmed-milk powder -56%, condensed milk -20% and cheese -2%.

Imports of butter from New Zealand amounted to 61 778 t in 1989, 62 148 t in 1990, 57 811 t in 1991, 45 880 t in 1992, 57 675 t in 1993 and 51 830 t in 1994. Imports of cheese rose by 18% in 1994, from 109 000 t in 1993 to 130 000 t in 1994.

2. Operation of the market

2.1. Price arrangements

Each year the Council fixes three types of prices:

(a) Target price: A target price is fixed for milk containing 3.7% fat on delivery to the dairy. It represents the price which it is aimed to obtain for the aggregate of producers' milk sales, on the Community market and on external markets, during the milk year.

(b) Intervention prices: Intervention prices are fixed for butter and skimmed-milk powder. The intervention agencies must buy in all quantities meeting the set quality standards offered to them at that price, unless buying-in has been suspended.

(c) Threshold prices: Each year the Council, acting on a proposal from the Commission, fixes threshold prices for certain products for the following milk year. These prices are fixed so that the price of imported milk products is geared to the target price for milk, thus affording the necessary protection to Community processors. Since 1 July 1995, threshold prices have been abolished, and import levies have been replaced by fixed duties.

2.2. Specific market instruments

2.2.1. Import and export arrangements

Export refunds are granted on most milk products; the Commission fixes the rates every four weeks. They may be differentiated according to intended use/destination.

Safeguard measures, such as quota arrangements or even the closure of frontiers, may be applied to certain imports.

When a shortage occurs, entry charges may be limited or cancelled and export charges may by imposed.

2.2.2. *Storage*

(a) Public storage: National agencies buy in butter under a standing invitation to tender and milk powder offered for intervention during the period 1 March - 31 August at intervention prices. These products, once stored, are disposed of either by tender or directly via:

- sales of butter at reduced prices to manufacturers of pastry, ice-cream and other food products, to non-profit making organizations or to the recipients of welfare benefit;

- sales of concentrated butter for cooking at reduced prices;

- sales of skimmed-milk powder for use as feed for animals;

- exports;

- food aid operations.

The public storage arrangements were altered from the fourth 12-monthly period of the application of the additional levy. If more than 180 000 t of butter have been offered for intervention, the Commission suspends buying-in throughout the Community. Since then a system of buying-in by tendering procedure has applied.

As regards skimmed-milk powder (during the period 1 March - 31 August), buying-in may be suspended once the quantities offered for intervention exceed 106 000 t, no account being taken of the quantities offered before 1 March. After that date, market support takes the form of other measures.

(b) Private storage: Private storage aid is granted in respect of:

- butter stored for not less than four months between 15 April and 15 August;

- top-quality skimmed-milk powder (only when buying-in to public storage is suspended during the period 1 March to 31 August);

- Grana padano cheese not less than nine months old, Parmigiano-Reggiano cheese not less than 15 months old and Provolone cheese not less than three months old. In years when it is necessary to reduce or eliminate a serious imbalance by seasonal storage, aid can be granted for the private storage of long-keeping cheeses (Emmental and Gruyère) and certain cheeses produced from ewes' milk (Pecorino, Kefalotyri and Kasseri).

2.2.3. *Aid for milk used as animal feed*

This aid is fixed by the Commission or the Council to help dispose of liquid skimmed milk, skimmed-milk powder and buttermilk.

(a) Aid for liquid milk

- Aid for denatured liquid skimmed milk and buttermilk:

  - either returned to the farm, or

  - used on the farm where it is produced.

  This aid is granted in respect of liquid skimmed milk for use as feed for animals, mainly calves. The amount of the aid depends on the intervention price and supply situation for skimmed-milk powder, the price of calves and the price of competing proteins.

- Special aid for liquid skimmed milk: this aid is granted in respect of liquid skimmed milk for use as feed for animals other than calves under four months old. The aim is to prevent the processing of milk into milk powder. The amount of the aid depends on the trend in prices for competing proteins and on the intervention price for skimmed-milk powder.

(b) Aid for skimmed-milk powder

- Aid for milk used in animal feed: this aid is granted in respect of skimmed milk processed into compound feedingstuffs and skimmed-milk powder intended as feed for calves. It makes it possible to dispose of most of the skimmed-milk powder produced in the Community.

- Special aid for skimmed-milk powder: such aid is granted in respect of skimmed-milk powder for use as feed for animals other than young calves.

These aids enable the cost price of feed to be reduced, making it competitive with substitute products (particularly vegetable proteins). Special aids have not been granted since 1988 as milk production has been brought under control.

2.2.4. *Aid for skimmed milk processed into casein*

Casein is a basic product intended for industrial processing. To enable it to be produced, aid is granted so that the proceeds from the sale of skimmed milk processed into casein are the same as those from the sale of skimmed-milk powder. The amount of the aid is fixed by the management committee procedure.

