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THE WORLD DAIRY SITUATION 1994

INTRODUCTION

This report is prepared annually for submission to the Annual Sessions of the IDF, and is published as soon as possible after the Annual Sessions.

The purpose of this report is to give an overview of the present situation in different IDF countries as far as milk production, milk utilisation and consumption are concerned. The report also presents an analysis of changes occurring in individual countries and attempts to provide a forecast for the immediate future.

This report is offered to the world dairy industry in recognition of IDF's mission of promoting the interchange of knowledge and information within the world's dairy industry.

ACKNOWLEDGEMENTS

We are, as always, indebted to all those who responded to our annual survey to provide us with the statistics and situation analysis of the dairy industry in their respective countries.

We are deeply indebted to the Milk Marketing Board of England and Wales for the professional time and facilities they have contributed in the preparation of this report. We particularly express our sincere thanks to Mr Paul Allsop and his staff at the Milk Marketing Board.

We also would like to express our thanks to the IDF Secretariat staff for printing the report during the hectic last weeks that precede the Annual Sessions.

On behalf of the Permanent Committee of Commission C we say thank you to each of you.

Gunnar Ødegaard
President of Commission C

PART I - SUMMARY

MILK PRODUCTION

Since 1990 total world milk production has been falling but the rate of decline is now beginning to slow, with a decline of 0.8 per cent in 1993 and a virtually static position projected for 1994. Cow numbers are falling in line with milk supplies.

World milk production is shifting away from Europe towards the southern hemisphere. Europe accounted for 50 per cent of world milk supplies in 1991; by 1994 this proportion will have fallen to 46 per cent. (See Chart 1).

Most of Western Europe (except Sweden) is subject to milk quotas. Production fell quite sharply in Italy and Spain due to the more rigorous application of the quota system; overall quotas in the European Union were slightly increased in 1993 in order to provide quota for producers who were granted extra as a result of court cases. Within this rather static situation there continues to be a pronounced decline in the number of dairy producers, particularly in those countries which have large numbers of small farmers (France, Finland, Austria) and which have government supported programmes to assist in the restructuring of farms. Most European countries also report a growth in yields (by around 2 per cent a year overall) and an increase in the butterfat content of milk.

Milk supplies will remain unchanged in 1994 within the European Union; cow numbers are projected to continue to fall as yields increase and the number of dairy farmers will continue to fall as milk prices are expected to fall. The possible accession of Austria, Finland, Norway and Sweden to the European Union from the beginning of 1995 will make little difference to the level of production as quotas have been set at the current level of milk supplies (except for Sweden which noes not have a quota system at present).

The reason for the reduction in world milk production has been the dramatic decline in Central and Eastern Europe as a result of the transition from a command to a market economy. Since 1992 production in this area has fallen by 12 per cent. However, the rate of decline is slowing and Russia and Estonia expect production to stabilise in 1995. The decline in milk supplies has not only been due to the difficulties of privatisation but also to the lack of demand due to price rises, declines in real incomes, and the disruption of trading relationships between different areas of the former Soviet Union. Estonia and Russia, in addition, report a lack of fodder. In Estonia, Lithuania and the Ukraine there has also been an increase in the direct supply of milk by farmers. In Poland, which was the first to move to a market economy, this trend has been reversed and supplies to dairies are now falling by less than direct farm supply. Polish milk production has now nearly stabilised and in Hungary the decline in 1994 is expected to be very small as prices to farmers have risen. Future expansion will depend on what happens to domestic demand for milk products.

In North America, after a small fall in 1993, production is expected to increase in 1994. In Canada an increase in demand for butterfat, as a result of programmes to encourage industrial use, has enabled an increase in the level of milk quotas. US milk production is also beginning to grow; milk prices were slightly higher in 1993 but may not be as high in 1994. Production continues to shift to the California region and there are expectations that the adoption of BST, perhaps by the majority of farmers over the next few

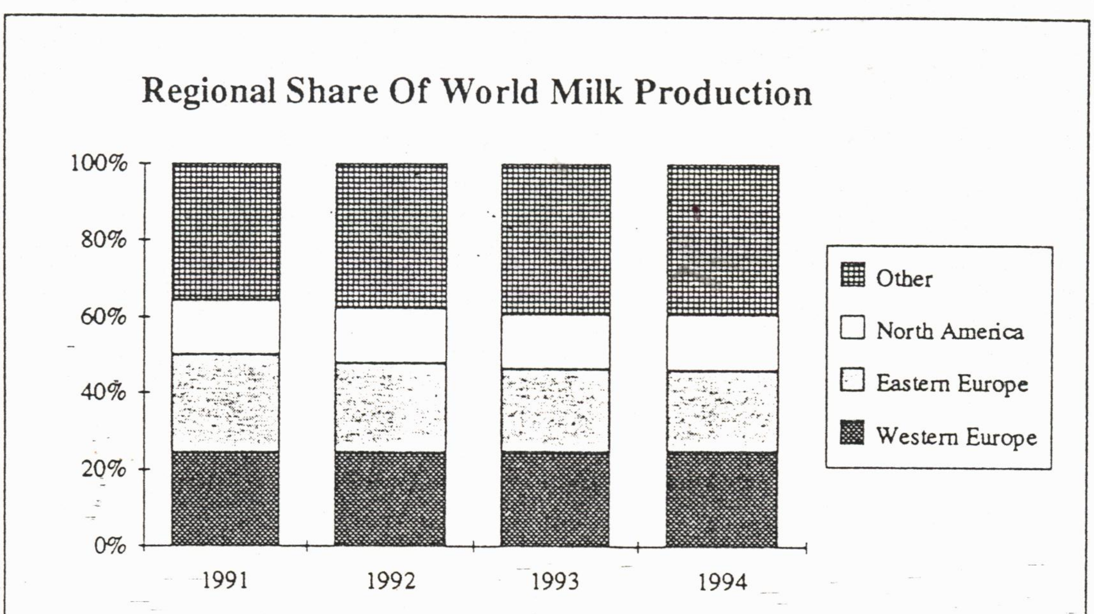

Chart 1

years, will encourage growth through improvements in yields.

Some of the most rapid rates of growth in 1993 were experienced by New Zealand and Australia. Exceptional seasonal conditions were the main reason but in New Zealand cow numbers are growing by 3 per cent a year. Milk prices, however, have fallen by 10 per cent and a return to more normal weather patterns should restrain growth in 1994. Milk production in Japan is expected to fall.

Milk production in the developing world continues to rise but the rate of growth in individual countries often varies widely from year to year. Zimbabwe reports the effects of a severe drought, which has affected most of Africa, and production remains dependent on the right amount and timing of rainfall. South Africa limits supplies to the level of local demand. The USDA reports significant increases in Argentina and Chile but stagnation elsewhere in South America.

The most rapid rates of growth continue to be in Asia, with reports of expansion in China halted temporarily but growth in India and Korea. The replies from Pakistan and the Philippines highlight the importance of development projects in stimulating growth through improvements both in cattle breeding and in organised marketing.

UTILISATION

The proportion of world milk supplies used for various products changes little from year to year. In 1993, 38 per cent of world milk supplies was used for butter, 34 per cent for cheese and nearly 20 per cent for liquid milk.

The utilisation of milk depends on the level of growth of both milk supplies and consumer demand.

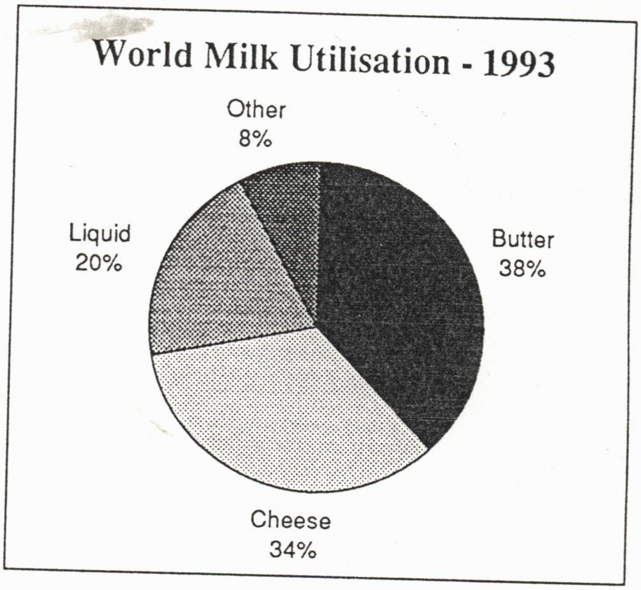

Chart 2

With the slight decline in milk supplies, the level of butter and cheese production remained virtually unchanged in 1993. Despite a number of countries reporting record levels, cheese production grew by only 0.4 per cent in 1993 due to static production in Western Europe. Cheese production grew sharply in 1992 and the consequent weakening of prices relative to butter/powder has restricted production in 1993. For 1994, growth should resume at the long-term rate of nearly 2 per cent a year. On the other hand, butter production should fall marginally in 1994 and therefore the proportion of supplies utilised for cheese should increase.

In Eastern Europe, the fall in consumer demand (and perhaps increased supplies of milk direct from

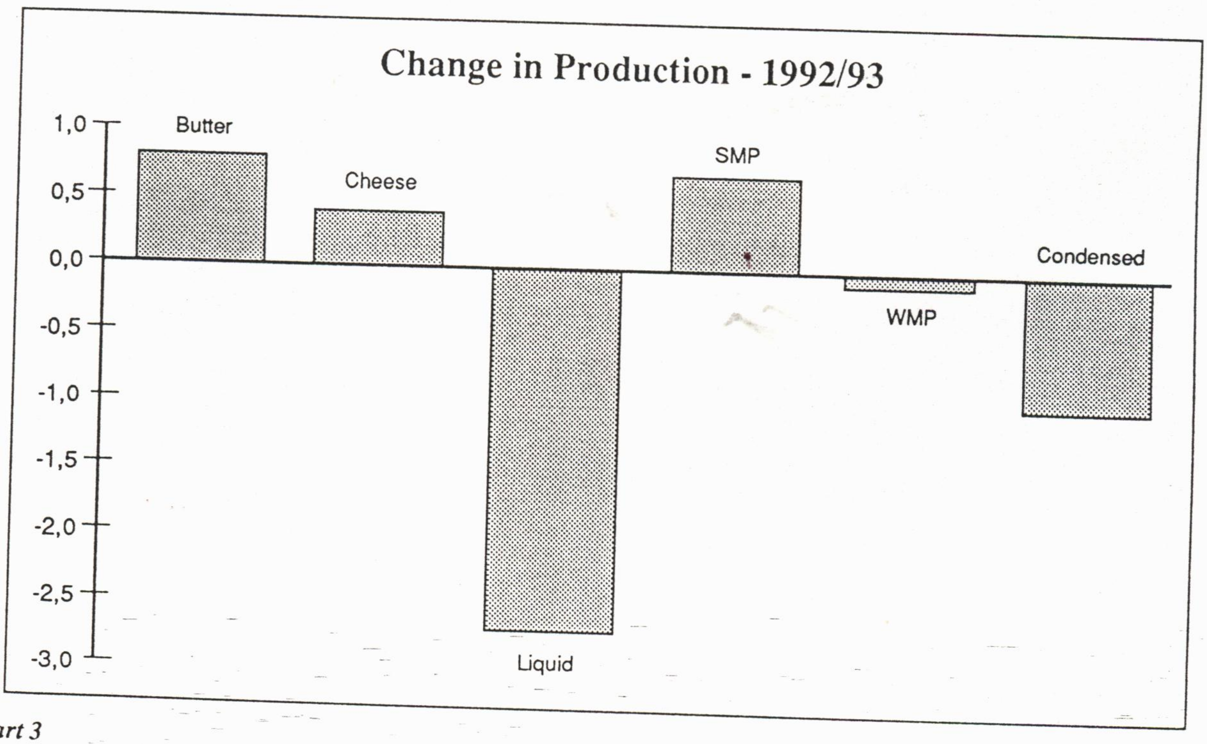

Chart 3

farms) has led to sharp falls in the production of liquid milk and the manufacture of fresh products. The falls in butter and cheese production have been relatively limited - indeed cheese production increased in Poland and Russia in 1993 and is expected to increase again in 1994. Elsewhere, liquid milk production remains relatively static.

Where milk supplies are expanding, in Australia and New Zealand, there were considerable increases in the utilisation of milk for all products. Australia reported capacity constraints and indicated that future expansion in cheese and whole milk powder would be dependent on further capacity coming on stream.

World whole milk powder production, after increasing for the last few years, hardly grew at all in 1993 and experienced significant declines in North America and Eastern Europe. The decline in Food Aid and the lack of demand from developing countries, due to poor economic conditions, are contributory factors.

With static production levels, stocks at the end of December 1993 were lower than a year earlier. Even in Australia and New Zealand, despite the increase in milk supplies, the level of stocks have not grown. For those countries which record stock levels, the level of butter stocks amounted to two months' supply, stocks of SMP were equivalent to $1^1/_2$ months' supply and cheese 1 month's supply.

CONSUMPTION

Changes in total world consumption of dairy products can be assessed by taking production figures and adjusting for changes in stocks (world imports and exports cancel one another out). Liquid milk consumption probably fell by around 2 per cent in 1993 (although the figures do not include most developing countries), which was balanced by a static powder market, an increase of about 0.5 per cent in cheese consumption and an increase of about 1 per cent in butter consumption. World-wide demand in total milk equivalent was probably static in 1993.

After decreasing for a number of years, the stabilisation of butter consumption has been due to a number of factors, although the situation does vary from country to country:

- support prices for butter, particularly in the European Union and the USA have fallen. This has reduced the level of butter prices compared with competitive fats;
- an increase in the use of butter in food products such as soups, confectionery, bakery products and ice-cream. In part, the increase in demand for these 'value added' products has been responsible but the fastest rate of growth has been because of high subsidies;
- an increase in the consumption of mixed fat spreads, which often compete more with margarine than butter.

There are also a number of other trends which can be identified from the reports compiled by countries in Western Europe, North America and the Pacific region;

- the impact of economic recession has been to limit demand, particularly for 'value added' products. Price has become a more sensitive issue with consumers;
- the long-term trend towards low fat milk continues, although the rate of change is perhaps slowing down. Sweden, however, reports a trend away from low fat products towards those with a middle fat range. Increasing butterfat consumption is evident in the USA;
- the expansion of fresh dairy products continues (Norway is an exception) due to a high level of marketing activity. This was reported by countries as far apart as Ireland and Japan. Cream consumption is generally increasing;
- many countries continue to report the expansion of traditional varieties of cheese. The most dynamic sector, however, is probably the use of cheese in fast foods. Both Canada and Australia reported gains in Mozzarella use;
- the decline in liquid milk consumption in the USA and Denmark is being addressed through increased generic promotion, funded through compulsory levies.

