

COMMISSION OF THE EUROPEAN COMMUNITIES

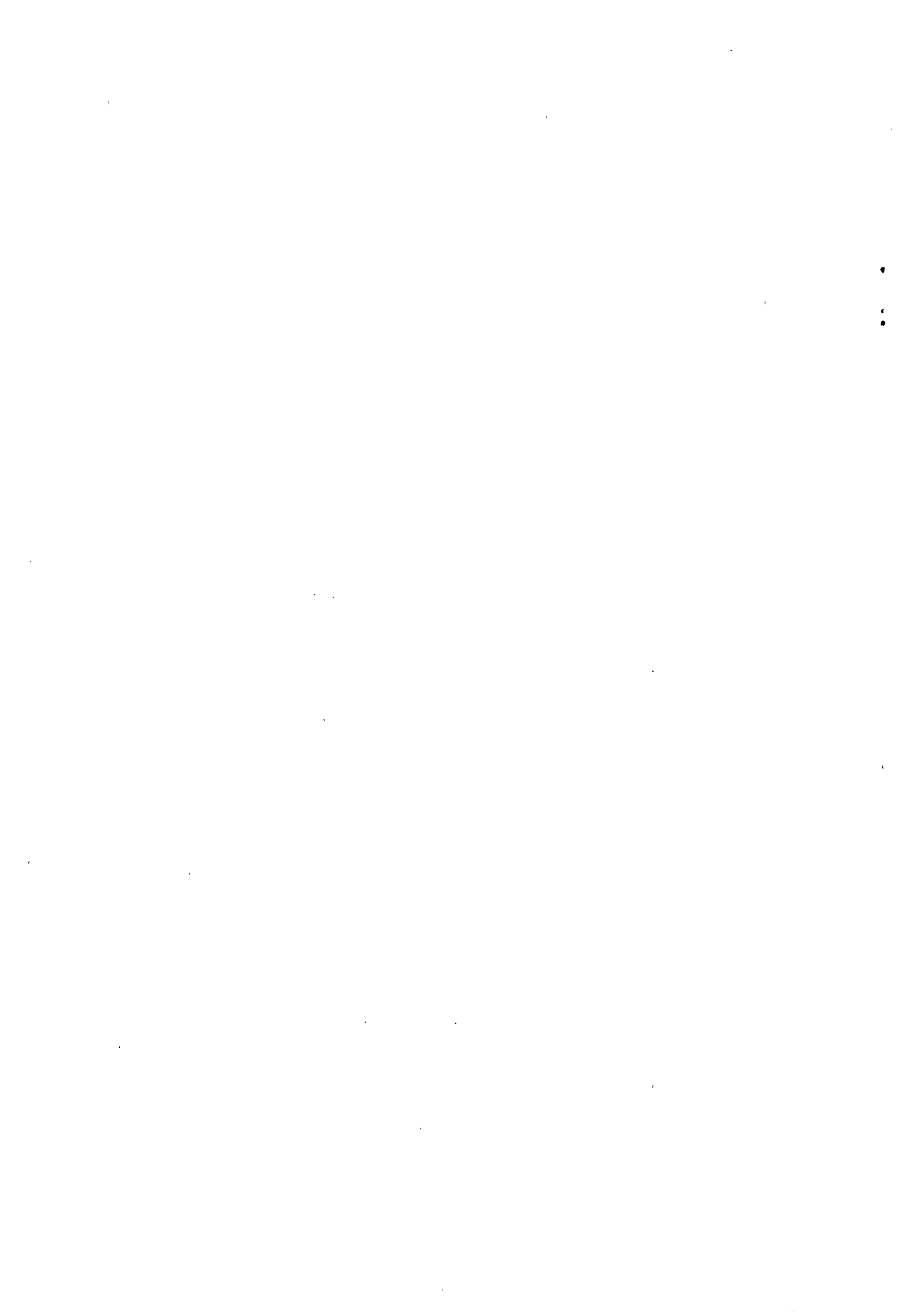
COM(75) 399 final

Brussels, 15 July 1975

SITUATION ON THE MARKET IN MILK PRODUCTS

(Communication from the Commission to the Council)

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COMMUNICATION FROM THE COMMISSION TO THE COUNCIL

On the situation of the market in milk products

The market situation

1. The general situation on the market in milk products is one of imbalance between production and consumption (internal consumption and exports).