2.2.5. *Special disposal measures for butterfats*

The purpose of these measures is to facilitate the disposal of butter surpluses:

- either by granting aid for the use of butterfats in the manufacture of pastry products, ice cream and other foodstuffs to be determined;

- or by granting a consumer subsidy for non-profit-making organizations and for welfare recipients, or by subsidizing the consumption of butter (in the form of concentrated butter);

- or by other special measures.

2.2.6. *Co-responsibility levy*

As part of the CAP reform, the Council decided to abolish the co-responsibility levy with effect from 1 April 1993.

The proceeds from the levy were used for seventeen years to finance market development measures, market surveys or research into new products. They also served to finance certain disposal measures such as the distribution of milk in schools or the special disposal measures for butterfats.

Following a Council decision, the Commission has established a new scheme to promote consumption of milk and milk products.

2.2.7. *Additional levy scheme*

In 1984, since the guarantee thresholds were proving ineffective in restoring the balance between supply and demand in the milk sector, the Council introduced the additional levy scheme, the purpose of which is to curb the growth of milk production whilst at the same time permitting the structural developments and adjustments required, having regard to the diversity of the situations obtaining in the various Member States, regions and collection areas in the Community. The levy applies to any quantity in excess of the reference quantities shared out among the producers or the dairies.

The guaranteed total quantity, including the Community reserve, was fixed as follows:

1984/85: 99 917 000 t[1]
1985/86: 99 471 000 t[1]
1986/87: 104 381 574 t[2]
1987/88: 98 761 040 t[2 3]
1988/89: 96 105 623 t[2 3]
1989/90: 97 676 738 t[2 3]
1990/91: 97 864 855 t[2 3]
1991/92: 103 754 915 t[3 4]
1992/93: 103 754 915 t[4]
1993/94: 106 170 378 t[4 5]
1994/95: 106 170 378 t[4 5]
1995/96: 114 017 378 t[4 5 6]

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1 Quantities for the Ten.
2 Quantities for the Eleven (following the entry of Spain into the market organization).
3 Taking into account the linear suspension of the quotas for the following quantities:
1987/88: 3 778 103 t
1988/89: 5 396 485 t
1989/90: 4 517 603 t
1990/91: 4 679 486 t
1991/92: 4 985 666 t.
4 Quantities for the Twelve (following the entry of the new German Länder and Portugal into the market organization).
5 Including the temporary increase in the reference quantities for Spain, Italy and Greece.
6 Including the New Member States:
Austria: 2 205 000 t
Finland: 2 342 000 t
Sweden: 3 300 000 t

The Community reserve of 393 000 t which was initially allocated as follows: 25 000 t for Luxembourg, 303 000 t for Ireland and 65 000 t for Northern Ireland, was increased by 50 000 t for Spain from 1 April 1987 and was set, from 1 April 1989, at 2 082 886 t, 600 000 t of which were allocated under Article 3a of Regulation (EEC) No 857/84 and 1 039 886 t under Article 3b of the same Regulation.

The reference quantities of each Member State are shared out in accordance with Community criteria and procedures,either among the producers or among the dairies. If the reference quantity is exceeded, the penalty takes the form of a levy amounting to 100% of the target price for milk, in accordance with the Council decisions of 16 December 1986 and to 115% with effect from the seventh twelve-month period.

Since the fall in production recorded in 1984 and 1985 had proved insufficient to restore balance to the milk market, the Council decided in April 1986 on a further reduction of the guaranteed total quantities, to be spread over 1987/88 and 1988/89, under a scheme whereby the voluntary cessation of milk production is encouraged by granting to farmers who discontinue production an annual allowance of ECU 6 per 100 kg for seven years. If 3% of the guaranteed total quantities can be bought up by granting an allowance which is lower than the abovementioned maximum amount, the remaining EAGGF funds may be used by the Member States for restructuring purposes.

As a result of the Council decisions of 16 December 1986, a further production cut has been sought from 1 April 1987 by a temporary across-the-board suspension of 4% of the quotas for the fourth period, 5.5% for the fifth period and 4.5% for the subsequent ones. It was decided that the EAGGF would grant a degressive compensation of ECU 10 per 100 kg per year for three years, then ECU 8.5, then ECU 7.5 per 100 kg for the following two years.

Member States may also provide for national programmes for the permanent cessation of milk production for the purposes of restructuring production at national level. In the case of Spain - given the particular structure of milk production in that Member State - this option is accompanied by a Community contribution totalling up to ECU 42 million, payable in seven annual instalments from 1989/90.

The validity of the derogation whereby Member States may allocate unused reference quantities to producers or buyers in the same region, or, if need be, in other regions, which applied for the first three years of the quota system, has been extended until the system comes to an end.

As part of the decisions on the agricultural prices applicable for 1991/92, the Council decided to make a further reduction of 2% in the guaranteed total quantities. To facilitate this cut and the mobilization of the requisite quantities for producers having entered into non-marketing or conversion commitments or, depending on the Member State, for producers whose situation continues to cause concern, a system of voluntary repurchase, Community financing of which is limited to 3% of the guaranteed total quantities, was decided at the same time. The EAGGF is contributing ECU 10 per 100 kg per year for a period of five years.

