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Special Distribution

GENERAL AGREEMENT ON TARIFFS AND TRADE

Original: French

International Dairy Arrangement

Committee of the Protocol Regarding
Certain Milk Powders
Committee of the Protocol Regarding Milk Fat
Committee of the Protocol Regarding Certain Cheeses

SURVEY OF GOVERNMENT MEASURES TO EXPAND DOMESTIC CONSUMPTION OF DAIRY PRODUCTS

Addendum

European Economic Community

A. Information on government programmes to expand consumption

Table I gives the quantities of dairy products and the expenditure by the European Agriculture Guidance and Guarantee Fund (FEOGA) for 1979, 1980, 1981 and 1982. Estimates for 1983 have not been included in the tables owing to the uncertainty of such estimates, since some activities may be considerably expanded and others reduced or terminated following decisions by the Council of Ministers.

Nevertheless, for activities that have continued over a number of years, a certain stabilility can be noted in the quantities subsidized.

Programmes to expand human consumption of dairy products are limited to butter and the "school milk" scheme, which subsidizes the consumption of milk, fresh dairy products and cheese in schools. In Table I, the quantities subsidized in this programme are expressed in terms of milk equivalent.

The level of the subsidy is fixed for the milk year, which is normally the period between 1 April and 31 March of the following year. This does not mean, however, that the level cannot be adjusted in the course of the year.

As regards the sale of butter to manufacturers and the sale of skimmed milk powder (SMP) to producers of pig and poultry feed, the level of the subsidy is fixed by a tendering procedure and may therefore vary during the milk year.

The average level of the aid provided by FEOGA is obtained directly by dividing its expenditure by the quantities subsidized. In two cases, additional subsidy is provided by the member States: for "school milk", a national subsidy increases Community aid by at least 12.5 per cent; for the permanent butter-consumption subsidy, a national subsidy increases Community aid by at least 25 per cent (except for the United Kingdom, which does not have a national subsidy).

B. Broad estimate

Proportion of Quantities of Butter and Skimmed Milk Powder (SMP) Subsidized in the Various Programmes

	Butter ('000 t)			SMP ('000 t)		
	Subsidized consumption (a)	Total consumption (b)	% (a/b)	Subsidized consumption (c)	Total consumption (d)	% (c/d)
1979	681	1 695	40	1 813	1 994	90
1980	545	1 617	34	1 275	1 607	79
1981	505	1 625	31	1 300	1 560	83
1982	569	1 648	34	1 370	1 634	84

C. General overview of consumption of dairy products

See Table II.

D. Indirect government programmes for expanding consumption of dairy products

See final document COM(83)33 annexed hereto.

TABLE I

A. Information on Government Programmes to Expand Consumption

	Quantities ('000 t)				Expenditure (million Ecus)				Ecus/100 kg			
	1979	1980	1981	1982	1979	1980	1981	1982	1979	1980	1981	1982
I. Welfare and social programmes												
(a) school milk	342	344	288	281	45,0	68,5	62,1	83,6	13,16	19,91	21,56	29,75
(b) subsidized sales of butter to non-profit-making groups	24,4	26,2	19,7	28,8	41,6	44,7	33,5	53,9	170,49	170,61	170,05	187,15
(c) subsidized sales of butter to welfare recipients	3,7	3,8	3,8	3,6	2,2	2,3	2,3	2,2	59,46	60,53	60,53	61,11
II. Direct consumer subsidies for butter												
(a) permanent price-reduction schemes	368	349	340	263	172,9	163,6	151	118,3	44,98	46,88	44,41	44,98
(b) reduced-price sales to manufacturers												
. bakers' products	84,0	108,1	103,8	106,4	159,6	184,9	176,5	193,6	190,00	171,05	170,04	181,96
. ice-cream	32,0	44,2	29,7	37,6	42,9	49,1	33,0	44,0	134,06	111,09	111,11	117,02
(c) 1. sales to the military	8,6	8,6	7,6	6,8	14,7	14,7	12,9	12,7	170,93	170,93	169,74	186,77
2. special schemes: "Christmas butter"	156,9	-	-	120	164,8	-	-	142,5	105,04	-	-	118,75
(d) concentrated butter for cooking	4,0	4,7	-	3,0	6,8	8,0	-	5,5	170,00	170,21	-	183,33
TOTAL (I + II)					650,5	538,8	471,3	656,5				

