European Communities – Directorate General Press and Information

No. 10 OCTOBER 1971

THE PRESENT SITUATION OF THE CEREALS, SUGAR AND MILK SECTORS

Page

Published by the Division for Agricultural Information in collaboration with the Directorate-General for Agriculture of the European Communities Commission – 200, rue de la Loi, 1040 Bruxelles

THE PRESENT SITUATION OF THE CEREALS, SUGAR AND MILK SECTORS.

Soft wheat, sugar and milk have been considered up till now as "major problems" facing the agricultural policy of the EEC. In 1969/1970, only special interventions of the European Fund for the Orientation and Guarantee of Agriculture enabled the surpluses to be absorbed. Although at the present time the problem is not urgent, it is necessary that the evolution of the situation should be watched carefully because there are structural surpluses in all three sectors.

As far as soft wheat is concerned, these surpluses can be estimated at between 6.5 and 7.5 million tons. Barley which up till now has shown a deficit, must also be taken into account with an estimated surplus of about a million tons. The sugar surpluses can also be considered as reaching figures of similar importance.

In the milk sector, the surplus in the equivalent of whole milk is between 3 and 4 million tons. The development of the situation observed up till now shows that the productivity reserve is far from being exhausted. Thus, this year's record wheat harvest in the EEC was due only in a very small way to the extension of corn fields. The determining cause being the very high yield per hectare.

In all three sectors the Community has the advantage of a fairly strong demand on world markets which enables it to dispose of the greater part of its production . This situation could, however, change suddenly in the future.

I. CEREALS

Absolute maximum level of production

This year the cereal market of the Community was characterized by a harvest which reached record levels. Including rice, 76.1 million tons were harvested (Ø = 67.6; 1970 = 67.7 million tons). This was due almost entirely to the very high yield per hectare. With a figure of 35.5 quintals per hectare the yield of cereals in the Community, excluding rice, reached a level which had never been attained before (Ø 1966/1970 = 31.9 q/ha, 1970 = 31.7 q/ha). According to statistics communicated by the European Community Statistics office, based on provisional estimates, the Netherlands lead with a yield of 42.9 q, followed by Belgium with 40 q, the German Federal Republic with 39.9 q, France with 37.3 q, Luxembourg with 30.3 q and Italy with 27.6 q.

As far as wheat was concerned, the yield per hectare in the EEC rose from 30.4 in 1970 to 33.6 q in 1971. In this case Luxembourg showed the biggest advance, the figure rising from 24.5 to 32.1 q, the yield for the German Federal Republic rose from 37.9 to 46.3 q per hectare.

The yield per hectare also rose in the barley sector, reaching 34.5 q/ha against 28.7 q/ha for the previous year. The increase is considerable but a yield of 33.8 q had been already obtained in 1969. For barley, Belgium had the best figures for yield per hectare with 39.8 q, the Federal German Republic and the Netherlands each had yields of 38.3 q.

On the other hand, the areas cultivated for cereals, rice not included, only increased by 1% in comparison with the average for 1966/1970 and by the same figure in comparison with 1970.

Taking into consideration the Community as a whole, the production of cereals, including rice, showed an increase of 12% in comparison with the average for 1966/1970 : an increase of 11% for corn, 8% for barley and 36% for maize. The harvest of corn, barley and maize this year reached figures of 33.7, 16.0 and 13.3 million tons respectively. These three cereals together represent 83% of the total yield of cereals for 1971.

Increase in the quantities delivered to the market and for export.

During the season 1970/1971, the evolution of the market was influenced by stabilizing factors following less favourable yields which reduced the amounts carried forward, the export and denaturation of soft wheat for fodder brought about a considerable reduction in stocks, thanks to the important credits granted by the Fund. This factor of stabilization was also evident in prices which were often higher than the intervention level.

At the beginning of the season 1971/1972, stocks of soft wheat and barley remain at approximately the same level as those of the previous year, however, as a result of this years harvest, offers to the market have risen considerably. For this reason prices on the market have not reached the relatively favourable levels of last year and large quantities have been passed on to intervention organizations; this is particularly the case with the West German Republic barley. The Community which up till now had been deficient in the barley sector now has a net export surplus of about 1 million tons.