In 1975 production and supplies are showing a slight upward trend. Production is expected to increase by 0.5 to 1.5% as compared with 1974, despite the continued trend towards a slight annual decrease in the number of dairy cows.

2. Sales of drinking milk, which were increasing at a faster rate than the population over recent years, are slightly down in 1975, for the first time.

There will be very little expansion in the manufacture of cheeses as the result of the slackening rate of consumption in the EEC, the economic situation in general and the difficulties encountered by exporters.

The quantities of milk processed into casein have also fallen because of the considerably reduced demand on the EEC market, the drop in exports and, especially, cheap imports of casein from non-member countries.

Sales of liquid skimmed milk for use as animal feed have been almost 20% less than in 1974.

The subsidized use of skimmed milk powder as animal feed was influenced by the considerable fall in the price of competing proteins.

In the first half of 1975 exports of skimmed milk powder were also considerably less than in previous years.

In 1975 the level of butter consumption has already been affected by the fall in the price of competing fats; it will probably be reduced by the price increase scheduled for 16 September.

3. Thus, the quantities of products likely to be offered for intervention are greater than in 1974. In the case of butter, the increase is put at 2 to 3% and in the case of skimmed milk powder at 5 to 7%.

4. The situation on the market for skimmed milk is particularly difficult: the quantity of skimmed milk powder held in public storage, which had been 365 000 metric tons on 1 January 1975, rose to more than 700 000 metric tons on 30 June 1975. An estimated 900 000 metric tons will be held in storage by 31 December 1975, if no measures are taken before that date.

This growth of stocks is due not only to a surplus of production over demand but also to the fact that considerable quantities of skimmed milk powder held by firms at the beginning of the year have been placed back on the market and such privately held stocks have only been replenished to a very small extent.

The quantity of butter in storage on 30 June 1975 (75 000 metric tons in public storage and 130 000 metric tons in private storage) is no immediate cause for concern, but it may increase towards the end of the year.

5. This analysis of the market situation shows a drop in the sales of milk products and a rise in the quantities offered for intervention, this trend being mainly due to variations in prices and purchasing power.

There is, consequently, a need for short-term economic measures and to extend the analysis to cover the various factors noted during discussion on the stocktaking of the CAP and on the fixing of prices for the coming marketing years.

The objectives proposed by the Commission are as follows:

- The reduction of stocks of skimmed milk powder so that the level of stocks on 1 April 1976 is more or less the same as on 1 April 1975. This will necessitate the marketing of a further 250/350 000 metric tons of skimmed milk powder equivalent.

If no measures are taken, stocks would account for 11% of annual availabilities of milk proteins in the EEC; the aim is to reduce this percentage to 6-7%.

- The maintenance of butter stocks at a relatively low level: for this purpose the measures currently in force will have to be retained and even strengthened.

The measures proposed:

1. As regards aid for liquid skimmed milk, it is planned to increase considerably the amount of aid for quantities of liquid skimmed milk returned to users by dairies in excess of quantities returned during a reference period (the excess quantity for the period up to 1 April 1976 may be estimated at 450 000 metric tons of liquid skimmed milk, which corresponds to about 40 000 metric tons of skimmed milk powder).

2. Aid for the private storage of skimmed milk powder.

In order to correct the imbalance which now exists between public and private stocks of skimmed milk powder, the Commission proposes that the Council should adopt an ad hoc regulation permitting aid to be granted for private storage contracts for a period of two months.

The quantity likely to be covered by such contracts is put at 100 000 metric tons.

3. Examination by the Commission, together with the Management Committee, of a possible adjustment to the amount of aid for skimmed milk powder according to the percentage of milk embodied in the feed for nursing animals.

4. The Committee is examining, together with the Management Committee, the possibility of increasing exports of skimmed milk powder mixed with wheat flour, either as normal exports or as food aid.