TABLE I (cont'd)

	Quantities ('000 t)				Expenditure (million Ecus)				Ecus/100 kg			
	1979	1980	1981	1982	1979	1980	1981	1982	1979	1980	1981	1982
III. Direct subsidies for use of skimmed milk powder and liquid skimmed milk for animal feed												
(a) liquid skimmed milk												
1. for calves	1 835	1 832	1 713	1 760	125	105	98	117	6,81	5,73	5,72	6,65
2. for other animals	2 584	2 684	2 437	2 190	176	217	192	196	6,81	8,09	7,88	8,95
(b) skimmed milk powder												
1. for calves	1 306	1 275	1 300	1 265	707	725	696	753	54,14	56,86	53,54	59,53
2. for other animals	507	-	-	85	404*	-	-	90	79,69	-	-	105,88
(c) other animal feed programmes												
- NONE -												
T O T A L III					1 412	1 047	986	1 156				
GRAND TOTAL (I + II + III)					2 062,5	1 585,8	1 457,3	1 812,5				

Estimate

ANNEX TO TABLE I

Commission Regulations Concerning the Various Aid-Programmes

Aid Programmes	Regulation (EEC) No.
I. Welfare and social programmes	
(a) School milk	1598/77
(b) Subsidized sales of butter to non-profit-making institutions and organizations	2191/81
(c) subsidized sales of butter to welfare recipients	1762/78
II. Direct consumer subsidies for butter	
(a) Permanent price reduction	1269/79
(b) Reduced-price sales to manufacturers	
. baker's products	1932/81
. ice-cream	and 262/79
(c) 1. Sales to the military	2192/81
2. Special schemes: "Christmas butter"	2991/81
(d) Concentrated butter for cooking	649/78
III. Direct subsidies for use of skimmed milk powder and liquid skimmed milk for animal feed	
(a) Liquid skimmed milk	
1. for calves	1105/68
2. for other animals	2793/77
(b) Skimmed milk powder	
1. for calves	1725/79
2. for other animals	368/77 and 443/77

TABLE II

Supply Situation of Europe of 10 ('000 tons)

	Useable production	Imports	Exports	Changes in stocks	Total used within EEC	Losses	Animal feed	Use by manufacturers	Processing	Gross human consumption Total	Gross human consumption kg/head	Self-sufficiency level %
1. Fresh dairy products												
1975	26489	0	0	0	26380	0	0	0	0	26380	98.6	100.4
1976	26779	0	0	0	26618	0	0	0	0	26618	99.3	100.6
1977	26301	0	0	0	26158	0	0	0	0	26158	97.4	100.5
1978	26336	0	0	0	26226	0	0	0	0	26226	97.4	100.4
1979	26554	0	0	0	26411	0	0	0	0	26411	97.8	100.5
1980	26626	0	0	0	26478	0	0	0	0	26478	97.7	100.6
1981	27671	0	0	0	27484	0	0	0	0	27484	101.2	100.7
2. Cream												
1975	542	0	0	0	529	0	0	0	0	529	2.0	102.5
1976	557	0	0	0	538	0	0	0	0	538	2.0	103.5
1977	586	0	0	0	577	0	0	0	0	577	2.1	101.6
1978	625	0	0	0	615	0	0	0	0	615	2.3	101.6
1979	652	0	0	0	655	0	0	0	0	655	2.4	99.5
1980	692	0	0	0	687	0	0	0	0	679	2.5	100.7
1981	721	0	0	0	708	0	0	0	0	695	2.6	101.8
3. Skimmed milk powder												
1975	1989	9	194	638	1166	0	956	11	0	199	0.7	170.6
1976	2057	0	168	- 4	1893	0	1749	0	0	144	0.5	108.7
1977	2048	1	417	-155	1787	0	1576	0	0	211	0.8	114.6
1978	2207	0	410	-241	2040	0	1823	0	0	217	0.8	108.2
1979	2165	1	665	-491	1994	0	1691	0	0	303	1.1	108.6
1980	2128	3	611	- 88	1607	0	1415	0	0	192	0.7	132.4
1981 (1)	2086	0	501	25	1560	0	1300	0	0	260	1.0	
1982 (1)	2260	0	349	280	1634	0	1394	0	0	240	0.9	

