

GENERAL AGREEMENT ON
TARIFFS AND TRADE

RESTRICTED

COM.AG/W/33/Add.1
30 September 1968

Special Distribution

Agriculture Committee

Original: English

AUSTRIA

Information Supplied in Respect of
DAIRY PRODUCTS

Table of Contents

	<u>Page</u>
A. Production: production measures and policies	2
B. Protection and support measures and policies	4
C. Consumption and internal prices	6
D. International trade and prices	8

DAIRY PRODUCTS

A. PRODUCTION: PRODUCTION MEASURES AND POLICIES

A.1. Statistical data on total volume of production and average yield

A.2. Trends in production and estimates for 1970

Production and Use of Milk 1964-1967

	1964	1965	1966	1967	1970
Number of milk cows	1,113,920	1,110,080	1,103,121	1,109,163	1,080 ²
Annual average yield per cow (in kgs.)	2,808	2,891	2,915	3,030	3,200
	in tons				
Total production of milk	3,127,612	3,209,213	3,216,003	3,360,478	3,540 ²
Delivery of milk ¹ excluding suppliers repurchases	1,729,452	1,810,064	1,825,027	1,958,789	2,300 ²
Consumption at the farm	799,461	800,977	790,715	811,338	..
Used for feeding	598,699	598,172	600,261	590,351	..

¹Cream, butter and cheese expressed in terms of quantity of milk equivalent.

²Thousands.

Milk

The domestic milk market has shown structural surpluses since the middle of the 1950's. Already during the last few years about a quarter of the total milk production has had to be exported. These exports are steadily increasing in quantity and require a considerable amount of bolstering up. At the beginning of 1968 marketing difficulties made drastic measures necessary and the milk producer price was reduced by about 10 per cent. The reaction of the producers is not yet predictable.

The milk cow stock decreased somewhat from the middle 1950's to the middle 1960's. In 1966 and 1967, on the other hand, a slight increase was perceptible. Nevertheless, the small profit from milk might again bring about a reduction in the stock of cows (especially in the eastern parts of the country) and a switch over to meat production.

The yield of milk per cow has also risen in Austria.

A slight increase in total milk production from 3.36 million tons in 1967 to about 3.54 million tons in 1970 may therefore be expected. Deliveries to dairies should show a corresponding increase and in 1970 amount to about 2.30 million tons (exclusive of returns of milk products to the producer).

A.3. Statistical data on carry-over stocks and stockpiles

In the dairy sector the largest stocks are of milk powder and butter, which are considerably in excess of the normal requirement for domestic consumption and export. The management of the stocks devolves on the Dairy Products Fund.

A.4. Factors which affect production

See general reply in section A.4. of COM.AG/W/33.

A.5. Policies and measures of the Government influencing production

See general reply in section A.5. of COM.AG/W/33.

B. PROTECTION AND SUPPORT MEASURES AND POLICIES

B.I. Internal support measures and policies

B.I.1. Inventory of the instruments of support

B.I.2. Levels of guaranteed or support prices

The objectives of the milk market policy are broadly indicated in the Agricultural Act and the Marketing Law.

The producer price for milk remains at S 2.29 (8.8 cents) per litre, with a fat content of 3.5 per cent. This price includes a State subsidy of 45 groschen (1.7 cents) per litre.

With regard to the relatively heavy increase of milk production and delivery and the difficult sales position on the international markets, particularly on the EEC market, on 1 April 1968 the marketing contribution of farmers for milk deliveries was increased from 5 groschen (0.2 cents) to 19 groschen (0.7 cents) per litre. To step up domestic consumption by means of efficient advertising, 1 groschen (0.04 cents) per litre is being deducted from the price of delivered milk. The actual future price of milk to the producer will therefore be approximately S 2.10 (8 cents) per litre. It is hoped to ensure thereby that milk production, particularly in low-lying districts where a switchover to cattle fattening and other production branches is possible, can be reduced.

B.I.3. Amount of producer subsidies

See B.I.2. above.

B.I.4. Average returns to producers

See B.I.2. above.

B.I.5. Method of determining returns for producers

See B.I.2. above.