Although, at first, the prospective for exports was not very encouraging, excellent selling possibilities eventually resulted particularly with Eastern countries such as Poland, USSR, East Germany, Tschecoslovakia, Hungary, Roumania and Jugo-Slavia. For wheat as well as for barley it was possible, thanks to the well timed support of subsidies, from the beginning of the season, to export considerable quantities with the agreement of the economic organizations concerned. The levels of the previous year were considerably exceeded and as far as barley is concerned, export objectives have been almost reached. In comparison with the corresponding period of the previous year export licences granted for the period from the 1st. August to the 12th. October showed the following figures for the main items : soft wheat 1,368,240 (218,994), barley 2,280,507 (46,748), wheat flour 738,616 (552,423).

It is evident that the increase of offers to the market will bring about an increase in the expenditure of the Fund in comparison with the previous year. As far as barley is concerned, the necessary subsidies will reach about 55 UA (the price on the world markets is about 42 dollars), while for the period 1969/1970 it was only about 51 UA. For wheat the export subsidies are slightly lower at about 43 UA. In 1969, the subsidy was at least 10 UA higher.

Easing the pressure on the market by denaturation

Taking into consideration the information furnished by the Member States, the services of the Commission have established a provisional common balance-sheet for soft wheat and barley for the 1971/1972 season expressed in million of tons (unless otherwise stated), the figures in brackets show the totalsfor the previous year.

	Soft wheat	Barley
Total area cultivated (million of hectares)	8.3 (8.0)	4.6 (4.9)
Production (million of tons)	30.2 (26.5)	16.0 (14.0)
Stocks from the previous harvest	2.6 (2.6)	1.2 (0.7)
Sales on the market	23.5 (20.3)	8.5 (6.9)
Quantity available on the market	26.1 (22.9)	9.7 (7.6)
Internal consumption	15.8+ (16.0)	7.8 (8.1)
Normal surplus	2.6 (2.2)	0.9 (-0.7)
Excess surplus	7.7 (4.7)	1.0 (-1.2)
Estimated imports	2.2 (2.8)	1.6 (2.0)
Exports	5.3 (3.5)	2.8 (0.4)
Denaturation	3.6 (4.0)	-

\+ excepting food FOR animals

As far as soft wheat is concerned, the table shows that a million tons have not been accounted for and if this amount is not covered either by consumption on the farms for cattle feeding or by further exports the surplus at the end of the season will be even greater.

Denaturation supported by subsidies has shown itself to be an important factor in the stabilization of surpluses on the soft wheat market. At this stage of the season, it can be noted that the quantity of denatured wheat has almost reached the level of the previous year. The modification of prices decided by the Council of Ministers permitted a slight reduction in denaturation subsidies for 1971/1972. The services of the Commission are watching the evolution of the situation carefully. If in the near future, the quantity of denatured wheat shows a sharp decline (which is what is feared by some economic circles because of the supplies of cheap maize offered by France) and if new sales possibilities do not arise, it will certainly be necessary to increase the subsidy. For the moment, however, the conditions justifying such an increase have not yet been met. Finally this does not alter the fact that the subsidy for denaturation is only a necessary means for the establishment of correct price relations (these do not yet exist) between feeding stuffs for animals and soft wheat.

The necessity to avoid the possibility of prices falling below the minimum entry level

The European Commission has adopted the necessary measures for the proper functioning of the cereal markets of the EEC. It is necessary that prices should not be allowed to fall below the minimum entry level (minimum price for customs). For this reason on the 18th August the fixing in advance of contingents for export was temporarily suspended. The Commission based its decision on the fact that, due to the international monetary situation, the prices actually reached on the world markets were subject to violent fluctuations compared with those of the fixed entry prices. By suspending the fixing of contingents in advance it was intended to avoid the possibility that such abnormal conditions continue to be maintained during whole period of the validity of the import licences

These dispositions have often been severely criticized by the commercial sector because they do not permit the long term arrangements which are usual and necessary in commerce. The Commission again authorized the advance fixing of contingents with effect for the 14th. October but only for relatively short periods - 30 days. This is justified by the fact that the actual prices obtained on world markets, due to the international situation, which made necessary the suspension of advance fixing of contingents are still relatively unstable.

Fears that the abnormal conditions would lead to imported products being sold on the markets of the Community at prices lower than the fixed minimum entry prices have lost some of their importance, without, however, being completely allayed. The international situation has not yet returned to normal and, in addition, the pressure caused by the last harvest of cereals in the big producer countries has brought about a situation on world markets characterized principally by violent fluctuations in prices which do not yet permit a satisfactory evaluation of future possibilities. The functioning of the organization of the market having thus been put in danger the validity of import licences granted by the appropriate customs authorities has been limited, provisionally, to 30 days. These measures adopted by the Commission have led indirectly to a diminution in the demand for import licences. From 1/8 to 12/10/1971, licences were requested only for 466,630 tons of soft wheat against 666,088 tons for the corresponding period of the previous year, for hard wheat the figures were 182,686 tons against 372,291 tons, for barley 193,979 tons against 495,111 tons, for maize 548,804 tons against 2,277,836 tons and for millet 48,734 tons against 227,943 tons.

