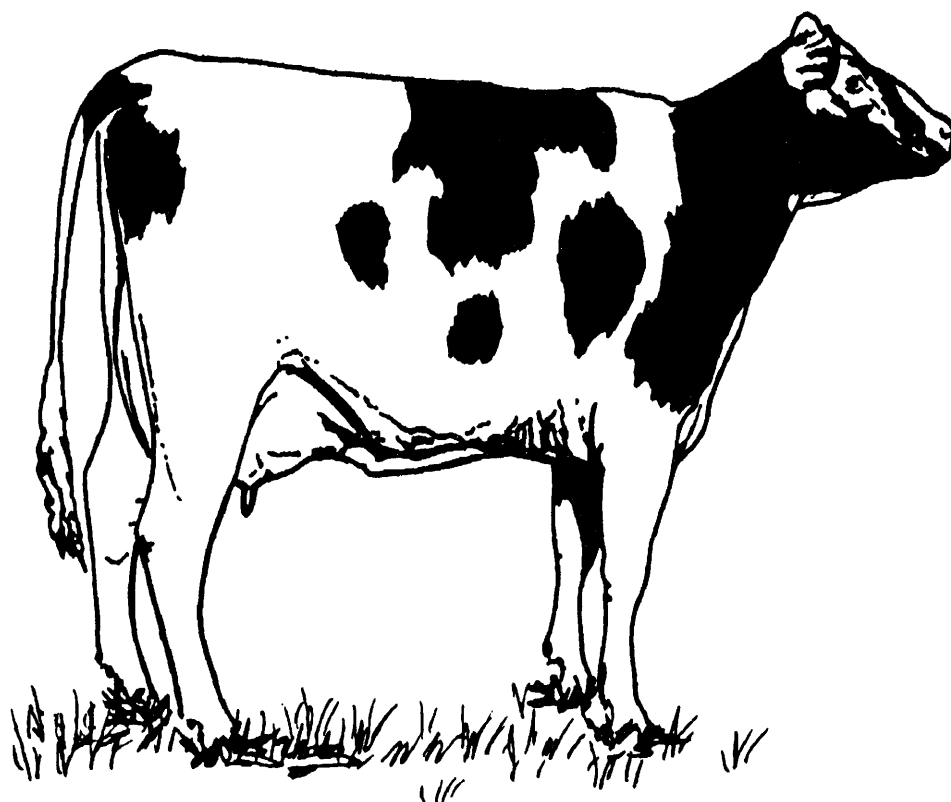


COMMISSION OF THE EUROPEAN COMMUNITIES  
DIRECTORATE-GENERAL FOR AGRICULTURE

# CAP WORKING NOTES

## 1992



**MILK**  
and milk products

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I N T R O D U C T I O N  
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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 agriculture in the Community;
- lastly, the "explanatory memorandum" of the Commission's annual agricultural price proposals seem to us to provide an indispensable illustration of the Community policy.

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DESCRIPTION OF THE MECHANISMS  
OF THE COMMON MARKET ORGANIZATION  
FOR MILK AND MILK PRODUCTS (\*)

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 3641/90.

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 19,8% in 1990.

#### 1. ECONOMIC BACKGROUND

The Community is the world's largest milk producer. In 1988 milk production accounted for about 17,6% of the total value of final agricultural production.

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

The introduction by the Council of the additional levy system has led to a reduction in:

- the number of dairy cows (about 4,8 million head);
- the quantity of milk produced (some 10 million t);
- the volume of milk delivered to the dairies (around 10,8 million).

At the end of 1990, the dairy herd, milk production and deliveries to dairies were thus estimated at 22,9 million head, 109,1 and 98,7 million t 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 85 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 measure for the disposal of butterfat on the internal market, total consumption of milk in the Community would stabilize at 79 to 80 million t.

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(\*) Translated from "Avant-projet de budget général 1992 - Commission, sous-section B1, titre 1, chapitre 20".

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 totalled 1,1 million t at the end of 1975, 674 000 t at the end of 1978 and 279 000 t at the end of 1981. They amounted to 576 000 t at the end of 1982, 983 000 t at the end of 1983, 617 000 t at the end of 1984, 520 000 t at the end of 1985, 772 000 t at the end of 1986, 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 333 100 t at the end of 1990.