TABLE II (cont'd)

	Useable production	Imports	Exports	Changes in stocks	Total used within EEC	Losses	Animal feed	Use by manufacturers	Processing	Gross human consumption		Self-sufficiency level %
										Total	kg./head	
4. Butter												
1975	1727	158	68	41	1776	0	0	0	0	1776	6.6	97.2
1976	1803	163	155	120	1689	0	0	0	1	1688	6.3	106.7
1977	1826	134	271	- 12	1701	20	0	0	1	1680	6.3	107.3
1978	1974	136	253	185	1672	5	0	0	1	1666	6.2	118.1
1979	2009	123	509	- 71	1695	0	0	0	0	1695	6.3	118.5
1980	1990	111	590	-145	1655	0	0	0	38	1617	6.0	120.2
1981 (1)	1947	115	530	- 93	1625	0	0	0	0	1625	6.0	
1982 (1)	2088	122	403	159	1648	0	0	0	0	1648	6.1	
5. Cheese												
1975	3037	95	156	50	2926	0	0	0	0	2926	10.9	103.8
1976	3118	100	144	- 28	3101	0	0	0	174	2927	10.9	100.5
1977	3263	94	177	37	3164	0	0	0	179	2985	11.1	103.8
1978	3399	72	173	11	3288	0	0	0	172	3113	11.6	103.4
1979	3539	70	214	12	3383	0	0	0	172	3211	11.9	104.6
1980	3671	92	282	17	3466	0	0	0	149	3317	12.2	105.9
1981	3830	95	312	40	3574	0	0	0	147	3427	12.6	107.2

[1] Estimate

Source : EUROSTAT - CRONOS

COMPARATIVE GENERAL OVERVIEW[1]

I - Butter

	Year	Unit	
- Useable production	1979	m.t.	2 009 000
	1980	m.t.	1 990 000
	1981	m.t.	1 947 000[2]
	1982	m.t.	2 088 000[2]
- Total consumption	1979	m.t.	1 695 000
	1980	m.t.	1 617 000
	1981	m.t.	1 625 000[2]
	1982	m.t.	1 648 000[2]
- Proportion of total consumption supported by government measures	1979	%	40
	1980	%	34
	1981	%	31
	1982	%	34
- Total exports	1979	m.t.	509 000
	1980	m.t.	590 000
	1981	m.t.	530 000[2]
	1982	m.t.	403 000[2]
- Total imports	1979	m.t.	123 000
	1980	m.t.	111 000
	1981	m.t.	115 000[2]
	1982	m.t.	122 000[2]
- End-of-year stocks	1979	m.t.	329 000
	1980	m.t.	239 000
	1981	m.t.	147 000
	1982	m.t.	306 000
- Total net government expenditure on consumption programmes	1979	millions Ecus	605,5
	1980	millions Ecus	470,3
	1981	millions Ecus	409,2
	1982	millions Ecus	572,9

[1] Compiled by the secretariat on the basis of information furnished in the present document and in reply to product questionnaires.

[2] Estimate

II - Skimmed Milk Powder

	Year	Unit	
- Useable production	1979	m.t.	2 165 000
	1980	m.t.	2 128 000
	1981	m.t.	2 086 000[1/]
	1982	m.t.	2 260 000[1/]
- Total consumption	1979	m.t.	1 994 000
	1980	m.t.	1 607 000
	1981	m.t.	1 560 000[1/]
	1982	m.t.	1 634 000[1/]
- Proportion of total consumption supported by government measures	1979	%	90
	1980	%	79
	1981	%	83
	1982	%	84
- Total exports	1979	m.t.	665 000
	1980	m.t.	611 000
	1981	m.t.	501 000[1/]
	1982	m.t.	349 000[1/]
- Total imports	1979	m.t.	1 000
	1980	m.t.	3 000
	1981	m.t.	0
	1982	m.t.	0
- End-of-year stocks	1979	m.t.	201 000
	1980	m.t.	230 000
	1981	m.t.	279 000
	1982	m.t.	576 000
- Total net government expenditure on consumption programmes	1979	millions Ecus	1 111
	1980	millions Ecus	725
	1981	millions Ecus	696
	1982	millions Ecus	843

[1] Estimate

ANNEX

Seventh Communication to the Council concerning the programme for the utilization of co-responsibility levy funds in the milk sector for the 1983/84 milk year

1. Article 4(3) of Council Regulation (EEC) No. 1079/77 requires the Commission to inform the Council of the programme of measures it proposes to implement for the use of co-responsibility levy funds. Accordingly, this document contains the Commission's proposals for the allocation of co-responsibility levy funds for the 1983/84 milk year.