In 1992, the Council decided to keep the guaranteed total quantities for the period 1992/93 at the same level as in 1991/92 and to simplify and consolidate the legislation. The new legislation, the basic rules of which are contained in Regulation (EEC) No 3950/92 and the implementing rules in Regulation (EEC) No 536/93, maintains the principle of the existing provisions, making certain adjustments, such as:

- the abolition of the historic references, so that the individual quantity is derived from that available on the holding at 31 March 1993;

- the levy is 115% of the target price for deliveries and for direct sales;

- permanent transfers between the two types of quota are possible at the producer's request;

- the Community's reserve is abolished and the amount divided between the Member States and incorporated into the total quantities;

- the principle of temporary leasing of unused quantities is established, with certain derogations;

- the quotas remain, in principle, linked to holdings, but with greater flexibility in certain cases;

- the provisions on checks are tightened up, as are the rules ensuring payment of the levy due.

In 1993, the Commission followed up a Council decision to contribute towards national restructuring programmes for milk production to the tune of ECU 40 million from the Guarantee Section.

The Community assistance was fixed at up to ECU 50 per 100 kg of reference quantity released.

Member States are free to pay an allowance of less than ECU 50 per 100 kg and to use the balance to release additional quantities or to supplement the Community funding by increasing the amount of the allowance.

In 1994, the Council decided to maintain the guaranteed total quantities for the periods 1994/95 and 1995/96 unchanged. The increase in the guaranteed total quantity for Spain was confirmed in 1994, as was, in 1995, the increase in the Greek and the Italian quotas.

2.2.8. *Decisions in connection with the reform of the common agricultural policy*

In the milk sector the Council confirmed the main changes already introduced into the market organization, by taking the following decisions:

1. extension until 31 March 2000 of the system of milk quotas, accompanied by simplification of the rules applicable;

2. the principle of a reduction of the guaranteed total quantities by a further 2% spread over the periods 1993/94 and 1994/95. After having analyzed the market in 1993, 1994 and 1995, the Council decided not to implement these reductions;

3. compensation for the cut in quotas and a compulsory programme for voluntary cessation of milk production (see point 2.2.7);

4. an increase in the guaranteed quantities for Spain, Greece and Italy for 1993/94;

5. a 5% cut in the intervention price for butter, spread over the marketing years 1993/94 (3%) and 1994/95 (2%);

6. the abolition of the co-responsibility levy from 1 April 1993 (see point 2.2.6.);

7. a new framework regulation providing for the financing of measures to promote milk and milk products (see point 2.2.6.).

3. New and proposed legislation

On 14 November 1994 the Council adopted a single definition for butter as well as the classification and designation of fats for use as spreads.

The single definition of butter establishes the minimum conditions that butter must comply with in order to be eligible for public or private storage.

The classification of fats for use as spreads and their designation provide essential clarity: given the enormous quantity of products that have come out over the last few years, it was necessary to establish a classification distinguishing between milk products and others within a framework of Community standards contributing to the development of trade while complying with the rules of fair competition (labelling, hygiene, ingredients, etc).

Following the establishment of the GATT agreements, trade arrangements with third countries were adjusted. Protection measures applied at entry to imports into the internal market, which were based on the levy system (mobile rate), were replaced by common customs tariff duties (fixed rate).

Other measures have been taken to honour Community undertakings, in particular regarding the restriction of subsidized exports.

Trend of appropriations*

(ECU)

Article	Heading	Appropriations 1995	Appropriations 1996
B1-200	Refunds on milk and milk products	2 045 000 000	1 938 000 000
B1-201	Intervention storage of skimmed-milk powder	-54 000 000	9 000 000
B1-202	Aid for skimmed milk	800 000 000	813 000 000
B1-203	Intervention storage of butter and cream	171 000 000	62 000 000
B1-204	Other measures relating to butter-fat	682 000 000	711 000 000
B1-205	Intervention for other milk products	96 000 000	98 000 000
B1-206	Other measures in the milk and milk products sector	527 000 000	508 000 000
B1-207	Financial contribution by milk producers	p.m.	p.m.
B1-208	Measures to assist small producers	p.m.	p.m.
B1-209	Other measures in the milk sector	p.m.	p.m.
TOTAL OF CHAPTER B1-20 (Milk and milk products)		4 267 000 000	4 139 000 000

* For 1995, authorized appropriations; for 1996, requested appropriations.

THE SITUATION OF THE MARKETS*

World production

According to FAO forecasts, world production of cows' milk (including buffalo milk) will fall slightly in 1994 to 518 million tonnes compared with estimated production of 520 million tonnes in 1993 and 524 million tonnes in 1992. Production in the developing countries should increase by 2% to 179 million tonnes, most of the increase being accounted for by India, the largest producer amongst the developing countries, with 30 million tonnes. In China, production should increase by around 3 to 4% (5 million tonnes), and in Central and South America by 1%. Production in Africa should remain stable.