Prospects

The decisive point for the future of the cereal market of the EEC is to know whether it will be possible to correct the price relations between animal feeding cereals and soft wheat.

This is the reason why the Commission will act on this principal when making its 1972/1973 price propositions. The difficulties are evident.

For political reasons, it is practically impossible to foresee a reduction in the price of soft wheat in the interested countries. A rise in the price of maize is still opposed by one country which fears an increase in the costs of production for its breeders. However, all the interested parties are in agreement in considering that, at the present time, a rise in the price of barley would be unfavourable to that cereal in comparison with maize.

It is true that the surplus of barley can be disposed of by exports during the present season but it should not be considered that the problem is solved because the situation on world markets can change rapidly. Furthermore, the possibility of the stiffening of qualitative requirements before allowing subsidies can be envisaged as well as a simplification of the system of regionalization for the better distribution of this commodity.

As far as the cost to the market is concerned, the pre-budget proposals for 1972 envisage 891.5 million UA for cereals against 703.5 million UA in 1971 for 1973, 951.9 million UA and for 1974 1.012.5 million UA.

II. SUGAR

The need to restrain the extension of cultivation.

It is also necessary to follow carefully the evolution of the production of sugar in the EEC. The European Commission considers that a new extension of land devoted to beet cultivation must be avoided, taking into account the fact that there is a structural surplus of about 1 million tons of sugar. For this reason and taking into account the rise in the cost of production, and in the framework of the basic quotas, only a small rise in the price of beet to be paid to the producer has been proposed for the 1972/1973 season; from 17.00 to 17.20 UA per ton. An increase in the price of beet of 0.20 UA per ton will cause a rise in the price of sugar of 0.15 UA per 100 kg.

Prospects of production at "normal" levels.

During the seasons 1968/1969 and 1969/1970 the cultivation of beet in the Community reached a culminating point of 1.16 million hectares while for the 1970/1971 season it was slightly less at 1.148 million hectares. It is expected that for the season 1971/1972 an area of 1.17 million hectares will be cultivated. This means that France which holds the first place among the Member countries with a cultivation of 390,000 ha, will show an increase of 22,000 ha in comparison with the previous year. The Federal German Republic follows with 316,000 ha (+ 5,000 ha), then comes Italy with 270,000 ha (- 5,000 ha), the Netherlands with 102,000 ha (- 2,000 ha) and Belgium with 92,000 ha (+ 2,000 ha). According to the estimates of the services of the Commission, the area under cultivation for the whole of the Community will reach a figure of 1,170,000 ha, that is to say, 22,000 ha more than for the preceding year. If climatic conditions are favourable, a high yield of sugar can be forecast with an expected normal minimum production, for the 1971/1972 season, of 7.4 million tons of white sugar similar to that of the 1969/1970 season.

Rise in consumption compensated by an increase in productivity

Here the question of the possibilities of the disposal of the production arises in view of the quantity involved. It is generally agreed that human consumption increases by about 100,000 tons a year. However the increase in production should also be taken into account. Thanks to the increase in the production of sugar per hectare, an increase of about 100,000 tons will be attained and will thus satisfy the annual increase in consumption.

As far as consumption per head is concerned, the Netherlands head the Member States with 43.2 kg (provisional estimate) although showing a decrease in comparison with 1969/1970 (44.2 kg). France and Benelux follow with 35.8 kg and 32.8 kg respectively. The German Federal Republic follows with 32.7 kg which is the average for the Community. Italy takes the last place with a consumption of 27.3 kg per head.

Apart from human consumption it is also possible to use this product for the feeding of live-stock and for industrial consumption. While this last use for sugar is developing constantly - although the quantities treated are rather small - the consumption of sugar for the feeding of live-stock shows an opposite trend. Chiefly because of the concern to dispose of surplus production under the most favourable conditions from an economic point of view and at a minimum cost to the European Fund for the Orientation and Guarantee of Agriculture. In this regard, adjudications have shown themselves to be the best means of controlling the production of sugar for different kinds of utilization. In particular, this system assures the European Community, in collaboration with the Member States, the best means of controlling the movements of the goods and of adapting production to the evolution of the markets.

