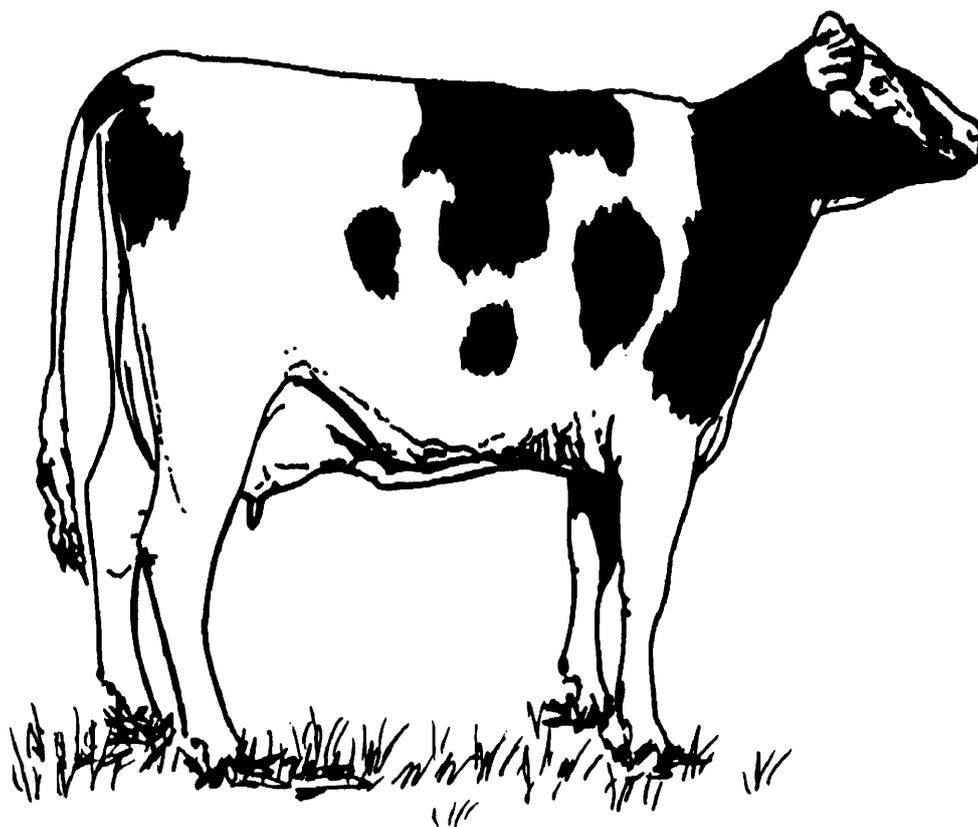


EUROPEAN COMMISSION
DIRECTORATE-GENERAL FOR AGRICULTURE

CAP WORKING NOTES 1994



MILK
and milk products

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I N T R O D U C T I O N

The information in this document is arranged in three parts:

- the "analysis" part describes the market situation and the mechanisms of the market organization for the product;
- the "statistics" part gives most of the tables appearing for the product in the annual report on the agricultural situation in the Community;
- lastly, the "explanatory memorandum" of the Commission's annual agricultural price proposals provides an indispensable illustration of Community policy.

* * *

DESCRIPTION OF THE MECHANISMS
OF THE COMMON MARKET ORGANIZATION (*)

The milk and milk products market organization, which began operation on 29 July 1968, is governed by Regulation (EEC) No 804/68, as last amended by Regulation (EEC) No 816/92.

It now 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 share of total EAGGF Guarantee spending. This share has however decreased markedly from 42% in 1980 to 12.8% in 1992.

1. ECONOMIC BACKGROUND

The Community is the world's largest milk producer. In 1991 milk production accounted for about 18% 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 1992, the dairy herd, milk production and deliveries to dairies were thus estimated at 22.5 million head, 114 and 104 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 22%, 9.2% and 9.1% respectively.

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 99 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 rather 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 90 million t.

(*) Translated from "Avant-projet de budget général des Communautés européennes pour l'exercice 1994".

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 fell from 414 000 t at the end of 1991 to 47 000 t at the end of 1992; 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 and 333 000 at the end of 1990.

Public and private stocks of butter fell from 302 000 t at the end of 1991 to 240 000 t at the end of 1992; 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 and 332 000 t at the end of 1990.