In Eastern Europe the lack of purchasing power and the increase in retail prices has led to further falls in consumption for most basic dairy foods, compounded by higher rates of inflation. Estonia and Hungary report an increase in imports. Recovery will depend on whether prices can be stabilised and real incomes begin to grow. The reply from Russia points out that although a great deal has been accomplished, the privatisation process, even where nearly complete, must fulfil market needs in terms of increasing the variety of products on offer to the consumer.

In the rest of the world, milk consumption has always fallen short of local dietary needs but has been limited by the inability of the majority of the population to afford milk. Often the level of consumption (and production) is difficult to measure because of the amount of milk that is distributed by farmers or wholesalers rather than national dairies. Where real incomes are growing fastest, consumption is also expanding quickly (such as in China and Korea). Consumption also depends on the success of development projects in boosting the availability of milk (Pakistan and India).

For 1994 and beyond, the basic trends in the dairy market are expected to continue. The emergence of the world economy from recession is expected to stimulate consumption, particularly of higher value products, and may prompt higher growth rates in the cheese market in particular. There are hopeful signs that the long term downward trend in butterfat consumption is beginning to reverse.

INTERNATIONAL TRADE

International trade, in milk equivalent, amounts to about 8 per cent of world milk supplies. There are indications that the level of trade in 1993 grew compared with 1992, for butter and particularly for cheese. There was considerable expansion in exports from Australia,

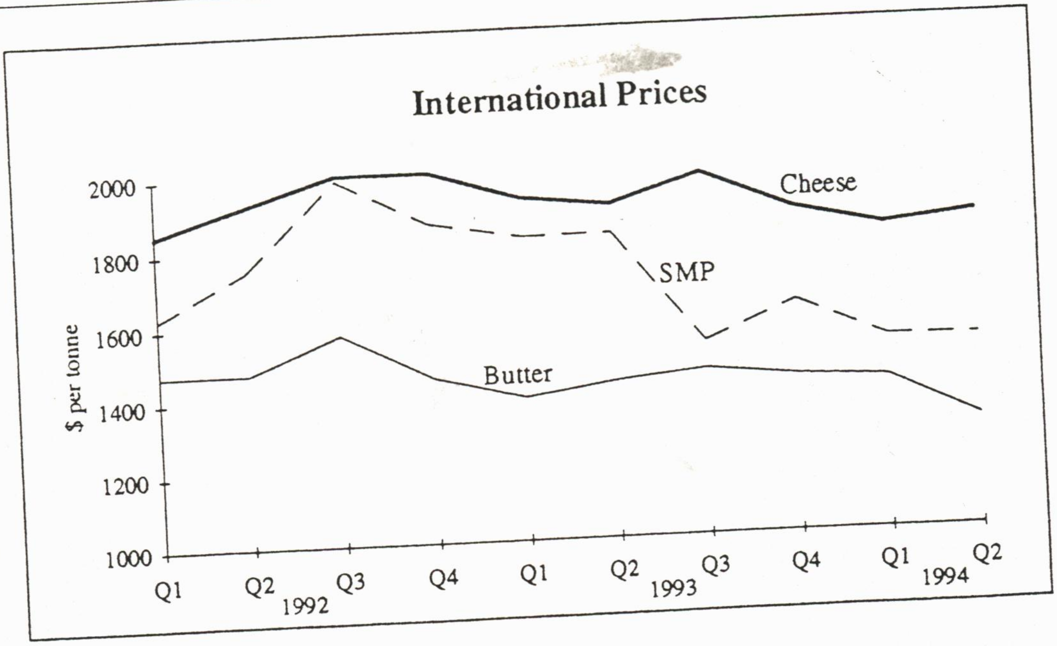

Chart 4

New Zealand and Eastern Europe. Exports from the European Union fell for both butter and powder but increased in the case of cheese.

Market prices have fluctuated and been influenced by trends in the value of the US dollar. A decline in prices, particularly for powder, was experienced during the second half of 1993 but prices have since stabilised.

The lack of demand for butter from Eastern Europe has put such pressure on prices that it was agreed to suspend the minimum price arrangements for butter from 4 May 1994 for one year. Prices fell in the second quarter of 1994 and there is little prospect of any recovery at present.

The completion of the GATT talks has not yet influenced markets. Overall, little effect is expected in the butter and powder markets, partly due to the prospect of more supplies becoming available from Australia, New Zealand, the USA and, potentially, South America, but mainly due to the maximum level of subsidised exports from the EU being set at substantially above the level of current exports.

Subsidised exports of cheese from the EU will, however, need to be cut back by 20 per cent in 1995. The expansion of cheese trade is therefore unlikely to continue and some increase in prices is expected.

POLICY DEVELOPMENTS

Three major strands of policy development were common to a great many countries:

- a further deregulation of markets and production. Quotas are generally being made more flexible, with a freeing of the restrictions on quota transfer (Austria, Finland). Industry is being made more responsive to market conditions (privatisations in Bulgaria, Hungary and Russia, the Dairy Board and Milk Marketing reforms in South Africa and the United Kingdom, and the freeing of markets in Lithuania and Italy). In parts of Eastern Europe, however, minimum prices for farmers have been introduced to ensure the viability of milk production (Hungary, Poland);
- declines in support prices to farmers. Real prices to producers are, on the whole, declining and incomes are under pressure;
- changes in domestic policy in order to implement the GATT agreement. This has involved the reduction of export subsidies (Iceland) and the inauguration of tariffs (Finland). Australia, Denmark, Japan and Canada report fundamental reviews of policy. Switzerland has probably gone the furthest to change support away from prices towards direct payments to farmers based on land and action taken to meet environmental concerns.

There were also a number of other changes. BST is currently exercising the minds of legislators in a number of countries; consumer reaction in the USA to the adoption of BST at the beginning of the year will be critical since many countries are hesitant to sanction the use of the drug in case consumer reaction is negative.

The industry continues to rationalise and adopt higher standards of hygiene and quality from the factory to the farm. Industry in Europe is tending to concentrate rapidly, with middle-sized firms in particular being squeezed. Multi-nationals are becoming more prominent and are seizing opportunities in Asia and Eastern Europe. The expansion of the European Union to encompass former EFTA block countries may well accelerate this process as trade becomes freer and as markets are deregulated in a range of countries throughout the world. The pace of change for the individual dairy farmer and the large corporation continues to accelerate.

CONCLUSIONS

- The decline in world milk production is slowing as production in Eastern Europe begins to stabilise. Production is shifting away from Europe towards South America, Asia and the Pacific. Growth is expected in the US, encouraged by the adoption of BST.
- The growth in cheese production was restrained in 1993 but should resume in 1994 at the expense of butter/powder. Whole milk powder production is static. Stock levels remain manageable.
- There are indications of a recovery in butterfat consumption, mainly as a result of lower prices and the use of butter in food manufacture.
- Milk production in Russia is expected to stabilise in 1995. Liquid milk production has fallen sharply. Recovery in Eastern Europe will depend on whether prices can be stabilised and real incomes grow.
- Fresh product consumption and the demand for cheese, particularly in fast foods, continued to expand.
- The recovery from recession may stimulate the demand for 'added value' products and cheese. Consumption continues to grow rapidly in Asia, stimulated by rapid economic growth or dairy development programmes.
- International trade grew in 1993 but prices fell for powder and the IDA minimum price for butter has been suspended for one year. Cheese exports will be reduced as a result of the GATT agreement and prices may well rise in 1995.
- Changes in dairy policy continue, partly prompted by the implementation of GATT. Most of these changes are concerned with the deregulation of markets, the removal of restrictions on producers and a fall in support prices.

PART II - WORLD TABLES

Table 1: Cow numbers
('000 head)

	Month of Census	1992	1993	Forecast 1994	% Change 1993/92	% Change 1994/93
Belgium	-	764	723^e	na	- 5.4	na
Denmark	June	712	707	na	- 0.7	na
France	-	4,968	4,674	4,615	- 5.9	- 1.3
Germany	December	5,365	5,301	5,100	- 1.2	- 3.8
Irish Republic	December	1,262	1,274	1,270	1.0	- 0.3
Italy[b]	-	2,751	2,650	na	- 3.7	na
Netherlands	December	1,769	1,760	1,755	- 0.5	- 0.3
United Kingdom	December	2,747	2,786	2,750	1.4	- 1.3
Spain	-	1,480	1,450^e	1,400	- 2.0	- 3.4
EC '12'[c]	December	21,681	21,289^p	20,880	- 1.8	- 1.9
Austria	December	842	824	810	- 2.2	- 1.6
Finland	-	427	423	415	- 1.1	- 1.8
Iceland	-	30	30	30	nc	nc
Norway	June	338	341	330	0.9	- 3.2
Sweden	June	526	525	532	- 0.3	1.4
Switzerland	April	781	762	750	- 2.3	- 1.6
Total Other Western Europe		2,943	2,904	2,867	- 1.3	- 1.3
Canada	July	1,293	1,244	1,255	- 3.8	0.9
USA	-	9,835	9,705	9,550	- 1.3	- 1.6
Total North America		11,128	10,949	10,805	- 1.6	- 1.3
Australia	March	1,651	1,653	1,655	0.1	0.1
Japan	February	1,418	1,416^e	1,384	- 0.1	- 2.3
New Zealand[k]	June	2,642	2,723	2,800	3.1	2.8
Philippines	-	12^e	12^e	13	nc	8.3
Total Pacific		5,723	5,804	5,852	1.4	0.8
Bulgaria	April	489	419	410	-14.3	- 2.1
Estonia	January	240	215	na	-10.4	na
Hungary	December	497	460	450	- 7.4	- 2.2
Lithuania	December	832	678	na	-18.5	n.a
Poland	June	4,257	3,983	3,790	- 6.4	- 4.8
Russia	January	14,200	13,100	13,000	- 7.7	- 0.8
Ukraine	January	8,263	8,057	8,077	- 2.5	0.2
Other Eastern Europe[b]	-	17,277	15,551	na	-10.0	na
Total Eastern Europe		46,055	42,463	41,986^e	- 7.8	- 1.1
Pakistan[l]	-	10,911	10,923	10,935	0.1	0.1
South Africa	-	640^e	637^e	638	- 0.5	0.2
Zimbabwe	March	64	60	57	- 6.6	- 5.0
Other Countries[b]	-	123,676	125,299	na	1.3	na
Total World		222,820	220,327	219,000^e	- 1.1	- 0.6

Notes: See Table 12
k Dairy cows and heifers, in milk or in calf at start of season
l Includes buffaloes

Table 2: Total milk production
('000 tonnes)

	January-December 1992	1993	Forecast 1994	% Change 1993/92	1994/93
Belgium	3,514	3,510[e]	na	- 0.1	na
Denmark	4,605	4,660	4,630	1.2	- 0.6
France[k]	25,315	24,993	24,993	- 1.3	nc
Germany	27,978	28,330	28,300	1.3	- 0.1
Irish Republic	5,380	5,320	5,350	- 1.1	0.6
Italy[al]	12,647	12,275	na	- 2.9	na
Netherlands	10,901	10,969	10,945	0.6	- 0.2
United Kingdom	14,705	14,786	14,730	0.6	- 0.4
Spain	6,990	6,850[e]	6,800	- 2.0	- 0.7
EC '12'[c]	113,196	112,997[p]	112,424	- 0.2	- 0.5
Austria	3,287	3,270	3,270	- 0.5	nc
Finland	2,476	2,462	2,456	- 0.6	- 0.2
Iceland	112	112	112	nc	nc
Norway	1,846	1,842	1,812	- 0.2	- 1.6
Sweden	3,200	3,352	3,450	4.8	2.9
Switzerland	3,890	3,875	3,900	- 0.4	0.6
Total Other Western Europe	14,811	14,913	15,000	0.7	0.6
Canada[l]	7,078	6,955	7,095	- 1.7	2.0
USA	68,786	68,472	68,800	- 0.5	0.5
Total North America	75,864	75,426	75,895	- 0.6	0.6
Australia[g]	6,934	7,547	8,100	8.8	7.3
Japan[h]	8,617	8,549[e]	8,271[l]	- 0.8	- 3.3
New Zealand[h]	8,365	9,368	8,614	12.0	- 8.0
Philippines	18	17	20	- 8.3	18.2
Total Pacific	23,934	25,480	25,004	6.5	- 1.9
Bulgaria	1,806	1,431	1,280	-20.8	-10.6
Estonia	900	750	600	-16.7	-20.0
Hungary	2,350	2,200	2,100	- 6.4	- 4.5
Lithuania[l]	1,722	1,515	na	-12.0	na
Poland	12,770	12,300	12,000	- 3.7	- 2.4
Russia	32,100	29,800	27,800	- 7.2	- 6.7
Ukraine	16,490	15,238	16,000	- 7.6	5.0
Other Eastern Europe[b]	53,444	48,735	na	- 8.8	na
Total Eastern Europe	121,582	111,969	108,451[e]	- 7.9	- 3.1
Pakistan	17,120	17,633	18,074	3.0	2.5
South Africa	2,143	2,197	2,151	2.5	- 2.1
Zimbabwe[l]	216	203	205	- 5.9	1.0
Other Countries[b]	154,130	157,906	na	2.4	na
Total World	522,996	518,725	518,000[e]	- 0.8	- 0.1

Notes: See Table 12
k From dairy cows
l Estimation of milk needs

Table 3: Milk supplies

Milk Delivered to Dairies
('000 tonnes)