The balance-sheet of the sugar sector in the EEC

Taking into account the facts and information available to the General Management for Agriculture of the Commission of the EEC, the sugar sector in the Community shows the following figures for 1968/1969 to 1970/1971 expressed in thousands of tons :

	1968/69	1969/70	1970/71
Production	6,816	7,431	7,082
Stocks at the beginning of the season	2,321	2,182	2,534
Stocks at the end of the season	2,202	2,515	2,228
Modification of stocks	- 119	+ 333	- 306
Gross imports	601	720	956
of which internal exchanges within the EEC	489	602	844
Gross exports	1,230	1,378	1,850
of which internal exchanges within the EEC	489	602	844
- outside maximum quotas (°)	34	79	128
Net exchanges with other countries	- 629	- 658	- 894
Sales of available quantities			
Live-stock feed	352	305	199
Industrial consumption	23	38	45
Human consumption	5,931	6,097	6,300
Consumption per head in Kg per annum	31.5	32.2	32.7
Degree of auto-supplying in %	114.9	121.8	113.3

Surplus : about 1 million tons.

The balance-sheet for 1971/1972 is still characterized by certain uncertain factors. On the one hand, available supplies of white sugar produced in the Community amount to at least 7.4 million tons, while on the other hand, the use of sugar for human consumption reaches a total of about 6.45 million tons which explains the surplus of about a million tons. The consumption of the chemical industry is estimated at 50,000 tons and the quantity of sugar in transformation products for export is estimated at 180,000 tons. The quantity of sugar used for the feeding of bees reaches 10,000 tons.

(°) Exports without Community subsidies

On the other hand, the practice of using sugar for the feeding of live-stock should not affect the situation this year (it may even be abandonned completely). A minimum quantity will serve for the feeding of young animals and perhaps for cats and dogs. To the 760,000 tons remaining should be added the 110,000 tons of yearly imports which will mean an export surplus of 870,000 tons. If the quantities which traditional sales possibilities can absorb are taken into account, there still remains 700,000 tons for which buyers must be found in international commerce in the form of white sugar.

Favourable situation of the world markets.

In all probability, the years 1972 and 1973 will fortunately be characterized by the additional requirements which are reflected in the prices on the world markets. These prices will certainly remain stable until the end of the year and should begin to show a rising tendancy by the beginning of 1972 (in particular for unrefined sugar). As far as white sugar is concerned, it is not yet possible to evaluate the situation clearly. In any case there willbe no technical problems as far as exports are concerned. Furthermore, the cost of production remains within reasonable limits. A subsidy of about 12 UA per 100 kg can be expected on exports as against more than 18 UA in 1968/69. For this reason the costs will be relatively negligible.

The costs become stable.

The project for the 1972 budget, which is based on unchanged prices, envisages 214.5 million UA to cover the cost of organizing the market in the sugar sector as against 199.6 million UA in 1971. The amounts anticipated for 1973 and 1974 have been provisionally estimated at 209.7 million UA for each year. It should not be forgotten, however, that in this sector (the only sector among those which are the object of an organized market in the EEC) the receipts of the Community are not only constituted by duties on imports from countries outside the EEC but also by taxes at the bonded stores and on production. The receipts from duties and taxes are estimated at 172 million UA for 1972, 176 million UA for 1973 and 184 million UA for 1974.

III. MILK AND MILK PRODUCTS

As far as milk, which was another "major problem", is concerned, conditions have changed and the problem has taken on another aspect.

Reduction in the number of cows, but an increase of the number of live-stock in individual exploitations

The constant diminution in the stock of milch-cows has continued. A decisive impetus in this direction has been given by two Community initiatives granting a bonus for slaughtering and a bonus for the non-commercialization of milk. The first covered a total of 235,000 cows and the second about 272,000. In December 1969 there were 22.2 million cows in the Community and in December 1970, 21.8 million. France took the first place with an effective of 9.5 million cows, followed by the Federal German Republic with 5.8 million, Italy with 3.6 million, the Netherlands with 1.9 million, Belgium with 1.0 million and Luxembourg with 62.000 cows. For December 1971 the effective number of cows in the EEC is estimated at 21.6 million.

The results of these two initiatives can be qualified, on principle, as positive. The sought for effects of the improvement of structure by an increase in the number of live-stock on individual exploitations and the consequent reduction in the production cost of milk has also been attained, although by reason of the long delay between the formulation of the proposition and its coming into force it was not possible to exclude the selection of cows being based on mistaken criteria.