Exports were slightly higher in 1992, at an estimated 13.2 million t; they had totalled 12.8 million t in 1991, 12.4 million t in 1990 and 14.2 million t in 1989. As regards individual products, in 1992 exports of skimmed-milk powder, condensed milk and butteroil rose (by 85%, 8% and 5% respectively), while there was a slight decrease in exports of most other milk products apart from butter, for which the fall was more marked: about 17%;

Imports of butter from New Zealand amounted to 61 861 t in 1989, 62 217 t in 1990, 57 886 t in 1991 and about 55 000 t in 1992. Imports of cheese rose from 109 000 t in 1991 to 112 000 t in 1992; in 1989 they totalled 119 000 t and in 1990 113 000 t.

2. OPERATION OF THE MARKET

2.1. Price arrangements

Each year the Council fixes three types of price:

- (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, skimmed-milk powder and certain types of cheese. 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. In that case a system of buying-in by tendering procedure applies for butter. Buying-in of skimmed-milk powder is restricted to the period 1 March to 31 August and limited to a quantity of 106 000 t. When that limit is reached, buying-in may be suspended and other market support measures applied.
- (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.

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.

Import levies are fixed once a fortnight by the Commission and apply to most milk products except casein.

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 be 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 to manufacturers of pastry, ice-cream and other food products, to non-profit making organizations or to the recipients of welfare benefit;

- sales of skimmed-milk powder for use as feed for animals;
- export or sale on the internal market at reduced prices, with a rebate offered on the selling price on removal from public storage (e.g. concentrated butter for cooking);
- 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.

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

- butter stored for not less than four months between 1 April and 1 September;
- 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 Kasserli).

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

In order to improve the balance between production and consumption, producers pay a financial contribution known as the 'co-responsibility levy.' The way in which the proceeds from the levy are used is decided by the Commission after consultations with the trade. The levy is used to finance market development measures, promotion measures and publicity as a follow-up to market surveys and research on new products or is deducted from the overall expenditure on the milk sector. It also serves to finance certain disposal measures such as the distribution of milk in schools or the special disposal measures for butterfats.

The levy is deemed to form part of the intervention arrangements designed to ensure stable agricultural markets.

Since 1990, collection of the linear levy is confined to ordinary areas, mountain and less-favoured areas being exempt. For ordinary areas the rates are as follows:

- 1.0% for producers whose actual available individual reference quantity is not more than 60 000 kg a year;
- 1.5% for producers whose reference quantity is over 60 000 kg a year.

Under the reform of the common agricultural policy, the Council decided to abolish the co-responsibility levy from 1 April 1993.

2.2.7. Guarantee threshold

When fixing the annual prices, the Council also fixes a guarantee threshold for milk.

For the 1982 calendar year the guarantee threshold was fixed as the quantity of milk delivered to dairies in the 1981 calendar year, plus 0,5%.

If the quantities of milk delivered by Community producers exceed the guarantee threshold, the Council, acting on a proposal from the Commission, adopts appropriate measures to offset the additional costs. As the guarantee threshold was far exceeded for 1982, the Council decided that the 1983/84 prices should not be increased by more than 2,33%, subject to the guarantee threshold. The guarantee threshold for 1983 was fixed as the quantity delivered to dairies in 1981 plus 1%. Following the Commission proposals of July 1983, however, the Council decided on a quota system to replace the guarantee threshold for a five-year period (1984/85 to 1988/89). This system was first extended for three years up to 31 March 1992 and then again for one year until 31 March 1993.

As a result of the decisions on the reform of the common agricultural policy, the guarantee threshold was repeated from 1 April 1993.

2.2.8. 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 t¹
1985/86: 99 471 574 t¹
1986/87: 104 381 574 t²
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 t⁴

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 said 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 115% 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.

-
- 1 Quantities for the Ten.
 - 2 Quantity 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 former GDR and Portugal into the market organization).

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 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 quota 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.

Finally, the Council decided, as part of the reform of the common agricultural policy, 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 quota remains, in principle, linked to holdings, but with greater flexibility in certain cases;
- the provisions on control are tightened up, as are the rules ensuring payment of the levy due.

2.2.9. 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, that is to say the Council took the following decisions:

- 1) extension until 31 March 2000 of the system of milk quotas, accompanied by simplification of the rules applicable;
- 2) reduction of the guaranteed total quantities by a further 2% spread over the periods 1993/94 and 1994/95, subject to a possible revision to be decided on on the basis of Commission reports on the market situation;
- 3) where appropriate, compensation for the cut in quotas and a compulsory programme for voluntary cessation of milk production;
- 4) the principle of an increase in the guaranteed quantities for Spain, Greece and Italy, provided that proof is furnished that the arrangements are actually being applied;

- 5) a 5% in the intervention price for butter, spread over the marketing years 1993/94 and 1994/95;
- 6) the abolition of the co-responsibility levy from 1 April 1993;
- 7) a new framework regulation providing for the financing of measures to promote milk and milk products.

