

126

for greater milk

Faint, illegible text, possibly bleed-through from the reverse side of the page.

Faint, illegible text, possibly bleed-through from the reverse side of the page.

Faint, illegible text, possibly bleed-through from the reverse side of the page.

Faint, illegible text, possibly bleed-through from the reverse side of the page.



The world market for preserved milk

By Keld Winther Rasmussen

**Table 1:
SMP production (1,000 t)**

	1993	1994	1994/93%
EC15	1256	1179	-6,1%
USA	420	543	29%
New Zealand	131	-	-
Australia	188	214	14%
Canada	52	-	-
Japan	222	184	-17%

Source: ZMP

**Table 2:
WMP production (1,000 t)**

	1993	1994	1994/93%
EC15	890	935	5%
USA	69	74	7%
New Zealand	286	325	14%
Australia	90	114	27%
Japan	31	29	-6%

Source: ZMP

Boom since May 1994

The world market for skim milk powder (SMP) and whole milk powder (WMP) has experienced a boom over the past year, similar only to the situation in 1989.

After an alarming proximity to the GATT minimum level in May 1994, an upward trend in prices set in over the summer and quite unexpectedly developed into a virtual boom late last year. The increases continued into 1995 with average world market prices for SMP and WMP reaching over USD 2,150 tonnes in the first quarter. However, the dollar was severely weakened in that same period.

What caused prices to go up?

The price increases were primarily due to the extraordinary demand from Eastern Europe and the former Soviet Union and to the drought in New Zealand rendering a smaller production after a record 1992/93. For SMP there has furthermore been a marked decline in EU exports in 1994 compared to 1993. The EU Commission tried to cool down the market by selling from the already modest intervention stocks of SMP, but at the same time contributed to forcing prices upwards through refund cuts. Due to this refund policy, European companies have not benefitted in full from the favourable prices. Profits, on the other hand, have been made by the

**Table 3: SMP stocks
as per January 1 (1,000 t)**

	1993	1994	1995*95/94%
EC15	62	53	83 57%
USA	37	4	13 225%
New Zeal.	75	54	15 -72%
Australia	47	73	50 -32%
Canada	6	9	16 78%
Switzerland	4	3	4 33%
Japan	51	65	34 -48%

* Preliminary figures

Source: Commission DG VI

New Zealand and Australian suppliers, who operate without export subsidies.

Finally, the general uncertainty in the market in connection with the restrictions of the GATT agreement on subsidised exports has probably contributed to pushing prices upwards.

The future

The prospects for the world market for powder products indicate a continued high price level, though slightly declining over the next few months.

This is partly due to the upcoming high season in Europe, and the current anxiety in the market brought about by the American DEIP export support programme up to the implementation of the GATT agreement. Not only does the US offer products

Keld Winther
Rasmussen
M.A. (Pol. Sc.),
Danish Dairy
Board

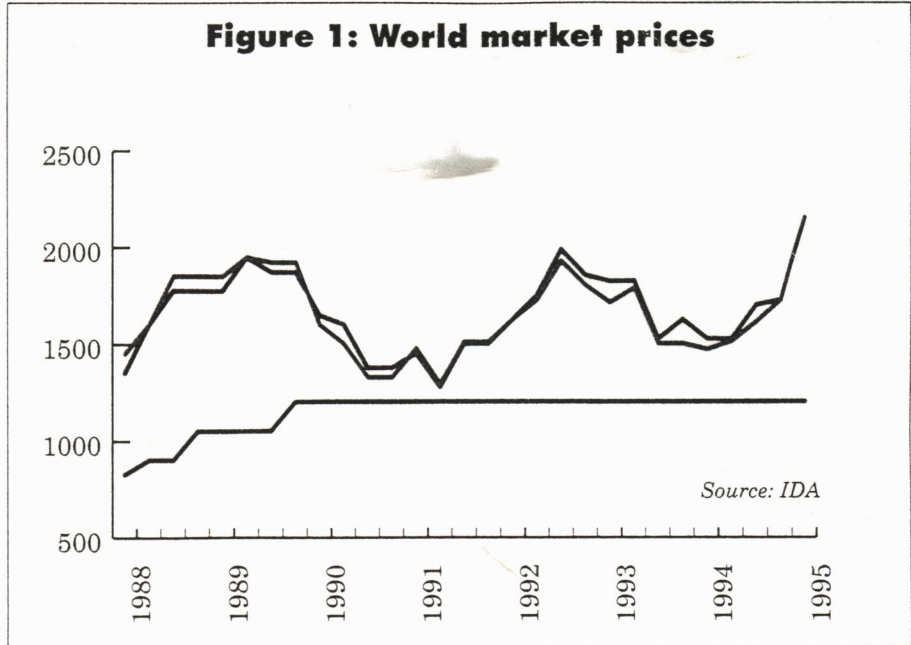


Table 4:
International trade (1,000 t)

	1993	1994*	
1994/93%			
WMP total	1083	1122	4%
From EU	588	585	-1%
Non-EU	495	537	8%
SMP total			
995	811	-18%	
From EU	284	130	-54%
Non-EU	711	681	-4%

* Preliminary figures
Source: Commission DG VI

at a very low price, but has also moved into markets in the Far East which have traditionally been Oceania and EU territory. In the longer term the GATT agreement must be expected to strengthen the market, especially for WMP, with the reduction of subsidised exports from the EU and USA. Since prognoses of the future demand from especially Asian markets continue their upward climb, there should be no risk of serious price falls from the present level. As for SMP both production and consumption are expected to drop



considerably in the OECD countries over the next few years. Australia and New Zealand will become stronger players in the world market at the expense of the EU and North America, which could mean bigger supply fluctuations and thus a more unstable market. ■

- GATT min. SMP
- SMP
- GATT min. WMP
- WMP

Cans for Dairy Products



G&M Haustrip

Naesbyvej 20, DK-5000 Odense C, Denmark
Phone +45 66 13 31 11, Fax +45 66 11 44 13, Telex 59862 activ dk