Public and private stocks of butter fell from 418 000 t at the end of 1978 to 147 000 t at the end of 1981 and then rose again to 306 000 t at the end of 1982, 853 000 t at the end of 1983, 948 000 t at the end of 1984, 1 124 000 t at the end of 1985, 1 413 000 t at the end of 1986, then fell to 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 fell back in 1990 to 12,9 million t, as compared with 16,5 million t in 1988 (1989: 14,2 million t, 1986: 11,2 million t).

Exports of most products fell substantially in 1990: butter -55%; butteroil -8,8%; skimmed-milk powder -16,8%; whole-milk powder -9,2% and condensed milk -13%. Cheese exports, on the other hand, rose by 3,4%.

Total imports of butter from New Zealand amounted to 64 500 t in 1989 and 61 340 t in 1990. Imports of cheese remained unchanged at 117 000 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 other than young calves or for export as feed;

- 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).

#### 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).

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.

#### 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 extended for three years up to 31 March 1992.

### 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 overall guaranteed quantity, including the Community reserve, for the 1984/85 and 1985/86 milk years was 99 917 000 t<sup>(1)</sup> and 99 471 574 t<sup>(1)</sup> respectively. For 1986/87, 1987/88 and 1988/89 the figures were 104 381 574 t<sup>(2)</sup>, 98 379 600 t<sup>(3)</sup> and 95 782 736 t<sup>(3)</sup> respectively. It was raised to 97 675 858 t<sup>(3)</sup> the sixth twelve-month period, 97 864 855 t<sup>(3)</sup> for the seventh period and 106 128 883 t<sup>(3)</sup> following the entry of the former GDR and Portugal into the market organization for the eighth period.

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 2 082 885,740 t, 502 233 t of which (out of the 600 000 t earmarked) were allocated under Article 3a of Regulation (EEC) No 857/84 and 1 039 885,740 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.

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(1) EUR 10.

(2) EUR 12.

(3) Taking into account the temporary, across-the-board suspension of the quotas, totalling 4 159 543 t in 1987/88, 5 719 372 t in 1988/89 and 4 518 483 t from 1989/90.

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 overall guaranteed 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 overall guaranteed 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 and sixth periods and 4,5% for subsequent ones. It was decided that the EAGGF would grant a degressive compensation of ECU 10 per 100 kg<sup>(4)</sup> 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.

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(4) The Member States which so wished had the option of adding to this amount ECU 2,5 per 100 kg from national funds, but only for 1987/88.

Trend of appropriations (\*)

(ECU)

Article	Heading	Appropriations 1992	Appropriations 1991
B1-200	Refunds on milk and milk products	2.336.000.000	2.596.000.000
B1-201	Intervention storage of skimmed- milk powder	67.000.000	- 11.000.000
B1-202	Aid for skimmed milk	1.229.000.000	1.267.000.000
B1-203	Intervention storage of butter and cream	702.000.000	334.000.000
B1-204	Other measures relating to butter- fat	694.000.000	518.000.000
B1-205	Intervention for other milk pro- ducts	119.000.000	120.000.000
B1-206	Other measures in the milk and milk products sector	871.000.000	1.034.000.000
B1-207	Financial contribution by milk producers	- 323.000.000	- 324.000.000
B1-208	Measures to assist small producers	p.m.	p.m.
TOTAL OF CHAPTER B1-20 (Milk and milk products)		5.695.000.000	5.534.000.000

(\*) Extracted from "Final adoption of the general budget of the European Communities for the financial year 1992" - OJ L 26, 3.2.1992.

## Reform of the common agricultural policy (\*)

Under the reform of the common agricultural policy<sup>(1)</sup>, the Commission has transmitted to the Council a number of proposals concerning milk and milk products<sup>(2)</sup>.

These proposals are intended to implement the principles of the reform proposed by the Commission and to simplify Community rules.

The Commission is proposing to extend the milk quota scheme for eight years from 1 April 1992 with a reduction in national total quantities from 1992/93 and to introduce the following measures:

- (i) programmes for the discontinuation of production;
- (ii) a reduction of institutional prices from 1 July 1993 similar to that for cereals and introduced in three equal stages;
- (iii) introduction of an annual dairy cow premium from 1 January 1993 to offset the effects of the fall in the milk price on the least intensive dairy holdings;
- (iv) support from the Community budget for promotion programmes to take account of the abolition of the co-responsibility levy which partially financed them.