In response to a request from the Council, the Commission presented two reports (COM(93) 109 final), one on the market situation, the other on the application of quotas in Greece, Spain and Italy, accompanied by the following proposals:

- a) that the 5% cut in the intervention price for butter be applied from 1 July 1993, not staggered over two years;
- b) in that case, that the 1% cut in the guaranteed total quantities decided for 1993/94 be postponed pending a review of the market situation before 1 April 1994;
- c) that the guaranteed quantity for Spain be increased for 1993/94 only and that the decision concerning an increase for Greece and Italy be deferred pending review of the situation before the end of July 1993.

Trend of appropriations (*)

(ECU)			
Article	Heading	Appropriations 1994	Appropriations 1993
B1-200	Refunds on milk and milk products	1 992 000 000	2 128 000 000
B1-201	Intervention storage of skimmed- milk powder	- 5 000 000	- 71 000 000
B1-202	Aid for skimmed milk	811 000 000	928 000 000
B1-203	Intervention storage of butter and cream	187 000 000	254 000 000
B1-204	Other measures relating to butter- fat	575 000 000	614 000 000
B1-205	Intervention for other milk pro- ducts	108 000 000	140 000 000
B1-206	Other measures in the milk and milk products sector	576 000 000	1 186 000 000
B1-207	Financial contribution by milk producers	p.m.	- 252 000 000
B1-208	Measures to assist small producers	p.m.	p.m.
B1-209	Other measures in the milk sector	p.m.	295 000 000
TOTAL OF CHAPTER B1-20 (Milk and milk products)		4 244 000 000	5 222 000 000

(*) Extracted from "Final adoption of the general budget for the European Union for the financial year 1994" - OJ L 34, 7.2.1994.

THE SITUATION OF THE MARKETS (*)

In the OECD zone the present market situation is of marginally increasing production, milk deliveries and total milk fat consumption, persistently declining real production prices and lower stocks. The supply and demand situation in 1993 has been marked by a virtually stable delivery level and a slight fall in intervention stocks.

Milk deliveries, which fell 0.5% in 1991, rose 0.5% in 1992 and are expected to show a slight increase of 0.2% in 1993. From 1991 to 1993 they have been very stable in the EFTA countries except for falls of 10.5% in Norway and 4% in Finland. Up to 1992 the United States has enjoyed growth of 0.5% a year. The biggest increases have been in

- (a) New Zealand and Australia, where production reacted rapidly to the rise in world prices in the first half of 1993, and in
- (b) Japan, where despite quotas, production continues to increase in parallel with domestic demand.

Production in Eastern Europe, including the former Soviet Union, on the other hand fell by 50 million tonnes (11%) in 1992 and is expected to fall 4.5% in 1993. Since 1989 milk production in Eastern Europe has fallen by 35 million tonnes (23%).

Total milk production in the Community in 1992 fell by 1.75 million tonnes, reflecting the 1% reduction in quotas during the period, and deliveries followed with a 1.6 million tonne fall. In 1993 both production and deliveries have kept to the 1992 volumes.

Butter production fell 150 000 tonnes in 1992 (some 9%) to 1.6 million tonnes. The same figure is expected for 1993.

Total milk powder production fell by 16% in 1992 but rose 3% in 1993 to exceed 2.2 million tonnes, owing to higher production of skimmed milk powder, which in 1992 fell to its lowest level, 1.16 million tonnes, since quotas were introduced but in 1993 has exceeded 1.2 million tonnes. The downward trend for other milk powders continued in 1993.

(*) Extract from "The agricultural situation in the Community. 1993 report."

Production of condensed and evaporated milk rose by 3.7% in 1992 despite a downward trend of 2.3% a year since 1984. Casein production rose 30% from 1991 to 145 000 tonnes in 1992 but fell by 9% in 1993.

Cheese production continues to grow but more slowly than in recent years: 0.2% in 1993 compared with 2% a year for the period 1984 to 1993.

In December 1992 the Council decided to continue milk quotas for seven additional periods and on 27 May 1993 set the Member States' quotas.

Greece, Italy and Spain received increases for 1993/94 of 100 000, 900 000 and 591 750 tonnes respectively. Retention of these increases will be dependent on the Council's finding that the milk quota arrangements are being fully applied in these Member States.

