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International Dairy Arrangement

Committee of the Protocol Regarding Certain Milk Powders

Committee of the Protocol Regarding Milk Fat

POLICIES AND MEASURES AFFECTING DOMESTIC CONSUMPTION
OF SKIMMED MILK POWDER AND BUTTER

Revision

1. The present document has been updated in accordance with the request made by the participants at their sessions on 27, 28 and 30 September 1982.
2. This document is based mainly on the replies to questionnaire 5 received by the secretariat before 30 November 1982. Other sources have also been used in preparing the document, including: the Official Journal of the European Communities; the United States Agricultural Adjustment Act: Twenty-fourth annual report of the United States Government under the decision of 5 March 1955 (L/5328); various reports of the Committee of the Protocol Regarding Certain Milk Powders and the Committee of the Protocol Regarding Milk Fat.

Finland (source: DPC/INV/1/Add.1)

The Government has taken numerous measures to increase the consumption of dairy products. These products are in a privileged position as regards the sales tax. The consumer price of butter is subsidized (FIM 111/100 kg.); both the dairy products industry and farmers buy at a subsidized price. The deficiency payment on milk lowers the retail prices of all dairy products.

Since margarine is a close substitute for butter, an excise tax is levied on the price. The ratio between the prices of butter and margarine has been kept constant in recent years; if the price of butter increases, the price of margarine is raised accordingly.

The price of skimmed milk powder, which is used as animal feed on farms and in the feed industry is subsidized, as is the price of skimmed milk, which dairies supply to farmers for feeding their livestock.

European Economic Community (source: DPC/INV/1/Add.2/Suppl.1)

The Community engages in various activities to promote consumption.

1. Specific activities in the field of publicity, promotion and market research

Out of the proceeds of the co-responsibility levy, the Community finances publicity and promotion activities to increase human consumption in the member States, in particular in the form of publications, collection of existing publications and their dissemination.

It also encourages research activities designed to enlarge markets, in particular research for new or improved products and scientific examination of the nutritional aspects of consumption of milk and its constituent elements.

2. Subsidies for consumption of butter¹

Under the Community regulations, in the event of any surplus of butterfat or threat thereof, measures can be taken to facilitate disposal.

The following activities are carried on:

- General and permanent subsidy:

This aid, designed to reduce the consumer price of butter, is in operation in some member States.

¹The special report of the Cours des Comptes and the comments of the Commission on that report provide detailed information on sales of butter at reduced prices within the Community (Official Journal No. C/143 of 7 June 1982).

- Subsidy for welfare recipients:
Under certain conditions, needy persons in the Community can purchase butter at a reduced price.
- Sale of butter at a reduced price for the manufacture of pastry cooks' products, biscuits, bakers' products and ice-cream, and of concentrated butter for cooking.
- Sale of butter at a reduced price to the armed forces and assimilated units, and to non-profit making groups.

3. Subsidies for consumption of skimmed milk in liquid or powder form for animal feed

These aids are granted primarily to encourage utilization for animal feed. To this end, the amounts are fixed taking the following criteria into account:

- the intervention price for skimmed milk powder applicable during the milk year concerned;
- the trend in the supply situation for skimmed milk and powdered milk and their use for animal feed;
- the trend in the price of calves;
- the trend in market prices for competing proteins as compared with the price of skimmed milk powder.

The system is applicable to:

- (a) - Liquid skimmed milk sold back by the dairy to the farm;
 - Liquid skimmed milk used directly at the farm where it is produced.

The amount of the aid varies according to the kind of animals, a higher amount being applicable in respect of animals other than young calves.

- (b) Skimmed milk powder:

On condition that the product is denatured or incorporated in milk feed. If the stock situation so requires, special measures can be applied to encourage the use of skimmed milk powder in the sector of "pig and poultry" compound feed.

Observations

All these activities to promote consumption are at present proceeding satisfactorily. It is not yet possible, however, to make any definite assessment of their effect.

Norway (source: DPC/INV/1/Add.3 and Reports of the Committees)

Consumer subsidies are an important factor in the general economic policy and in influencing food consumption in the desired nutritional direction. In the context of the economic policy, the purpose of consumer subsidies is to reduce the rise in prices. One important objective is to apply subsidies in such a way that they will especially benefit families with children and families with low incomes.

For butter, the market is regulated by domestic prices, compulsory reduced prices to producers and temporary sales.

The Milk Marketing Board has launched a publicity campaign to promote the consumption of butter.

Switzerland (source: DPC/INV/1/Add.5)

Expenditure on valorization of dairy products is designed, inter alia, to facilitate disposal of these products by lowering consumer prices. In addition, sales are encouraged by publicity, financed out of the special tax paid by milk producers, and by various measures to improve quality.

In order to ease the market situation for milk powder, price reductions are granted on fresh skimmed milk used on the farm to feed pigs. The reductions are at present at the rate of Sw F 0.09 per kg.

Lastly, charges are applied on imports of edible oils and fats, in order to help to narrow the gap between the price of butter and of other fats. The proceeds from these charges are used to finance the valorization of dairy products.