	January-December 1992	January-December 1993	Forecast 1994	% Change 1993/92	% Change 1994/93
Belgium	2,920	2,948[p]	na	1.0	na
Denmark	4,405	4,460	4,430	1.3	- 0.7
France	23,062	22,775	22,775	- 1.2	nc
Germany	25,612	26,016	25,800	1.6	- 0.8
Irish Republic	5,260	5,200	5,230	- 1.1	0.6
Italy[a]	9,906	9,553	na	- 3.6	na
Netherlands	10,431	10,499	10,475	0.7	- 0.2
United Kingdom	13,930	13,983	13,940	0.4	- 0.3
Spain	5,450	5,350[e]	5,300	- 1.8	- 0.9
EC '12'[c]	103,917	103,274[p]	103,000	- 0.6	- 0.3
Austria	2,210	2,200	2,205	- 0.5	0.2
Finland	2,347	2,336	2,337	- 0.5	nc
Iceland	103	103	103	nc	nc
Norway	1,842	1,837	1,807	- 0.3	- 1.6
Sweden	3,133	3,287	3,385	4.9	3.0
Switzerland	3,010	3,037	3,050	0.9	-0.4
Total Other Western Europe	12,645	12,800	12,887	1.2	0.7
Canada	7,078	6,955	7,095	- 1,7	2.0
USA	67,916	67,602	67,930	- 0.5	0.5
Total North America	74,994	74,557	75,025	- 0.6	0.6
Australia[gk]	6,934	7,547	8,100	8.8	7.3
Japan[h]	8,502	8,415[e]	8,156	- 1.0	- 3.1
New Zealand[hk]	7,873	8,309	8,120	5.5	- 2.3
Philippines	11	10	11	- 8.3	13.1
Total Pacific	23,320	24,281	24,387	4.1	0.4
Bulgaria	1,194	830	182	-30.5	-78.1
Estonia	799	647	560	-18.9	-13.5
Hungary	1,909	1,760	1,680	- 7.8	- 4.5
Lithuania	1,722	1,515	na	-12.0	na
Poland	6,854	6,682	6,510	- 2.5	- 2.6
Russia	26,100	24,600	22.500	- 5.7	- 8.5
Ukraine	11,543	10,597	10,600	- 8.2	nc
Other Eastern Europe[b]	33,206	29,291	na	-11.8	na
Total Eastern Europe	83,326	75,922	70,732[e]	- 8.9	- 6.8
Pakistan	128	135	142	5.5	5.2
South Africa	1,930	1,978	1,936	2.5	- 2.1
Zimbabwe	216	203	205	- 5.9	1.0
Other Countries[b]	106,596	108,836	na	2.1	na
Total World	407,072	401,985	400,000[e]	- 1.2	- 0.5

Notes: See Table 12
k Milk processed for dairy products

Table 4: Lliquid milk

('000 tonnes)

	January-December		Forecast	% Change	
	1992	1993	1994	1993/92	1994/93
Belgium[k]	906	849	n.a	- 6.3	na
Denmark	521	509	502	- 2.2	- 1.3
France	4,455	4,458	4,458	0.1	nc
Germany	5,472	5,463	5,500	- 0.2	0.7
Irish Republic	527	533	535	1.1	0.4
Italy[a]	3,105	3,079	n.a	- 0.8	na
Netherlands	916	890	n.a	- 2.8	na
United Kingdom	7,053	7,109	7,030	0.8	- 1.1
Spain	2,950	2,980[e]	3,000	1.0	0.7
EC '12'[c]	25,391	25,700[p]	26,000	1.2	1.2
Austria[l]	644	630	635	- 2.2	0.8
Finland	818	810	802	- 1.0	- 1.0
Iceland	46	46	46	nc	nc
Norway	640	623	623	- 2.7	nc
Sweden	1,086	1,076	1,059	- 0.9	- 1.6
Switzerland	498	489	485	- 1.8	- 0.8
Total Other Western Europe	3,732	3,674	3,650	- 1.5	- 0.6
Canada	2,810	2,760	2,775	- 1.8	0.5
USA[k]	25,072	24,900	25,000	- 0.7	0.4
Total North America	27,882	27,660	27,775	- 0.8	0.4
Australia[g]	1,847	1,875	1,900	1.5	1.3
Japan[h]	5,109	5,031[e]	5,111	- 1.5	1.6
New Zealand	na	na	na	na	na
Philippines	8	7	8	- 1.3	10.8
Total Pacific	6,963[x]	6,913[x]	7,019[x]	- 0.7	1.5
Bulgaria	302	203	186	-32.8	- 8.2
Estonia	72	na	na	na	na
Hungary	770	653	600	-15.2	- 8.1
Lithuania	126	107	na	-15.1	na
Poland	1,240	1,164	1,120	- 6.1	- 3.8
Russia	3,318	2,400	2,140	-27.7	-10.8
Ukraine	3,400	2,283	na	-32.9	na
Total Eastern Europe	9,156[m]	6,810[m]	6,234[em]	-25.6	- 8.5
Pakistan	7,700	7,800	7,900	1.3	1.3
South Africa	923	936	951	1.5	1.6
Zimbabwe	107	95	100	-11.5	5.5
Total World	81,853[x]	79,588[x]	79,839[ex]	- 2.8	0.3

Notes: See Table 12

k Farm milk not included (1992 = 74.9)

l Including fresh products

m Excluding Estonia

Table 5: Butter

Including Butter Equivalent of Butteroil
('000 tonnes)

	January-December			% Change		Stocks End December	
	1992	1993	Forecast 1994	1993/92	1994/93	1992	1993
Belgium[k]	43.6	34.8	na	-20.2	na	22.5	6.8
Denmark	62.3	59.4	57.0	- 4.7	- 4.0	4.9	2.3
France	454.0	445.0	436.1	- 2.0	- 2.0	5.0[i]	3.0[i]
Germany	473.8	482.2	450.0	1.8	- 6.7	48.8	32.2
Irish Republic	133.6	127.5	127.7	- 4.6	0.2	66.8	57.4
Italy[a]	100.7	98.3	na	- 2.4	na	8.0[i]	8.1[i]
Netherlands	198.0	188.0	185.0	- 5.1	- 1.6	38.0	33.0
United Kingdom	127.0	151.0	130.0	18.9	-13.9	61.0	34.0
Spain	32.0	25.0[e]	18.0	-21.9	-28.0	35.2	40.6
EC '12'[c]	1,680.0	1,682.0[p]	1,650.0	0.1	- 1.9	172.0[i]	161.0[i]
Austria	37.0	37.0	36.0	nc	- 2.7	2.0	4.0
Finland	47.2	44.7	45.0	- 5.3	0.7	5.5	5.9
Iceland	1.1	1.3	1.3	18.2	nc	0.6	0.6
Norway	4.0	3.0	3.0	-25.0	nc	3.0	1.0
Sweden	62.0	67.0	67.0	8.1	nc	3.0	1.0
Switzerland	39.0	38.0	40.0	- 2.6	5.3	4.9[q]	5.0[q]
Total Other Western Europe	190.3	191.0	192.3	0.4	0.7	19.0	17.5
Canada	85.1	82.8	86.0	- 2.7	3.9	10.2	5.4
USA	619.0	598.0	565.0	- 3.4	- 5.5	206.0	111.0
Total North America	704.1	680.8	651.0	- 3.3	- 4.4	216.2	116.4
Australia[g]	113.1	130.5	146.3	15.4	12.1	39.4	26.0
Japan[h]	100.0	105.0[e]	n.a	5.0	na	37.0[m]	53.0[m]
New Zealand[hl]	276.0	301.0	220.0	9.1	-26.9	71.0[q]	65.0[q]
Philippines	0.0	0.0	0.0	nc	nc	na	na
Total Pacific	489.1	536.5	455.4[e]	9.7	-15.1	147.4[x]	144.9[x]
Bulgaria	8.6	4.3	2.5	-50.0	-41.9	na	na
Estonia	26.1	22.7	na	na	na	na	na
Hungary	18.1	17.3	17.0	- 4.4	- 1.7	1.3	0.4
Lithuania	49.0	45.0	na	- 8.2	na	na	na
Poland	154.0	145.0	135.0	- 5.8	- 6.9	19.3	15.2
Russia	695.3	653.1	580.0	- 6.1	-11.2	na	na
Ukraine	270.0	300.0	na	11.1	na	na	na
Other Eastern Europe[b]	738.1	730.7	na	- 1.0	na	na	na
Total Eastern Europe	1,959.2	1,918.1	1,718.8[e]	- 2.1	-10.4	20.6[x]	15.6[x]
Pakistan	4.8	4.8	4.9	0.8	1.7	na	na
South Africa	16.3	14.7	14.8	- 9.6	0.3	5.2	1.1
Zimbabwe	1.0	1.3	1.2	30.0	- 7.7	0.2	0.3
Other Countries[b]	1,794.1	1,864.5	na	3.9	na	na	na
Total World	6,838.9	6,893.7	6,513.8[e]	0.8	- 5.5	580.6[x]	456.8[x]

Notes: See Table 12

- k Dairy butter only (farm butter 1992 = 9.6)
- l Production includes AMF and fat mixes
- m End of March 1993 and 1994

Table 6: Cheese

('000 tonnes)

	January-December			% Change		Stocks End December	
	1992	1993	Forecast 1994	1993/92	1994/93	1992	1993
Belgium	123.9	123.6	n.a	- 0.2	na	5.6	6.6
Denmark	291.4	322.4	315.0	10.6	- 2.3	na	na
France	1,419.0	1,434.0	1,448.3	1.1	1.0	6.5[j]	8.9[j]
Germany	1,295.2	1,336.3	1,400.0	3.2	4.8	57.6[q]	66.0[q]
Irish Republic	93.5	93.0	95.0	- 0.5	2.2	0.4[j]	0.0[j]
Italy[a]	770.1	747.2	na	- 3.0	na	158.0[j]	109.4[j]
Netherlands	640.0	640.0	650.0	nc	1.6	106.0	103.0
United Kingdom	324.0	331.0	340.0	2.2	2.7	146.0	154.0
Spain	262.0	265.0[e]	268.0	1.1	1.1	na	na
EC '12'[c]	5,513.0	5,525.0[p]	5,600.0	0.2	1.4	7.0[i]	10.0[i]
Austria	81.0	81.0	81.0	nc	nc	8.0	8.0
Finland	88.5	89.1	88.5	0.7	- 0.7	9.5	8.1
Iceland	4.7	4.5	4.5	- 4.3	nc	0.9	0.8
Norway	80.0	82.0	80.0	2.5	- 2.4	18.0	17.0
Sweden	117.0	126.0	138.0	7.7	9.5	38.0	40.0
Switzerland	135.0	136.0	135.0	0.7	- 0.7	25.7[q]	26.3[q]
Total Other Western Europe	506.2	518.6	527.0	2.4	1.6	97.1	100.2
Canada	263.9	265.2	268.0	0.5	1.1	41.1	37.7
USA	3,300.0	3,269.0	3,355.0	- 0.9	2.6	213.0	211.0
Total North America	3,563.9	3,534.2	3,623.0	- 0.8	2.5	254.1	248.7
Australia[g]	198.0	210.7	218.0	6.4	3.5	104.5	97.9
Japan[h]	96.0	100.0[e]	n.a	4.2	na	na	na
New Zealand[h]	145.0	192.0	185.0	32.4	- 3.6	45.0[q]	40.0[q]
Philippines	...	...	...	nc	nc	na	na
Total Pacific	439.0	502.7	503.1[e]	14.5	0.1	149.5[x]	137.9[x]
Bulgaria	83.9	59.7	53.5	-28.8	-10.4	na	na
Estonia	11.1	90.1[l]	na	-18.9	na	na	na
Hungary	81.1	74.0	70.0	- 8.8	- 5.4	3.4	3.7
Lithuania	38.0	41.0	na	7.9	na	na	na
Poland	276.0	288.0	305.0	4.3	5.9	na	na
Russia	286.0	295.8	300.0	3.4	1.4	na	na
Ukraine	110.0	98.7	na	-10.3	na	na	na
Other Eastern Europe[b]	613.3	568.0	na	- 7.4	na	na	na
Total Eastern Europe	1,488.3[m]	1,425.2[m]	1,447.1[em]	- 4.2	1.5	3.4[x]	3.7[x]
Pakistan	0.2	0.3	0.3	13.0	7.7	na	na
South Africa	43.8	42.4	43.4	- 3.0	2.3	8.1	11.1
Zimbabwe	1.1	1.3	1.0	18.2	-23.1	0.3	0.3
Other Countries[b]	1,882.9	1,936.1	na	2.8	na	na	na
Total World	13,438.4	13,485.8	13,717.0[e]	0.4	1.7	519.5[x]	511.9[x]

Notes: See Table 12

k Processed cheese included (1993 = 54.0)

l Fresh cheese, used in the manufacture of processed cheese is not included

m Excluding Estonia

Table 7: Skim milk powder

('000 tonnes)

	January-December		Forecast	% Change		Stocks End December	
	1992	1993	1994	1993/92	1994/93	1992	1993
Belgium	51.8	59.4	n.a	14.7	n.a	2.9	1.8
Denmark	13.1	20.0	15.0	52.7	-25.0	0.8	1.0
France[l]	377.0	358.0	343.7	- 5.0	- 4.0	...[i]	...[i]
Germany	391.0	427.3	440.0	9.3	3.0	13.1	5.1
Irish Republic	126.3	131.6	134.9	4.2	2.5	34.0	25.0
Netherlands	61.0	68.0	65.0	11.5	- 4.4	4.0	5.0
United Kingdom	102.0	124.0	110.0	21.6	-11.3	12.0	11.0
Spain	23.2	15.0[e]	10.0	-35.3	-33.3	0.8	0.3
EC '12'[c]	1,169.0	1,221.0p	1,220.0	4.4	- 0.1	47.0[i]	37.0[i]
Austria	29.0	25.0	26.0	-13.8	4.0	10.0	4.0
Finland	15.0	14.5	13.5	- 3.3	- 6.9	6.8	3.3
Iceland	0.1	0.3	0.3	200.0	nc	0.1	0.1
Norway	10.0	8.0	7.0	-20.0	-12.5	4.0	2.0
Sweden	30.0	37.0	34.0	23.3	- 8.1	4.0	3.0
Switzerland	25.0	25.0	26.0	nc	4.0	5.8[q]	3.2[q]
Total Other Western Europe	109.1	109.8	106.8	0.6	- 2.7	30.7	15.6
Canada	53.5	51.6	58.0	- 3.6	12.4	6.3	8.7
USA	396.0	420.0	450.0	6.1	7.1	37.0	41.0
Total North America	449.5	471.6	508.0	4.9	7.7	43.3	49.7
Australia[g]	157.4	179.1	203.4	13.8	13.6	50.0	73.8
Japan[h]	213.0	217.0[e]	n.a	1.9	n.a	54.0[k]	60.0[k]
New Zealand[h]	145.0	141.0	127.0	- 2.8	- 9.9	26.0[q]	30.0[q]
Philippines	0.0	0.0	0.0	nc	nc	na	na
Total Pacific	515.4	537.1	554.4[e]	4.2	3.2	130.0[x]	163.8[x]
Bulgaria	3.6	1.3	1.2	-63.9	- 7.7	na	na
Estonia	24.7	24.8	na	na	na	na	na
Hungary	15.2	12.1	12.0	-20.4	- 0.8	0.6	0.8
Lithuania	27.0	24.0	na	-11.1	na	na	na
Poland	133.0	145.0	105.0	9.0	-27.6	na	na
Russia	181.0	190.0	190.0	5.0	nc	na	na
Ukraine	80.0	85.0	na	6.3	na	na	na
Other Eastern Europe[b]	794.9	704.1	na	-11.4	na	na	na
Total Eastern Europe	1,259.4	1,186.3	1,049.4[e]	- 5.8	-11.5	0.6[x]	0.8[x]
Pakistan	1.4	2.2	2.8	57.1	27.3	n.a	n.a
South Africa	19.2	16.4	13.3	-14.4	-19.4	10.8	10.0
Zimbabwe	3.1	0.3	1.0	-90.3	233.3	0.4	0.3
Other Countries[b]	118.6	127.3	na	7.3	na	na	n.a
Total World	3,644.7	3,672.0	3,672.9[e]	0.7	nc	262.8[x]	277.2[x]