Other Member States received a 0.6% increase on the previous period to meet the claims of SLOM producers following the Court of Justice's judgements of 3 December 1992 and 19 May 1993 in cases 264/90 and 81/91 and/or to allot additional volumes to producers located in mountain and hill areas or other producers with priority claims.

Official prices have been reduced and the monetary reduction coefficient applied. As a result from 1 July 1993 the target price for milk dropped by 2.8%, the butter price by 4.3% and the skimmed milk powder price by 1.3%. Refunds on milk products were reduced accordingly (between 5 and 10%) and also the butter disposal aids.

Financial assistance of ECU 40 million was approved in order to facilitate milk production restructuring programmes in 1993/94.

Milk product consumption in the Community remains stable overall but with a trend to products with reduced butterfat content. Total liquid milk consumption rose 4.5% in 1991 owing primarily to increased consumption of semi-skimmed and skimmed milks, confirming the trend from whole to reduced fat milk apparent for several years. The striking success of low fat yoghurts and fresh cheeses is reflected in continuing growth in cheese consumption of 1.8% a year. Demand for butter on the other hand continues to contract as consumers switch to competing yellowfat products containing less or no butterfat.

The Community kept its overall share of the world market in 1992. Exports totalled the equivalent of 13.9 million tonnes of milk and the Community remains the world's leading exporter in this sector, followed by New Zealand with 18% of the world market and Australia with 8%.

Butter exports dropped 9% in 1992 to 197 000 tonnes.

Cheese exports fell slightly but growth between 1985 and 1992 was more than 2% a year. In 1992 the Community exported 466 000 tonnes, a 51% share of the world market.

It exported 970 000 tonnes of milk powder: 390 000 tonnes of skimmed milk powder and 580 000 tonnes of whole milk powder, 37% and 56% respectively of the world market. For skimmed milk powder this was a 55% rise and intervention stocks have fallen sharply.

Those of butter also fell during 1993.

International prices and GATT minimum prices (1)

(USD/t)

Year	Butter	GATT	Butteroll	GATT	Cheese	GATT	SMP (2)	GATT
1985	950 - 1 050 1 000 - 1 050	1 000	1 200 - 1 400 1 200 - 1 400	1 200	1 100 - 1 250 1 150 - 1 275	1 000	600 - 680 600 - 650	600
1986	1 050 - 1 150 800 - 1 100	1 000	1 250 - 1 350 800 - 1 300	1 200	1 100 - 1 200 1 000 - 1 100	1 000	680 - 720 680 - 720	600
1987	750 - 1 100 900 - 1 150	1 000	950 - 1 250 1 100 - 1 300	1 200	900 - 1 200 1 000 - 1 300	1 030	760 - 840 890 - 1 150	680
1988	1 150 - 1 350 1 350 - 1 500	1 100	1 200 - 1 400 1 300 - 1 500	1 325	1 250 - 1 500 1 800 - 2 050	1 200 1 350	1 150 - 1 550 1 750 - 2 050	900 1 050
1989	1 800 - 2 000 1 650 - 1 900	1 250	2 000 - 2 300 1 800 - 2 150	1 500	1 900 - 2 100 1 900 - 2 200	1 350 1 500	1 800 - 2 100 1 350 - 1 640	1 050 1 200
1990	1 350 - 1 550 1 350 - 1 500	1 350	1 600 - 1 900 1 600 - 1 800	1 625	1 700 - 2 000 1 550 - 2 000	1 500	1 200 - 1 700 1 300 - 1 500	1 200
1991	1 350 - 1 400 1 450 - 1 850	1 350	1 600 - 1 800 1 675 - 2 250	1 625	1 600 - 1 900 1 600 - 2 100	1 500	1 200 - 1 400 1 450 - 1 800	1 200
1992	1 350 - 1 600 1 350 - 1 800	1 350	1 625 - 1 950 1 625 - 2 200	1 625	1 750 - 2 100 1 800 - 2 100	1 500	1 550 - 1 900 1 775 - 2 170	1 200
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) 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

Milk deliveries (1)

(million t)

	1987	1988	1989	1990	1991	1992	1993
OECD (24 countries)	214,1	213,4	213,8	217,7	216,8	217,8	218,2
- EUR 12 (2)	101,7	99,1	99,2	100,7	100,2	99,3	99,3
Former GDR (2)	-	-	-	7,2	5,0	4,4	4,4
United States	63,7	64,9	64,5	66,3	66,5	67,9	67,7

(1) Production minus farm use and direct sales

(2) For purposes of comparison the ex-GDR has been excluded from OECD and EC totals from 1990 onwards. It is included in the figures for Eastern Europe for 1985-89 below.