During the last ten yaers, the number of breeders of milch-cows in the community has diminished by a million and is now at a level of a little over 3 million. The average effective number of cows per breeder in 1969/70 was 16.3. Luxembourg 11.3, Belgium 9.1, France 8.7, German Federal Republic 7.3 and Italy 4. On the other hand the average figures for Great Britain were 33 and in New Zealand the average has reached 98 cows. In Denmark the average was 11, in Ireland 9 and in Norway 5.2 cows.

Diminishing milk production.

These two initiatives taken by the Community have, however, had as a result a diminution in milk production and of supplies to the dairies. It was in 1969 that this diminution made itself felt when the production of milk in the Community fell to 74.1 million tons against 74.4 million tons in 1968. In 1970 the production was no more than 73.4 million tons distributed among the Member States as follows (in thousands of tons) : France 29,664, German Federal Republic 21,856, Italy 9,643, the Netherlands 8,250, Belgium 3,745 and Luxembourg 217 thousands of tons. Estimates for 1971 for production within the EEC are 73 million tons. The deliveries of milk to dairies has followed the same trend. At Community level, the delivery of milk to dairies was still as high as 55.8 million in 1968, against 55.6 million tons in 1969, 55.2 million tons in 1970; estimates for 1971 are 55 million tons. The influence of the diminution in milk production is also reflected, to a considerable extent, in a reduction of production of butter and of skim-milk. On the other hand, cheese production especially continues to develop favourably.

Stocks

A shortage of butter and of powdered skim-milk on world markets became evident during the second half of 1970 and became more acute in 1971.

As a consequence the exports of the Community had already doubled in 1970 reaching about 200,000 tons for each of the two products. During the first quarter of this year butter exports have already reached a maximum level with 90,000 tons. Taking into account the exports made up to the present it is probable that a total of more than 150,000 tons will be reached for 1971. The evolution of this sector has brought about a diminution in stocks. As far as butter is concerned, they had fallen by the 1/4/1971 (beginning of the 1971/1972 season) to 26,800 tons against 220,000 tons on the 1/4/1970 and 270,000 tons the 1/4/1969. The 1/4/1971, there were 14,800 tons of butter in bonded warehouses and 132,700 tons in private warehouses. This showed a complete reversal of the situation as on the 1st. August 1970 the figures were 232,900 and 71,700 tons respectively. The 1/4/1971 there were 45,500 tons of powdered skim-milk in the bonded warehouses of the Community while at the same date in 1970 there were 213,800 tons and in 1969 214,600 tons. On the 1st. August 1971 there were 41,600 tons against 135,600 tons at the same date of the previous year. In this respect it should be noted that important exports have taken place since the 9/3/1971, some of which were not subsidized, while since the end of 1969 there has been no deductions whatsoever. Nevertheless the stocks of powdered skim-milk with the producers, in commerce and in the transformation industries of the Community could be higher than those of the same period of the preceding year, taking into account the conditions of production and sales at the end of the year. The European Commission has taken into account the modifications which have taken place on the markets of the milk and milk products sector. The subsidies for the export of all milk products have been cut down considerably and even abolished at the beginning of the summer of 1970 and all the measures covering the sale of butter and powdered skim-milk at reduced prices were suspended. The Community is not alone in facing the necessity of beginning the milk season without available stocks (the stocks in hand detailed above were already earmarked for deliveries in the framework of the World Food Programme). In other big exporting and importing countries the stocks are lower than in previous years. The only exception is the United States which has a bigger stock of butter than in 1970 and has exported a part of its stocks in the meantime.

Measures of safeguard.

Acting on the proposals of the Commission, the Council of Ministers took steps to adapt conditions to the new situation by publishing two new regulations (the second of which has only just been issued). The regulations defining the application of measures of safeguard in the milk and milk product sector only permit the possibility of applying safeguarding clauses as they have been laid down in other regulations concerning common market organizations in the Agriculture sector. The intention of the regulations are that safeguarding measures can be taken if, within the Community, the markets of one or several commodities are subject to, or may be subjected to, serious pertubations. The Council has, therefore, the power to define the circumstances and limits of the safeguarding clause and to determine which of the Member States may undertake safeguarding measures. For the milk and milk products sector it has been established that communal measures have been agreed to for the limitation of imports and exports, the issue of licences has been partly or completely suspended, the advance fixing of subsidies for exports has been partially or completely suspended and taxes on exports have been applied. The regulations which have just been published by the Council concerning the basic rules to be applied if supply difficulties arise in the milk and milk products sector contain certain special provisions. They are to be taken into consideration when the price franco-frontier considerably exceeds the entry price thus pertubing or menacing the EEC market and if that situation is likely to be maintained. The necessary criteria for evaluating the situation are contained in the regulations. The following measures can be envisaged in order to assure supplies : total or partial suppression of subsidies and/or the application of taxes on exports. In the present state of affairs it is not thought possible that these regulations will be applied to butterfats. On the other hand, the Commission has already published a regulation concerning the application of a tax on exports of powdered skim-milk and on animal foods which contain a high proportion of powdered skim-milk.