Production in the former Soviet Union fell by 3% in 1993 and this trend will continue in 1994 but should be less pronounced. In the countries of eastern Europe, production fell by an average of 5.1% in 1993, total production over the period since 1989 being down by 41 million tonnes. Forecasts for eastern Europe indicate that production in Poland and Hungary will remain stable although it should fall by around a further 17% in the Czech Republic. The production of cows' milk in the countries of eastern Europe fell slightly more than 22% over the period under observation, the figures varying between 48% for Bulgaria and 10.6% for the former Soviet Union.

In order to meet their hard currency needs, these countries are exporting at unmatchable prices which are sometimes well below the minimum GATT prices. They are likely to confirm their position on world markets given their considerable agricultural potential, the significant devaluation of their currencies, the depression of demand on their domestic markets which show no sign of recovery in the short term and their pressing need for foreign currency.

Whilst western European countries are moving towards a liberalization of the dairy industry, some countries of eastern Europe are moving in the opposite direction with the introduction of internal support measures and protection against imports.

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* Extract from *The agricultural situation in the European Union. 1994 report.*

World consumption

Deliveries of cows' milk in the OECD countries remained at around 215 million tonnes until 1989. In 1990, they increased to 225 million tonnes, explained essentially by the inclusion of the five new German Länder and the increase of deliveries in the United States (2.8%) and the European Union (1%). Between 1991 and 1993, they stabilized at around 220.6 million tonnes. There was a further slight increase in 1994 to 225.5 million tonnes. The United States, which had seen an annual increase of 1.5% between 1984 and 1992, stabilized deliveries in 1993 and 1994. Deliveries in the EFTA countries between 1991 and 1994 were stable at around 12.5 million tonnes. Three other OECD member countries, Japan, Australia and New Zealand, increased deliveries of cows' milk. Production in New Zealand and Australia responded rapidly to the increase in world prices and to very favourable climatic conditions. Milk production in Japan continues to increase in line with domestic demand.

Community production

Community milk production increased slightly in 1994 (+ 0.4%) and deliveries remained stable for the third consecutive year at around 103 million tonnes.

Butter production, which in 1992 had fallen by 150 000 tonnes (- 8%), fell by only 0.7%, or 11 000 tonnes, in 1993. It is forecast to remain at the same level of 1.6 million tonnes in 1994.

The total production of milk powder continued to fall in 1994 (- 0.6%) after a slight recovery during the previous year but reached barely 2.2 million tonnes. Production of skimmed-milk powder in 1992 was the lowest since the introduction of the quota system, but in 1994 production reached a new low of 1.1 million tonnes. This was partly offset, however, by an increase of 1.5% in the production of other milk powders.

Production of concentrated and evaporated milk fell by 2% in both 1993 and 1994 after having increased by 2.2% in 1992 against the downward trend of 2.1% per year since 1984.

Casein production fell by 19% in 1993 and by 5% in 1994 to 110 000 tonnes.

Cheese production continues to grow, although by only 0.9% in 1993 compared with an annual rate of growth of 2.3% per annum since the introduction of the quota system. Production should, however, rise by around 2% in 1994.

Community consumption

Consumption of dairy products within the Union remains stable overall, but the trend is towards products with a reduced butterfat content. Total liquid milk consumption in 1993 increased by 1.5%, due essentially to a growth in the consumption of semi-skimmed and skimmed milk. Consumption of these two types of milk is more or less equal to that of whole liquid milk, although in 1986 consumption of whole milk was double that of reduced fat milk. This confirms the trend, observed for several years, away from whole milk to reduced fat milk. Similarly, "light" yoghurts and *fromages frais* continue to proliferate. Cheese consumption continues to grow by 1.8% per year and, again, there is more and more demand for reduced fat cheeses.

In contrast, the butter market continues to contract as consumers switch to competing yellowfat products containing less (or no) butterfat. Butter consumption in 1994, however, fell by only 0.8%, contrasting with falls of 11.43% in 1989, 6.3% in 1990 and 3.6% in 1991. This change in the trend of the demand for butter is the result of the 2% reduction in the intervention price for butter in 1993 and should be reinforced by the 3% reduction on 1 July 1994.

Stocks

Community stocks, particularly of butter and skimmed-milk powder, are at very low levels, the latter reaching an all-time low at the end of July 1993 at slightly more than 29 000 tonnes.

Quotas

The Council decided to maintain quotas unchanged for the 1994/95 and 1995/96 reference periods. Similarly, the system of quotas in the new German Länder was extended. The increase in the Spanish quota was definitively confirmed, as was, in 1995, the increase in the Greek and Italian quotas.

Price

The 1994/95 intervention price for butter was reduced by 3% while that for skimmed-milk powder remained unchanged. As a result, the target price for milk fell by 1.5%. Refunds for dairy products were reduced twice in 1994, the total reduction for cheese being more than 10%. The 1995/96 intervention prices have been maintained at the 1994/95 level.

Share of the world market

The European Union's overall share of the world market fell by 3 percentage points in 1993 to 44.2% or 13.1 million tonnes milk equivalent. The Union remains the world's largest exporter in the sector, followed by New Zealand (16.7%), Australia (9%) and the United States (8%).