Milk production (1)

(million t)

	1987	1988	1989	1990	1991	1992	1993
Eastern Europe (1)	148,0	151,1	153,8	144,2	133,6	118,4	113,0
- USSR	103,4	106,6	108,4	107,9	100,9	88,9	84,3

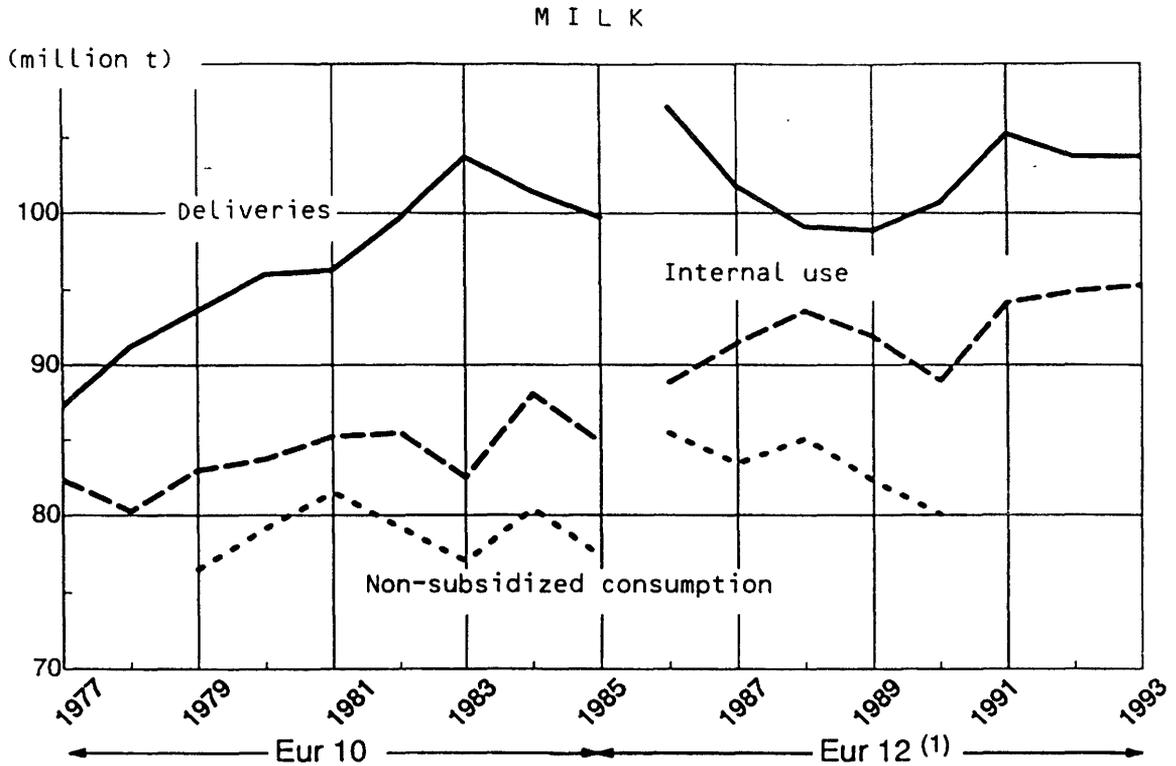
(1) For purposes of comparison the ex-GDR has been excluded from OECD and EC totals from 1990 onwards. It is included in the figures for Eastern Europe for 1985-89 below.

World market exports expressed as milk (1)

	1987		1988		1989		1990		1991		1992	
	(1000 t)	%										
EUR (2)	13834,3	47,6	16528,0	52,5	14188,1	50,8	12451,6	47,3	12837,5	46,3	13859,4	47,5
New Zealand	3899,1	13,4	4649,8	14,8	3806,4	13,6	4481,1	17,0	5128,3	18,5	5116,8	17,5
Australia	1617,5	5,6	1646,9	5,2	1746,6	6,3	1911,8	7,3	2363,5	8,5	2352,1	8,1
United States	3514,0	12,1	2706,8	8,6	1805,0	6,5	328,6	1,2	948,2	3,4	1600,8	5,5
Canada	840,5	2,9	879,3	2,8	602,6	2,2	625,0	2,4	735,0	2,7	514,1	1,8
EFTA	2525,8	8,7	1703,7	5,4	1768,7	6,3	2148,8	8,2	1804,1	6,5	1507,5	5,2
Eastern Europe and CIS	2005,4	6,9	2201,7	7,0	2311,3	8,3	2566,4	9,7	2321,4	8,4	2767,3	9,5
Others	826,8	2,8	1152,3	3,7	1676,5	6,0	1812,4	6,9	1595,7	5,8	1448,9	5,0
Total	29063,4	100	31468,6	100	27905,1	100	26325,7	100	27733,7	100	29166,8	100

