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THE MARKET OF DAIRY PRODUCTS AND DAIRY POLICIES IN THE OECD AND OBSERVER COUNTRIES: DEVELOPMENTS SINCE 1st AUGUST 1996

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

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THE MARKET OF DAIRY PRODUCTS AND DAIRY POLICIES

IN THE OECD AND OBSERVER COUNTRIES:

DEVELOPMENTS SINCE 1st AUGUST 1996

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CANADA

1. Developments of dairy policies since 1st August 1996

a) Domestic policy

August 1st, 1996

The Canadian Dairy Commission revised the target returns for dairy producers and processors from $53.23 to $54.23 per hectolitre of milk, containing 3.6 kilograms of butterfat. The assumed processor margin was set at $8.12 per hectolitre, up from $7.97.

The support price for butter was maintained at $5.324 per kilogram, while the support price for skim milk powder rose from $3.931 to $4.203 a kilogram.

As in the past, a charge of $0.12 per hectolitre was added to the target return to cover costs associated with the normal stocks of butter held by the Commission to ensure domestic demand is met, and to cover administrative costs related to the Commission's domestic marketing activities.

As a result of federal budget restraint, the subsidy payment to producers on industrial milk was reduced from $4.62 to $3.80 per hectolitre.

The national quota for industrial milk was set at 43.9 million hectolitres of milk at 3.6 kilograms of butterfat.

August 1st, 1997

The Canadian Dairy Commission announced on August 1st, 1997 that there will be no change to the target price for industrial milk. The support prices for butter and skim milk powder, and the assumed processor margin will also remain unchanged.

The subsidy paid to producers on industrial milk also remains unchanged at $3.80 per hectolitre for the next six months. On February 1, 1998, the rate of payment will be reduced to $3.04 per hectolitre.

The dairy year 1997-98 national quota for industrial milk is set at 42.6 million hectolitres of standard milk. This 3 per cent decrease results from a decline in domestic requirements for industrial milk.

Special Milk Class Permit System and Surplus Removal Program

These two programs are still in place and were not modified.

b) Trade policy

Optional Export Program

The Optional Export Program, implemented in August 1995, is intended to provide additional flexibility in milk production and processing activities by allowing processors, exporters and producers who supply them to take advantage of new export market opportunities without encroaching on existing markets or jeopardizing domestic market supplies.

Under this Program, a milk volume of up to 5 per cent of total industrial and fluid quota holdings in a province and up to 10 per cent of an individual producer's quota holding can be made available for approved export activities. Each province is responsible for developing the method of price negotiation for milk supplied under this Program, as well as the terms under which milk would be supplied for such projects. Applications are approved by a national Supervisory Committee.

So far a very small volume of milk has been produced under this program and only three provinces have in fact established their Optional Export Program.

2) Developments of the dairy product markets since 1st August 1996

a) Development of the factors which had an impact on the dairy sector and quantitative impacts on production, consumption, trade and prices of the various types of dairy products

1996	Production	Consumption
Fluid milk	27.41 MhL	n.a.
Industrial milk and cream	44.32 MhL	n.a.
Butter	93.4 Mkg	83.0 Mkg
Cheddar cheese	115.5 Mkg	110.6 Mkg
Specialty cheese	158.0 Mkg	166.1 Mkg
Skim milk powder	64.3 Mkg	30.0 Mkg
Yogourt	100.0 ML	n.a.
Cottage cream	22.6 Mkg	n.a.
Ice cream	331.1 ML	n.a.

Source: Statistics Canada

Retail Prices	1996
Whole milk	$1.35/L
Butter	$2.87/454 g
Processed cheese	$2.65/250 g
Evaporated milk	$1.03/385 ML
2% milk	$1.31/L

Source: Statistics Canada

Wholesale prices	1996
Skim milk powder	$4.19/kg
Butter	$2.74/454 g
Processed cheese	$3.88/ 500 g
Evaporated milk	$0.89/385 ML
Ice cream	$2.50/L

b) Short term outlook

Forecast 1997	Production	Consumption
Fluid milk	27.5 MhL	n.a.
Industrial milk and cream	44.0 MhL	n.a.
Butter	92.0 Mkg	81.0 Mkg
Cheddar cheese	115.0 Mkg	110.0 Mkg
Specialty cheese	160.0 Mkg	170.0 Mkg
Skim milk powder	65.0 Mkg	29.0 Mkg
Yogourt	102.0 ML	n.a.
Cottage cream	22.0 Mkg	n.a.
Ice cream	325.0 ML	n.a.

Retail Prices	Forecast 1997
Whole milk	$1.38/L
Butter	$2.87/454 g
Processed cheese	$2.80/250 g
Evaporated milk	$1.08/385 ML
2% milk	$1.35/L
Wholesale prices	**Forecast 1997**
Skim milk powder	$4.25/kg
Butter	$2.74/454 G
Processed cheese	$3.95/ 500 G
Evaporated milk	$0.95/385 ML
Ice cream	$2.60/L

UNITED STATES

1. Developments of dairy policies since 1st August 1996

a) Domestic policy

There have been no changes in domestic policies since August of 1996. The phasing out of the support program as required in the 1996 Farm Act continues and does the work on the reform and consolidation of the Federal Milk Marketing Order System.

b) Trade policy

Thre has been no change in US dairy trade policy.

2. Developments of the dairy product markets since 1st August 1996

a) Development of the factors which had an impact on the dairy sector and quantitative impacts on production, consumption, trade and prices of the various types of dairy products

Dairy production has recovered from the low levels of production in 1996. Lower grain prices in the last part of 1996 and 1997 and high prices for dairy products in 1996 have resulted in domestic dairy production rebounding.

b) Short term outlook

For all of 1997, milk production is expected to rise almost 2 per cent from a year earlier and fractionally from 1996. Expansion in milk output would only slightly exceed the projected rise in commercial use of milkfat but would be considerably more than growth in the sales of skim solids. Price support removals were higher in 1997 but are projected to be only about 1.5 per cent of production. Farm milk prices are expected to average $13.10 to 13.30 per cwt., down sharply from 1996's record but significantly above prices of 1993-95.

1997	PRODUCTION	B. COMM. STOCKS	B. GOV. STOCKS	BEGINNING STOCKS	IMPORTS	TOTAL SUPPLY
	thousand metric tons					
BUTTER	541	6	0	6	1	548
AMERICAN CHEESE	1518	172	0	172	12	1702
OTHER CHEESE	1839	49	0	49	140	2028
TOTAL CHEESE	3357	221	0	221	152	3730
CANNED MILK	202	9	0	9	3	214
BULK CONDENSED	94	0	0	0	0	94
TOTAL CONDENSED	296	9	0	9	0	305
DRY WHOLE MILK	62	3	0	3	0	66
ICE CREAM	1913	0	0	0	0	1913
NONFAT DRY MILK	554	32	0	32	2	588

1997	E. COMM. STOCKS	E. GOV. STOCKS	ENDING STOCKS	COMM. EXPORTS	GOV. EXPORTS	EXPORTS	SHIP-MENTS	CONSUMPTION TOTAL
thousand metric tons								
BUTTER	6	0	6	9	16	25	1	515
AMERICAN CHEESE	172	0	172	9	3	12	11	1507
OTHER CHEESE	49	0	49	20	0	20	9	1950
TOTAL CHEESE	221	0	221	29	3	32	20	3458
CANNED MILK	9	0	9	5	0	5	36	164
BULK CONDENSED	0	0	0	0	0	0	0	94
TOTAL CONDENSED	9	0	9	5	0	5	36	255
DRY WHOLE MILK	3	0	3	0	17	18	1	44
ICE CREAM	0	0	0	0	0	0	0	1913
NONFAT DRY MILK	32	0	32	0	86	86	0	469

MEXICO

1. Developments of dairy policies since 1st August 1996

Since December 30th 1996 the Mexican Ministry of Commerce (SECOFI), eliminated the price control of pasteurised milk in the one litre presentation. With this measure, government controls on retail prices of milk were eliminated.

2. Developments of the dairy product markets since 1st August 1996

Liquid Milk Production

According to Centro de Estadística Agropecuaria the production of liquid milk in Mexico in 1996 was 7 584 518 thousand litres, an increase of 2.5 per cent over 1995 output.