Butter exports fell by 16% in 1993 to 201 000 tonnes.

After a slight fall in 1992, cheese exports grew again in 1993 by 12.5% to reach 524 000 tonnes. The Union has a 53% share of the world cheese market.

The Union exported 283 000 tonnes of skimmed-milk powder (-27%) and 588 000 tonnes of other milk powders (+ 1.3%), accounting for 27% and 55% respectively of world trade. Exports of skimmed-milk powder fell after a 55% increase in the previous year which had led to a considerable reduction in intervention stocks.

The minimum GATT prices for butter and butteroil were suspended for one year from 1 May 1994. Prices had been below the minimum GATT prices since the second half of 1993 for both these products, but rose after their suspension.

The restriction of subsidized exports provided for in the GATT Agreement, signed in Marrakech in April 1994, only affects cheese and "other products", since the quantities of butter and milk powder exported are currently below the GATT requirements.

International prices and GATT minimum prices [1]

(USD/t)

Year	Butter	GATT	Butteroil	GATT	Cheese	GATT	SMP[2]	GATT
1985	950 - 1050	1 000	1 200 - 1 400	1 200	1 100 - 1 250	1 000	600 - 680	600
	1 000 - 1 050		1 200 - 1 400		1 150 - 1 275		600 - 650	
1986	1 050 - 1 150	1 000	1 250 - 1 350	1 200	1 100 - 1 200	1 000	680 - 720	600
	800 - 1 100		800 - 1 300		1 000 - 1 100		680 - 720	
1987	750 - 1 100	1 000	950 - 1 250	1 200	900 - 1 200	1 030	760 - 840	680
	900 - 1 150		1 100 - 1 300		1 000 - 1 300		890 - 1 150	
1988	1 150 - 1 350	1 100	1 200 - 1 400	1 325	1 250 - 1 500	1 200	1 150 - 1 550	900
	1 350 - 1 500		1 300 - 1 500		1 800 - 2 050	1 350	1 750 - 2 050	1 050
1989	1 800 - 2 000	1 250	2 000 - 2 300	1 500	1 900 - 2 100	1 350	1 800 - 2 100	1 050
	1 650 - 1 900		1 800 - 2 150		1 900 - 2 200	1 500	1 350 - 1 640	1 200
1990	1 350 - 1 550	1 350	1 600 - 1 900	1 650	1 700 - 2 000	1 500	1 200 - 1 700	1 200
	1 350 - 1 500		1 600 - 1 800		1 550 - 2 000		1 300 - 1 500	
1991	1 350 - 1 400	1 350	1 600 - 1 800	1 625	1 600 - 1 900	1 500	1 200 - 1 400	1 200
	1 450 - 1 850		1 675 - 2 250		1 600 - 2 100		1 450 - 1 800	
1992	1 350 - 1 600	1 350	1 625 - 1 950	1 625	1 750 - 2 100	1 500	1 550 - 1 900	1 200
	1 350 - 1 800		1 625 - 2 200		1 800 - 2 100		1 775 - 2 170	
1993	1 350 - 1 500	1 350	1 625 - 1 800	1 625	1 750 - 2 100	1 500	1 650 - 2 000	1 200
	1 150 - 1 550		1 475 - 1 800		1 675 - 2 000		1 200 - 1 800	
1994	1 000 - 1 450	[3]	1 475 - 1 700	[3]	1 650 - 1 900	1 500	1 250 - 1 660	1 200
	1 000 - 1 600		1 475 - 1 875		1 650 - 1 900		1 250 - 1 800	

(1) Where two sets of prices are indicated for each year these refer to the periods January to June and July to December respectively.

(2) SMP = skimmed milk powder.

(3) Minimum GATT prices for butter and butteroil suspended from 1 May 1994 for one year.

Milk deliveries (1)

(million t)

	1987	1988	1989	1990	1991	1992	1993	1994
OECD (24 countries)	214.1	213.4	213.8	217.7	215.6	216.2	216.4	218.5
of which: EUR 12(2)	101.7	99.1	99.2	100.7	100.1	98.9	98.5	98.8
Former GDR	-	-	-	7.2	5.0	4.4	4.4	4.4
United States	63.7	64.9	64.5	66.3	66.0	67.5	67.3	67.8

(1) Production minus farm use and direct sales.

(2) For purposes of comparison, the former GDR has been excluded from OECD and EC totals for 1990 onwards. It is included in the figures for Eastern Europe for 1987-89.