Summary of the use of funds generated in the period from the beginning of the levy (16 September 1977) to the end of the last milk year (19 May 1982)

2. These funds, which accrue to the Community budget as negative expenditure, have played a role in making possible the financing of new and improved specific measures for the development of outlets for surplus milk production and in contributing to expenditure on continuing efficient measures of disposal.

3. The sixth Communication to the Council (COM(82)66 final of 10 March 1982)

- accounted for revenue accruing up to 31 March 1982, indicating both the expenditure incurred or proposed on specific measures and the priority areas on which remaining funds were to be spent. The 1981/82 milk year was subsequently extended by the Council until 19 May 1982.
- established the programme for the use of co-responsibility funds up to the end of the 1982/83 milk year.

4. The following table brings up to date the allocations to specific measures made or proposed from the beginning of the levy (16 September 1977) to the end of the 1982/83 milk year -

Table 1: Allocation of levy funds to specific measures

Measures	Allocations MECU
Promotional measures	148,4
Research within the Community	16,2
Research/technical assistance/)	
promotion outside the Community)	45,7
Improvement of milk quality	51,1
School milk	255,4
Butterfat for ice cream	147,1
Concentrated butter	32,0
TOTAL	695,9

This figure (695,9 million ECU) is slightly higher than the cumulative total plus the proposed figure for the 1982/83 programme shown in the sixth communication. The principal reason for this is that after the submission of the sixth communication the Council decided on changes in the school milk scheme which make it both more favourable and more costly.

5. Total levy receipts for the period from the beginning of the levy until the end of the 1981/82 milk year amount to 1 310 million ECU; as indicated in Table I 695.9 million ECU has been spent or allocated for expenditure on new and improved specific measures and the remainder has contributed or will contribute to the priority areas for the disposal of milk products. The representatives of producers and processors, consulted in the context of co-responsibility, did not consider that these areas had been sufficiently specified.

The 1982/83 milk year

6. The estimated revenue in the 1982/83 milk year is 387 million ECU. The revenue in the period 1 April 1982 to 19 May 1982 is estimated at 100 million ECU, which sum was not covered in the Sixth communication to the Council (COM(82) 66 final of 10 March 1982).

7. The Commission also recalls that 100 million ECU has been carried over from the 1981 to the 1982 budget, with a view to expenditure in 1982 on additional measures to restrain the build-up of skimmed milk powder stocks.

8. The Commission has already stated in COM(82)66 Final of 10 March 1982 that it is imperative "to continue and intensify the Community's disposal measures within the Community by introducing special sales of skimmed milk powder into sectors other than for calf feed, if the development of stocks makes it necessary".

9. Since stocks of skimmed-milk powder in public storage had reached about 500 000 tonnes by the middle of the year 1982 the Commission introduced by Regulation (EEC) No 1753/82 a scheme of aid for the disposal of skimmed milk powder in pig and poultry feed.

   On the basis of the first experience of the new scheme (an average selling price of ± 40 ECU/100 kg compared with the intervention price of 146.23 ECU/100 kg) the price reduction amounts to ± 105 ECU/100 kg. Thus each tranche of 100 000 tonnes would cost about 105 Million ECU. It is possible, however, that in order to develop a more significant market for skimmed milk powder for pigs in competition with soya, the costs will be higher.

10. The Commission proposes, as a supplement to the 1982/83 programme, that

   - part of the cost of a programme of disposal of about 150 000 tonnes of skimmed-milk powder for pig and poultry feed should be met by co-responsibility levy funds.