South Africa (source: DPC/INV/1/Add.6/Suppl.1)

1. The profit margins of manufacturers of butter are controlled.
2. Maximum retail prices of butter are imposed.
3. In 1981, the Government subsidized, to an amount of R 3 million, periodic sales of butter at prices below normal trade prices.

The above measures and consumer subsidies contribute towards increased consumption.

Japan (source: DPC/INV/1/Add.7/Suppl.2)

Measures have been taken by the Government for stabilizing the price and supply of major dairy products.

United States (source: DPC/INV/1/Add.8/Suppl.2, L/5328 and various reports of the Committees)

1. Information extracted from L/5328 and Reports of the Committees

A number of programmes are conducted to expand the utilization of dairy products. These programmes serve as adjuncts to the price support programme in seeking to obtain a better balance between supply and demand. They include: Commodity Credit Corporation purchases (under the authority of the price support programme) on a competitive bid basis of butter, cheese and skimmed milk powder in special forms and in consumer-size packages, in order to facilitate use in food distribution programmes; the school lunch programme; distribution to institutions and welfare programmes, including prisons, Indian reservations and community welfare programmes; distribution of surplus commodities to the needy through food banks operated by non-profit or charitable organizations. Increased consumption of dairy products also resulted from the food stamp programme and from participation in the women-infants-children (WIC) programme, under which certain disadvantaged groups receive financial assistance for increased food purchases. The Food and Agriculture Act of 1981 authorized the distribution of surplus dairy products to the needy through food banks. In order to dispose of surplus stocks, a programme has been set up for the distribution of butter for social purposes; this should make it possible to dispose of 23,000 tons in 1982. Additional administrative measures should enable schools or institutions to make use of government stocks of dairy products more easily.

2. Information extracted from DPC/INV/1/Add.8/Suppl.2 (Emergency Dairy Plan to amend the dairy provisions of the Agriculture and Food Act of 1981)

To increase domestic disposition of stocks, the Administration has increased both its cheese and butter donations to needy persons and intends to help States to improve and implement commodity distribution systems. Bonus dairy commodities will continue to be offered to all eligible institutions (the list of institutions eligible for such commodities has been expanded) and USDA is establishing a Private Sector Inventory System, which is designed to increase the use of surplus products by permitting private sector processors to produce end products from bonus commodities for discount sale to eligible institutions.

The Department also plans to increase sales of out-of-condition non-fat dry milk for use as animal feed; and to work with the Department of Defence to utilize additional dairy products.

The Department intends to support research on factors affecting the consumption of dairy products. The Department also proposes to support product development research leading to new processed dairy products for both domestic and international markets. Further, the Secretary recommends

that the Federal Government purchase milk-enriched bread for its own use; and that Department officials meet with industry representatives to discuss potential joint research projects to increase the use of non-fat dry milk in baked goods.

Australia (source: Reports of the Committees)

Numerous publicity campaigns were launched in the 1970s to promote the consumption of butter, but the manufacturers of margarine replied with campaigns for their product. After declining for the last ten years, per capita consumption of butter has become stable by reason of the present level of promotional support. The Australian Dairy Corporation is endeavouring to promote the consumption of milk foods in the context of the general decrease in total consumption of fats in Australia.

Austria (source: DPC/INV/1/Add.11)

For social and economic reasons sales drives are undertaken by reducing the prices of butter and skimmed milk powder (for animal feed). Similarly, the army, schools, kindergartens, etc. are entitled to buy certain dairy products at reduced prices. These measures result in a considerable increase in sales.

New Zealand (source: DPC/INV/1/Add.12 and Suppl.3; Reports of Committees)

The manufacture of butter for local consumption receives an equivalent return to that which the manufacturer would have received if it had been bought by the Dairy Board for export. Prior to 1 April 1980, if the domestic price, which is under price control, was lower than the export price, the difference was paid to the manufacturer from an equalization account. With rising export returns the equalization account registered increasing annual deficits, which were offset by transfer payment by Government. From 1 April 1980, the Government ceased these de facto consumer subsidies for local market butter, and responsibility for equalizing domestic returns and export markets now rests with the Dairy Board.

The consumption of butter has tended to decrease as a result of the removal of government subsidy and the rise in retail prices. Consumption has also been affected by competition from polyunsaturated margarine.

A vigorous publicity campaign has been launched on television to show the advantages of butter.

Canada (source: DPC/INV/1/Add.13/Suppl.6)

For many years, butter consumption (per capita) has decreased. The main reasons being the perception that butter is an unhealthy product and also because of the always increasing price differential of butter over margarine. Consumers' tastes and preferences are changing. They want to reduce their consumption of high animal fat products. Efforts have been made to slow down this trend. The Dairy Bureau of Canada has put emphasis on publicity and research of dairy products. They work to increase consumers' confidence in butter.

Direct subsidy: even though the subsidy is given to the farmers, it is directed to consumers because it keeps the prices lower than they would be in the absence of the subsidy.

Uruguay (source: DPC/INV/1/Add.16)

Among policies and measures affecting consumption, apart from the quarterly determination of the price of milk to the producer, mention must be made of an annual donation by the Government of 475 tons of whole milk powder to rural schools. There are no other food-aid policies involving dairy products.