Milk production (1)

(million t)

	1987	1988	1989	1990	1991	1992	1993	1994
Eastern Europe (1)	148.0	151.1	154.1	144.5	136.3	119.6	113.5	112.8
of which: former Soviet Union	103.4	106.6	108.4	108.2	104.0	90.5	87.8	87.5

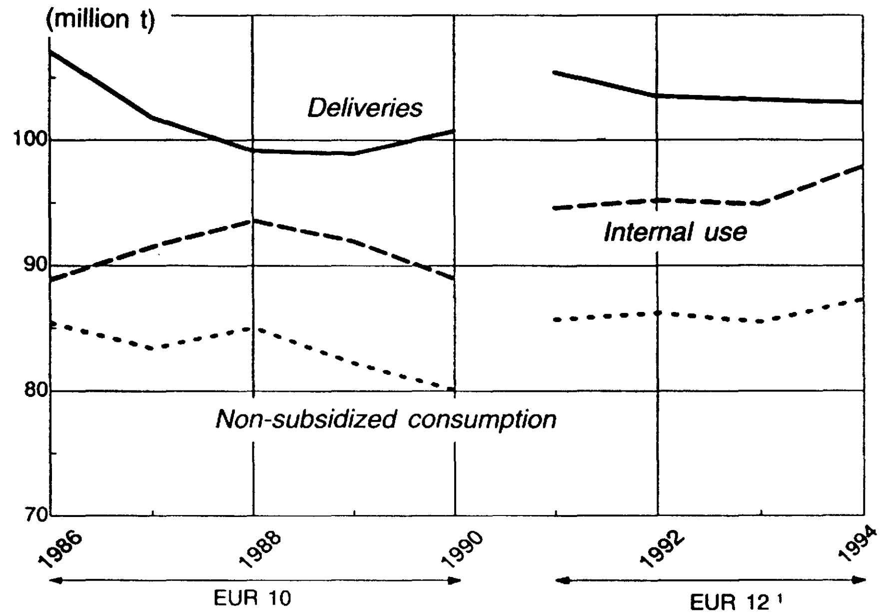
(1) For purposes of comparison, the former GDR has been excluded from OECD and EC totals from 1990 onwards. It is included in the figures for Eastern Europe or 1987-89.

World market exports in milk equivalent [1]

	1987		1988		1989		1990		1991		1992		1993(*)	
	000 t	%	000 t	%	000 t	%	000 t	%	000 t	%	000 t	%	000 t	%
EUR 12 [2]	18 834.3	47.6	16 528.0	52.5	14 188.1	50.8	12 451.6	47.2	12 837.5	45.3	13 856.5	47.1	13 115.6	44.2
New Zealand	3 899.1	13.4	4 649.8	14.8	3 806.4	13.6	4 532.5	17.2	5 244.4	18.5	5 146.4	17.5	4 948.0	16.7
Australia	1 617.5	5.6	1 646.9	5.2	1 746.6	6.3	1 911.8	7.2	2 377.7	8.4	2 345.1	8.0	2 745.9	9.3
USA	3 514.0	12.1	2 706.8	8.6	1 805.0	6.5	328.6	1.2	884.2	3.1	1 577.2	5.4	2 488.7	8.4
Canada	840.5	2.9	879.3	2.8	602.6	2.2	625.0	2.4	727.8	2.6	562.4	1.9	347.2	1.2
EFTA	2 525.8	8.7	1 703.7	5.4	1 768.7	6.3	2 144.3	8.1	1 803.2	6.4	1 487.7	5.1	1 571.9	5.3
Eastern Europe and CIS	2 005.4	6.9	2 201.7	7.0	2 311.3	8.3	2 569.4	9.7	2 852.8	10.1	3 124.2	10.6	3 023.8	10.2
Other countries	826.8	2.8	1 152.3	3.7	1 676.5	6.0	1 821.1	6.9	1 607.4	5.7	1 307.7	4.4	1 418.9	4.8
	29 063.4	100	31 468.6	100	27 905.1	100	26 384.3	100	28 335.1	100	29 407.2	100	29 660.0	100

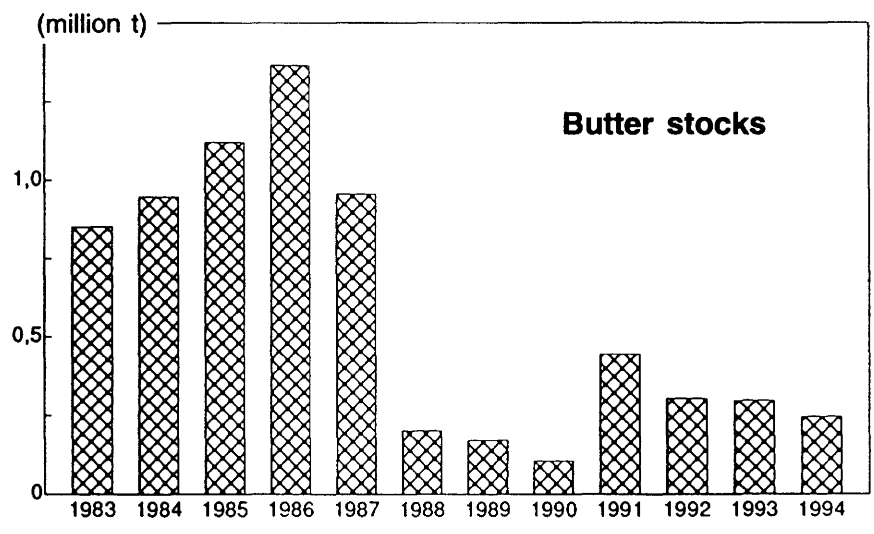
(1) Except for casein and fresh products on the basis of Community coefficients.
(2) Including the five new Länder from 1991.
(*) Figures for third countries are provisional.