   - 50% of the cost of the scheme would be attributed to co-responsibility levy funds but, in view of the specific 1982 budget decision carrying over 100 million ECU from the 1981 budget to the 1982 budget for the purpose of financing new disposals of skimmed-milk powder, the first 100 million ECU of expenditure in 1982 would be met by co-responsibility funds.

Review of actions so far

11. Before setting out its proposed programme for the 1983/84 milk year, the Commission wishes to draw attention to the context so far. It is of the opinion that the specific measures introduced as a result of the availability of co-responsibility levy funds have had some effect in developing outlets for milk and for many milk products and in easing the disposal of excess production. Despite a substantial and continuing increase in the Community's milk production over the period, it has proved possible in the last two or three years to establish a better control over the surpluses and to restrain costs.

12. From its inception on 16 September 1977 to 31 December 1981 the yield from the co-responsibility levy was about 1000 million ECU. Expenditure by the Guarantee Section of the EAGGF in the milk sector in the years 1977 to 1981 totalled about 19 560 million ECU. Thus 5.1% of this expenditure was covered by co-responsibility funds.

Table 2: Expenditure by the EAGGF Guarantee Section in the milk sector and revenue from the co-responsibility levy from 1977 onwards

	1977	1978	1979	1980	1981
I. Expenditure					
- Refunds	1.417,4	1.565,0	2.087,9	2.745,9	1.886,3
- Intervention	1.506,7	2.449,6	2.439,6	2.006,1	1.456,4
Total	2.924,1	4.014,6	4.527,5	4.752,0	3.342,7
II. Revenue from levy	24,0	156,1	94,2	222,9	478,5

Since about 400 million ECU were spent over the same period on measures under specific programmes, expenditure of co-responsibility funds on more general measures represents about 3.1% of total expenditure.

Table 3: Expenditure on special measures in the milk sector financed with co-responsibility levy funds

in million ECU

	1977	1978	1979	1980	1981
1. School milk	-	10,3	30,0	45,7	41,4
2. Butterfat for ice cream	7,5	28,5	23,8	24,0	24,4
3. Concentrated butter	-	4,5	3,6	5,1	7,3
4. Promotion/research within the Community, Promotion outside the Community	-	10,1	37,4	26,6	35,2
5. Improvement of milk quality	-	-	15,5	7,8	8,8
6. Total	7,5	53,4	110,3	109,4	117,1
7. Revenue	24,1	156,1	94,2	222,9	478,5
8. 6 as % of 7	31,2	34,1	117,1	49,1	25,6

The programme of expenditure for the 1983/84 milk year

13. (i) Sales promotion and publicity

There is widespread support among producers and processors for the sales promotion programme. To finance the continuation of these measures in the 1983/84 milk year it is proposed that 45 million ECU should be allocated. Within this figure the work of the Butter Information Council would also continue to be supported up to a maximum of 5 million ECU.

(ii) School milk

It was estimated for the current milk year that the sum of 97.5 million ECU would adequately finance this programme, two-thirds or 65 million ECU of which would be financed from levy revenue. In Regulation (EEC) No 1188/82 the Council has stipulated that the Community contribution, in terms of whole milk, is to be 112.5% of the target price for milk applicable in the relevant milk year. This decision and the rise in the target price to 26.81 ECU/100 kg result in a revised level of aid of 30.16 ECU/100 kg of whole milk. Milk

deliveries in the milk year 1983/84 to schools will probably be about 400 000 tonnes of whole milk equivalent. The total cost would therefore exceed 120 Million ECU and it is proposed to attribute 90 million ECU to co-responsibility levy funds. This amount includes 5 million ECU for financing a pilot project concerning the distribution of drinking milk to schools in certain regions of Greece and Southern Italy.

(iii) Butterfat for ice cream

The estimated quantity to be used in the 1983/84 milk year is over 40 000 tonnes. It is proposed that 40 million ECU be allocated for this measure.

(iv) Concentrated butter

The amount to be sold for processing to concentrated butter is estimated at 5 000 tonnes. The total cost will be about 9 million ECU, of which two-thirds are to be financed from levy funds. A sum of 6 million ECU should therefore be allocated for this purpose.