Liquid Bovine Milk Production
('000 litres)

Month	1995	1996	Change %
JAN	521 759	564 897	8,3
FEB	529 750	565 186	6,7
MAR	540 422	559 292	3,5
APR	536 111	582 038	8,6
MAY	579 838	604 409	4,2
JUNE	614 154	620 939	1,1
JULY	635 133	672 198	5,8
AUG	719 545	738 119	2,6
SEP	740 316	733 139	-1,0
OCT	704 510	654 977	-7,0
NOV	654 125	658 415	0,7
DEC	622 935	630 909	1,3
Total	**7 398 598**	**7 584 518**	**2,5**

Source: Centro de Estadística Agropecuaria, SAGAR-MEXICO.

At state level in 1996, the main milk producing states were Jalisco, Veracruz, Chihuahua and the State of Mexico. These four states accounted for 61.78 per cent of domestic production, i.e. 4 687 241 thousand litres.

From January- April 1997, the output fell 2 per cent related with the same period of the year before. It is important to point out that during the former period a drop in production is registered.

Liquid Bovine Milk Production
('000 litres)

MONTH	JAN-APR 1996	JAN-APR 1997	Change (%)
JAN	564 897	570 557	1,0
FEB	565 186	545 764	-3,4
MAR	559 292	561 230	0,3
APR	582 038	548 688	-5,7
Total	**2 271 413**	**2 226 239**	**-2,0**

From February to April 1997, estimated according to the Centro de Estadística Agropecuaria, CEA.
Source: Centro de Estadística Agropecuaria, SAGAR.

Milk Product Industry

According to the INEGI monthly industrial survey, during 1996 the liquid milk domestic output grew 0.1 per cent with respect to 1995; milk powder production declined 8.0 per cent, meanwhile milk derived products decreased 2.8 per cent. The fall in the production of both, is a result of the domestic market contraction.

Related to dairy products domestic production, important increases have been registered, such as skimmed milk (78.3 per cent), sweet milk cream "Chantilly" (22.1 per cent), natural milk cream (7.8 per cent) and ultra-pasteurised milk (6.9 per cent).

For other milk products, important decreases were registered for pasteurised milk (-27.9 per cent), butter (-16.4 per cent), milk powder for nursing infants (-12.1 per cent), and cheese (-10.1 per cent).

Industrial Production of milk and milk products
(in tonnes)

Product	1995	1996	Change %
Pasteurised milk	146 448	105 610	-27,9
Pasteurised and homogeneised milk	1 770 388	1 779 396	0,5
Ultrapasteurised milk	649 155	694 117	6,9
Rehydrated milk	725 870	717 247	-1,2
Total Liquid Milk*	**3 291 861**	**3 296 370**	**0,1**
Whole milk powder	104 706	97 341	-7,0
Milk powder for nursing infants	26 350	23 169	-12,1
Total Milk Powder	**131 056**	**120 510**	**-8,0**
Cheese	112 891	101 467	-10,1
Butter	15 205	12 714	-16,4
Yoghurt	26 128	27 038	3,5
Skimmed milk	6 097	10 868	78,3
Condensed milk	37 713	37 784	0,2
Evaporated milk	88 661	80 101	-9,7
Yoghurt with fruit	112 892	113 559	0,6
Natural cream	23 119	24 915	7,8
Sweet cream "Chantilly"	10 037	12 256	22,1
Total Derived Products	**432 743**	**420 702**	**-2,8**

*Thousand liters.

Source: Monthly industrial survey, INEGI.

During January-April 1997, the dairy products' industrial production, diminished in both milk powder (- 6.5%) and milk products (-2.9%) with respect to the same period of the previous year, while liquid milk registered a slight increase of 0.4 per cent.

Industrial Production of milk and milk products
(in tonnes)

Product	JAN-APR 1996	JAN-APR 1997	Change (%)
Pasteurised milk	39 726	27 798	-30,0
Pasteurised and homogeneised milk	573 334	608 682	6,2
Ultrapasteurizada	241 940	239 842	-0,9
Rehydrated milk	233 780	217 051	-7,2
Total Liquid Milk	**1 088 780**	**1 093 373**	**0,4**
Whole milk powder	36 672	32 407	-11,6
For nursing infants	7 985	9 345	17,0
Total Milk Powder	**44 657**	**41 752**	**-6,5**
Cheese	35 874	36 495	1,7
Butter	4 117	4 056	-1,5
Natural Yoghurt	8 218	8 182	-0,4
Yoghurt with fruit	39 468	39 376	-0,2
Skimmed	4 836	2 089	-56,8
Condensed	13 092	14 581	11,4
Evaporated	30 598	24 608	-19,6
Natural Milk Cream	7 838	8 736	11,5
Sweet cream "Chantilly"	3 877	5 483	41,4
Total derived products	**147 918**	**143 606**	**-2,9**

*Thousand liters

Source: Monthly industrial survey, INEGI.

Milk Powder Auction

In 1996, milk powder volumes assigned in auction to private sector fell 9 657 tonnes (-17.1%) in regard with 1995. A substitution of liquid milk and other milk products instead of milk powder, as well as a slight reduction of the industrial production explain this situation.

Assigned Volumes of Milk Powder in Private Sector Auction

Month	1995	1996	Change %
JAN	3 989	6 239	56,4
FEB	3 962	5 727	44,5
MAR	7 000	6 453	-7,8
APR	7 245	3 184	-56,1
MAY	1 032	3 553	244,3
JUN	4 585	907	-80,2
JUL	2 359	1 120	-52,5
AUG	3 767	1 387	-63,2
SEP	4 115	3 550	-13,7
OCT	6 407	4 000	-37,6
NOV	5 924	5 000	-15,6
DEC	5 929	5 538	-6,6
Total	**56 315**	**46 658**	**-17,1**

* Consumption month

Source: CONASUPO

Note: The total can differ because of the numbers' round off.

For the period January-April 1997, the milk powder volumes assigned by auction to the private sector represented an increase of 5.9 per cent reaching 22 873 tonnes, against 21 603 tonnes assigned in the same period of the previous year.

Milk Powder Auction

Month	JAN-APR 1996	JAN-APR 1997	Change (%)
JAN	6 239	6 000	-3,8
FEB	5 727	4 800	-16,2
MAR	6 453	6 825	5,8
APR	3 184	5 248	64,8
Total	**21 603**	**22 873**	**5,9**

* Month consumption.

Source: CONASUPO

Note: The total can differ because of the numbers' round off.

External Trade

Imports

According to SICM system, in 1996 dairy imports show's a differed behaviour according its end or intermediate use. In regard to 1995, 1996 end use imports such as condensed milk, yoghurt, butter fell 46.6 per cent, 49.4 per cent and 7.0 per cent respectively, situation explained by the income contraction and the high prices of these products against domestic products. The largest increases were registered in condensed milk (151.5%), liquid milk (14.4%) and cheese (26%).

Within products of intermediate use, imports of milk powder enhanced 17.7 per cent, meanwhile whey and milk-whey decreased 3.1 per cent.

Import Volumes of Dairy Products
(in tonnes)

Product	1995	1996	Change %
Packed Liquid Milk	44 260	50 622	14,4
Milk powder	135 059	158 941	17,7
Evaporated milk	148	373	151,5
Condensed milk	179	96	-46,6
Yoghurt	1 448	732	-49,4
Whey and milk-whey	48 797	47 301	-3,1
Butter	20 072	18 661	-7,0
Cheese	16 398	20 658	26,0

Source: SICM/SECOFI

As a result of income recovery, during January-April 1997, imports of dairy products for end consumption registered significant enhancements in condensed milk (123.5%), milk powder (20%), and cheese (21.6%).