Milk



NB: Consumption has been calculated on the basis of an overall milk products balance in terms of milk equivalent (referring to fat content).
Consumption for 1988 incuding 3.245 million tonnes for animal feed.

[1] Excluding the five new *Länder.*



NB: Public and private stocks at 1 January; for 1994, at 31 December.

COUNCIL PRICE DECISIONS

Under CAP reform, the Council fixed the target price for milk and the intervention prices until 30 June 1995. However, since the 1994/95 marketing year ends on 31 March 1995, the Council decided that, like the previous year, the marketing year be extended until 30 June 1995 so as to keep the fixing of the threshold prices, which is linked to the marketing year, consistent with the level of institutional prices fixed from 1 July to 30 June of the following year.

From 1 July 1995 the system of threshold prices has been abolished in accordance with the Uruguay Round agreements.

Although the current situation on the market for milk products seems fairly balanced, this stability is still fragile and cloaks a structural surplus which consistently requires large-scale intervention. To improve the long term market situation it is essential to send a clear signal to producers that they should no longer aim to maximise the fat content of their milk. For this reason the Commission had proposed a further reduction of 2% in the butter intervention price. The Council, however, decided to maintain the butter intervention price at the 1994/95 level.

The relative value of the protein content of milk has increased significantly and techniques for adjusting milk protein in the manufacturing process have also been advancing rapidly. In these circumstances the Council has set a protein standard for skimmed milk powder intervention, with abatements for powder which does not meet this standard but falls within a 31.4% to 35.6% margin (abatements of 1.75% for every percentage point below 35.6%). The proposed standard of 35.6% is one which most producers can meet during the period of the year when intervention is open. The system of abatement will ensure that even in regions where normal protein levels are somewhat lower, production will not be excluded from intervention.

Prices in ecus

Product and type of price or amount (Period of application)	1994/95 (1)		1995/96	
	Amount ECU/t	% change	Amounts ECU/t	% change
(1.7.95-30.6.96)				
Milk				
- Target price	309.8	- 1.5	309.8	0
Butter				
- Intervention price	3 282.0	- 3.0	3 282.4	0
Skimmed-milk powder				
- Intervention price	2 055.2	0	2 055.2	0

(1) The 1994/95 amounts have been multiplied by 1.207509 for comparison purposes, in order to take account of the new agri-monetary system.

STATISTICAL TABLES*

Application of the quota system

(1 000 t)

	1993/1994					1994/1995
	Overall guaranteed quantity (1)	Deliveries (p) (2)	Adjustment of oil and fat (3)	Transfers (4)	Difference after the adjustment	Overall guaranteed quantity
1	2	3	4	5	6 = 3 + 4 − 2 − 5	7
EUR 12	106 498 294	102 629 611	2 612 087	3 324 704	− 4 581 300	106 498 294
Belgique/België	3 066 337	2 978 144	179 149	80 894	10 062	3 066 337
Danmark	4 454 459	4 433 000	31 661	0	10 202	4 454 459
BR Deutschland	27 764 778	25 321 154	1 179 268	1 255 057	− 2 519 413	27 764 778
Elláda	625 985	584 718	17 261	4 832	− 28 838	625 985
España	5 200 000	5 252 028	12 978	172 684	− 107 678	5 200 000
France	23 637 283	23 011 880	484 262	0	− 141 141	23 637 283
Ireland	5 233 805	5 211 740	− 15 958	326 389	− 364 412	5 233 805
Italia	9 212 190	9 461 136	:	:	248 946	9 212 190
Luxembourg	268 098	253 111	13 661	0	− 1 326	268 098
Nederland	10 983 195	10 578 741	431 800	472 165	− 444 819	10 983 195
Portugal	1 804 881	1 480 384	7 994	316	− 316 819	1 804 881
United Kingdom	14 247 283	14 063 575	270 011	1 012 367	− 926 064	14 247 283

Source: EC Commission, Direcotrate-General for Agriculture.

(1) Former columns 2, 3 and 4 are aggregated in a new column 2, pursuant to Article 3 of Regulation (EEC) No 3950/92.
(2) Replies from Member States.
(3) Article 2 (2) of Regulation (EEC) No 536/93.
(4) Article 4 (2) of Regulation (EEC) No 3950/92.