Notes: See Table 12

k End of March 1993 and 1994

l All types, all packagings

Table 8: Whole milk powder
('000 tonnes)

	January-December			% Change		Stocks End December	
	1992	1993	Forecast 1994	1993/92	1994/93	1992	1993
Belgium	39.6	49.7	na	25.5	na	2.2	1.6
Denmark	103.4	103.2	105.0	- 0.2	1.7	6.7	6.1
France	280.0	226.0	230.5	-19.3	2.0	na	na
Germany	163.6	128.1	120.0	-21.7	- 6.3	na	na
Irish Republic	28.9	31.9	32.5	10.4	1.9	na	na
Italy	8.0	8.1	na	1.3	na	na	na
Netherlands	163.0	178.0	168.0	9.2	- 5.6	8.0	9.0
United Kingdom	84.0	71.0	80.0	-15.5	12.7	na	na
Spain	11.3	12.0[e]	11.0	6.2	- 8.3	na	na
EC '12'[c]	929.0	933.0[p]	926.0	0.4	- 0.8	16.9[x]	16.7[x]
Austria	7.0	7.0	7.0	nc	nc	1.0	1.0
Finland	2.6	0.6	0.8	-76.9	33.3	0.7	0.2
Iceland	0.3	0.2	0.2	-33.3	nc	0.0	0.0
Norway	1.0	2.0	2.0	100.0	nc	0.1	0.1
Sweden	7.0	7.0	7.0	nc	nc	1.0	1.0
Switzerland	11.0	10.0	9.0	- 9.1	-10.0	na	na
Total Other Western Europe	28.9	26.8	26.0	- 7.3	- 3.0	2.8[x]	2.3[x]
Canada	9.7	6.3	6.5	-35.1	3.2	2.8	0.4
USA	76.0	68.0	65.0	-10.5	- 4.4	4.0	3.0
Total North America	85.7	74.3	71.5	-13.3	- 3.8	6.8	3.4
Australia[g]	67.5	79.5	98.0	17.8	23.3	17.5	23.4
Japan[h]	34.0	29.0[e]	na	-14.7	na	na	na
New Zealand	308.0	334.0	332.0	8.4	- 0.6	47.3	na
Philippines	0.0	0.0	0.0	nc	nc	na	na
Total Pacific	409.5	442.5	460.2[e]	8.1	4.0	64.8[x]	23.4[x]
Estonia	1.3	1.0	na	na	na	na	na
Hungary	6.5	4.5	4.0	-30.8	-11.1	0.4	0.1
Lithuania	0.4	0.4	na	nc	na	na	na
Poland	42.2	37.4	39.0	-11.4	4.3	na	na
Russia	150.0	133.0	130.0	-11.3	- 2.3	na	na
Ukraine	27.0	19.6	na	-27.4	na	na	na
Other Eastern Europe[b]	218.2	200.2	na	- 8.2	na	na	na
Total Eastern Europe	445.6	396.1	390.9[e]	-11.1	- 1.3	0.4[x]	0.1[x]
Pakistan	1.9	2.5	3.0	31.6	20.0	na	na
South Africa	12.7	15.6	16.0	22.9	2.8	2.5	3.0
Zimbabwe	0.5	0.3	0.5	-40.0	66.7	0.2	0.2
Other Countries[b]	457.6	478.7	na	4.6	na	na	na
Total World	2,371.4	2,369.8	2,376.6[e]	- 0.1	0.3	94.4[x]	49.1[x]

Notes: See Table 12

Table 9: Condensed milk

('000 tonnes)

	January-December		Forecast	% Change	
	1992	1993	1994	1993/92	1994/93
Belgium	22.0	11.6	na	-47.3	na
Denmark	0.0	0.0	0.0	nc	nc
France	77.0	64.0	64.0	-16.9	nc
Germany	502.8	514.3	500.0	2.3	- 2.8
Irish Republic[b]	33.5	33.5	na	nc	n.a
Italy[a]	500.0	500.0	na	nc	nc
Netherlands	406.0	377.0	375.0	- 7.1	- 0.5
United Kingdom	206.0	191.0	190.0	- 7.3	- 0.5
Spain	33.8	34.0[e]	33.0	0.6	- 2.9
EC '12'[c]	1,328.0	1,301.0[p]	1,281.0	- 2.0	- 1.5
Austria	18.0	18.0	18.0	nc	nc
Iceland	0.0	0.0	0.0	nc	nc
Norway	1.0	1.0	1.0	nc	nc
Sweden	11.0	11.0	10.0	nc	- 9.1
Switzerland[b]	2.8	2.8	na	- 0.7	na
Total Other Western Europe	32.8	32.8	31.7[e]	- 0.1	- 3.3
Canada[b]	94.2	95.7	na	1.6	na
USA	401.0	385.0	375.0	- 4.0	- 2.6
Total North America	495.2	480.7	468.2[e]	- 2.9	- 2. 6
Australia[g]	90.0	105.0	110.0	16.7	4.8
Japan[h]	62.0	57.0[e]	na	- 8.1	na
New Zealand[b]	1.3	1.3	na	nc	na
Philippines	0.0	0.0	0.0	nc	nc
Total Pacific	153.3	163.3	171.1[e]	6.5	4.8
Estonia	1.1	1.1	na	nc	na
Hungary	3.6	4.6	5.0	27.8	8.7
Lithuania	19.0	11.0	na	-42.1	na
Poland[b]	12.7	10.5	na	-17.3	na
Russia	157.0	169.0	180.0	7.6	6.5
Ukraine	98.0	89.5	na	- 8.7	na
Other Eastern Europe[b]	265.0	251.0	na	- 5.3	na
Total Eastern Europe	556.4	536.7	571.9[e]	- 3.5	6.6
Pakistan	...	...	...	nc	nc
South Africa	17.9	18.2	18.5	2.2	1.4
Zimbabwe	1.0	0.1	0.5	-90.0	400.0
Other Countries[b]	1,133.1	1,146.7	na	1.2	na
Total World	3,717.8	3,679.6	3,654.1[e]	- 1.0	- 0.7

Table 10: World exports of dairy products
('000 tonnes)

	1992			1993		
	Butter[d]	Cheese	Milk Powder[f]	Butter[d]	Cheese	Milk Powder[f]
Belgium	136	93	162	na	na	na
Denmark	48	227	107	46e	267[e]	107[e]
France	98	388	318[k]	97	415	311[k]
Germany	64	343	554	42	392	392
Irish Republic	151	98	291	130	95	160
Italy[a]	19	91	na	18	105	na
Netherlands	259	498	286	273	470	337
United Kingdom	51	49	116	53	58	100
Spain	24	10	31	11[e]	11[e]	12[e]
EC '12'[c]	242	465	970	220[p]	519[p]	873[p]
Austria	1	26	16	0	30	26
Finland	17	25	8	17	25	3
Iceland	0	1	...	0	0	0
Norway	6	26	2	8	23	3
Sweden	17	1	4	21	2	6
Switzerland	...	65	7	...	61	8
Total Other Western Europe	41	144	36	45	140	46
Canada	11	13	34[l]	4	9	19[l]
USA	159	15	160	162	16	150
Total North America	170	28	194	166	25	169
Australia[g]	59	66	176	78	82	194
Japan[h]	...	...	...	...	...	...
New Zealand[h]	229[m]	121	376	260[m]	163	464
Philippines	0	...	...[n]	na	na	na
Total Pacific	288	187	552	338[x]	245[x]	658[x]
Bulgaria	na	12	5[a]	na	9	na
Estonia	10	4	16	19	3	27
Hungary	4	9	6	4	10	8
Lithuania	22	8	19	28	12	23
Poland	1	6	130	19	6	128
Russia	na	na	...	na	na	na
Ukraine	30	10	na	32	9	na
Total Eastern Europe	67[x]	48[x]	176[x]	102[x]	49[x]	186[x]
Pakistan	0	0	0	0	0	0
South Africa	1	...	3	4	...	8
Zimbabwe	...	0	1	...	...	2
Total	809[x]	872[x]	1,933[x]	875[x]	978[x]	1,942[x]

Notes: See Table 12
k SMP exported in animal feed not included (1992: 80,000 tonnes; 1993: 60,000 tonnes)
l SMP only
m Includes AMF and fat mixes
n Mostly baby milk

Table 11: World imports of dairy products

('000 tonnes)

	1992 Butter[d]	1992 Cheese	1992 Milk Powder[f]	1993 Butter[d]	1993 Cheese	1993 Milk Powder[f]
Belgium	125	160	127	na	na	na
Denmark	13	19	10	na	na	na
France	128	122	113	127	127	85
Germany	132	447	24	172	411	57
Irish Republic	1	13	1	1	14	1
Italy	46[a]	292[a]	199[a]	34[a]	276[a]	167[a]
Netherlands	100	81	340	127	82	303
United Kingdom	130	232	31	112	184	19
Spain	2	39	12	2[e]	44[e]	26[e]
EC '12'[c]	48	109	4	60[p]	107[p]	19[p]
Austria	....	15	...	...	16	...
Finland	0	3	0	0	3	0
Iceland	0	0	0	0	0	0
Norway	...	2	...	...	2	...
Sweden	...	22	4	...	23	2
Switzerland	5	28	4	6	30	4
Total Other Western Europe	5	70	8	6	74	6
Canada	...	17	1	1	18	5
USA	2	129	1	2	145	1
Total North America	2	146	2	3	163	6
Australia[g]	2	25	5	2	25	6
Japan[h]	2	131	99	3	138	73
New Zealand	...	1	1	na	na	na
Philippines	19	11	105	9[k]	10[k]	95[k]
Total Pacific	23	167	210	13[x]	173[x]	174[x]
Bulgaria	3	2	4	3	2	4
Estonia	na	na	na	1	...	...
Hungary	...[a]	2[a]	...[a]	...[a]	5[a]	na
Lithuania	...	...	...	na	na	na
Poland	38	12	4	20	12	3
Russia	215[a]	na	8[al]	182[a]	na	6[al]
Ukraine	7[a]	na	na	5	...	...
Total Eastern Europe	263[x]	16[x]	16[x]	211[x]	19[x]	14x
Pakistan	8	...	17	5	...	7
South Africa	1	...	2	na	na	na
Zimbabwe	...	...	...	...	...	...
Total	351[x]	509[x]	259[x]	298[x]	536[x]	226[x]

Notes: See Table 12
k 11 months excluding December
l SMP only

Table 12: International prices (1992-1994)

(US$ per metric tonne f.o.b.)

Product	1992 January-December	1993 January-June	1993 July-December	1994 January-March	1994 April-June
Skimmed milk powder	1,550-2,170	1,650-2,000	1,400-1,750	1,450-1,600	1,425-1,620
Whole Milk Powder	1,550-2,100	1,575-2,000	1,350-1,650	1,380-1,560	1,425-1,600
Anhydrous milk fat	1,625-2,200	1,625-1,800	1,625-1,750	1,625-1,780	1,400-1,800
Butter	1,350-1,800	1,350-1,500	1,350-1,550	1,350-1,480	1,100-1,500
Cheddar cheese	1,750-2,200	1,750-2,100	1,800-2,150	1,650-2,000	1,750-1,950

Source: GATT, Geneva

Notes to Tables 1 - 11:

a	ZMP
b	FAO
c	EC Commission (not sum of individual countries). All figures include United Gemany.
d	Including butter equivalent of butteroil
e	Estimated
f	Whole,semi-skimmed and skimmed powder
g	1991-92, 1992-93, 1993-94 (Tables 10 and 11 1991-92, 1992-93)
h	1992-93, 1993-94, 1994-95 (Tables 10 and 11 1992-93, 1993-94)
i	Intervention stocks
j	Public stocks
p	Provisional
q	OECD
x	Excluding data as above
na	Not available
nc	No change
...	Less than 0.05; trade - less than 0.5

PART III - THE DAIRY SITUATION IN INDIVIDUAL COUNTRIES

EUROPEAN COMMUNITY

EUROPEAN UNION

1993

PRODUCTION

Milk production stabilised in 1993 and deliveries declined slightly. Yields increased by 3 per cent but this fact was compensated by the decline in the number of cows (-2%).

UTILISATION

SMP production increased by 4.4 per cent. Cheese (+0.2%) and butter (-0.1%) production stabilised whilst WMP and condensed milk dropped considerably.

CONSUMPTION/DEMAND

Consumption of dairy products as a whole was very stable. However, there was a tendency away from fat products and the trend of the average fat content of consumption continued slowly downwards. Cheese consumption continued to increase (+1.8%) as did consumption of fresh products (+2.2% in 1993).

POLICY DEVELOPMENT

In 1993, the Council decided to increase quotas for the period 1993/94 for Greece, Italy and Spain by 100,000, 900,000 and 591,750 tonnes respectively. The maintenance of this increase for the following periods is subject to a Council decision on whether quota in these Member States have been applied in full. Other Member States will benefit from an increase in quota of 0.6 per cent over the previous period in order to satisfy demands from certain producers following judgements on quotas to be given to producers in mountainous regions or other priority cases.

The reduction of 1 per cent in quota, planned for 1993/94, which the Council had granted but not applied, was deferred by the Council in the light of the report on the market situation which had been submitted by the Commission.

Moreover, institutional prices were decreased and were affected by the rules governing monetary coefficients. The result is that, from 1.7.1993, the target price for milk fell by 2.8 per cent, the price of butter by 4.3 per cent and that of skimmed milk powder by 1.3 per cent. Refunds for milk products were reduced accordingly (between 5 and 10 per cent) as aid was directed towards butter. The aid scheme for school milk was modified and the level of the aid reduced.

ECU 40 million was granted for the 1993/94 period to facilitate the implementation of restructuring programmes for milk production.