The Commission is also proposing to simplify the milk quota rules through the following measures:

- (i) grouping of the basic rules in a single consolidated regulation;
- (ii) consolidation of national total quantities at the 1991/92 level and determination of individual reference quantities on the basis of those available on 31 March 1992;

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(\*) The following text is extracted from the Bulletin of the European Communities, No 10 of 1991.

(1) See Supplement 5/91 of the Bulletin of the European Communities: "The development and future of the common agricultural policy".

(2) COM(91) 409 - OJ No C 337, 31.12.1991.

- (iii) replacement of formulas A and B by a single formula for implementation of the quota scheme;
- (iv) a single levy rate;
- (v) extension of temporary transfers of reference quantities to all producers;
- (vi) discontinuation of the assimilation of groups of producers other than marketing groups to single producers.

THE SITUATION OF THE MARKETS (\*)

The remarkable political changes in Eastern Europe in 1990 were felt in many areas, and the world market for dairy products was significantly affected.

As a consequence of the healthy world market in 1988 and 1989 milk production continued to increase in 1990, with production rising 2.6 million tonnes in the OECD countries. The European Community did not contribute to this increase despite quota modifications due to SLOM and other factors. However, the political changes in Eastern Europe resulted in their need for "hard" currency and 1990 saw the emergence of significant quantities of low-priced East European exports onto the world dairy market. The inevitable consequence were depressed world prices and a large growth of stocks of dairy products in OECD countries. This situation was exacerbated by the Gulf War at the end of the year, with its effect on the important Near East markets for dairy products.

For 1991 OECD production is expected to drop by 1.3 million tonnes, due to a 2% cut in milk quotas in the Community and reduced production in Scandinavia and Canada. Production in the USA, by contrast, is forecast to increase by a further 1%.

In the USSR and Eastern Europe the steady increases in milk production that have characterized the dairy sector for several years have been replaced in 1991 by huge cuts. Total production in 1991 is expected to be at least 12 million tonnes down on 1990, with most countries (including the USSR) reporting drops in production of up to 10%. The cause of such a decline has been the sudden transformation from planned economies which have resulted in the abolition of food and animal feed subsidies. The consequential production costs and retail prices have had a dramatic effect on the consumption of dairy products, resulting in cuts in production.

The current situation on the world market is that prices for dairy products are still low, but appear to be slowly improving.

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(\*) Extracted from "The agricultural situation in the Community. 1991 report".

## International prices and GATT minimum prices

(USD/t)

Year	Butter	GATT	Butteroil	GATT	Cheese	GATT	SMP	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	1 350	1 600-1 800	1 625	1 600-1 900	1 500	1 200-1 400	1 200

(million t)

Milk deliveries <sup>(1)</sup>	1985	1986	1987	1988	1989	1990	1991
OECD (24 countries)	218.4	220.2	214.1	213.4	213.6	216.3	215.0
of which: EUR 12 <sup>(2)</sup>	105.8	107.1	101.7	99.1	98.6	98.8	96.9
Former GDR <sup>(2)</sup>	—	—	—	—	—	7.6	6.0
USA	63.8	64.2	63.7	65.0	65.0	66.8	67.4

<sup>(1)</sup> Production minus farm use and direct sales.<sup>(2)</sup> For purposes of comparison the former GDR has been excluded from OECD and EC totals for 1990 and 1991. However, the GDR is included in statistics on Eastern Europe for 1985-89.

(million t)

Milk production	1985	1986	1987	1988	1989	1990	1991
Eastern Europe <sup>(1)</sup>	145.4	147.1	147.8	151.3	153.7	145.6	133.3
of which: USSR	98.6	102.2	103.4	106.8	108.1	108.7	100.0

<sup>(1)</sup> For purposes of comparison the former GDR has been excluded from OECD and EC totals for 1990 and 1991. However, the GDR is included in statistics on Eastern Europe for 1985-89.



The downturn in markets in 1990 resulted in total world trade declining by over 3% (in milk equivalent) to reach the lowest level for six years.