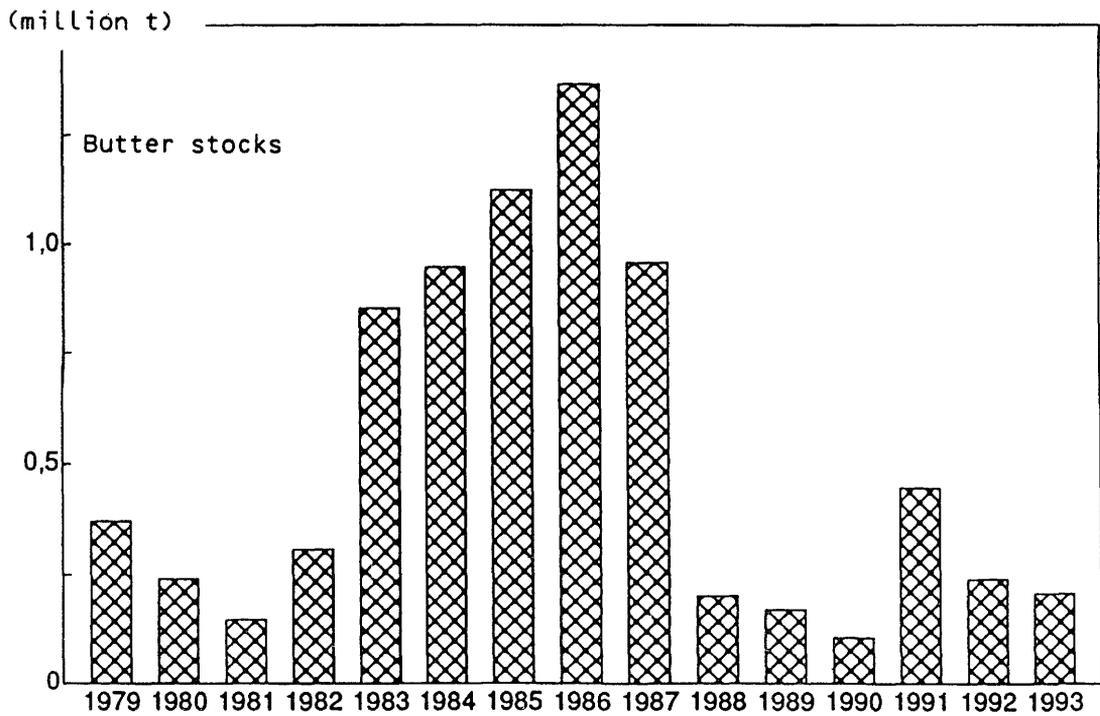
(1) Except casein and fresh products on the basis of Community coefficients

(2) EUR 10 to 1986, EUR 12 from 1987, including the five new Länder from 1991.



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 including 3 245 million tonnes for animal feed.

(1) Excluding the five new Länder



Public and private stocks at 1 January; for 1993, at 31 December;

COMMISSION PRICE PROPOSALS (*)

Extension of the 1993/94 marketing year

Under the CAP reform, the Council fixed the target price for milk and the intervention prices until 30 June 1995. However, since the 1993/94 marketing year ends on 31 March 1994, the Commission proposes that, like last year, the marketing year be extended until 30 June 1994 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.

Fixing of total guaranteed quantities

At the same time as the prices, the Council also decided on 21 May 1992 on the principle of an additional 2% reduction in the total guaranteed quantities, spread over the periods 1993/94 and 1994/95, subject to revision in the light of the general market situation and particular situations in certain Member States. The market analysis presented by the Commission in March 1993 led the Council to postpone the 1% reduction in the total quantities decided for 1993/94 and to agree to re-examine its entry into effect on the same date as that decided in principle for the period 1994/95, on the basis of a new Commission report in March 1994. The Commission should accordingly propose a 2 % reduction of milk quotas and that the total guaranteed quantities allocated to Greece, Italy and Spain be maintained or revised for the period 1994/95. It does not propose that this be done as part of the present price package, but reserves the right to make such proposals subsequently in the light of the report on the general market situation and particular situations in certain Member States which it will present to the Council in March 1994.