1994-95 FORECASTS

Price proposals for 1994/95 are at present under discussion. These include an additional reduction (3%) in the intervention price for butter in addition to the 2 per cent cut agreed in 1992 and applicable in the marketing year 1994/95. Moreover, the Commission has proposed a cut in quota of 1 per cent. Thus, butter consumption should reverse its trend. In any case, cow numbers will continue to decline and milk production will depend on whether quota cut will be accepted or not. Cheese and fresh products production and consumption will maintain steady growth.

BELGIUM

1993

PRODUCTION

Only preliminary estimates are available. The number of dairy cows decreased by 5 per cent. Total milk production will change little.

UTILISATION

The rise of fresh products (+7.6 per cent) is mainly due to the success of yogurt and other fermented milks (+13 per cent). Production of liquid milk is decreasing (-6 per cent). Some details:

Whole milk	- 6%
Semi-skimmed milk	- 6%
Skimmed milk	- 13%
Butter milk	+11%

POLICY DEVELOPMENT

Restructuring of the dairy industry continues. Smaller dairies, which are unable to invest sufficient money in order to meet EC hygienic requirements are closing down. The remaining factories are striving to obtain the ISO standard.

1994-1995 FORECASTS

Stagnation in butter and milk powder production. Slight increase in the production of cheese, consumption of milk and fermented milk products.

DENMARK

1993

PRODUCTION

Milk deliveries to dairies increased by 1.3 per cent in 1993. Average dairy cow numbers declined by 0.4

per cent, resulting in an average yield per dairy cow of 6,540 kg or 1.6 per cent more than in 1992.

The increase in milk production is due to a 0.6 per cent increase in the EU milk quota in 1993/94 and due to an effort to fill the 1992/93 quota, which resulted in large deliveries in the first quarter of 1993.

UTILISATION

In 1993 cheese production reached a record level of 322,400 tonnes. Exports of cheese totalled 267,000 tonnes, which is an increase of 18 per cent compared with 1992. 157,000 tonnes went to countries outside the EU. Production of whole milk powder in 1993 was virtually unchanged from 1992, whereas production of skimmed milk powder rose by more than 50 per cent from the very low 1992 level. Butter production continued its long-lasting downward trend due to declining demand both in export markets and in the domestic market.

CONSUMPTION/DEMAND

Consumption of liquid milk, fermented and flavoured milks decreased considerably in 1993. Thus the sales of liquid whole, semi-skimmed and skimmed milk decreased by 2.2 per cent. Total fermented milks were down by 3.8 per cent and choco milk by 3.2 per cent. Only consumption of cream rose by 2.6 per cent in 1993. This disappointing development may partly be due to heavy promotion campaigns of soda and cola drinks combined with rebates in connection with the introduction of 1.5 litre plastic bottles.

To counteract the declining consumption trend, the Danish Dairy industry has decided to increase the promotional activity of liquid milk products. It is the intention to reinforce the promotion of these products especially through school milk programmes, partly financed by the EU.

The continued decline in butter consumption seems to be fully compensated by increasing consumption of dairy spreads containing milk fat as well as vegetable fat.

1994-1995 FORECASTS

The EU 1994/95 milk quota has not yet been fixed. However, we expect no or only marginal changes compared with the 1993-94 quota.

The agreement on the GATT Uruguay round implies important challenges to the EU dairy industry. The Danish exports of cheese and whole milk powder are expected to suffer a great deal.

FRANCE
1993

PRODUCTION

In France, collection of cows' milk diminished by 1.2 per cent compared with 1992.

For the 1992/93 campaign, France was under its EC quota (-0.8 per cent) in spite of an important correction due to an increased fat content. For the 1993/1994 campaign, France should be within its EC quota.

UTILISATION

Production of fermented milks, fresh desserts and cream for direct consumption increased by 3 per cent on average. The manufacture of cheese products increased by 1.3 per cent. Skim milk powder production fell by 5.3 per cent and butter production by 1.9 per cent.

Exports (dairy products plus products manufactured with milk) reached FFr 28 billion. Imports totalled FFr 11.7 billion. The positive balance (+16.3 billion) increased by 13.3 per cent.

CONSUMPTION

Butter and cheese consumption was stable. Consumption of fresh products continued to increase. Consumption of liquid milk and fermented milks decreased slightly.

Change in consumption per inhabitant: 1993/1992:

	%
Fresh dairy desserts	+4.6
Cream for direct consumption	+2.4
Cheeses	n.c
Butter	n.c
Fermented milks	- 0.6
Liquid milks	- 1.0

POLICY DEVELOPMENT

France implements the milk policy directed by the European Union. The programme begun several years ago to finance producers willing to stop milk production and re-affect their quotas continued in 1993.

1994 FORECAST

Milk collection began to increase in November 1993 and continued to run above 1993 level at the beginning of 1994. However, the situation will depend on the decisions taken by the European Union concerning, in particular, the level of the authorised quota for 1994/95.

IRELAND
1993

PRODUCTION

Milk production declined by 1.1 per cent in 1993. Dairy cow numbers increased by 1.0 per cent, implying a disimprovement in yield per cow. Production in the peak second quarter fell by 2.1 per cent compared with 1992. In contrast, third quarter production exceeded the 1992 level. Despite this favourable development, seasonality remains a significant factor. The peak to trough ratio in 1993 was approximately 4.7 : 1.

UTILISATION

Utilisation of whole milk at creameries declined by 0.4 per cent in 1993. Butter production declined by

6,100 tonnes to 127,500 tonnes while cheese production amounted to approximately 93,000 tonnes. Casein production fell to 35,500 tonnes from the relatively high 1992 level. Skimmed milk powder production totalled 131,600 tonnes, an increase of 5,300 tonnes on the 1992 level. Whole milk powder production climbed to 31,900 tonnes in 1993.

CONSUMPTION/DEMAND

The total pasteurised liquid milk market increased in 1993. Sales of skimmed and semi-skimmed milk increased by 9.6 per cent, while sales of whole milk declined marginally. In the yellow fats market, butter consumption remained stable in 1993. Sales of dairy spreads increased by 1.5 per cent. Cheese consumption continued to rise in 1993 due mainly to the continued growth in imported varieties. Cream consumption has remained remarkably stable in the past three years.

POLICY DEVELOPMENT

In the (expected) absence of the 1 per cent quota cut proposed by the European Commission for the 1994/95 quota year, milk production in the calendar year 1994 is expected to be marginally higher than in the previous year. This expectation reflects the 0.6 per cent SLOM III quota increase, awarded in mid-1993 and allocated to individual suppliers in early 1994. In terms of whole milk utilisation, the product mix is expected to be similar to that recorded in 1993, with marginal increases in butter and cheese production predicted in line with the slight growth in milk production. Whole milk powder production is also expected to exceed the 1993 level. With respect to skim milk utilisation, a further reduction in casein production is expected, while production of skimmed milk powder is expected to increase by 3,000 tonnes.

Developments in 1994/95 will be shaped by the European Commission's price package after 1 July 1994 which proposes a butter intervention price reduction of 5 per cent and a global EU quota reduction of 1 per cent. The latter is unlikely to materialise due to ministerial reaction to the Italian quota issue. A 5 per cent reduction may provide a stimulus to domestic butter consumption. Liquid milk consumption is expected to mirror the 1993 level but with a continuing bias towards skimmed/low fat varieties.

1994 is also the year preceding the implementation of the GATT agreement and its latter half will witness the establishment of procedures to administer the export reduction/minimum access provisions of the agreement.

NETHERLANDS

1993

PRODUCTION

The combination of the milk quota regime and the increasing fat percentage in milk has slightly forced down milk production and deliveries in kgs. Owing to an increasing average milk yield, the same amount of raw milk can be produced with fewer cows.

UTILISATION

Because cheese is the only dairy product with good prospects for the near future, production of cheese has expanded at the expense of other dairy products.

CONSUMPTION/DEMAND

Household consumption: a small increase for cheese, liquid milk and dairy products; a large increase for desserts.

Total consumption: preliminary figures indicate that after a strong increase in 1992, there has been stabilisation (or even a small drop) in cheese consumption in 1993.

POLICY DEVELOPMENT

Tendency towards decreasing support price for butter in the EC. Continuing threat of a 1 per cent quota cut.

SPAIN

1993

PRODUCTION

According to estimates, milk production in Spain in 1993 was slightly lower than that of the preceding year. Production of sheep and goats' milk increased and there was a noticeable reduction in cows' milk due to the effects of milk quotas.

UTILISATION

There was a fall of around 2 per cent in milk deliveries and a considerable reduction in production of skimmed milk powder (-35.3 per cent) and butter (-21.9%), due to less milk being available.

In the 1993 period there was again an increase in imports of cheese (+13.5 per cent) and powdered milk (+120 per cent). There was little change in exports apart from those of butter and powder, which fell considerably as a result of a decrease in production.

CONSUMPTION/DEMAND

Consumption of liquid milk increased slightly, as did that of cheese and fresh milk products. Other products did not undergo notable change.

1994-1995 FORECASTS

Milk production in Spain continues to fall as a result of the application of the quota régime. Consumption of liquid milk, cheese and fresh milk products is expected to stabilise. A fall in production of skimmed milk powder and butter is forecast.

UNITED KINGDOM

1993

PRODUCTION

The price rises which occurred after the devaluation of sterling in the latter part of 1992 encouraged an expansion of milk production in 1993, with cow numbers increasing by nearly 1.5 per cent and yield also growing by 1 per cent to an average figure of 5,270 litres per cow. However, production fell in the early part of 1994 and the UK was only around 0.5 per cent above quota in the 1993/94 quota year, due to a continued increase in the fat content of delivered milk.

UTILISATION

Production of liquid milk, butter and cheese increased as a result of the slight increase in milk supplies and a fall in condensed milk and whole milk powder production as a result of lower export volumes. Fluctuations in sterling's value were primarily responsible for the low level of imports in 1993 compared with 1992.

CONSUMPTION/DEMAND

Overall consumption of liquid milk continues to be about static but sales of milk through shops are growing at the expense of the milkman, whose share has fallen to around 55 per cent of household sales. Social trends and the increasing price gap between milkman and supermarket prices, as larger retail containers have become more common, are responsible.

Despite an increase in prices, cheese consumption grew by 1 per cent in 1993, with the greatest expansion occurring in soft natural cheeses. Butter consumption fell by only 3 per cent but has only a 25 per cent share of the yellow fats market, with the diversity of spreads and blends available to the consumer continuing to grow but taking share mainly from margarine. Consumption of yogurt and fresh dairy products continues to expand, with continued new product development. Cream consumption is also increasing, with dairy cream outperforming synthetic creams, which account for nearly 20 per cent of the market.

1994-1995 FORECASTS

The level of milk production will depend on decisions taken by the EU on the level of quotas. Uncertainty within the industry will be removed with the revocation of the Milk Marketing Scheme from 1 November 1994, which means that over the next few months the industry will undergo a huge change, with farmers being free to choose to which company to sell their milk and the adoption of new systems of selling milk to dairy processors.

The rate of growth of shop milk may well be slowing down as prices stabilise; the trend to semi-skimmed milk can be expected to continue, but not be as rapid as in previous years. 'Basic' cheeses, such as cheddar, will remain constant with any growth coming from specialist varieties (such as Stilton) and soft cheese. Butter consumption may well stabilise.

OTHER WESTERN EUROPEANCOUNTRIES

AUSTRIA

1993

PRODUCTION

Milk deliveries from farms were down 0.5 per cent compared with 1992. At the same time cow numbers decreased 2.2 per cent; the number of milk producers also fell.

There were good feeding conditions during 1993. Moreover, programmes to reduce milk deliveries were successful.

UTILISATION

Production of cream, butter, hard and fresh cheese increased. Manufacture of semi-hard and soft cheese and skim milk powder decreased.

CONSUMPTION/DEMAND

Demand for liquid milk and fermented milk decreased. Consumption of cream, butter and cheese increased in 1993 over 1992.

	1993/92
Liquid milk (past.) and fermented milk, yogurt	- 2.4%
Cream	+ 1.5%
Butter	+ 1.6%
Cheese	+ 3.0%*

* *Estimated.*

POLICY DEVELOPMENT

Restrictive modifications of the quota system and a low price for over quota milk continued. In order to reduce milk deliveries and to keep expensive exports (butter, whole and skim milk powder, cheese) at an acceptable level, milk producers were again asked, on a voluntary basis, to reduce milk deliveries by a certain percentage so as to avoid a general price reduction. This programme will be continued. A limited trade in farm quotas was introduced, effective from January 1989. Also leasing of farm quotas started at the beginning of 1993.

1994-1995 FORECASTS

During the first quarter of 1994, milk deliveries were down by about 1.0 per cent compared with 1993. Milk deliveries for 1994 are expected to be about the same level as 1993.

Following the liberalisation of the domestic market at the beginning of 1994, prices for milk and milk products fell distinctly. So, demand for milk and milk products is expected to rise.

Integrated marketing will be continued with efforts in sales promotion, advertising, and the introduction of an Austrian quality mark.

FINLAND

1993

PRODUCTION

Finland's total milk production for the year amounted to about 2,400 million litres. In 1993 changes in key factors affecting milk production were slight and the drop was only 0.5 per cent. Production started to climb at the end of the year, however. The number of dairy farmers continued to decline, to 34,000. The combined effect of this and a slight increase in yields (to 5,648 litres/cow) was that average deliveries per farm rose by 5 per cent. Herds are still a modest 12.2 cow average.

UTILISATION

Milk, cream and fresh products account for the largest share of the dairy milk volume, 1,050 million litres. Cheese production took nearly as much, 41 per cent of the dairy milk. Butter production declined to 45,000 tonnes but this was offset by a substantial increase in the manufacture of dairy spreads.

1994-1995 FORECASTS

Finland, along with Sweden, Norway and Austria, finalised membership negotiations with the EU in March 1994.

The quota allocated to Finland is 2,342 million kg with a SLOM quota of 200 million kg, which is very close to the present level of production. However, milk production has been reduced by 25 per cent over the past decade through various measures and nearly half of this reduction has occurred within the past three years. To the dairy industry this has meant drastic measures of adjusting capacity to the lower level of production.

EU membership will bring radical changes to Finland's agriculture and dairy industry. To join the single market, marketing system and price level of the Community is a challenging task and the lack of a transition period makes adjustment especially difficult and painful. The conditions for milk production and the dairy industry will largely depend on the support package which the Finnish government is willing and able to provide over a transition period.

In 1994 the sheltered market already shows signs of increasing competition.