B.II. Measures at the frontier

The Marketing Law of 1958 to its present form also applies to imports of milk products. It contains a variable levy regulation with the object of bringing the price of imported milk products into line with those of domestic wholesalers.

In the milk sector no quantity control (import plan) is envisaged, though, because of uniform organization of the domestic market (compulsory take-over of milk from certain entry districts at officially fixed maximum prices) it becomes absolutely necessary to control quantities and prices of imported milk products; cheese, however, in view of the special importance of the quality aspect, has for many years been liberalized.

C. CONSUMPTION AND INTERNAL PRICESC.1. Statistical data on consumptionC.2. Trends in consumption and estimates for 1970Development of Consumption of Milk Products

	1964-65 ^{1/}	1965-66 ^{1/}	1966-67 ^{1/}	Forecasts 1970	Percentage increase or decrease in 1970 over 1966-67
<u>Per capita consumption in kgs.</u>					
Milk	141.1	140.0	136.0	134.0	- 1.5
Butter	5.3	5.4	5.5	5.7	+ 3.6
Cream	2.2	2.3	2.4	2.5	+ 4.2
Cheese (including cheese, non-fat)	5.4	5.4	5.9	6.2	+ 5.1
Evaporated milk	0.8	1.0	1.3	1.4	+ 7.7
Dried milk	0.5	0.5	0.6	0.5	- 16.7
<u>Total consumption in '000 kgs.</u>					
Milk	1,021	1,018	994	994.1	+ 0.0
Butter	38	39	40	42.3	+ 5.8
Cream	16	17	17.5	18.5	+ 5.7
Cheese (including cheese, non-fat)	39	39	43	46.0	+ 7.0
Evaporated milk	6	7	9.5	10.4	+ 9.5
Dried milk	3.5	4	5	3.7	- 26.0

^{1/}Based on "Ernährungsbilanzen" Economic Year: 1 July to 30 June.

The consumption of drinking milk has been lagging behind since 1959/60. During the last three years it amounted, on average, to about 139 kgs. per head. In 1957/58 to 1959/60 it was still barely 162 kgs. As the demand for milk has a negative income elasticity, a further slight setback must be expected until 1970. Consumption has been estimated at 133.4 kgs. per head, which is 2 per cent less than 1966/67. The total consumption, owing to population expansion, should remain comparatively stable.

The demand for most other dairy products, which so far has remained constant, will probably rise further. As the income elasticity of the demand for cheese, taking into consideration the time factor analysis, is higher than that for butter, a somewhat greater consumption of cheese is expected (+ 5 per cent) than for butter (+ 4 per cent). Consumption of whipped cream and cream is expected to be about 4 per cent, that of condensed milk about 8 per cent higher than in 1966/67. The demand for dried milk is not likely to rise.

C.3. Retail and wholesale prices

Average Retail Prices
Austrian Schillings and US Dollars (in brackets)

Product	Unit	Price		
		1965	1966	1967
Margarine of milk	1 kg.	12.83(\$0.49)	12.67(\$0.49)	15.00(\$0.57)
Whole milk	1 litre	2.93(\$0.11)	3.00(\$0.11)	4.00(\$0.15)
Curdled milk in bottles	1 litre	3.73(\$0.14)	3.80(\$0.14)	4.60(\$0.17)
Sour cream	1/4 litre	3.08(\$0.12)	3.20(\$0.12)	3.20(\$0.12)
Whipped cream	1/4 litre	8.47(\$0.32)	8.50(\$0.32)	8.50(\$0.32)
Soft cheese	50 grs.	1.86(\$0.07)	1.89(\$0.07)	2.09(\$0.08)
Cheese of type Emmentaler	1 kg.	30.70(\$1.18)	32.10(\$1.23)	35.20(\$1.35)
Butter, packed	250 grs.	9.75(\$0.37)	10.00(\$0.38)	10.00(\$0.38)

Average Wholesale Prices
Austrian Schillings and US Dollars (in brackets)

Product	Unit	1965	1966	1967
Butter	1 kg.	36.29(\$1.39)	37.07(\$1.43)	37.07(\$1.43)
Whole milk	1 litre	2.96(\$0.11)	3.02(\$0.12)	3.96(\$0.15)

C.4. Factors which condition the evolution of internal consumption

See general reply in section C.4. of COM.AG/W/33.