(v) Improvement of milk quality

Measures to improve milk quality have been implemented throughout the Community under Regulations (EEC) No 1271/78 and No 2936/79 to the benefit of consumers as well as producers. The schemes have mainly involved technical improvements to milk analysis. Now that experience has been gained in the use of the new equipment and valuable results obtained, a programme of intensive counselling of milk producers should be started. It is proposed that a sum of 25 million ECU be allocated for such measures. This amount should primarily be spent in those regions of the Community where there are still problems with the milk quality on account of the structural and organisational situation.

(vi) Development of markets outside the Community

The existing programme of promotion and market research outside the Community is continuing in 1983/84 and finance has already been allocated for this purpose in the last programme. Nonetheless, in the light of the potential developments, it is considered that a decision

should be made now to allocate an additional 20 million ECU, so that those concerned can have the assurance now that some continuing finance will be available to follow up actions which appear likely to give a favourable result.

(vii) Skimmed milk powder

The Commission considers that provision should be made for a programme of the order of 250 000 tonnes of skimmed milk powder for pig and poultry feed for the period 1 April 1983 up to 31st March 1984. The estimated financial contribution of 50% from co-responsibility levy funds requires that 100 million ECU is included in the programme summarized below and, as a measure of prudence a reserve is also included in the programme for this and other purposes.

14. The programme of specific measures proposed for the 1983/84 milk year (1), therefore, is as follows -

Table 4: Proposed measures and allocations for the 1983/84 milk year

Measures	Allocations million ECU
1. Promotional measures within the Community	45
2. School milk	90
3. Butterfat for ice cream	40
4. Concentrated butter	6
5. Improvement of milk quality	25
6. Promotion/research of new markets outside the Community (additional measures)	20
7. Skimmed-milk powder programme	100 (2)
8. Reserve	35 (3)
Total	361

(1) Research within the Community carried out under the 6th programme will not be completed until the end of 1984; accordingly, this programme does not propose any research projects.

(2) Estimation on the basis of the programme which has recently been put into effect.

(3) Taking account in particular of point 8 and of other needs which may become apparent during the period of the programme.

This programme should be compared with the revenue available from the 1982/83 milk year of 387 million ECU to which should be added 100 million ECU not covered by the Sixth communication.

Pluriannual programmes

15. The Commission considers, in the light of its discussions with the interests concerned, that some of the specific measures now being implemented would be more efficient if there were an assurance of continuity for a period of more than one year. It therefore indicates that, irrespective of the decisions which the Council may take about the continuation or rate of the co-responsibility levy, it will propose some financial provision for continuing action on
- promotional measures within the Community
- promotion/research of new markets outside the Community in the Community's budget for 1984 and 1985 in addition to its present proposal for the 1983 budget
- research within the Community.

It hopes that the Council will support this pluriannual approach.

16. Budget impact

The measures contained in the programme represent largely a continuation of those implemented under the programme for the 1982/83 milk year.

The main difference concerns the disposal of skimmed-milk powder for feeding of pigs and poultry.

The appropriations for the 1983 budget are based on a continuation of the various present measures. The 1983 budget also already includes appropriations for the pig and poultry programme.

As a result, there is no need to enter additional appropriations in the 1983 budget.

The budgetary implementation of this type of programme is specified in the commentary to the 1983 budget in respect of financial participation by producers (Article 207).

OPINION

of the Advisory Committee on Milk and Milk Products

(delivered at the meeting of 10 December 1982)

The Committee approved the text of the seventh communication as a whole. The following comments were made:

(a) A representative of the consumers said that he would have preferred the funds allocated for measures outside the Community to be used for promotional measures within the Community and that the measures to improve the quality of milk should apply only in those regions which have genuine problems as regards quality.

(b) A representative of the workers said that, at a time when purchasing power was shrinking, the best way to promote sales would be to cut consumer prices.

(c) A representative of the retail trade, supported by other Committee members, expressed the hope that, under the programme for sales promotion and publicity within the Community, an amount would be earmarked for the training of persons engaged in the sale of milk products.

(d) Several Committee members called for a review of the school milk programme, particularly as regards the national contribution (which could be replaced by a contribution from private parties) and the definition of beneficiaries. In some regions the programme should be linked with structural measures (refrigeration and distribution facilities). The continuity of the programme should be guaranteed for a period of several years.