Import Volumes of Dairy Products
(in tonnes)

Product	JAN-APR 1996	JAN-APR 1997	Change (%)
Packed Liquid milk	19 396	20 220	4,2
Milk powder	68 943	50 581	-26,6
Evaporated milk	100	120	20,0
Condensed Milk	17	38	123,5
Yoghurt	261	222	-14,9
Whey and milk-whey	20 011	17 642	-11,8
Butter	7 315	9 147	25,0
Cheese	5 572	6 776	21,6

Source: SICM/SECOFI

Exports

During 1996, dairy exports from Mexico rose in all sub-headings except in whey and milk-whey. These increases are due to the adjustment in the exchange rate as well as the opening of new commercial channels for Mexican products in external markets.

Export Volumes of Dairy Products
(in tonnes)

Product	1995	1996	Change %
Packed liquid milk	652	816	25,0
Milk powder	2 539	3 884	53,0
Evaporated milk	0	19	---
Condensed milk	1 111	2 502	125,1
Yoghurt	3	39	---
Whey and milk-whey	167	67	-59,6
Butter	206	1 985	862,3
Cheese	41	152	272,5

Source: SICM/SECOFI

Dairy exports carried out during the first four months of 1997 rose in all sub-sectors in regard with the same period of the previous year.

Product	JAN-APR 1996	JAN-APR 1997	Change (%)
Packed liquid milk	303	342	12,9
Milk powder	1 377	4 070	195,6
Evaporated milk	0	7	---
Condensed milk	1 310	1 598	22,0
Yoghurt	1	34	---
Whey and milk-whey	15	55	266,7
Butter	6	50	733,3
Cheese	32	123	284,4

Source: SICM / SECOFI.

KOREA

1. Developments of dairy policies since 1st August 1996

a) Domestic policy

As consumers' concerns on safety and sanitary of milk are increasing, the system of raw milk sanitary grading(somatic cell counter) has been greatly reinforced since the 1st March, 1997.

b) Trade policy

As for import of dairy products, tariff rates are deducted at a specific rate each year since the WTO agreement became effective.

As abruptly increased imports of milk powder blends have resulted in oversupply of milk, the Korean dairy industry was seriously damaged in 1996. Consequently, the Korean Government has taken the Safeguard Measures on milk powder blends from 7th of March 1997 to 28th of February 2001.

2) Developments of the dairy product markets since 1st August 1996

a) Development of the factors which had an impact on the dairy sector and quantitative impacts on production, consumption, trade and prices of the various types of dairy products

Please refer to item c) Statistics.

b) Short term outlook

In regard to the supply and demand of milk in 1997, the supply of domestic milk is projected to substantially decrease compared to that of last year due to the slaughtering of milk cows and increased imports of milk products. However, on the whole, the situation of oversupply is expected to continue until the end of this year as the consumption will increase due to the growing trend of consumption of milk products ensued by increase in income level.

c) Statistics

Production (in tonnes)

	1996			1997				
	3rd quarter	4th quarter	Whole year	1st quarter	2nd quarter (estimate)	3rd quarter (forecast)	4th quarter (forecast)	Whole year (forecast)
Milk	485 232	479 282	2 033.738	510 783	538 720	497 280	525 280	2 072 0 00
Butter	961	938	4 324	1 622	1 320	1 440	1 618	6 000
Cheese	3 540	4 046	14 386	4 188	4 814	5 256	6 742	21 000
(natural cheese)								
Skim milk powder	7 044	7 490	30 544	8 343	4 266	5 688	5 403	23 700
Whole milk powder	1 335	752	5 582	1 485	531	720	864	3 600
Cream	4 410	5 509	21 088	6 779	4 067	7 321	8 949	27 116

Stocks (at the end of each month, tonnes)

	1996		**1997**					
	September	December	March	April	May (estimate)	June (forecast)	September (forecast)	December (forecast)
Butter	600	480	822	717	729	650	637	539
Cheese	1 388	1 613	1 691	1 557	1 581	1 573	1 641	1 716
Skim milk powder	8 362	9 191	11 700	10 665	9 580	9 933	9 000	4 250
Whole milk powder	2 406	1 675	2 175	1 952	1 478	1 404	1 000	750

Herd size and milk yield

	Units	1994	1995	1996	1997
Number of dairy Cows - Total	head	552 139	553 467	551 493	544 584
2 years and older		316 404	318 051	315 518	313 077
Number of dairy farms	household	25 667	23 519	21 129	18 981
Average herd size per farm household	head/household	21.5	23.5	26.1	28.7
Yield of 1 dairy cow	kg/cow/year	5 729	5 836	5 959	5 967*

* Yield of one dairy cow in 1997 is estimated based upon the 1st quarter yield.

Trade of dairy products

Exports: Most of the Korean dairy products(items listed below) have not been exported to other countries.

	1996		'97.1-4	
	Volume	Value	Volume	Value
Milk and Cream	6 191	8 478	1 262	1 460
Skim milk powder	872	2 896	350	697
Whole milk powder	216	510	16	33
Whey powder	22 444	17 894	3 361	2 318
Imitation milk powder	32 241	78 905	6 297	13 441
Butter	535	1 487	497	937
Cheese	14 776	50 463	5 989	19 277
Lactose	11 588	8 694	2 746	2 118
Prepared dry milk	9	150	116	426

Consumption of dairy products

	1996		1997 (forecast)	
	tonnes	kg/capita	tonnes	kg/capita
Milk	1 629 831	36.0	1 720 000	37.8
- liquid whole milk for human consumption	1 629 831	36.0	1 720 000	37.8
Cheese	20 556	0.45	30 000	0.45
Butter	4 324	0.10	6 000	0.13
Skim milk powder (Total)	27 872	0.62	23 700	0.52
Whole milk powder	4 507	0.10	3 600	0.08

Note: Production plus imports equals consumption (of butter, skim milk powder, whole milk powder)

Producer price for milk

Units	1994	1995	1996	1997
Won/kg	394	414	423	423

Consumer price for milk products

(Units: Won)

	Quality or type	1994	1995	1996	1997
Milk	200ml	300	330	330	330
Butter	450g	3 130	3 450	3 450	3 450
Cheese	200g	1 710	1 710	1 710	1 710
Skim milk powder	1kg	7 000	7 000	7 000	7 000

JAPAN

1. Developments of dairy policies since 1st August 1996

a) *Domestic Policy*

- Guaranteed price for industrial milk under the deficiency payment scheme for fiscal Japanese year of 1997 was decreased 1.48 yen/kg to 74.27 yen/kg.

- Ceiling amount of industrial milk which the guaranteed price above mentioned is applied was increased 100 000 metric tons to 2 400 000 metric tons.

- Above mentioned changes have been effective since April 1, 1997.

b) *Trade Policy*

Reduction of tariff rates was made according to the notification to WTO based on UR commitments for fiscal year of 1997.

2. Developments of the dairy product markets since 1st August 1996

a) *Development of the factors which had an impact on the dairy sector and quantitative impacts on production, consumption, stocks, trade and prices of the various types of dairy products*

- Number of dairy farms has been decreasing while the average farm size has been increasing. The number of dairy farms officially reported on February 1, 1997 was record low of less than 40 000 farms.
- Total number of milking cattle has been decreasing slightly every year since 1993. The trend continued also in 1996.
- Raw milk production in 1996 fiscal year increased by 2.3 per cent from that of the previous year.
- Since August 1996, weather condition had been unsuitable for Japanese drinking milk market, the demand for drinking milk depressed.
- Trends of health consciousness among consumer made the demand for special milk such as calcium added milk upheld. Total production of such special milk drinks rose by 14.5 per cent from the previous year.
- Consumption of cheese has become popular among Japanese. Total production increased by 2.8 per cent from the previous year.