Prices

The steady decline in consumption of butter in the Community is causing long-term difficulties on the market, further aggravated by the increasing fat content of the milk produced. The Commission thus proposes that the reduction in the intervention price for butter already decided by the Council for the period 1994/95 be increased by a further 3% so as to improve the competitive position of butter and milkfats, encourage consumption and curb the trend of increasing fat content of milk. The target price for milk is fixed accordingly.

(*) Extracted from "Commission proposals on the prices for agricultural products and on related measures 1994/95 - Explanatory memoranda"
[COM(94) 10 final - Vol. 1]

Related measures

- (a) With the aim of simplifying the relevant rules and rationalizing intervention for butter, the Commission proposes that the Council establish a single definition for intervention butter. Such a proposal seems all the more opportune as methods for determining the quality of butter now exist and are recognized at international level and in the Community.
- (b) The Commission proposes that the arrangements for intervention buying-in of cheese be abolished. Experience has shown that this measure is not appropriate for improving the market and that the objective of market stabilization can be attained by means of private storage aids.

Price proposals in ECU

Product and type of price or amount (Period of application)	Decisions 1993/94 (1)		Proposals 1994/95	
	Amounts ECU/T	% change	Amounts ECU/T	% change
1.7.94-30.6.95				
Milk				
- Target price	260,6	- 2,8	254,1	- 2,5
Butter				
- Intervention price	2 803,3	- 4,3	2 663,1	- 5,0
Skimmed-milk powder				
- Intervention price	1 702,0	- 1,3	1 702,0	0

(1) Account taken of the agrimonetary corrections. For Spain and Portugal, the amounts could be slightly different in 1993/94 for certain products.

STATISTICAL TABLES (*)

Dairy herds and yield

Dairy cows in December	1 000 head			% TAV	
	1985	1991	1992	$\frac{1991}{1985}$	$\frac{1992}{1991}$
1	2	3	4	5	6
EUR 12	26511	22809	21822	-2,5	-4,3
Belgique/België	951	797	751	-2,9	-5,8
Danmark	913	746	708	-3,3	-5,1
BR Deutschland	5452	5632	5365	0,5	-4,7
Elláda	219	214	205	-0,4	-4,2
España (2)	1880	1516	1447	-3,5	-4,6
France	6506	4968	4642	-4,4	-6,6
Ireland	1495	1293	1262	-2,4	-2,5
Italia	3075	2536	2443	-3,2	-3,6
Luxembourg	70	52	51	-4,8	-3,1
Nederland	2333	1881	1821	-3,5	-3,2
Portugal	360	394	381	1,5	-3,3
United Kingdom	3257	2779	2747	-2,6	-1,2
Dairy cows yield (1)	kg/head			% TAV	
	1985	1991	1992	$\frac{1991}{1985}$	$\frac{1992}{1991}$
EUR 12	4255	4691	4923	1,6	5,0
Belgique/België	3864	4266	4410	1,7	3,4
Danmark	5379	6034	6173	1,9	2,3
BR Deutschland	4599	4574	4970	-0,1	8,7
Elláda	2959	2944	3416	-0,1	16,0
España	3335	4507	4616	5,1	2,4
France	4109	4887	5096	2,9	4,3
Ireland	3822	4037	4108	0,9	1,7
Italia	3388	3812	4037	2,0	5,9
Luxembourg	4237	4509	4979	1,0	10,4
Nederland	5150	5763	5795	1,9	0,6
Portugal	3138	4386	4353	5,7	-0,8
United Kingdom	4867	5111	5294	0,8	3,6

Source: Eurostat

(1) Production of the year divided by the herd in December of previous year.

(2) 1985: in September.

(*) Extract from "The agricultural situation in the Community. 1993 report".