In 1990 the Community was particularly badly hit, with exports down almost 10% to under 13 million tonnes. With 48% of the world market the Community remains by far the most important dairy exporter, but New Zealand increased its market share to 16 %.

World market exports in milk equivalent <sup>(1)</sup>

	1985		1986		1987		1988		1989		1990	
	(1 000 t)	%	(1 000 t)	%	(1 000 t)	%	(1 000 t)	%	(1 000 t)	%	(1 000 t)	%
EUR <sup>(2)</sup>	12 239.8	42.9	11 230.1	41.0	13 834.3	47.7	16 502.0	53.6	14 226.5	51.4	12 878.2	48.1
New Zealand	4 001.5	14.0	4 216.3	15.4	3 962.2	13.7	4 120.5	13.4	3 598.5	13.0	4 305.7	16.1
Australia	1 873.2	6.6	1 659.6	6.1	1 630.3	5.6	1 620.2	5.3	1 681.7	6.1	1 621.3	6.1
USA	3 970.3	13.9	4 144.7	15.1	3 478.4	12.0	2 670.0	8.7	1 870.0	6.8	1 366.8	5.1
Canada	1 218.7	4.3	1 303.5	4.8	851.2	2.9	877.6	2.9	537.9	1.9	587.7	2.2
EFTA	2 489.4	8.7	2 215.2	8.1	2 511.2	8.7	1 743.0	5.7	1 833.2	6.6	2 056.9	7.7
Eastern Europe and USSR	2 075.3	7.3	1 919.6	7.0	2 021.4	7.0	2 185.1	7.1	2 388.8	8.6	2 368.8	8.8
Other countries	637.2	2.2	688.9	2.5	719.5	2.5	1 072.4	3.5	1 522.4	5.5	1 605.1	6.0
Total	28 505.4	100	27 377.9	100	29 008.6	100	30 790.8	100	27 659.0	100	26 790.4	100

<sup>(1)</sup> Except for casein and fresh products on the basis of Community coefficients.

<sup>(2)</sup> EUR 10 until 1986; EUR 12 from 1987.

The long-term trend within the Community is for the consumption of dairy products to remain relatively stable. However, this disguises major changes in consumption habits. There is increasing demand for fresh dairy products, soft cheeses and butter substitutes with some dairy content, and a decline in demand for full-fat milk, hard cheeses and butter - in short, a consumer desire for reduced-fat products.

Thus, whilst overall consumption of dairy products is relatively stable the consumption of butterfat is in decline. This, coupled with the ever-increasing fat content of milk produced (due to better animal husbandry and diet), poses major problems as the imbalance between production and consumption continues to grow.

The reduction in dairy cow numbers in the Community continued through 1990. At the end of the year the population totalled 22.9 million head which represents a drop of 17% since 1983. Nonetheless, milk production remained at the 1990 level of 109.2 million tonnes. This, however, will decline in 1991 as additional quota cuts come into force, resulting in milk deliveries to dairies in 1991 totalling 96.8 million tonnes, compared to 98.9 million tonnes in 1990.

After a 2.3% increase in 1990, the production of butter and butteroil will decline by 5% in 1991 to under 1.7 million tonnes, with a further drop expected in 1992. Butter consumption, meanwhile, continues to decline by 2% per annum.

The production of skimmed-milk powder rose by 12.6% to 1.6 million tonnes in 1990, reflecting increasing reliance on intervention purchasing of milk because of the depressed world market. For 1991 it is forecast that skimmed-milk powder production will drop back to 1.4 million tonnes, or 1989 levels of production. After a drop in production in 1990 whole-milk powder production is expected to rise by 50.000 t to 850.000 t in 1991.

Both the consumption and production of cheese continue to grow by 2% per annum. Thus, production estimates for 1991 are 4.7 million tonnes (up to 100.000 t), though with little or no growth in 1992.