- Stock of butter has been decreasing by 23 per cent down from the end of the previous fiscal year to approx. 26 200 tons which is equivalent to 3.4 months of consumption. Stock of skimmed milk powder was almost stable at around 45 100 tons which is equivalent for 2.4 months of consumption.
- Quantitative developments in production, consumption, stocks and prices (farm gate, wholesale and consumer price) for various types of dairy products over one year are shown as follows:

Raw Milk Production and Utilization

(Unit: 1 000 metric tons, %)

Year/Month [F.Y.]		Raw milk production [A]	Utilization			Ratio of drinking milk [B/A]
			For drinking [B]	For processing	Others	
1996	Apr.	737.3	422.1	304.7	10.5	57.2
	May	769.8	447.9	310.7	11.2	58.2
	June	738.3	454.6	273.6	10.1	61.6
	July	735.3	464.7	260.2	10.3	63.2
	Aug.	719.4	438.1	271.0	10.3	60.9
	Sep.	699.6	454.6	235.5	9.5	65.0
	Oct.	715.0	447.8	257.6	9.6	62.6
	Nov.	683.2	427.1	246.8	9.4	62.5
	Dec.	714.5	411.4	293.5	9.7	57.6
1997	Jan.	727.0	404.5	312.4	10.0	55.6
	Feb.	666.2	394.3	263.0	8.9	59.2
	Mar.	752.4	420.5	322.1	9.8	55.9

Production of Drinking Milk and Milk Beverages

(Unit:1 000 k,%)

Year/Month		Production			
		Drinking milk			Milk beverages
			Milk	Processed milk	
1996	Apr.	415.5	348.2	67.3	81.6
	May	440.2	369.3	70.8	87.7
	June	436.5	367.5	68.9	90.9
	July	457.4	380.1	77.4	97.4
	Aug.	419.1	343.6	75.5	97.9
	Sep.	437.5	365.4	72.0	97.4
	Oct.	439.6	368.5	71.1	96.4
	Nov.	411.3	344.0	67.3	85.4
	Dec.	400.4	332.6	67.8	80.8
1997	Jan.	385.9	321.9	64.0	81.5
	Feb.	375.8	313.6	62.3	79.0
	Mar.	397.0	329.8	67.2	88.2

Production of Dairy Products

(Unit: metric tons, %)

Year/Month [FY]		Production				
		Butter	Skimmed milk powder	Condensed milk	Whole milk powder	Cheese (natural for direct cons. and processed)
1996	April	8 506	19 257	5 394	2 438	9 717
	May	8 905	19 606	4 666	2 192	8 798
	Jun	6 856	16 302	4 063	1 512	8 568
	July	6 460	15 487	4 325	914	8 895
	Aug	6 744	15 607	4 136	1 610	8 075
	Sep	5 192	13 151	3 587	1 489	9 448
	Oct	6 183	15 262	3 917	1 580	10 463
	Nov	5 750	14 339	3 237	1 620	10 560
	Dec	6 671	17 135	4 247	2 327	9 283
1997	Jan	9 175	19 226	4 886	2 582	8 176
	Feb	7 076	15 940	3 770	1 402	8 227
	Mar	8 441	19 045	5 221	2 267	9 180

Price of Drinking Milk

Year / Month		Retail price (FY)
		Tokyo area (yen/kg)
1996	Apr.	203
	May	205
	June	204
	July	204
	Aug.	205
	Sep.	205
	Oct.	206
	Nov.	204
	Dec.	204
1997	Jan.	204
	Feb.	206
	Mar.	205

Wholesale Price of Dairy Products

(Unit: yen,%)

Year/Month (FY)		Butter (1kg)	Skimmed Milk Powder (25kg)	Whole Milk Powder (25kg)
1996	Apr.	948	13 553	19 259
	May	953	13 530	19 235
	June	953	13 518	19 233
	July	951	13 518	19 233
	Aug.	951	13 519	19 232
	Sep.	954	13 519	19 232
	Oct.	957	13 519	19 217
	Nov.	961	13 519	19 217
	Dec.	966	13 469	19 213
1997	Jan.	969	13 485	19 221
	Feb.	971	13 485	19 221
	Mar.	972	13 485	19 221

Support Prices for Manufacturing Milk and Dairy Products

[Guaranteed Price, Standard Transaction Price and Ceiling Quantity for Deficiency Payment]

	Guaranteed Price [A]	Standard Transaction Price [B]	Deficiency Payment [A-B]	Ceiling Quantity for Deficiency Payment
F. Y.	(yen/kg)	(yen/kg)	(yen/kg)	(1 00 metric tons)
1996	75.75	64.26	11.49	2 300
1997	74.27	63.40	10.87	2 400

[Stabilization Indicative Price]

F.Y.	Butter	Skimmed milk powder	Sugar added condensed whole milk	Sugar added condensed skimmed milk
	(yen/kg)	(yen/25kg)	(yen/24.5kg)	(yen/25.5kg)
1996	993	12 841	8 055	7 193
1997	965	13 090	8 211	7 333

b) Trade

Quantitative developments in imports and exports of major dairy products in 1996

Products	HS Codes	Imported (tons)	Exported (tons)
Evaporated milk	04.02	798	17
Skimmed milk powder	04.02	70 977	19
Butter	04.05	714	2
Whey powder	04.04	23 935	9
Cheese			
Natural cheese	04.06	163 911	22
Processed cheese	04.06	4 455	31
Ice cream	21.05	27 925	1 206

2. Short term outlook

- Demands for the drinking milk and milk beverages in Japan are affected largely by the weather condition during summer. According to the meteorological authority of Japan, this summer will be cool one because of the development of "El nino" in the southern Pacific Ocean in this year. Therefore, the demands will be at almost same level as the previous year.
- Demand for cheese will be increased continuously.
- 174,000 tons of skimmed milk powder (SMP) as a part of the current access of UR agreement in early this year by ALIC, and the whole amount was released to the market until early July. However, the market price for bulk users maintains considerably high level than the Government's Stabilising Indicative Price for SMP. This tendency will continue through the year because of the relatively high demand for milk beverages and yogurt drinks.
- Demand and stock levels for butter will be stable.

NEW ZEALAND

1. Development of dairy policies since 1st August 1996

a) Domestic Policy

Support of farm gate price

There is no Government support for the prices received by New Zealand dairy farmers, nor intervention with other production related policy measures.

b) Trade Policy

Changes since 1st August 1996

As part of the GATT Uruguay Round outcome, New Zealand obtained an increase in its country-specific tariff quota for butter to the EU. This increased to 76,667 tonnes in 1996 and annually thereafter.

In late April 1997, New Zealand and the EU began formal dispute settlement consultations under WTO procedures, in relation to trade in butter. This followed from the EU's decision during 1996, to exclude New Zealand butter produced using the modern "spreadable" and "amix" butter-making processes, from New Zealand's annual tariff quota access, negotiated under the GATT Uruguay Round. Prior to the EU action, annual exports to the EU of butter made from these processes had been expanding and had reached a total of around 5 000 tonnes per year. New Zealand considers that the EU decision is a breach of the EU's Uruguay Round commitments.

Status of official export organisations

The New Zealand Dairy Board [NZDB]. The functions of the NZDB are governed by statute. The NZDB is an independent commercial organisation that has to conform to the functions and powers in its Act. In 1996, the Dairy Board Amendment Act was passed, which repealed the NZDB's ownership provision and replaced it with a share structure. The changes introduced had been sought by the dairy industry, to provide a means to source capital from within the industry. The industry had identified that significant investment would be required to enable the NZDB to capture future market opportunities.

In December 1996 the NZDB issued $1.00 dollar shares to co-operative dairy companies in proportion to the quantity of milksolids supplied by them to the NZDB. In future, existing co-operatives, that supply dairy produce to the Board, which increase their production, and new supplying co-operatives, will be required to purchase additional shares in line with the additional supply.

Customs duties

Tariffs applied on goods imported into New Zealand have been decreased in line with Government policy over recent years. At the present time any imports of butter and cheese enter duty free, and since July 1996 the low tariffs applying for other milk products have been at either 5 per cent, or 8.5 per cent. Most dairy products imported from Australia and Canada may enter duty free. By 1 July 1999, the maximum tariff on any imported dairy products will be 5 per cent. A further general review of tariffs is scheduled for 1998, with the Government determining at that time how to move towards zero tariffs across the board.

2) Developments of the dairy product markets since 1st August 1996

a) Development of the factors which had an impact on the dairy sector and quantitative impacts on production, consumption, trade and prices of the various types of dairy products

i) Notes on climatic and economic conditions affecting production, demand and market supply:

The 1996/97 season saw a new record level of dairy production in New Zealand. Opening dairy cow numbers for 1996/97 increased by 5.3 per cent to 3.15 million head.