Product	Milk Utilisation 1993 %	% Change over 1992	Milkfat Utilisation 1993 %	% Change over 1992
Liquid and fresh	45	0	29	0
Cheese	41	0	23	0
Milk powders	6	- 14.3	0.3	- 70
Others	8	+14.3	4	+100

CONSUMPTION/DEMAND

Growth was noted in sales of fat-free milk but overall consumption of liquid milks declined. Sales of yoghurts increased. Cheese consumption slowed down its steady growth of the past decade. A shift towards less expensive varieties was a direct result of the economic recession, which affected catering sales especially. Both full-fat and low-fat varieties of dairy spreads continued their dynamic growth.

	Per Caput Consumption 1993 kg	% Change
Liquid milk	163.7	- 2
Fermented milks	17.5	- 2
Cream	6.3	- 1
Yogurt	12.2	+3
Butter	5.4	- 4
Dairy spreads	2.9	+6
Cheese	14.3	+/-0

POLICY DEVELOPMENT

The stringent quota system was made more flexible for producers, permitting sales and combining of quotas. This will ease structural development. The two-tier pricing system was extended by the Finnish Parliament until the end of 1996. The EU membership negotiations and implementation of both the EEA agreement and GATT had an impact on trade policy. Import barriers were altered by replacing quantitative restrictions with tariffs and levies on dairy products.

ICELAND

1993

PRODUCTION

Milk delivered to dairies increased in 1993 by 0.2 per cent compared with 1992. A shortage in milk supplies was foreseen in October and farmers were encouraged to increase their production in order to meet demand for domestic dairy products during the coming winter months.

Dairy cow numbers declined by 0.75 per cent, whereas the yield improved slightly.

UTILISATION

Production of dairy products is now limited to domestic consumption and trends in production and consumption are therefore similar (see table below).

CONSUMPTION/DEMAND

Whole milk consumption decreased by 6.2 per cent and semi-skimmed by 2.7 per cent. Skimmed milk, on the other hand, increased by 26.5 per cent mainly because of the introduction of a new vitamized skimmed-milk product.

Sales of yogurt increased by 6.1 per cent, whereas cream fell (2.5 per cent) for the second year in a row.

Total consumption of cheeses continues to grow by 6.2 per cent. Consumption of full fat cheeses (fat >17 per cent) increased by 1.89 per cent, whereas

	kg or litre		kg or litre per caput		%
	1992	1993	1992	1993	Change
Whole milk	27,384,897	26,022,172	105.3	98.8	- 6.2
Semi-skimmed milk	12,804,906	12,625,517	49.2	47.9	- 2.7
Skimmed milk	4,515,692	5,791,349	17.4	22.0	+26.5
Fermented milk	4,041,892	4,100,428	15.5	15.6	+0.1
Yogurt	2,403,205	2,583,202	9.2	9.8	+6.1
Skyr	1,357,831	1,294,955	5.2	4.9	- 5.9
Cream	1,897,634	1,875,001	7.3	7.1	- 2.5
Butter	569,924	588,610	2.2	2.2	+1.9
Dairy spreads	558,884	601,760	2.1	2.3	+6.2
Low-fat spreads	506,924	479,319	1.9	1.8	- 6.7
Cheese	2,997,018	3,224,531	11.5	12.2	+6.2

sales of cheeses with 17 per cent fat increased by as much as 25.3 per cent.

Consumption of butter and dairy spreads rose by 1.9 and 6.2 per cent respectively but low-fat spreads (total fat <40 per cent) fell by 6.7 per cent.

Consumption of total milk fat continues to decrease mainly due to changes from consumption of whole milk and semi-skimmed milk to skimmed milk and a great increase in low-fat cheeses.

Consumption of total milk protein has been on the increase for more than ten years and has surpassed fat as a leading factor with regard to milk demand.

POLICY DEVELOPMENT

The dairy industry is adjusting to the abolishment of export subsidies and the required rationalisation of 1.5 per cent per year for the next five years. It is foreseen that the milk producers will have to deliver milk to dairies more evenly throughout the year in the near future in order to prevent shortages in demand as well as surpluses while export prices stay low. Improvements in the control of production is also a must in order to meet the set goal in rationalisation.

The value of milk fat has decreased due to the fall in demand. The price of many high fat dairy products has therefore fallen and will continue to do so for some time. Prices of products high in protein, on the other hand, have increased slightly.

1994-1995 FORECASTS

We do not foresee any dramatic changes in milk production in 1994. Consumption trends of dairy products in 1994 are expected to continue in a similar fashion as in 1993 with increased consumption of products high in proteins. The most recent scientific research revealing the bad effect of trans-fatty acids in hydrogenated vegetable fats could change the present consumption pattern of fat to some extent in our favour.

NORWAY
1993

PRODUCTION

Milk delivered to dairies in 1993 went down by 0.2 per cent to 1,837 million kg. The production target for Norwegian milk is 1,807 million kg, which means that milk production in 1993 was higher than the production quota. The number of cows was 0.8 per cent higher, whereas the yield per cow increased by 99 kg to 6,403 kg (82 per cent of all cows are recorded).

UTILISATION

Milk for liquid milk production decreased by 2.7 per cent in 1993. Milk for cheese production increased by 2.5 per cent.

CONSUMPTION/DEMAND

Per caput consumption of milk decreased by 3.3 per cent to 149.3 litres. Sales of yogurt decreased by 1.9 per cent to 6.16 litres per caput. Cream sales went down by 1.1 per cent to 5.62 litres per caput. Sour cream decreased by 1.9 per cent to 2.11 litres per caput.

Total sales of cheese were 14.1 kg per caput, which is 1.7 per cent higher than for 1992. Butter sales decreased by 5.5 per cent to 2.25 kg per caput. The butter blends have developed successfully and account for 1.83 kg per caput, which is 9.6 per cent higher than in 1992.

POLICY DEVELOPMENT

Milk production is still regulated by milk production quotas. The production target decreased from 1,775 million litres in 1992 to 1,750 million litres in 1993. In 1994 the production target is 1,740 million litres. This is due to the Government's effort to adjust milk production to domestic consumption.

1994-1995 FORECASTS

Milk production will probably decrease by 1.7 per cent in 1994. We expect liquid milk sales in 1994 to be slightly below 1993 level and remain at the same level in 1995. Cheese sales will increase by 1.5 per cent in 1994 and remain unchanged in 1995. Butter sales decreased by 5 per cent in 1993 and will probably decrease in 1994 and 1995. Sales of butter blends will increase, especially low fat products because of new product developments which have led to intensified competition in recent years. Yogurt sales are expected to decrease by approximately 10 per cent in 1994. In 1995 we expect yogurt to increase by about 5 per cent. Cream and sour cream will increase slightly in 1994 and 1995.

SWEDEN
1993

PRODUCTION

After two years' decline in Swedish milk production, due to a change in agricultural policy, an increase started in July 1992. This is probably an effect of the Swedish application for EU membership - milk producers want their base for milk quotas to be as high as possible. The result was that milk intake increased by 4.9 per cent during 1993.

There was a slight decrease in the number of dairy cows between 1992 and 1993. The reduction was 0.3 per cent according to official statistics. Yields increased by 5.0 per cent to a 1993 average of 6,390 kg per cow.

UTILISATION

The major categories of utilisation during 1992 (domestic consumption) in milk equivalent of milkfat are shown in the following table:

Products	% of Milk Fat Supply Used	% Change 1992/91
Liquid milk and cream	35.0	+2.7
Cheese	25.1	+18.4
Butter	30.7	+5.5

CONSUMPTION/DEMAND

Domestic commercial consumption of all dairy products produced in Sweden was unchanged in 1993 compared with 1992, in milk equivalent. Per caput figures for the major dairy products are shown in the following table:

Products	Per Caput (kg)	% Change 1993/92
Liquid milk	152.8	- 1.3
Cream	9.1	+1.7
Cheese (incl. imports)	17.2	+3.2
Dairy yellow fat	7.1	+3.2

For several years there has been a significant trend towards products with a low fat content. During 1992 there was a break in this trend. Within milk and cream varieties, products in the middle fat range are increasing, while fat and low-fat products are declining. The pattern has also changed with regard to butter and spreads. Although sales of low fat products continue to increase, those of normal fat products are increasing even more.

POLICY DEVELOPMENT

In June 1990 the Swedish Parliament decided on a total change in Swedish agricultural policy which lowered the profitability of milk production. The aim of the new policy was to deregulate the whole agricultural sector and to allow market forces free play.

The future depends very much on whether Sweden will become a member of the EU or not. If the referendum in November 1994 is in favour, regulation will recommence. If the answer is No, there will be much uncertainty about future policy. It will, however, probably be less favourable to farmers.

1994-1995 FORECASTS

Production: The present situation is very uncertain for Swedish milk producers. The deregulation of the agricultural sector is proceeding - at the same time Sweden is negotiating with the EC about membership with all the regulations that will lead to. Milk producers are expected to postpone investing heavily and the number of cows is expected to be unchanged during the coming year. Assuming a "normal" harvest, the forecast is that the milk production will increase by approximately 3 per cent in 1994. If Sweden becomes a member of the EU, production will have to decrease by 2.7 per cent in 1995.

Demand: Swedish consumption of liquid milk products has been falling during the whole of the eighties. This trend is expected to continue, even though the size of the decrease may be reduced.

Utilisation: As milk production is expected to increase during 1994 and the diminution of liquid milk consumption continues, the forecast is for increased production of butter and milk powder for export. During this period there will be some very limited export subsidies on cheeses, but the surplus will still be very expensive for the milk enterprises and their owners, the milk producers.

SWITZERLAND
1993

PRODUCTION

Although Swiss milk production has been governed by quotas since 1977, milk supplies have fluctuated by 2 - 3 per cent of total supply. These fluctuations can be attributed, on the one hand, to variations in coarse fodder/forage supplies. On the other hand, the Swiss Federation can also influence total quota by administrative re-allocation or surrender of quota. In 1993 milk supplies rose by around 15,000 tonnes or 0.5 per cent compared with the previous year but this is not sufficient to compensate for the decrease of 70,000 tonnes recorded in 1992.

Dairy cow numbers in Switzerland decreased from over 780,000 to 762,450. Nevertheless, milk yield per cow rose by 68 kg to 5,806 kg in 1993 compared with 1992, hence the fairly sharp decline in cow numbers.

UTILISATION

There have been some small changes in milk utilisation compared with 1992. Processing of liquid milk showed a slight decrease of 1.9 per cent in 1993. There has been an increase in half-cream and single (coffee) cream, and also in yogurt and cheese. The supply of milk left over for butter manufacture has therefore been slightly reduced (by 0.8 per cent).

CONSUMPTION

	Per Caput 1993 kg	1992 kg
Liquid milk	100.0	102.7
Butter	6.3	6.2
Cream	6.4	6.4
Cheese	15.4	15.0

POLICY DEVELOPMENT

With the introduction of general direct payments, there has been a fundamental new direction in Swiss agricultural policy. Because of decreased income support through prices, the Swiss Federal Council has since 1993 been supporting farmers' incomes with supplementary payments paid direct to producers. The intention of these direct payments is primarily to pay for collective output from agriculture in a production-neutral way. Payment for this output is made mainly through contributions based on land, whilst contributions based on the farm take specific tasks into account. At the same time, ecological contributions were introduced in order to promote a more extensive, environmentally friendly cultivation. Through financial incentives it is also planned to support forms of farming which are particularly suited to livestock. The level of these so-called eco-contributions is geared to the associated additional expenditure on the basis of investment and extra work.

The new direction of Swiss agricultural policy has had serious consequences in the dairy sector, where the introduction of supplementary payments immediately resulted in a massive reduction in the state-guaranteed milk price. In view of constantly rising production costs, compensation for the resulting fall in incomes was being pressed for to avoid enormous social hardship. In view of problems arising in milk utilisation and growing difficulties with sales/disposal, proposals for more sweeping reforms are being considered.

1994-1995 FORECASTS

Steadily rising imports, particularly in soft and semi-hard cheeses, as well as unfavourable export developments make cut-backs in production necessary. So there is an increase in production of dairy products with less added value, the utilisation of which requires a large input of state funds. If no change in trend can be brought about in the short term, cuts in quota may be inevitable.

NORTH AMERICA

CANADA
1993

PRODUCTION

Total milk production in 1993 was 6.95 million tonnes, down 1.8 per cent compared with 1992.

Producer quotas were increased 1.8 per cent with effect from 1 August 1993 due to a turn-around in consumption and an improved demand situation which is credited to the recent success of the Butterfat Utilisation Program - a program which provides assistance for the development of new products using butterfat and encourages the use of butter and dairy ingredients in the domestic bakery and food industry. With the success of the Butterfat Utilisation Program, combined with a shortage of milk supply due to excessive culling at the end of the 1992/93 dairy year (August to July), a butter shortage materialised in the fall of 1993. An additional 2.5 per cent increase in quota was issued on 1 December 1993 temporarily for the 1993/94 dairy year with the intent to encourage sufficient production to rebuild butter stocks and cheese stocks. Butter was imported from the USA for the first time in many years.

UTILISATION

Fluid sales in 1993 were down 1.8 per cent from the previous year. Consumer preference for low fat milk has continued at the expense of higher fat milk products. Consumption of 1 per cent milk increased by 8.5 per cent while whole and 2 per cent milk decreased by 6.3 per cent and 3.3 per cent respectively. Skim milk sales remained relatively constant, showing a slight 0.4 per cent decrease. Table cream sales showed a significant increase of 6.9 per cent. However, these sales were offset by decreases in cereal, whipping and sour cream sales of 1.7, 4.1 and 1.8 per cent respectively. Overall, 1993 sales of fluid milk and cream for Canada were down 2.1 per cent.

Total cheese production increased marginally by 0.48 per cent to 265.2 thousand tonnes. Specialty or variety cheese production, which makes up about 60 per cent of total cheese production, increased by 2.4 per cent, whereas cheddar cheese production decreased by 2.2 per cent.

Production of ice cream and yogurt increased in 1993 by 2.9 and 0.9 per cent respectively. Cottage cheese production remained relatively stable, showing a slight decrease of 0.31 per cent.

CONSUMPTION/DEMAND

Canada's population grew by 1.1 per cent in 1993. Among the major dairy products, butter, cheese and ice-cream experienced real per caput growth as they grew at a faster rate than population. The growth in the specialty cheese market can be attributed to the continuing increase in the demand for mozzarella cheese. Butter increases are related to ingredient use - bakery products, etc. Per caput consumption for major dairy products is as follows:

	1992	1993	% Change
Liquid milk (litres)	92.38	89.35	- 3.27
Specialty cheese (kg)	5.82	5.96	+2.38
Cheddar cheese (kg)	3.65	3.69	+1.08
Butter (kg)	2.82	2.95	+4.64
Ice cream (litres)	10.34	10.52	+1.77

Note: Population estimates for Canada have been revised, based on the 1991 Census and a new methodology to include estimates of the number of people not counted in the Census. Therefore, per caput figures shown in the above table vary from and are not comparable with those reported in previous years.