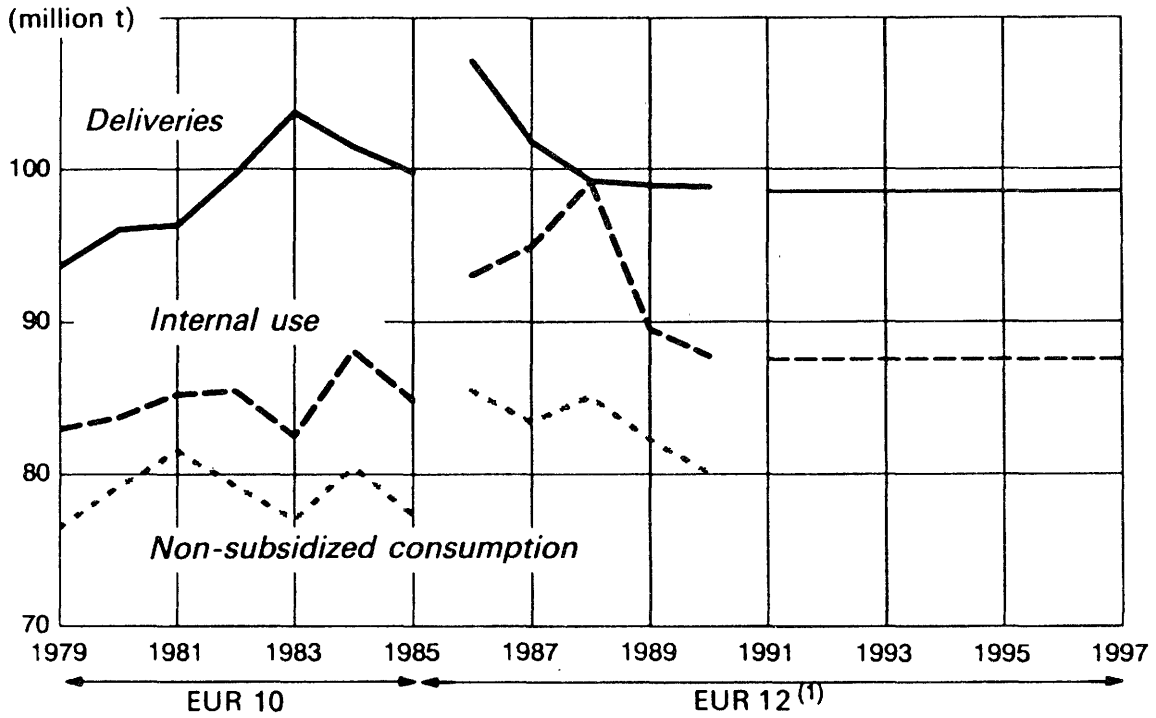
The 1991 agricultural price agreement resulted in the reference quantities for milk quotas being reduced by 2% (1) with Portugal and the former GDR-Länder coming within the quota-regime, realignment of intervention prices in Spain and Portugal(2), and the introduction of a voluntary buying-up scheme for milk quota with Community financing at a rate of ECU 0.10/kg over a period of five years (subject to a maximum of 3% of quota)(3).

(1) Regulation (EEC) No 1630/91, OJ L 150, 15.06.1991, p. 19.

(2) Regulation (EEC) No 1631/91, OJ L 150, 15.06.1991, p. 21.

(3) Regulation (EEC) No 1637/91, OJ L 150, 15.06.1991, p. 30.