Favourable weather conditions prevailed over the whole of the 1996/97 season, apart from the early spring. In addition farmers were attempting to boost production, because of the introduction of share standards from the start of the 1997/98 season, when farmers have to purchase shares in their processing companies for any milk in excess of the level produced in the 1996/97 season. Milk production for the season ended May 1997 totalled 11.13 million tonnes, an 11.3 per cent increase on output in 1995/96, and a record production season for the New Zealand dairy sector. Of this around 10.7 million tonnes, [880 000 tonnes of milk solids] was processed for the manufacture of dairy products.

Farm gate milk price

World prices for all major dairy products, except for cheese, decreased during 1996/97. In addition returns to New Zealand farmers were eroded by the further appreciation of the New Zealand dollar.

Average returns received by dairy farmers in 1996/97 declined to $3.67 per kg milksolids down 8.6 per cent from the record farmgate payout during the 1995/96 season. The New Zealand Dairy Board's basic price for 1996/97 was finalised at $3.18/kg milksolids, compared to $3.60 achieved in the 1995/96 season. But improved average dairy company performance enabled them to pay out to farmers 48.6 cents above the Dairy Board basic price, up from the 40.9 cents in the previous season.

The average payment to farmers for milk for the 1997/98 season, made up of the Dairy Board's basic price plus processing company top-ups, is estimated to decline further to $3.35/kg milksolids, reflecting continuing low international prices for most products, other than cheese, and continued appreciation of the New Zealand dollar.

Despite the decline in farmgate prices received, increased production resulted in an estimated 1.6 per cent rise in dairy farm gross revenue for 1996/97 to an average of around $237,000. Gross farm revenue is expected to decline to around $232,000 in 1997/98.

Trends in milk/feed price ratio

The principal source of feed supply, on New Zealand dairy farms is pasture, grazed *in situ*. Consequently farmers are focussed on ensuring efficient utilisation of pasture, and on balancing the seasonally varying supplies of pasture production with herd feed requirements. Changes in prices of compound feeds are thus largely irrelevant.

Implementation of supply management

There is no supply management operated in New Zealand nor any supply control measures. In the New Zealand context, the most powerful factor that determines farmers' decision making on milk production is the level of farmgate returns they receive, and the relativity of these with returns from other alternative farm enterprises.

In fact, higher profitability of dairy farming relative to sheep and beef farming has resulted in expansion of dairy production in recent years. The down turn in farmgate dairy returns in 1996/97, associated with the newly instituted requirement by processing co-operatives for new entrant and existing producers who are expanding production to front up with purchase of shares in their co-operative processing company, has dampened the rate of expansion in herd numbers estimated to have occurred to June 1997, as well as the numbers of properties and price of land sold for dairy farming during 1997.

ii) *Quantitative developments in production, consumption and prices (farm gate, wholesale and consumer prices) for the various types of dairy products over the year.*

Table 1. sets out trends in milk production and farmgate returns over recent years and trends in manufacture, consumption and exports of milk products. The table also includes forecasts for the 1997/98 and 1998/99 seasons. Expansion of cheese production and exports is notable. Table 2. sets out trends over recent years of retail prices for dairy products in New Zealand, including the average price for margarine for comparison with that of butter. After four years where the butter price has been higher than that of margarine, the average price during 1997, has declined to that of margarine at retail.

iii) *Trade*

EU, Japan and the US are New Zealand's most important markets

New Zealand's three largest dairy markets by value are the EU, Japan and the US. All three have protected dairy industries, with domestic prices much higher than world prices. The high prices obtained in these markets help insulate returns to New Zealand dairy farmers to some extent from the volatility of commodity prices in other markets.

The UK remains New Zealand's top butter market, taking 65,384 tonnes or 34 per cent of total butter exports by volume in 1995/96. In value terms this was $305 million or 35 per cent of the value of total butter exports (or about 8% of total dairy export value). Japan continued as New Zealand's top cheese market, in 1995/96, importing 48,100 tonnes or 28 per cent of total cheese exports by volume. The US took 42 per cent of casein exports by volume (29,900 tonnes) to remain New Zealand's top market for casein. The top milk powder market for New Zealand was Malaysia, with 15 per cent of milk powder exports by volume (64,900 tonnes) in 1995/96.

b) Short term outlook

While the implementation of the Uruguay Round commitments will gradually reduce the volumes of dairy products that can be exported with the aid of export subsidies over the remainder of the decade, the volume of subsidised products available for sale will remain large. In addition Australia and New Zealand are both expected to increase export volumes over the short and medium term. Economic and political instability in Venezuela, Algeria, Iran, Mexico and Russia are likely to constrain export opportunities in the short term. However, forecast increases in oil prices will help maintain demand for milk products in these countries. Demand for dairy products in Asia should continue to strengthen, reflecting higher incomes, although growing at a slower rate, owing to some slowing in economic growth.

The high world price levels achieved in 1995 were the product of unusually tight supply conditions and stronger than expected demand. With an expansion of supply, and uncertain demand, prices began to ease during the first half of 1996. The outlook for the short term is for a continuation of this easing of prices, except for cheese, although prices should remain above the levels in 1994. As a result, and also reflecting a marginal appreciation in the New Zealand exchange rate, the weighted average farmgate payout forecast for the 1997/98 season is $3.35 per kg milksolids - a fall of almost 9% on the returns for the previous season. Average dairy farm gross farm revenues are expected to ease slightly in 1997/98 to around $232,000, with lower payouts, down from $236,700 in 1996/97.

While cow numbers increased by 5 per cent to 3.15 million at June 1996, reflecting the continuing favourable returns from dairying in comparison with sheep and beef, herd expansion is estimated to have slowed to 1.6 per cent with the milking cow herd reaching 3.20 million head by June 1997. For 1997/98, assuming average climatic conditions, milk production is forecast to increase by around 3.9 per cent to total 11.6 million tonnes [around 915,000 tonnes of milk solids processed].

There are however, now indications of an El Nino climatic development in the Pacific region, which could result in drier summer conditions during the 1997/98 season, and which indicate that a lower level of production is now likely. Dry summer conditions could readily offset the expansion forecast under assumptions of average climate conditions.

Quantitative forecasts for production, consumption and trade for the various types of dairy products for the whole year 1997

Table 1 sets out forecasts of production, consumption and trade for butter, skim and whole milk powders, and cheese, and based on assumptions of average climatic conditions prevailing during the 1997/98 season.

Forecasts of the dairy situation

	Units	1994	1995	1996	1997p	1998f	1999f
MILK (a)							
Number of dairy cows (b)	'000 head	2 808	2 994	3 153	3 203	3 273	3 286
Yield	t/cow/year	3.31	3.10	3.17	3.48	3.54	3.43
Production	'000t	9 312	9 285	9 999	11 131	11 570	11 284
Price (c)	NZ c./litre	28.4	29.1	34.1	30.9	28.6	29.5
BUTTER (d)							
Production	'000t	272	265	335	377	349	314
Consumption	'000t	32	31	31	31	31	31
Exports	'000t	259	230	236	291	320	293
SKIM MILK POWDER (e)							
Production	'000t	163	171	204	233	203	142
Exports	'000t	160	183	131	208	202	149
CHEESE							
Production	'000t	193	197	239	267	288	311
Consumption	'000t	29	30	32	34	36	38
Exports	'000t	165	169	169	210	245	267
WHOLE MILK POWDER (f)							
Production	'000t	333	342	334	373	392	412
Exports	'000t	332	327	261	293	274	290

Notes:
1 litre of milk = 1.032 kg of milk; p - provisional; f - forecast.
(a) Year ending May.
(b) Opening dairy cows and heifers in milk - two years and over.
(c) Average farmgate price of milk. Milkfat to milk conversion factor of 0.048.
(d) Butter including anhydrous milkfat and ghee.
(e) Skim milk powder including butter milk powder.
(f) Whole milk powder including infant feed.
The above projections assume a steady appreciation of the NZ$ of about 2% p.a.