The regulation points out that in the Northern Hemisphere markets are facing a period of deficit and it can be foreseen that the present disequilibrium between supply and demand in the sector of powdered skim milk will continue. The high price levels of international commerce could bring into question the security of supplies in the Community. As far as this product is concerned, the Commission has proposed to the Council of Ministers reduction of the assistance afforded to liquid skim-milk used as animal food from 1.65 UA to 1.18 UA per 100 kg thus putting this product on the same level as that of powdered skim-milk. In this way, it should be possible to stimulate the production of powdered skim-milk as it must be remembered that the Community has promised 123,000 tons of this product to the World Alimentation programme and the Red Cross.

The diminishing consumption of butter.

It would be an illusion to believe that the milk and milk products sector of the Community will always remain a sellers market. The diminution in the consumption per capita notably contradicts this supposition. Within the Community in 1962/1964 consumption was highest with an average of 6.5 kg per head. For 1967 the figure was 6.4 kg, in 1969 6.2 kg and in 1970 was down to 6.0 kg. Taking into account the fact that the Community has 180 million inhabitants this means that the diminution of the consumption of butter is in the region of 90,000 tons which roughly corresponds to the structural surplus. This quantity can still be considered as acceptable but it is, however, unfortunate to note that the average consumption has fallen to 6 kg despite the sale of cheaper butter which has resulted in considerable expenditure by the FEOGA. A further reduction in consumption in 1971 to an average of 5.9 kg per head is expected.

In the sector of products based on milk, a certain equilibrium is evident, due to the transformation of simple products into more elaborate forms. Exactly as in the butter sector, it should not be forgotten that for powdered skim-milk, the more or less difficult situation, does not only affect the Community itself but the world at large. The price of powdered skim-milk is often higher on the world markets than the prices of the Community. The evolution in this sector, depends largely on the way in which 4 million tons of skim-milk are utilized in the Federal German Republic. Intensive animal feeding, in a liquid form, would have the effect of reducing the production of powdered skim-milk or vica versa - in this realm, as far as feeding of pigs is concerned, there is strong competition due to the use of fish-meal. What is decisive, in the end, is the form of the assistance. Taking into account the reduction in the total number of milch-cows, an increased consumption due to feeding cannot be expected.

Prospects.

On a short term basis, many elements lead us to believe that an equilibrium will be maintained between production and consumption of milk products taking into account a traditional export figure of the equivalent of 3 to 4 million tons of whole milk. Taking into account the favourable conditions obtaining in Europe and the favourable structure of Agriculture (a large proportion of pasture land), the long term conditions are also favourable for an increase in the production of milk. Although the nominal prices and the intervention prices have remained unchanged in comparison with the preceding year, the easing of pressures caused by the surpluses in Europe has already in 1970, had repercussions on the price of milk to the producer.
If on the one hand, the price to the producer rises rapidly, which would entail a rapid rise in the prices of milk products, on the other hand, a fall off in demand can be envisaged. If prices rise the consumption of concentrated fodder will also rise.

At the moment, it is difficult to evaluate in what measure this quantitative growth may be compensated by new markets created by the enlarging of the Community, especially as far as the adhesion of Great Britain is concerned, as the reactions of the countries wishing to join the Common Market are difficult to evaluate at the moment. In this regard, the increase in prices in Great Britain should be taken into account and although the levels of prices there has not reached the level of those of the Community, the consumption of butter has already fallen off. Furthermore, Great Britain, Denmark, Ireland and Norway are not likely to bring important quantities on to the market.

The trends detailed above, are reflected in the credits provided for the pre-budjet project for 1972. Figures for the milk and milk products sector amount to 634.5 million UA against 700 million in 1971. For 1973 the estimated figures are 671.5 UA and for 1974, 723.9 UA.