### Milk

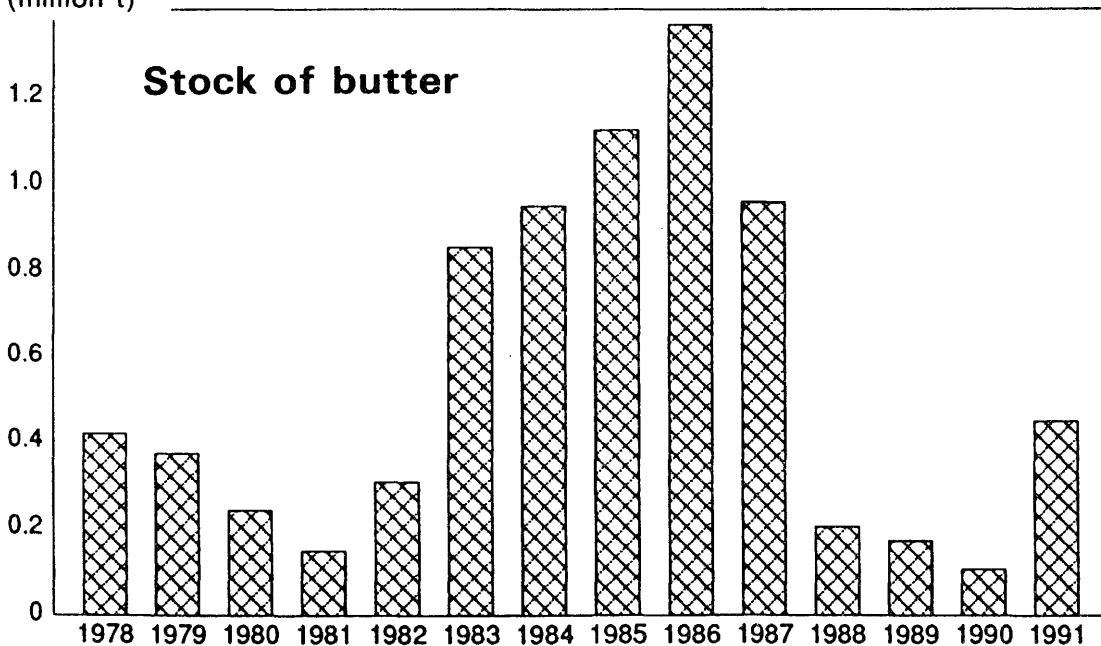


Consumption has been calculated on the basis of an overall milk products balance in terms of milk equivalent (referring to fat content).

From 1979 to 1985: EUR 10, thereafter EUR 12 (excluding the five new *Länder*)

Consumption for 1988, including 3 245 million tonnes for animal feed.

(million t)



Public and private stocks as at 1 January; for 1991, as at 31 October.

PRICE PROPOSALS - EXPLANATORY MEMORANDA (\*)

**Prices**

The Commission proposes to maintain in 1992/93 the same level of target and intervention prices as in 1991/92. This proposal assumes that the Council will decide to continue the milk quota system, as the Commission has already proposed.

**Price alignment in Spain and Portugal**

In accordance with the rules of the Treaty of Accession (Article 70(3)), the Commission proposes that the common intervention prices for butter and skimmed-milk powder should be applied in Spain. For Portugal, the common intervention price for butter has already been applied since the beginning of the 1991/92 marketing year. For skimmed-milk powder the Commission proposes, as provided for in the Treaty of Accession, that the difference in price between the Azores and mainland Portugal should be eliminated and therefore that the current intervention price in the Azores should be applied to Portugal as a whole.

**Coresponsibility levy**

Taking into account the serious budgetary situation and the general context of maintaining the existing price level, the coresponsibility levy must be maintained at its present level.

**Quotas**

The existing quota regime expires on 1 April 1992. Proposals for quotas from that date onwards have been presented in the context of the reform of the common agricultural policy. The proposal to maintain prices at the same level as in 1991/92 presupposes that the Council will reach decisions on the basis of these proposals before 1 April. It would be quite impossible to maintain support prices without limits on quantities.

**Inward processing**

Inward processing is currently suspended in the milk sector, with a specific exemption for certain products. The Commission proposes that both this suspension and the exemption should continue in 1992/93.

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(\*) Extracted from "Commission proposals on the prices for agricultural products and on related measures 1992/93 - Explanatory memoranda"  
[COM(92) 94 final - Vol. 1]

Price proposals in ECU

Product and type of price or amount (Period of application)	1991/92 Decisions		Proposals 1992/93	
	Amounts ECU/T	% change	Amounts ECU/T	% change
1.4.92-31.3.93				
Milk				
- Target price	268,1	0	268,1	0
Butter				
- Intervention price	2 927,8	0	2 927,8	0
Skimmed-milk powder				
- Intervention price	1 724,3	0	1 724,3	0
Grana padano cheese 30-60 days				
- Intervention price	3 796,7	0	3 796,7	0
Grana padano cheese 6 months				
- Intervention price	4 704,3	0	4 704,3	0
Parmigiano-Reggiano cheese 6 months				
- Intervention price	5 192,1	0	5 192,1	0

	Spain			Portugal		
	Amounts in ECU/T		% change	Amounts in ECU/T		% change
	1991/92	1992/93		1991/92	1992/93	
Milk						
- Target price	268,1	268,1	0	268,1	268,1	0
Butter						
- Intervention price	3 024,9	2 927,8	- 3,2	2 927,8	2 927,8	0
Skimmed-milk powder						
- Intervention price	2 026,7	1 724,3	-14,9	2 100,0 (1)	2 070,0	- 1,4

(1) For the Azores, the intervention price for skimmed-milk powder is ECU 3/100 kg less than the price indicated, which is applicable on the mainland.