Retail Prices

	Units	1990	1991	1992	1993	1994	1995	1996	Jan Aug 1997
MILK	$/litre	1.18	1.19	1.19	1.22	1.18	1.19	1.29	1.31
BUTTER	$/kg	3.67	3.78	3.74	3.86	3.76	3.72	3.91	3.48
MARGARINE	$/Kg	4.09	4.06	3.78	3.65	3.51	3.52	3.54	3.48
CHEESE (Cheddar)	$/Kg	8.16	8.32	8.00	7.95	6.86	6.68	6.86	6.98

POLAND

1. Developments of dairy policies since 1st August 1996

a) Domestic policies

Production quota measures and price support are non-existent.

Further implementationof "the programme for restructuration and modernisation of dairying" is backed by preferential loans. Investments are connected with modernisation of processing and raw milk production base.

The farmers invest in milk production. Farms of a higher standard of milk production supply themselves with milk coolers, milkers, they modernise their cow-sheds.

Promotion of dairy products is carried out by large dairies with a good financial standing and by those with a foreign capital stake.

Agricultural Market Agency, intervening on the milk market, purchased a certain quantity of skimmed milk powder. There was no need to intervene on the butter market.

2. Developments of the dairy product markets since 1st August 1996

a) Development of the factors which had an impact on the dairy sector and quantitative impacts on production, consumption, stocks, trade and prices of the various types of dairy products

Since 1995 and during 1996 the tendency of falling deliveries of milk to dairy industry has been coming to an end.

In 1996 there was an increase in output of skimmed milk powder, butter, long-keeping cheese and curds. The level of production of drinking milk and casein remains relatively flat. The level of the dairy production depends on the quantity of milk purchased for processing, consumption of dairy products and the situation on international milk markets.

The supply of dairy products is managed individually by every milk processor.

b) Trade

The quantitative developments in imports and exports of dairy products in 1996

Product	**Imports** ('000 t.)	**Exports** ('000 t.)
SMP	5.13	76.8
Cheese	3.19	15.4
Butter	0.38	13.1
Ice-cream	1.61	22.5

As a result of the increase in milk-purchase prices and profitability of milk production in 1995, the tendency of falling deliveries of milk to dairy industry began to disappear. There was an increase in dairy production as well as in exports and imports of most dairy products. Comparing to 1995 exports of skimmed milk powder were the only to decline.

2. Short term outlook

In 1997, milk production should increase by about 2.5 per cent and deliveries of milk to dairies by some 7 per cent. An increase in production of dairy products is also expected. The butter consumption is estimated to increase notably, by 15-20 per cent comparing to 1996 level.

Dairy production in 1997 (forecast)

PRODUCT	**PRODUCTION** ('000 t.)
Skimmed milk powder	123
Cheese	140
Butter	137
Curds	222
Casein	2

EUROPEAN UNION

1. Development of dairy policies since 1st August 1996

The Council of Agriculture Ministers decided that institutional prices, i.e. the target price for milk and the intervention prices for butter and skim milk powder, should remain unchanged. They have been held at the same levels since the 1994/95 dairy year.

The second year under the new GATT agreements called for slight adjustments to regulations in order to enhance the monitoring of trade. The budgetary constraints applying to agriculture as a whole was particularly apparent in the dairy sector.

The Commission introduced the following measures:

- storage costs on private storage aid for cheese remained unchanged and interest expenses were reduced by 16.7 per cent;
- interest expenses on private storage aid for butter were also reduced by 16.7 per cent;
- refund payments were revised several times between 1 July 1996 and end-July 1997. They were raised by 8.5 per cent for butter, 14.5 per cent for skim milk powder and 10 per cent for whole milk powder. They were cut by 51 per cent for liquid milk, 30 per cent for some fresh dairy products, 39 per cent for cooked cheese and by amounts ranging between 12 per cent and 38.5 per cent for cheese, according to type. Refund payments for fresh products with 3 per cent fat content or less were reduced to zero on 27 June 1997;
- a new export nomenclature for cheese was adopted in February 1997;
- in October 1996 it was decided to refund import duty with effect from 1 July 1997 under the trade liberalisation agreements with the Baltic States.

Funding for the programme to promote dairy product consumption in the Community has remained unchanged since its inception.

2. Developments of the dairy product markets since 1st August 1996

Regulations on dairy spreads were clarified in April 1997, with regard to product composition and definition, the use of descriptive names and the labelling of dairy products in the Community.

Regulations covering milk and dairy product statistics were adjusted to reflect current requirements and capabilities. Some significant data:

- the dairy herd was estimated at 21.5 million at end-June 1997 and 21.76 million at end-December 1997, down 1.7 per cent on the previous year's end;

- 1997 yields were estimated at 5 477 kg/cow, 60 kg more than in 1996;
- deliveries were down by 0.56 per cent, or 640 000 tonnes, on 1996. For the first five months of 1997, however, volumes were the same or higher than in the comparable period for 1996;
- milk for consumption was up by 0.8 per cent, equivalent to the longstanding annual average and amounting to a little over 29 million tonnes;
- butter production is expected to fall by 39 000 tonnes in 1997 to 1.82 million tonnes, continuing the historic trend;
- consumption follows a similar trend and is likely to fall in 1997 by 0.87 per cent, to a total of 1.74 million tonnes, bringing per capita consumption down from 4.71 kg in 1996 to 4.65 kg; consumption rates differ widely from one EU country to another, ranging between 0.45 kg and 8.6 kg per person;
- cheese production was again up in 1997, but more moderately than in the past, by just 0.15 per cent or some 10 000 tonnes. The increase is thus likely to be well below the historic average of some 2.3 per cent per year;
- cheese consumption is likely to expand further to 6.05 million tonnes, giving per capita consumption of 16.16 kilos;
- total milk powder production is expected to fall in 1997 by 40 000 tonnes, as a result of lower skim milk powder output in Germany and lower semi-skimmed milk powder production in France. Conversely, output of whole milk powder is up in France, the United Kingdom, Belgium and Denmark (+45 000 tonnes);
- production of condensed milk and casein are expected to remain more or less the same.

Over the past year, stocks of butter and skim milk powder rose. That is a logical trend since in the first half of 1996 stocks stood at their lowest level ever.

Since the opening of skim milk powder intervention on 1 March 1997, however, sales totalled only 27 500 tonnes, chiefly on account of currency revaluations. Just 2 700 tonnes of butter were sold into intervention.

Total consumption of milk and dairy products in milk equivalents in the European Union in 1996 was 0.4 per cent up on 1995.

Exports of dairy products from the European Union fell overall by 13 per cent in 1996. Butter and butteroil exports were down 12 per cent, skim milk powder down 39 per cent, other milk powders by 9 per cent; cheese was more or less the same, while exports of fresh products rose by 8.5 per cent.

Imports were at the same levels as in 1995 overall. Butter and butter oil imports rose by 23 per cent, skim milk powder by 61 per cent and cheese by 10 per cent; imports of other milk powders fell by 43 per cent, condensed milk by 50 per cent and fresh products by 89 per cent.

Germany

TOTAL PRODUCTION (SUPPLY) FOR MILK AND MILK PRODUCTS
1996 (provisional)

Code	Total	Milk and Butter-milk 4 411	Whole-milk 4 410	Cream 4 412	Condensed milk 4 420	Whole milk powder 4 430	Skimmed milk powder 4 440	Butter + milk fat production 4 450	Cheese 4 460	Processed cheese 4 461	Cheese Total
		Weight (in tonnes)									
	Official production	**6 149.4**	**8 305.3**	**662.5**	**540.8**	**201.4**	**422.1**	**482.0**	**1 529.8**	**157.1**	**1 686.9**
12	Production	6 149.4	8 305.3	662.5	540.8	201.4	422.1	482.0	1 529.8	157.1	1 686.9
20	IMPORT	4.6	55.9	4.4	25.5	54.2	123.8	141.0	487.7	17.7	505.4
23	from Eur-15	4.6	55.3	4.2	25.5	52.3	97.5	136.3	460.0	35.3	495.3
99	**Supply**	**6 154.1**	**8 361.2**	**666.8**	**566.3**	**255.6**	**545.9**	**623.0**	**2 017.5**	**174.8**	**2 192.3**
30	EXPORT	643.1	946.5	37.0	139.6	141.5	381.8	50.4	406.9	60.0	467.0
33	to EUR-15	623.1	794.6	31.4	94.4	114.5	328.2	38.6	307.5	38.2	345.7
	BEGINNING STOCKS										
40	ENDINGSTOCKS										
45	STOCK CHANGES	0.0	0.0	0.0	-11.5	3.2	29.3	-21.5	6.8	1.1	7.9
50	**INTERNAL USE (Total)**	**5 510.9**	**7 414.7**	**629.8**	**438.3**	**110.8**	**134.8**	**594.1**	**1 603.8**	**113.7**	**1 717.5**
53	Losses	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
55	Animal Feed	0.0	0.0	0.0	0.0	0.0	**102.4**	0.0	0.0	0.0	0.0
60	Industrial Use	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
65	Processing	0.0	0.0	0,0	0.0	0.0	0.0	0.0	69.5	0,0	69.5
70	**Consumption**	**5 510.9**	**7 414.7**	**629.8**	**438.3**	**110.8**	**32.4**	**594.1**	**1 534.3**	**113.7**	**1 648.0**
	Butter fat content							83.00			