C.5. Policies and measures affecting consumption

Among the measures that influence consumption the price-support measures are the most important. The official subsidy, added to the milk producer price, indirectly causes cheapening of drinking milk and other milk products for the consumer. In addition, consumption of milk products is encouraged by propaganda, school milk programmes, drives for cheaper butter and the obligation of the farmer to accept returns.

D. INTERNATIONAL TRADE AND PRICES

D.1. Statistical data on the volume and value of imports and exports

Exports
in Million Austrian Schillings and US Dollars (in brackets)

	<u>1965</u>	<u>1966</u>	<u>1967</u>
Dairy products and eggs	691.6 (\$26,600)	664.2 (\$25,546)	793.1 (\$30,503)

Imports
in Million Austrian Schillings and US Dollars (in brackets)

	<u>1965</u>	<u>1966</u>	<u>1967</u>
Dairy products and eggs	330.3 (\$12,704)	371.3 (\$14,281)	324.2 (\$12,469)

D.2. Levels of export and import prices prevailing in various markets

Export Prices for Cheese (Emmentaler), Butter, Whole Milk Powder
Skimmed Milk Powder (per kg. f.o.b.)
in Austrian Schillings and US Dollars (in brackets)

	United Kingdom	Switzerland	Germany, F.R.	Italy
<u>Whole milk powder</u>				
1965	12.90-13.11 (\$0.50)	11.90-13.48 (\$0.46-0.52)	13.36-13.94 (\$0.51-0.53)	-
1966	12.90-13.29 (\$0.50-0.51)	12.58-15.34 (\$0.48-0.59)	13.04-13.75 (\$0.50-0.53)	-
1967	12.90-13.23 (\$0.50-0.51)	12.52-16.12 (\$0.48-0.62)	13.04-13.94 (\$0.50-0.54)	-
<u>Skimmed milk powder</u>				
1965	-	-	8.13 (\$0.31)	-
1966	-	9 (\$0.35)	-	-
1967	7.62 (\$0.29)	7.67-7.87 (\$0.29-0.30)	8.26-8.84 (\$0.32-0.34)	-

	United Kingdom	Switzerland	Germany, F.R.	Italy
<u>Butter</u>				
1965	20.05-25.84 (\$0.77-0.99)	21.27-22.77 (\$0.81-0.88)	27.11-28.40 (\$1.04-1.09)	-
1966	20.11-22.37 (\$0.77-0.86)	20.85-21.27 (\$0.80-0.82)	27.76-28.40 (\$1.07-1.09)	-
1967	20.12-23.30 (\$0.77-0.90)	20.85 (\$0.80)	27.76 (\$1.07)	-
<u>Cheese (Emmentaler)</u>				
1965	-	-	-	24 (\$0.92)
1966	20.63 (\$0.79)	23.67 (\$0.91)	19.37 (\$0.74)	22.40-23.70 (\$0.86-0.91)
1967	-	24.57 (\$0.94)	13.75 (\$0.53)	25-27.8 (\$0.96-1.07)

D.3. Export aid measures and policies

(a) Export subsidies for milk products were granted partly through the marketing contribution for agriculture (from 1 July 1968 19 groschen (0.7 cents) per litre), partly from funds ear-marked for that purpose according to paragraph 9 of the Marketing Law. By means of these subsidies compensation for loss in the export of butter, hard cheese, cut cheese and full cream milk powder was affected. Hard cheese and cut cheese were first subsidized in the spring of 1967 when in the EEC markets, as a result of levies and subsidized exports, severe price reductions had occurred and this also reacted adversely on the subsidized prices of the outside world export markets.

(b) Storage arrangements for milk in Austria affect only internal marketing requirements and not export policy.

(c) There are no non-commercial transactions. Both the delivery of milk powder to the FAO within the framework of the Food Aid Programme and the delivery of milk powder to India within the framework of a long-term credit are to be regarded as commercial exports.

D.4. Description of bilateral agreements affecting imports or exports

Austria has contracted bilateral trade agreements with a number of countries with whom it has not been possible to set up a multilateral payment system. The quota arrangements with these countries have a purely indicative value.