Under the same procedure, the Commission is studying the possibility of authorizing Member States to grant aid of 36.5 u.a./100 kg for quantities of skimmed milk used in mixtures with wheat flour which are in excess of those so used over a reference period.

The Member States will have to adopt control measures to ensure the implementation of such provisions.

5. Reduction of the price of skimmed milk powder made available to developing countries (Regulation (EEC) No 155/75).

To take account of price trends on the world market and to stimulate demand, it is proposed that the supply price should be lowered from 44.35 u.a. to 22.175 u.a./100 kg.

In addition, the regulation will be amended so that direct sales can be made to the governments of the countries most affected by the economic crisis, on condition that the skimmed milk powder is distributed free of charge or under a programme approved by the EEC, according to the criteria applied in the case of food aid.

The quantity likely to be exported in this way by 1 April 1976 is estimated at 50 000 metric tons.

6. Immediate adoption of the Commission proposal to increase by 15 000 metric tons the quantity of skimmed milk powder made available as food aid for 1975 (70 000 metric tons instead of 55 000 metric tons).

7. Exportation of those quantities which entered into storage before 1 January 1974 (about 80 000 metric tons) in the form of feed for nursing animals, containing a minimum percentage of skimmed milk powder.

8. The aid granted to those receiving social assistance is to be maintained and the maximum monthly quantity of butter raised from 500 to 750 grammes.

9. Examination of the possibility of limiting the quantities of casein imported into the Community, particularly those imported at abnormally low prices from non-GATT countries (the amount of aid to Community producers being mainly determined on the basis of this import price).

10. Temporary suspension of the inward processing traffic in the case of butter, butteroil and skimmed milk powder.

This measure is designed to ensure that Community undertakings have priority in the processing of Community production.

11. In order to expand consumption of milk products, the Commission proposes that the Council adopt a regulation laying down general rules for the exclusive use of butter fats and nitrogenous lactic substances in milk products.

12. Expansion of milk consumption in schools.

The Commission is preparing measures whereby the quantities of milk consumed in schools would be increased, possibly with financial assistance from the EAGGF.

13. When the stocktaking of the CAP is discussed at the Council meeting in September 1975, the Council is requested to endorse the principle of joint responsibility in the milk products sector and to investigate in depth possible methods of implementation.

- (a) Sales of skimmed milk powder from public storage for delivery to developing countries:
additional expenditure $50\ 000\ T \times 221.75\ \text{u.a./T} = 11\ \text{million u.a.}$
- (b) Authorization of Member States concerning the incorporation of skimmed milk powder into mixtures with wheat flour. Measures under consideration; foreseeable cost: 40 million u.a.
- (c) Increase in the 1975 Food Aid Programme from 55 000 t to 70 000 t, entailing increased EAGGF expenditure, refunds amounting to 6.7 million u.a. ($446\ \text{u.a./t} \times 15\ 000\ \text{t}$).
- (d) Ad hoc measure granting aid for the private storage of skimmed milk powder. Given an estimated quantity of 100 000 t, the foreseeable expenditure amounts to 2 million u.a.

The total expenditure for the period up to 31 March 1976 will be 59.7 million u.a. In the 1975 Budget, this expenditure will amount to 29.9 million u.a.

2. Under Chapter 62 of the 1975 Budget, available appropriations total 1 526.85 million u.a.

- (a) For the measures currently in operation, expenditure from the 1975 Budget may be estimated at approximately 1.320 million u.a.
- (b) For the measures to be taken by the Commission and announced in the Communication, expenditure from the 1975 Budget may be estimated at 35 million u.a.

This is mainly accounted for by the expenditure which may be incurred as a result of the measures proposed under (1), (7) and (8).

The foreseeable expenditure from the 1975 Budget on additional aid for liquid skimmed milk used as cattle feed amounts to 11 million u.a. and that resulting from the increase in the monthly quantity of butter made available for social assistance purposes amounts to 1.6 million u.a.

- (c) Measures requiring a Council decision (see footnote 1) 29.9 million u.a.

Foreseeable expenditure from the 1975 Budget

1 384.9 million u.a.