MONTHLY MILK STATISTICS - Germany
1997 (in million tonnes)

Code	Product	January	February	March	April	May	June	July	TOTAL
001	**1. Milk deliveries**	2 219.5	2 044.6	2 275.3	2 334.1	2 527.1	2 428.9	2 418.1	16 247.6
001	**2. % Milkfat**	4.39	4.30	4.26	4.28	4.18	4.09	4.07	
001	**3. % Protein**	3.44	3.39	3.37	3.37	3.36	3.34	3.32	
110	**4. Milk for consumption**	475.8	430.8	457.5	491.8	460.7	457.2	483.7	3 257.4
130	**5. Cream**	44.1	38.6	48.0	50.2	50.3	46.8	46.9	324.9
14	**7. Sour milk**	201.6	192.5	207.8	221.1	204.8	203.0	210.1	
210	**8. Condensed milk**	47.4	43.1	46.6	50.3	49.2	49.1	49.7	335.5
224	**9. Skim milk powder**	30.0	26.7	28.5	30.4	39.3	35.5	33.7	224.0
221+222+223	**10. Other milk powder**	17.9	16.8	16.1	17.8	19.1	16.8	16.0	120.5
23	**11. Butter and butteroil (in butter equivalent)**	41.8	36.3	35.4	41.3	42.5	39.0	38.4	274.7
2411	**12. Cow milk cheese**	131.6	119.8	130.6	141.6	137.8	134.9	140.3	936.8

MONTHLY MILK STATISTICS - Western Germany
1997 (in million tonnes)

Code	Product	January	February	March	April	May	June	July
001	**1. Milk deliveries**	1798.7	1650.0	1827.9	1890.51	2048.2	1963.0	1948.6
001	**2. % Milkfat**	4.36	4.28	4.23	4.26	4.16	4.07	4.06
001	**3. % Protein**	3.43	3.37	3.34	3.34	3.34	3.33	3.31
110	**4. Milk for consumption**	379.4	344.6	360.5	384.5	357.2	361.5	381.2
130	**5. Cream**	41.4	36.0	44.6	46.8	46.9	43.9	43.5
14	**7. Sour milk**	184.4	175.4	188.1	200.1	183.5	181.3	185.7
210	**8. Condensed milk**	45.0	40.6	43.4	47.0	46.4	46.0	46.2
224	**9. Skim milk powder**	23.8	20.3	21.9	24.1	31.7	28.6	27.6
221+222+223	**10. Other milk powder**	15.3	14.6	13.4	14.5	15.9	14.0	12.9
23	**11. Butter and butteroil (in butter equivalent)**	30.9	26.4	25.3	29.9	30.9	28.2	27.2
2411	**12. Cow milk cheese**	107.2	98.1	105.1	115.7	112.7	110.4	114.2

Netherlands

1. Developments of dairy policies since 1st August 1996

a) Domestic policy

Besides the general EU policy measures only the special subsidy program (Dfl 60 million) to encourage biological farming in the Netherlands can be mentioned.

b) Trade policy

See general EU measures

2. Developments of the dairy product markets since 1st August 1996

The combination of decreasing cow numbers (-2.5% to 1.66 million) and stagnating milk yields (6 616 kg/cow/year) caused milk production to decrease by 2.5 per cent to 11.0 million tonnes in 1996. During the first six months of 1997, milk production followed the 1996-trend in the same period.

In 1996 production levels of all products except cheese and WMP went down. Most severely hit were SMP (-10,9%) and condensed milk (- 6,0%).

Consumption of most products remained relatively stable in 1996. Per capita consumption levels of cheese (14,7 kg), liquid milk and fresh milk products (132,3 kg) went slightly up and per capita consumption levels of butter (3,4 kg), cream (2,2 kg) and condensed milk (6,5 kg) went slightly down.

The milk price received by farmers went down 2.7 per cent to Dfl 0.64 (per kg, 3.7% fat). Wholesale prices of all dairy products, were on a downward slope in the beginning of 1996, reaching their lowest point in the late summer. In september prices of all prices but cheese went up again. This upward trend came for most products to a standstill in the spring of 1997. Cheese price had remained stable on a relatively low level. All prices, including cheese, picked up their upward trend again in august 1997.

Although average wholesale prices of all products over the entire calender year 1996 were lower than in 1995, consumer prices remained stable in general.

Dutch dairy exports

	1996 x1 000 tonnes			1996/95 %		
	Intra EU	3rd.cntrs.	Total	Intra EU	3rd.cntrs.	Total
Butter	78,2	29,9	108,1	- 4,5	-35,4	-15,6
Butteroil	32,7	18,1	50,8	- 4,8	-32,5	-16,9
Cheese	445,1	101,5	546,6	+ 3,9	- 9,0	+ 1,2
Condensed milk	89,9	198,9	288,7	- 6,9	- 5,3	- 5,8
SMP	30,5	25,8	56,3	+ 0,5	-69,9	-51,5
WMP	15,4	177,0	192,4	-24,2	-20,9	-21,2

Butter and SMP exports more or less followed the downward production developments, but cheese exports to 3rd countries suffered from lower restitution levels and the suspension period at the end of the GATT/WTO year. Nevertheless, increased cheese exports to EU-countries more than compensated for the decline in 3rd country exports.

b) Short term outlook

The increases in price levels in the late summer of 1997 gave rise to some optimism concerning the dairy market during the rest of the calendar year. Butter demand from Russia is expected to remain firm until the end of the year, the growing demand for cheese in the EU continues to compensate for declines in 3rd country exports and the favourable development of the US$ encourages demand for European SMP.

Sweden

1. Information on the developments of dairy policies since 1 August 1996

Since 1 January 1995 Sweden applies the Common Agricultural Policy within the EU. In consequence, any change in the CAP is also implemented in Sweden.

2. Developments of the dairy product markets since 1st August 1996

a) Development of the factors which had an impact on the dairy sector and quantitative impacts on production, consumption, stocks, trade and prices of the various types of dairy products

The number of cows in Sweden has declined by approximately 10 per cent in five years. This can partly be explained by an adaptation to the EU's milk quota system. During the period shown in the table below milk yields increased every year. Except from breeding, the harvest of coarse fodder have an influence on milk yields and causes variations from year to year.

Year	Dairy cows	% change	Milk kg/cow/year	yields % change
1993	524 500	-0,3	6 391	+5,0
1994	509 431	-2,9	6 715	+5,1
1995	482 118	-5,4	6 853	+2,1
1996	466 000	-3,3	7 112	+3,8
1997[1]	473 000	+1,5		

As from 1 April 1995 Sweden had to apply the EU milk quota system. The introduction of the system caused some problems and uncertainty within the Swedish milk sector which resulted in reduced milk deliveries and reduced production of several milk products in 1995. Less uncertainty about the quota system and a better distribution of the national quota as a consequence of two opportunities to exchange milk quotas are considered to be the main reasons to increased milk production in 1996 compared to 1995.