The "crossover" between consumption of milk on a butterfat and solids-not-fat basis has been delayed by the recent improvement in butterfat consumption. However, a time horizon of 3 to 4 years is not unrealistic.

POLICY DEVELOPMENT

A "Dairy Industry Strategic Planning Committee" has been established with the following mandate "within the parameters of supply management":

"a) To review and assess what changes in Canadian dairy policy and supporting administrative structures are required to maintain the long-term viability of the dairy industry and to reflect the new GATT agreement;

b) To develop an industry strategic plan for addressing these issues through the identification and documentation of feasible policy options for discussion and consensus-building at the industry level through existing industry committees, such as the Supply Management Committee, and national producer and processor organisations.

c) To develop policies to get the appropriate volume of milk to the appropriate plant in a timely fashion."

The committee is made up of producer and processor representatives from all regions of Canada. This process will generate dairy sector recommendations to the Federal-Provincial Task Force on orderly Marketing. The Task Force has been established to develop an action plan for changes needed to continue supply management after the GATT deal takes effect in 1995.

The House of Commons Standing Committee on Agriculture and Agri-Food asked the federal government in April 1994 to legislate a one-year moratorium on synthetic bovine somatotropin (BST) use, as well as labels on dairy imports, to allow a period of adjustment for the dairy industry, address the need for more public information about BST and to review BST's impact in greater detail.

1994-1995 FORECASTS

Unemployment continues to run in the 11 per cent range. Downsizing and rationalising are the norm. The uncertainty in the labour force will continue to have an impact on consumer demand. Consequently, the same production and consumption trends are expected to continue in 1994.

Increases in butter production will come from butterfat standardisation, whilst more milk will go into cheese, whole milk powder and liquid milk.

Butter consumption will continue to decline at the retail level. However, the successful continuation of the Butterfat Utilisation Program will hold total butter consumption at least at the 1993 level. Total cheese consumption should show moderate growth.

UNITED STATES OF AMERICA
1993

PRODUCTION

Total milk production fell slightly (-0.45 per cent) to 68.5 million tonnes as compared with 1992. Annual cow numbers fell 1.32 per cent from 1992 while yield per cow increased 0.87 per cent. The increase in yield per cow was less than the increases recorded for the past several years. This was due partially to poor quality forage and high concentrate feed prices during 1993. Prices received by farmers increased slightly from year-earlier prices.

UTILISATION

Production of cheese fell slightly during 1993 (-0.37 per cent) while production of butter fell 3.37 per cent. Whole milk powder production fell 10.52 per cent while skim milk powder production increased 6.06 per cent. Condensed milk production continued its downward trend and fell 4.0 per cent in 1993 as compared with 1992. The production of fresh products such as yogurts and other cultured products increased 2.26 per cent.

CONSUMPTION/DEMAND

In 1993, the commercial disappearance of total milk products increased by 2.5 per cent on a milk equivalent, fat basis to a record setting level. Much of this increase can be attributed to a strong 10.7 per cent increase in demand for butter. Disappointing was the 16.1 per cent decrease in skim milk sales which can largely be attributed to increased retail prices for the product. Total liquid milk sales declined by 0.6 per cent with the increase in low-fat and skim milk sales not being enough to offset the continued decline in whole milk sales. Percentage changes in sales of major dairy product categories as compared with year-earlier figures are as follows:

	%
Whole Liquid Milk	- 2.7
Low-Fat and Skim Liquid Milk	+0.6
Butter	+10.7
Cheese:	
American-type (Cheddar, Colby, Jack, etc)	+0.7
Other-type (mainly Italian varieties)	+1.8
Cottage Cheese	- 5.4
Yogurt	+9.9
Skim Milk Powder	-16.1
Ice Cream	- 2.8
Ice Milk (low-fat ice cream)	+2.0
Frozen Yogurt	+8.7

POLICY DEVELOPMENT

In late 1993 the US Congress approved the North American Free Trade Agreement (NAFTA) which, in essence and during a prescribed period of years, will provide for free trade of many dairy and food products between the three countries - Canada, Mexico and United States.

During 1993 US dairy farmers conducted a national referendum to determine the future of dairy farmer-financed, non-brand promotion and research programmes. By a 75-25 per cent affirmative vote, dairy farmers voted to continue a national levy of approximately 1 per cent of their gross sales price to such programmes which generate approximately US $0.85 per caput annually. In late 1993 liquid milk processors in California (the United States' largest milk producing state and most populous state) voted to assess themselves a levy for non-brand promotion of liquid milk products. The levy will generate approximately US $1.00 per caput annually for the non-brand promotion of liquid milk products within the state of California.

As 1993 concluded, the US dairy industry was awaiting, with mixed emotions, the long-awaited results of the on-going GATT negotiations and the US Food and Drug Administration's ruling regarding the use of bovine growth hormone identified as BST.

1994-1995 FORECASTS

While dramatic shifts are occurring in milk production areas within the United States, total milk production is projected to rise gradually above a year earlier and to total fractionally above 1993 in 1994. After a large rise in January-March, average milk prices received by farmers are expected to slip under a year earlier during the second half of 1994. For all of 1994, farmers are projected to receive a slightly higher average price than in 1993, one close to the 1989-93 average. As milk production recovers, supplies of milk for manufacturing (such as cheese and butter) will begin to expand. As of this date, approval by the FDA of BST has not appeared to affect commercial sales/demand for dairy products. Favourable retail dairy prices, growth in the economy and continued aggressive brand and non-brand promotion programmes are expected to boost dairy sales throughout 1994 and 1995. Commercial use of milkfat is projected to rise 2 per cent for the third straight year. Meanwhile, growth in cheese use and recovery in sales of liquid milk and skim milk powder are expected to lift commercial sales of skim solids to the level of 2 years ago.

PACIFIC

AUSTRALIA

1993

PRODUCTION

Milk production in 1993/94 is expected to be a little over 7,900 million litres - an increase of around 8 per cent on 1992/93 production. Exceptional seasonal conditions throughout most regions was the main reason for the increased milk production. There has also been a slight increase in dairy cow numbers and some increased use of supplementary feeding. However, grass remains the dominant energy source.

UTILISATION

With per caput consumption of liquid milk relatively static, the increased milk production is reflected in a 6 per cent increase in manufacturing milk supply. This has resulted in increased production of all major manufactured products. The ability to divert milk to cheese and WMP is, to some extent, limited by operating capacity. However, more recent capital investment has favoured cheese and WMP powder plant capacity and efficiency measures.

CONSUMPTION DEMAND

Given the emerging economic recovery in Australia, demand for dairy products has begun to increase, eg retail (supermarket) sales of dairy spreads and cheese are around 3 per cent higher than last year. Associated with this have been aggressive marketing strategies - with periods of sustained price discounting.

Demand for cheese in the non-retail sector has been encouraged by increased fast food sector demand. Fast food operators, too, have adopted aggressive marketing strategies - using a range of value discounts.

POLICY DEVELOPMENT

The Australian Dairy Corporation has announced the market support rates to apply as of 1 July 1994. These rates are financed from a levy on milk production and are paid on exports. The rates to apply as of 1 July 1994 are around 1.5 per cent lower than the average for 1993/94.

As a result of the recent GATT/MTN outcome, the current marketing arrangements are to cease as of 30 June 1995. Replacement arrangements are currently the centre of industry and Government debate.

1994/1995 FORECAST

Milk production in 1994/95 is currently estimated to be around 8,300 million litres - an increase of around 5 per cent - driven mainly by on-going management and productivity gains. Given the reliance on pasture, the final outcome will depend on seasonal conditions, particularly in spring 1994.

JAPAN
1993

PRODUCTION

Raw milk production in 1993 (April 1993 - March 1994) decreased by 0.8 per cent compared with the previous year. The number of dairy cows decreased by 2.3 per cent and milk production per cow was 6,763 kg, slightly up by 0.6 per cent from 1992.

UTILISATION

Raw milk directed to the liquid milk market in 1993 decreased slightly, 1.5 per cent down from 1992. On the other hand, raw milk for processing was almost the same as the previous year, only 0.3 per cent down.

The overview of each dairy product can be summarised as follows: production of liquid milk in 1993 was almost the same as in 1992, only 0.8 per cent down, while production of condensed milk, cream and whole milk powder continuously decreased. On the other hand, production of butter, skim milk powder, yogurt and cheese showed increases of, respectively, 5.5, 1.7, 17.9 and 4.5 per cent. Flavoured milk production increased 1.8 per cent.

CONSUMPTION/DEMAND

The table below shows the estimated per caput consumption of major dairy products in 1993, compared with the previous year.

Supplies of butter and skim milk powder exceeded the demand of the market and stocks of butter, especially, and skim milk powder increased continuously during 1993.

	Per Caput Consumption: (kg)		
Products	1992[a]	1993[b] (estimated)	% Change from 1992
Liquid milk	41.2	40.8	- 1.0
Yogurt	4.3	4.8	+11.6
Flavoured milk	7.0	7.2	+2.9
Cream	0.36	0.35	- 0.3
Butter	0.7	0.7	n.c
Cheese	1.3	1.3	n.c
Condensed milk	0.5	0.5	n.c
SMP	1.7	1.7	n.c

a April 1992-March 1993.
b April 1993-March 1994.
n.c No change.

POLICY DEVELOPMENT

The GATT Uruguay Round negotiations practically reached an agreement in December 1993. The government intends to carry the commitment into effect over a 6 year period from 1995.

It has been decided to lower the guaranteed raw milk price for processing in fiscal 1994 (April 1994 - March 1995) by 1.3 per cent from 1993.

1994-1995 FORECASTS

Yield per cow is forecasted to increase continuously. More milk is expected to be directed to the liquid milk market. Accordingly, the consumption of liquid milk and flavoured milk is expected to increase.

PHILIPPINES
1993

PRODUCTION

Steady milk production came from the multinational companies, but there was a slight decrease in that from small farmer co-operatives, scattered throughout the country. This decrease among farmer co-operatives can be attributed to the monopoly of the multi-nationals.

UTILISATION

Almost all of the local milk produced in the country is utilised as liquid milk. About 30 per cent is made into sweet candies, soft cheese by the farmers and the farmers co-operatives. Imported butteroil and skim milk are reconstituted to produce other dairy products like butter, cheese, ice-cream, evaporated and sweetened condensed milk and yogurt, among others.

CONSUMPTION/DEMAND

The milk intake (combining all milk products) in the country has always fallen short of the local recommended dietary per caput consumption of 36.5 kg per annum. For the year 1991 to the present, the per caput consumption of milk was 18 kgs, which is only 49.3 per cent of the recommended dietary level. This trend is due to the increasing population and the increasing cost of milk.

POLICY DEVELOPMENT

1. Implementation of the Medium Term Livestock Development Plan 1993-1998.
2. Approval for the implementation of the National Cattle Breeding Programme to procure dual purpose cattle for dairy and beef.
3. Creation of Philippine Carabao Center with the objective of improving Philippino Carabao for milk/meat and as draft animals.
4. Provision of credit for small livestock raisers and breeders through organised co-operatives.
5. Establishment of government and private nucleus and anchor farms for production of breeding stock.

1994-1995 FORECASTS

The Philippine Dairy Industry will be developed through the formation and institution of farmer dairy co-operatives, on aspects of production, collection, processing and marketing of milk as well as other high-value products. A sustainable market will be developed whereby multi-nationals must produce milk locally and/or absorb locally produced milk from the farmers' co-operatives.

EASTERN EUROPEAN COUNTRIES

BULGARIA
1993

PRODUCTION

Milk production in Bulgaria and the number of dairy animals (cows, buffalo-cows and ewes) has continued to fall. By contrast, the number of goats and production of goats' milk has increased. This situation has been caused by the total reduction of co-operative farms and the small number of private farms with more than 10 cows. The government does not provide any subsidy or tax relief to farmers.

UTILISATION

There has been no change in milk utilisation and this situation will remain the same for the next two to three years. There has been a relative increase in milk used for the manufacture of yogurt and cheese. The quantity of milk delivered to large enterprises has decreased, causing a restriction in types of production.

CONSUMPTION/DEMAND

The decline in the quantity of milk and milk products has been accompanied by a fall in consumption. There has been insufficient milk destined for the market in fermented milk products, hard cheeses, cheese in brine and powdered milk. The devaluation of the Bulgarian Lev against the US dollar and other Western European currencies has made the import of milk products very difficult and this has caused restriction.

POLICY DEVELOPMENT

Privatisation of State enterprises has commenced; in 1993 four were privatised and the process will continue in 1994 until 50 per cent are in private hands. At the same time, small private enterprises are functioning with a daily capacity of 10 tonnes of milk.

1994-1995 FORECASTS

Government policy concerning production and manufacture of milk remains the same, and apart from privatisation, no further steps will be taken. In view of the present situation in the country, it is very difficult to forecast positive, rapid change.

ESTONIA
1993

PRODUCTION

Milk production and the number of dairy cows have decreased by 17 and 11 per cent respectively. The yield per cow was 3092 litres.

The main reasons for production decrease were as follows:

- difficult transition to a market oriented economy;
- lack of fodder containing protein;
- large differences in milk prices and materials imported for fuel, veterinary drugs, etc.

UTILISATION

592,000 tonnes of milk was delivered to the processing sector. This was 86 per cent (some authorities say 70 per cent) of total milk production. The direct supply to consumers by milk producers, not including the processing sector, is remarkable. Exact quantities are not easy to determine.

Production of liquid milk and fresh milk products has fallen 14 per cent. Cheese production fell by 16 per cent and butter by 14 per cent. Production of powders has remained stable.

CONSUMPTION/DEMAND

Domestic Sales of Dairy Products per caput

	1992	1993	% Change 1993/92
Liquid Milk	59.4	60.7	102.2
Kefir	9.5	7.0	73.7
Sweet cream	1.4	1.2	85.7
Sour cream	5.5	5.4	98.2
Buttermilk	4.7	3.6	76.6
Quark	5.4	4.1	75.9
Cheese	3.8	3.4	89.5
Butter	5.6	4.6	82.1

The demand for dairy products, with the exception of liquid milk, has fallen on the domestic market because of high prices. Sales of butter have decreased due to increased consumption of imported margarines and dairy spreads, which account for 37.9 per cent of total consumption of yellow fats.

POLICY DEVELOPMENT

No significant policy developments occurred.