Detailed supply balance (a) — skimmed-milk powder

EUR 12

(1 000 t)

	1986	1987	1988	1989	1990	1991	1992
1	2	3	4	5	6	7	8
Opening stocks							
— private	:	:	:	:	:	:	:
— public (intervention)	520	772	473	10	5	333	414
Production							
— skimmed-milk powder (b) ⁽¹⁾	2156	1628	1313	1421	1624	1478	1159
— buttermilk powder	46	39	39	38	45	40	41
Imports (b)	—	2	5	53	14	5	3
Total availability	:	:	:	:	:	:	:
Consumption at full market prices	200	300	300	300	300	350	350
Subsidized consumption							
— animal feed (calves)	1137	1103	975	754	767	856	809
Special measures							
— pigs and poultry	272	:	—	—	—	—	—
Total consumption	1609	1403	1275	1054	1067	1206	1159
Exports at world market prices	169	280	500	323	262	192	293
Food aid	98	110	117	87	68	61	99
Total exports	267	390	617	410	330	253	392
Closing stocks							
— private	:	:	:	:	:	:	:
— public (intervention)	772	473	10	5	333	414	47
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)

	1986	1987	1988	1989	1990	1991	1992
1	2	3	4	5	6	7	8
Opening stocks							
— private, aided by EC	128	83	98	100	104	84	41
— public (intervention)	996	1283	860	102	20	251	261
Production							
— dairy (b)	2189	1887	1682	1705	1771	1812	1658
— farm (b)	29	27	26	26	25	23	21
Imports	85	79	76	71	89	68	48
Total availability	3429	3360	2743	2004	2008	2241	2041
Consumption							
— at normal prices	1373	1235	1262	1137	1090	1182	1112
— at reduced prices ⁽²⁾	0	0	0	0	0	0	:
Special schemes ⁽³⁾	343	361	443	348	366	432	435
Reg. No 2409/86	14	184	190	—	—	—	:
Total apparent consumption	1730	1780	1895	1485	1456	1614	1547
Exports at world market prices	191	272	275	377	200	216	197
Food aid	35	30	47	18	13	10	5
Exports at special prices	105	319	323	—	5	96	45
Total exports (b)	331	621	645	395	218 ⁽⁴⁾	322	242
Closing stocks							
— private, aided by EC	83	98	100	104	84	41	68
— public (intervention)	1283	860	102	20	251	261	172
Total closing stocks	1366	958	202	124	335	302	240

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):

— Welfare schemes

— Armed forces and non-profit organizations

— Butter concentrate

— Sales to food processors

	1986	1987	1988	1989	1990	1991	1992
— Welfare schemes	5	25	13	16	19	22	17
— Armed forces and non-profit organizations	45	44	59	42	39	39	36
— Butter concentrate	26	34	43	16	16	19	19
— Sales to food processors	267	258	328	274	292	352	364

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

Application of the quota system
(1 000 t)

	1992/1993							1993/1994	
	Overall guaranteed quantity	Allocation out of the Community reserve	SLOM (1)	Overall quantity available	Deliveries (p)	Adjustment of oil and fat (2)	Transfers (2)	Difference after the adjustment (3)	Overall guaranteed quantity
1	2	3	4	5=2+3+4	6	7	8	9=6+7-5-8	10
EUR 12	101672,0	1482,9	600,0	103754,9	:	:	:	:	106170,4
Belgique/België	2881,0	32,1	6,6	2919,7	2959,0	157,3	202,4	-5,6	2937,2
Danmark	4369,4	48,8	9,6	4427,8	4457,4	0,0	0,0	1,1	4454,4
BR Deutschland	27154,2	234,2	161,0	27549,5	25729,7	1018,5	0,0	-801,3	27764,8
Elláda	520,6	5,4	-	526,0	607,5	0,0	0,0	81,5	626,0
España	4361,8	96,5	-	4458,3	:	:	0,0	:	5200,0
France	23042,4	256,3	64,0	23362,8	23069,7	351,5	129,7	-196,9	23503,0
Ireland	4725,6	355,8	118,0	5199,4	5233,8	0,0	6,8	30,5	5230,6
Italia	8224,2	88,0	-	8312,2	:	:	0,0	:	9212,2
Luxembourg	237,2	27,7	1,7	266,5	253,4	12,4	-0,4	-0,4	268,1
Nederland	10709,2	119,8	47,9	10876,9	10679,3	391,4	7,1	73,4	10972,1
Portugal	1743,4	-	-	1743,4	:	:	0,0	:	1804,9
United Kingdom	13703,0	218,3	191,2	14112,5	13818,5	323,8	214,8	-184,6	14197,2

Source: EC Commission, Directorate-General for Agriculture.

(1) SLOM: quantities allocated pursuant to Article 3 bis of Regulation (EEC) No 857/85.

(2) Adjustments in accordance with Regulation (EEC) No 1546/88, Article 12.

(3) Transfers in accordance with Regulation (EEC) No 857/84, Article 6 a.

(4) Including adjustments in accordance with Regulation (EEC) No 1546/88, Article 13 (3).

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