## STATISTICAL TABLES (\*)

## Dairy herds and yields

Dairy cows in December	1 000 head			% TAV	
	1985	1989	1990	$\frac{1989}{1985}$	$\frac{1990}{1989}$
1	2	3	4	5	6
EUR 12	26543	23786	23008	- 2,7	- 3,3
Belgique/België	951	866	834	- 2,3	- 3,7
Danmark	913	770	769	- 4,2	- 0,1
BR Deutschland	5451	4929	4765	- 2,5	- 3,3
Ellada	219	233	242	1,6	3,9
España (2)	1880	1822	1593	- 0,8	- 12,6
France	6506	5494	5276	- 4,1	- 4,0
Ireland	1528	1400	1387	- 2,2	- 0,9
Italia	3075	2931	2881	- 1,2	- 1,7
Luxembourg	70	60	59	- 3,8	- 1,7
Nederland	2333	1951	1917	- 4,4	1,7
Portugal	360	398	396	2,5	- 0,5
United Kingdom	3257	2932	2890	- 2,6	- 1,4
Dairy cows yields (1)	kg/head			% TAV	
	1985	1989	1990	$\frac{1989}{1985}$	$\frac{1990}{1989}$
EUR 12	4251	4510		1,5	
Belgique/België	3864	4081	4168	1,4	2,1
Danmark	5379	6213	6158	3,7	- 0,9
BR Deutschland	4599	4825	4803	1,2	- 0,5
Ellada	2958	3064		0,9	
España	3334	3300		- 0,3	
France	4109	4559		2,6	
Ireland	3759	3875		0,8	
Italia	3388	3557		1,2	
Luxembourg	4236	4601	4838	2,1	5,2
Nederland	5150	5652	5784	2,4	2,3
Portugal	3138	3524		2,9	
United Kingdom	4867	5012	5188	0,7	3,5

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. 1991 report".

Detailed supply balance (a) — skimmed-milk powder

EUR 12

(1 000 t)

	1984	1985	1986	1987	1988	1989	1990
1	2	3	4	5	6	7	8
Opening stocks							
— private	:	:	:	:	:	:	:
— public (intervention)	983	617	520	772	473	10	5
Production							
— skimmed-milk powder (b) (1)	2100	1948	2156	1628	1313	1421	1617
— buttermilk powder	41	40	46	39	39	39	49
Imports (b)	—	—	—	2	5	53	14
Total availability	:	:	:	:	:	:	:
Consumption at full market prices	220	200	200	300	300	300	300
Subsidized consumption							
— animal feed (calves)	1244	1125	1137	1103	975	754	765
Special measures							
— pigs and poultry	612	258	272	:	—	—	—
Total consumption	2076	1583	1609	1403	1275	1054	1065
Exports at world market prices	146	183	168	278	499	323	262
Food aid	167	124	98	110	117	87	68
Total exports	313	307	266	388	616	410	330
Closing stocks							
— private	:	:	:	:	:	:	:
— public (intervention)	617	520	772	473	10	5	335
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 <sup>(1)</sup>

EUR 12

(1 000 t)

	1984	1985	1986	1987	1988	1989	1990
1	2	3	4	5	6	7	8
Opening stocks							
— private, aided by EC	161	108	128	83	98	100	104
— public (intervention)	692	841	996	1283	860	102	20
Production							
— dairy (b)	2107	2033	2189	1887	1682	1705	1738
— farm (b)	36	33	31	28	27	28	28
Imports	90	80	85	79	76	71	60
<b>Total availability</b>	<b>3086</b>	<b>3095</b>	<b>3429</b>	<b>3360</b>	<b>2743</b>	<b>2006</b>	<b>1950</b>
Consumption							
— at normal prices <sup>(2)</sup>	1371	1260	1377	1236	1263	1139	1029
— at reduced prices <sup>(3)</sup>	125	76	0	0	0	0	0
Special schemes <sup>(4)</sup>	233	278	341	361	443	348	366
Reg. No 2409/86	—	—	14	184	190	—	—
<b>Total apparent consumption</b>	<b>1729</b>	<b>1614</b>	<b>1732</b>	<b>1781</b>	<b>1896</b>	<b>1487</b>	<b>1395</b>
Exports at world market prices	236	173	191	272	275	377	202
Food aid	59	36	35	30	47	18	13
Exports at special prices	114 <sup>(5)</sup>	148	105	319	323	—	5
<b>Total exports (b)</b>	<b>379</b>	<b>357</b>	<b>331</b>	<b>621</b>	<b>648</b>	<b>395</b>	<b>220</b>
Closing stocks							
— private, aided by EC	108	128	83	98	100	104	84
— public (intervention)	841	996	1283	860	102	20	251
<b>Total closing stocks</b>	<b>949</b>	<b>1124</b>	<b>1366</b>	<b>958</b>	<b>202</b>	<b>124</b>	<b>335</b>