The milk price has been fixed by negotiations between producers and processors and increased by 46 per cent in 1993. No subsidies were paid by the government and no customs duties were applied to imported dairy products.

1994/95 FORECASTS

The following factors are affecting the Estonian dairy situation:

- the government's willingness to subsidise exported milk products and to impose customs duties on imported dairy products;
- negotiations with the European Union about milk export quotas;
- the economic policy of Russia as the main importer of Estonian dairy products.

In 1994 milk production will probably continue to decline and milk deliveries of 560,000 tonnes are expected. In 1995 milk production is expected to stabilise.

HUNGARY

1993

PRODUCTION

Owing to the increase in the price of milk, the decline in the number of dairy cows has been reduced. This decrease amounted to 7.5 per cent compared with 1992. As a result, total milk production has fallen by 6.4 per cent, due to a slight improvement in overall productivity.

UTILISATION

The total quantity of milk delivered to dairies decreased by 7.8 per cent On the whole there is a decline in the production of dairy products, with the exception of condensed milk and fresh products. Production of these has increased but there are no reliable figures available. The largest decline was in the production of skimmed (-20.4 per cent) and full-fat milk powder (-30.8 per cent), due to less domestic and foreign demand.

CONSUMPTION/DEMAND

Higher prices and less purchasing power has led to less consumption. There was also a large supply of imported dairy products.

POLICY DEVELOPMENT

The Government has introduced a subsidy from the middle of the year with the aim of stabilising dairy production. Although this subsidy is not significant, it has improved profitability. As a result of the subsidy, greater demand for dairy products at the end of the year and improved quality, the average prices paid to producers have increased by 27 per cent.

The privatisation of the dairy industry has continued and, at the end of 1992, 40 per cent of production and 20 per cent of industrial processing was in private hands.

1994-1995 FORECASTS

The government intends to continue the subsidy for dairy production in 1994. There are plans to subsidise the introduction of new herds. As a result, the decline in dairy production is expected to slow down. The stabilisation and subsequent increase in dairy production is, however, conditional on the purchasing power of the public, which can only be expected when the national economy improves.

LITHUANIA

1993

PRODUCTION

In 1993 milk deliveries fell by 12.5 per cent, cow numbers by 18.5 per cent and yield per cow by 10 per cent. The main causes for this decrease, which has continued since 1990, are a serious loss of efficiency due to diminishing herd size and yield, the increase in direct sale of milk by farmers to consumers and the decline of the internal market.

UTILISATION

As a result of the fall in milk deliveries and consumption, processing (apart from production of fermented cheese) also declined. Production figures for 1993, compared with the 1992 level, were: pasteurised milk 87.6 per cent; fermented milk 83.9 per cent; fresh cheese 67.0 per cent; ice-cream 93.4 per cent; butter 92.1 per cent; fermented cheese 111.3 per cent; dry skim milk 90.3 per cent; condensed milk 58.2 per cent.

CONSUMPTION/DEMAND

Per caput consumption in 1993 in kg was: pasteurised milk 28.5; fermented milk 7.1; sour cream 4.1; fresh cheese 3.7; ice-cream 1.9; butter 4.7; fermented cheese 2.1. Owing to further increases in prices for dairy products and a decrease in people's purchasing power, consumption of dairy products fell in 1993 compared with 1992 as follows: pasteurised milk -16.2 per cent; fermented milk -17.4 per cent; sour cream -28.1 per cent; fresh cheese -32.7 per cent; ice-cream -5 per cent; butter -32.9 per cent; fermented cheese -19.2 per cent. The decrease in the internal market for dairy products has continued since 1991, the main factor being that real per caput incomes have dropped by a factor of 3 compared with 1990. Because of the significant fall in the internal market, export levels are comparatively high. In 1993, 61 per cent of butter, 60 per cent of fermented cheese, 70 per cent of condensed milk and 95 per cent of dry skim milk production was exported.

POLICY DEVELOPMENT

Prices paid for delivered milk are absolutely free and fixed by negotiations between milk producers and dairies and dairy product prices are fixed independently by dairies and shops. Since December 1992 government subsidies for milk and dairy products were abolished. Some import duties for dairy products (about 10 per cent) still exist.

1994-1995 FORECASTS

In 1994 we may expect a further, though lesser, decline in cow numbers, yield per cow and the quantity of delivered milk. There will also be a further decrease in production of most dairy products. Stabilisation and increase in consumption of dairy products may only be anticipated when real incomes improve.

POLAND

1993

PRODUCTION

Low milk prices caused further reduction in cattle numbers. The decline in yield per cow has been halted. In 1992 milk yield amounted to 3037 litres and in 1993 it reached 3111 litres.

UTILISATION

Farmers limited direct sales to consumers of milk and dairy products such as cream, cottage cheeses and butter by more than 5 per cent and also the sale of milk to small processors. In consequence, milk production fell by 3.7 per cent, whereas milk supplies to dairies were reduced by only 2 per cent compared with the previous year.

Production of processed cheeses increased by 35 per cent, that of hard cheese by 10.5 per cent and skim milk powder production increased by 8.9 per cent. Production of cream, cottage cheeses, liquid milk and butter fell by a mere 1.6 per cent.

CONSUMPTION/DEMAND

There was a further decline in demand for milk and dairy products in spite of relatively low retail prices being maintained. There was a decrease in consumption for all basic dairy products, apart from ripening rennet cheeses, the consumption of which increased significantly compared with the previous year. The smallest decreases were shown in consumption of butter (-4 per cent) and milk (-3.7 per cent). Generally, per caput consumption of butter fell to 5 kg and that of other products, including liquid milk, to 214 litres in terms of milk equivalent.

POLICY DEVELOPMENT

During the summer period the Agency of Agricultural Market bought twice the amount of butter for winter needs and twice the amount of skimmed milk powder compared with the previous year. The increased intervention purchase of milk powder was caused by the drop in demand on the international market during the summer and autumn periods.

1994-1995 FORECASTS

In 1994-95 a further decline in cow numbers is anticipated. An increase in yield per cow will mean that milk production will fall by 2.5 per cent in 1994 and by 1 per cent in 1995. The tendency of farmers to sell an increased amount of milk to dairies will be maintained. In autumn 1994 it is expected that an increase in the price paid for milk collected from farmers will take place. Production of skimmed milk powder will decline, whilst at the same time there will be somewhat higher production of whole milk powder. Production of ripening rennet cheeses, yogurts and milk desserts will increase; that of remaining products will decline in relation to demand and raw milk deliveries. In 1994, turnover of foreign trade in butter will be balanced. During the period 1994-95 imports of hard, processed and other ripening cheese will decline in relation to exports.

RUSSIA
1993

PRODUCTION

The number of dairy cows decreased because of feed shortages.

UTILISATION

Utilisation of milk decreased due to the drop in the number of dairy cows and milk production.

CONSUMPTION/DEMAND

Demand for home manufactured dairy products fell because of the availability of imported dairy products and consumption of milk products also fell due to the low purchasing ability of the population.

POLICY DEVELOPMENT

All dairies throughout the country have been privatised and now have to compete for markets, widen the product ranges and look for some new varieties of dairy products.

1994-1995 FORECASTS

It is forecasted that in 1995 milk production will stabilise, there will be wider varieties of dairy products and more products will be supplied to retailers prepacked.

UKRAINE
1993

PRODUCTION

Since "perestroyka" it has become possible for all former Soviet republics to become sovereign states. In this situation, economic links between former republics have been broken for various reasons.

In these circumstances, development of market-oriented economic relations in the Ukraine have caused stagnation in all spheres of economics, including production of milk and dairy products. Since 1986, the number of dairy cows, average yield of milk per cow and total milk production have constantly decreased, especially during the last three years, as is shown in the data.

UTILISATION

The number of dairy products decreased from 60 to 15 units (these are mainly non-packed products). The reason for the decrease is lack of currency in the country which makes it impossible to buy packing materials in other former Soviet republics. Small dairy shops at farms have appeared with a very small selection of products. There has been a tendency for large dairy plants to disintegrate.

CONSUMPTION/DEMAND

Per caput consumption of milk and dairy products decreased in 1993 compared with 1992. Consumption was as follows:

Products	Per Caput 1993 kg
Milk and liquid milk products	54.0
Butter	5.36
Cheese (all types incl. quarg)	3.4
Condensed milk	1.2

The reasons for low consumption of dairy products are high prices and the inability of the population of the country to pay them.

POLICY DEVELOPMENT

In the second half of 1992 producers obtained 10,880 krb for 1,000 kg of milk with a fat content of 3.4 per cent. Processing plants paid 4,600 krb, the State paid 4,800 krb and an additional sum of 1,480 krb was paid to compensate for rises in energy costs. Total: 10,880 krb.

From 1 January 1993 producers obtained 71,000 krb for 1,000 kg of milk. 19,000 krb were paid by processing plants and 52,000 by the State. In December 1993 the Government of the Ukraine abolished subsidies to milk producers. The Ukrainian Ministry of Agriculture and Foodstuffs determined the price for 1,000 kg of milk bought from producers at 1,500,000 krb. In the first quarter of 1994 State administrative bodies in the regions established new increased prices for milk bought from producers. The prices differ in the various regions. They vary from 1,700,000 krb to 2,500,000 krb for 1,000 kg.

Because of the increased prices paid to producers for their milk, processing plants established higher wholesale prices for dairy products and declared them to local state administrative bodies. New wholesale prices are based on the cost of purchase, transportation and processing of milk. Wholesale prices vary from 4,000 to 6,000 krb for 1 kg of liquid milk and are different in each region. The rise in prices for milk bought from producers and in wholesale prices for dairy products has caused a large drop in consumption because of the inability of the population to purchase them. Because of this fall in consumption of dairy products, milk processors have tried to decrease the volume of milk purchased. This has made it necessary for producers to transport the milk into towns and cities by their own transport and to sell their milk to the population at a price which is lower than the officially determined wholesale price.

1994-1995 FORECASTS

The situation in 1993, with low consumption of dairy products, could cause a further drop in consumption. State subsidies for milk producers could improve the situation.

OTHER COUNTRIES

PAKISTAN

1993

PRODUCTION

Milk production (as per Government figures) increased by 3 per cent over 1992 and the estimates show that in the year 1994 the increase is expected to be 2.5 per cent over 1993. No formal statistics are available.

UTILISATION

The dairies are operating at low capacity because there is no legislation to control the open milk sale by the traditional middle man who sells unhygienic, unprocessed and adulterated milk. For this reason, he sells cheap milk to the consumer, who is not quality conscious. The higher packing material prices, which include the Government duties and taxes, are another reason for higher price and low sale which affects the dairy industry capacity utilisation.

CONSUMPTION/DEMAND

Per caput milk produced:	141 litres annually
Per caput availability:	107 litres annually

Out of the total milk produced, only 45 per cent of it is marketed by middlemen (as raw milk) as well as the dairies. Dairies are only receiving 0.7 per cent of the total milk production.

POLICY DEVELOPMENT

A couple of Dairy Development Projects have been launched by the Government with the financial assistance of Asian Development Bank, International Fund for Agricultural Development, FAO and UNDP. In these projects more emphasis is made on breed improvement and proper feeding of dairy animals. It is hoped that if these projects are successful there will be a reasonable increase in milk production.

1994-1995 FORECASTS

Estimated milk production in 1993 is going to increase by 2.5 per cent but no other major changes are expected other than if the development projects are successful, which will have positive impact.

SOUTH AFRICA

1993

PRODUCTION

National production increased by 2.5 per cent during 1993. Milk buyers implemented producer quotas to discourage oversupply of milk.

UTILISATION

Liquid milk for the consumer market (inclusive of UHT milk and fresh products) utilised 47.3 per cent of deliveries to processing dairies, whilst milk applied in manufacturing other long-life dairy products, like cheese, powders and condensed milk, amounted to 52.7 per cent of total deliveries.

CONSUMPTION/DEMAND

Total demand for dairy products expressed in milk equivalent (litres) declined by 3.6 per cent during 1993. This decline was mainly caused by a continuous decline in consumer spending, especially on non-durable consumer goods.

Changes in consumption of dairy products were:

Gouda Cheese	- 5.5%
Butter	- 2.9%
Cheddar Cheese	- 4.2%
Condensed Milk	+3.3%
Full Cream Milk Powder	+23.3%
Skim Milk Powder	-22.7%

Consumption of liquid milk and milk utilised for fresh products increased by 1.5 per cent.

POLICY DEVELOPMENT

The statutory Dairy Board, representing all sectors of the dairy industry, was abolished at the end of December 1993. A new Milk Board, representing only dairy farmers, came into being from January 1994. The main task of the Milk Board is to further and promote the interests of dairy farmers.

Although the Milk Board is a statutory body, the dairy industry operates under free-market conditions and government does not intervene with market forces in any way.

1994 FORECAST

It is anticipated that general economic conditions will improve during 1994. Although consumer spending is expected to increase by some 4.5 per cent in real terms, a moderate increase of 1.5 per cent in demand is foreseen for dairy products. Continued pressure by means of producer quotas implemented by major milk buyers, will be exerted on dairy farmers in an effort to balance local supply and demand of milk.

With no existing statutory surplus removal scheme, surpluses of milk will adversely affect average producer prices.

ZIMBABWE

1993

PRODUCTION

The effect of the 1991-92 drought is still being felt throughout the economy and is still noticeable in milk production, deliveries being about 6 per cent below those in 1992. Even allowing for the fact that more milk is being sold outside of the formal sector, the total amount of milk produced appears to be reduced. For the first time an attempt has been made to estimate total production - this is more likely to be an underestimate than an overestimate.

The month of livestock census has been changed (from October to March) as has the source of the statistics. The overall picture is that cow numbers continue to fall, however, production per cow and deliveries per producer are being maintained or slightly increased. Producer numbers continue to decline.

UTILISATION

In response to stronger demand for fresh dairy produce, about 63 per cent of milk sold to processing plants was used for fresh products, the balance being converted to processed products and long life liquid milks.

CONSUMPTION/DEMAND

Despite reports from processors that demand has strengthened, considering the continuing increases in population and overall drop in milk production, consumption has fallen. Besides production being depressed, a large proportion of the population cannot afford milk.

POLICY DEVELOPMENT

The major processor has continued to improve its operations, particular financial management. The organisation is in a strong position to adjust to the deregulated market which is to be effective from 1 July 1994.

1994-1995 FORECASTS

Total milk production is expected to increase only marginally, remaining heavily dependant on total amount of, as well as timely, rainfall. The major processor is concentrating increasingly on long life, higher value added products which will allow smaller operators to exploit local markets for fresh products in well populated areas which are remote from existing processing plants.