* Extract from *The agricultural situation in the European Union. 1994 report.*

Detailed supply balance (a) — **skimmed-milk powder** **EUR 12**

(1 000 t)

	1987	1988	1989	1990	1991	1992	1993
1	2	3	4	5	6	7	8
Opening stocks							
— private	:	:	:	:	:	:	:
— public (intervention)	772	473	10	5	333	414	47
Production							
— skimmed-milk powder (b) ([1])	1 628	1 313	1 421	1 624	1 478	1 162	1 220
— buttermilk powder	39	39	38	46	38	37	37
Imports (b)	2	5	53	14	5	3	19
Total availability	:	:	:	:	:	:	:
Consumption at full market prices	300	300	300	300	350	350	350
Subsidized consumption							
— animal feed (calves)	1 103	975	754	767	856	809	661
Special measures							
— pigs and poultry	:	–	–	–	–	–	–
Total consumption	1 403	1 275	1 054	1 067	1 206	1 159	1 011
Exports at world market prices	280	500	323	262	192	293	232
Food aid	110	117	87	68	61	99	52
Total exports	390	617	410	330	253	392	284
Closing stocks							
— private	:	:	:	:	:	:	:
— public (intervention)	473	10	5	333	414	47	37
Total	:	:	:	:	:	:	:

Source: (a) EC Commission, Directorate-General for Agriculture.
(b) Eurostat.

([1]) Including buttermilk powder incorporated directly in animal feed, milk powder for babies.

Detailed supply balance (a) — **butter** (1) **EUR 12**

(1 000 t)

1	1987	1988	1989	1990	1991	1992	1993
	2	3	4	5	6	7	8
Opening stocks							
— private, aided by EC	83	98	100	104	84	41	68
— public (intervention)	1 283	860	102	20	251	261	172
Production							
— dairy (b)	1 887	1 682	1 705	1 771	1 816	1 686	1 676
— farm (b)	27	26	26	25	23	21	21
Imports	79	76	71	89	68	48	65
Total availability	3 360	2 743	2 004	2 008	2 242	2 057	2 002
Consumption							
— at normal prices	1 235	1 262	1 137	1 090	1 186	1 138	1 125
— at reduced prices (2)	0	0	0	0	0	:	:
Special schemes (3)	361	443	348	366	432	437	467
Reg. No 2409/86	184	190	:	:	:	:	:
Total apparent consumption	1 780	1 895	1 485	1 456	1 618	1 575	1 592
Exports at world market prices	272	275	377	200	216	197	194
Food aid	30	47	18	13	10	5	1
Exports at special prices	319	323	:	5	96	45	7
Total exports (b)	621	645	395	218 (4)	322	242	202
Closing stocks							
— private, aided by EC	98	100	104	84	41	68	47
— public (intervention)	860	102	20	251	261	172	161
Total closing stocks	958	202	124	335	302	240	208

Source: (a) EC Commission, Directorate-General for Agriculture (including butteroil, butter equivalent).
(b) Eurostat.

(1) Product weight. Includes butteroil made from cream (butter equivalent).
(2) 1977: Reg. No 2370/77 (Christmas butter),
1978: Reg. No 1901/78,
1979: Reg. No 1269/79.
(3) Comprising (1 000 t):

	1987	*1988*	*1989*	*1990*	*1991*	*1992*	*1993*
— Welfare schemes	25	13	16	19	22	16	15
— Armed forces and non-profit organizations	44	59	42	39	39	36	38
— Butter concentrate	34	43	16	16	19	19	22
— Sales to food processors	258	328	274	292	352	364	392

(4) Not including 42 000 t physically exported from the former GDR to the Soviet Union.

Dairy herds and yield

Dairy cows in December	1 000 head			% TAV	
	1985	1992	1993	1992/1985	1993/1992
1	2	3	4	5	6
EUR 12	26 240	21 687	21 388	- 2,7	- 1,4
Belgique/België	951	741	705	- 3,5	- 4,9
Danmark	913	708	711	- 3,6	0,4
BR Deutschland	5 452	5 365	5 301	- 0,2	- 1,2
Elláda	219	205	219	- 0,9	6,8
España (2)	1 880	1 447	1 371	- 3,7	- 5,3
France	6 506	4 642	4 615	- 4,7	- 0,6
Ireland	1 495	1 262	1 274	- 2,4	1,0
Italia	2 804	2 317	2 220	- 2,7	- 4,2
Luxembourg	70	51	51	- 4,4	0,0
Nederland	2 333	1 821	1 760	- 3,5	- 3,3
Portugal	360	381	375	0,8	- 1,6
United Kingdom	3 257	2 747	2 786	- 2,4	1,4

Dairy cows yield (1)	kg/head			% TAV	
	1985	1992	1993	1992/1985	1993/1992
EUR 12	4 255	4 873	5 132	2,0	5,3
Belgique/België	3 864	4 410	4 493	1,9	1,9
Danmark	5 379	6 173	6 583	2,0	6,6
BR Deutschland	4 599	4 970	5 237	1,1	5,4
Elláda	2 959	3 416	3 668	2,1	7,4
España	3 335	4 051	4 167	2,8	2,9
France	4 109	5 096	5 396	3,1	5,9
Ireland	3 822	4 159	4 208	1,2	1,2
Italia	3 388	4 068	4 489	2,6	10,3
Luxembourg	4 237	4 971	5 255	2,3	5,7
Nederland	5 150	5 795	6 014	1,7	3,8
Portugal	3 138	4 383	4 344	4,9	- 0,9
United Kingdom	4 867	5 137	5 383	0,8	4,8

Source: Eurostat.

(1) Production of the year divided by the herd in December of previous year.
(2) 1985: in September.

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