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

(b) Eurostat.

<sup>(1)</sup> Product weight. Includes butteroil made from cream (butter equivalent).<sup>(2)</sup> Prices currently subsidized by EAGGF in Denmark, Ireland, Luxembourg and the United Kingdom.<sup>(3)</sup> 1977: Reg. No 2370/77 (Christmas butter),

1978: Reg. No 1901/78,

1979: Reg. No 1269/79.

<sup>(4)</sup> Comprising (1 000 t):

— Welfare schemes

— Armed forces and non-profit organizations

— Butter concentrate

— Sales to food processors

1984	1985	1986	1987	1988	1989	1990
4	6	5	6	40	16	
42	44	45	44	59	42	
4	15	26	34	43	16	
183	228	267	258	328	274	

<sup>(5)</sup> Of which 84 physically exported.



## Application of the quota system

(1 000 t)

	1990/1991					1991/1992 (1)								
	Overall guaranteed quantity	Quantity suspended	Allocation out of the Community reserve	SLOM (2)	Overall quantity available	Deliveries (p)	Adjustment of oils and fats (3)	Transfers (4)	Difference after the adjustment	Overall guaranteed quantity	Quantity suspended	Allocation out of the Community reserve	SLOM (2)	Overall quantity available
I	2	3	4	5	6=2-3+4+5	7	8	9	10=7+8-6-4	11	12	13	14	15=11-12+13+14
EUR 12	100559	4680	1482,9	502,2	97804	96773	1376,9	- 425	- 56	106687	4985,7	1482,9	600,0	103783,9
Belgique/België	3090	144	32,1	5,5	2983	3047	120,0	- 150	34	3025,5	144,5	32,1	6,6	2919,7
Danmark (5)	4687	220	48,8	8,1	4513	4485	61,9	- 48	- 14	4589,1	219,7	48,8	9,6	4427,9
BR Deutschland	22519	1054	234,2	135,0	21834	21406	465,0	- 1	36	28514,4	1360,2	234,2	161,0	27549,5
Ellada	556	24	5,4	-	537	562	-	-	-	544,8	24,2	5,4	-	526,0
España	4664	209	96,5	-	4551	4504	-	-	-	4571,0	209,2	96,5	-	4458,3
France	24709	1154	256,3	53,7	23849	23810	200,6	- 14,5	17	24196,0	1153,6	256,3	64,0	23362,8
Ireland	5069	238	355,8	98,9	5286	5277	-	- 7	- 15	4963,2	237,6	355,8	118,0	5199,4
Italia	8796	396	88,0	-	8488	8234	-	-	- 254	8620,1	395,9	88,0	-	8312,2
Luxembourg	254	12	27,7	0,7	271	270	10,2	-	10	249,1	11,9	27,7	1,7	266,5
Nederland (5)	11500	539	119,8	40,1	11121	10845	371,1	- 3	92	11260,3	539,1	119,8	47,9	10888,9
Portugal	-	-	-	-	-	-	-	-	-	1743,4	-	-	-	1743,4
United Kingdom	14716	690	218,3	160,3	14371	14333	148,0	- 71	39	14409,8	689,8	218,3	191,2	14129,5

Source: EC Commission, Directorate-General for Agriculture

(1) Excl. ex-German Democratic Republic and Portugal.

(2) SLOM: quantities allocated pursuant to Article 3 bis of Regulation (EEC) No 857/84.

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

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

(5) Fifty-two weeks.



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