Sweden's production of certain milk products, 1996 compared to 1995

	1995	1996	change in %
Deliveries ('000 tons)	3 243	3 258	+0,5
fat content %	4,33	4,29	-0,9
protein content %	3,34	3,33	-0,3
Production (tons)			
Consumption milk[2]	1 309 206	1 309 801	-
Butter & butteroil[3]	56 960	55 668	-2.3
Milk powder total	34 795	37 368	+7,4
Skimmed milk powder	25 930	29 063	+12,1
Other milk powder	8 865	8 305	-6,3
Cheese	128 541	127 144	-1,1

Source: Swedish Dairies' Association

Sweden's production of certain milk products Jan.-Sept. 1997 compared to 1996

	1996	1997	change in %
Deliveries ('000 tons)	2 463	2 485	+0.9
Production (tons)			
Consumption milk	977 961	974 109	-0.4
Butter & butteroil (Mkg)	42.3	44	+4.0
Skimmed milk powder	21 931	25 228	+15.0
Other milk powder	6 388	4 107	-35.7
Cheese	97 068	88 270	-9.1

[1] Preliminary
[2] Drinking milk, fil, yoghurt etc
[3] In butter equivalents

Sales of drinking milk, fermented or acidified milk remained unchanged compared to 1995 although changed consumer preferences still causes an upward trend for sales of products with a fat content between 1-2 per cent. The sale of these products increased by 6 per cent while milk with a higher or lower fat content decreased by 2-4 per cent.

Production of cheese in 1996 decreased by 1,1 per cent compared to 1995 and the decrease has continued during the first five months of 1997. The reduction can be explained by a lack of milk supply during the beginning of 1996 and by increased competition from imported cheese as from the autumn 1996. The stocks of cheese amounted to 25 913 tons at the end of 1996, 25 per cent more than in 1995. Stocks of cheese are now reported to be more in balance.

The increased milk production compared to 1995 has instead been used to produce butter and skimmed milk powder. Production of butter and butteroil increased by 7 per cent in 1996 and production of skimmed milk powder increased by 12,1 per cent. This development has continued during 1997. Stocks of butter amounted to 1 262 tons at the end of last year, 28 per cent more than in 1995. Stocks of butter can still be considered to be at a very low level compared to what has historically been the case.

Yearly consumption per capita, kg

	1995	1996	change %
Drinking milk >2%	46,1	44,8	-2,8
Drinking milk 1,0-2,0%	46,8	49,8	+6,4
Drinking milk <1,0->0,1%	22,1	20,6	-6,8
Drinking milk -0,1%	4,8	4,5	-6,2
Fermented milk	28,5	28,4	-0,4
Whipping cream	6,7	6,9	+3,0
Other cream	2,8	2,9	+3,6
Butter	2,1	1,8	-14,3
Cheese	16,1	16,1	-

Source: Swedish Dairies' Association

Consumption per capita of cheese has amounted to 16,1 kg in 1995 and 1996 but it appears as if the consumption of cheese has decreased in 1997 due to higher prices for cheese and lower prices for substitute products. Consumption of butter has also decreased due to price increases but that can already be seen in the table above.

Last spring and summer (1996) Swedish dairies increased their prices for several milk products. The reason for the price increase was told to be the need to improve the price paid to milk producers. Since then consumer prices for milk products have remained quite stable.

Furthermore, the consumer prices in the table below have been effected by a reduction of the value added tax (VAT) from 21 per cent to 12 per cent that took place on 1 January 1996.

Index measuring prices from dairy[4], 1990=100

	Dec 1995	Dec 1996	Change % Dec 95-Dec 96	Change % Oct 96-Oct 97
Consumption milk				
3%	124.7	131.3	+5.3	-
1%	125.0	131.7	+5.4	-
0,5%	118.9	120.3	+1.2	-
Fil	121.9	129.3	+6.1	-
Whipping cream	86.1	89.8	+4.2	-
Other cream	95.1	102.7	+8.0	-
Butter	112.3	122.3	+8.9	-2.2
Cheese	113.0	115.9	+2.6	-4.4
Skimmed milk powder	104.1	87.5	-15.9	-6.2
Milk products total	113.3	116.8	+3.1	-1.9

Consumer price index, 1990=100

	Dec 1995	Dec 1996	Change % Dec 95-Dec 96	Change % Oct 96-Oct 97
Milk	115.2	110.6	-4.0	+0.3
Cream	85.5	81.4	-4.3	-0.4
Butter	93.6	95.8	+2.6	-0,5
Cheese	112.4	107.7	-3.9	+0.4
Ice cream	98.1	93.6	-4.4	+1.3
Dairy products total	106.1	101.5	-3.8	+0.4

The average producer price in Sweden (without any regional support) for 1996 amounted to 304,7 öre/kg (with a fat content of 4,2% and a protein content of 3,4%) which can be compared to 297,5 öre/kg in 1995. However, due to increased competition, reduced prices on the export markets and increased deliveries, dairies have been forced to reduce producer prices on several occasions and the average price in 1997 is expected to a lower level.

Trade with milk and milk products has principally been influenced by exchange rates and the reduction of export refunds.

Reduced refund levels has above all affected the cheese market. Apart from having a negative effect on Swedish exports to third countries, reduced refund levels have also caused increased competition within the EU. Combined with a strengthened exchange rate of the Swedish crown this has resulted in increased imports from EU. The biggest exporters of cheese to Sweden in 1996 were, by ranking order, Denmark, the Netherlands and Germany, and they increased their export volumes by 40, 78 and 43 per cent respectively compared to 1995.

[4] Until January 1995 prices collected by the Swedish Board of Agriculture were used when calculating the index. After that, prices collected by Statistics Sweden have been used.

Moreover, it can be noted that imports of milk powder to the food industry has increased but imports of yoghurt and other fermented or acidified milk or cream has decreased by approximately 17 per cent. Germany, which exported 3 231 tons of yoghurt etc to Sweden in 1995, only exported 77 tons in 1996. Finland, today the largest exporter of yoghurt to Sweden, on the contrary increased its export from 5 758 tons in 1995 to 7 712 tons in 1996.

It can be pointed out that Sweden increased its export of butter by 59 per cent in 1996 thanks to high demand from Russia. Demand from Russia has also had an influence on butter exports during the first four months of 1997.

Swedish imports of milk and milk products, tons

	1995			1996			1996 Jan-Aug			1997 Jan-Aug		
	Imports from third countries	Imports from EU-15	Total imports	Imports from third countries	Import from EU-15	Total imports	Imports from third countries	Imports from EU-15	Total imports	Imports from third countries	Imports from EU-15	Total imports
Milk & cream	0	1 698	1 698	0	113	113	0	74	74	4	97	101
Skimmed milk powder	1	93	94	0	2 630	2 630	0	1 958	1 958	0	1 609	1 609
Other milk powder	0	93	93	0	730	730	0	200	200	1	459	460
Yoghurt, not flavoured	0	101	101	0	97	97	0	11	11	0	35	35
Yoghurt, flavoured	37	9 713	9 750	41	8 198	8 239	41	5 489	5 530	36	6 933	6 969
Other fermented or acidified milk/cream	0	743	743	0	463	463	0	264	264	0	294	294
Whey, whey powder etc	47	2 471	2 518	53	5 263	5 316	33	3 210	3 243	31	5 354	5 385
Butter & butteroil	0	78	78	1	36	37	0	10	10	0	41	41
Dairy spreads				0	136	136	0	72	72	0	374	374
Fresh cheese	243	2 143	2 386	233	2 211	2 444	170	1 432	1 602	170	1 907	2 077
Grated/powdered cheese	11	1 152	1 163	0	1 291	1 291	0	841	841	0	1 034	1 034
Processed cheese	11	2 429	2 440	9	2 814	2 823	7	1 865	1 872	7	1 907	1 914
Blue-veined cheese	14	2 772	2 786	10	2 448	2 458	6	1 580	1 586	2	1 618	1 620
Other cheese	518	11 472	11 990	943	15 999	16 942	695	8 981	9 676	419	11 237	11 656
Total	882	34 958	35 840	1 290	42 429	43 719	952	25 987	26 939	670	32 899	33 569

Source: Statistics Sweden.

Swedish exports of milk and milk products, tons

	1995			1996			1996 Jan.-Aug.			1997 Jan.-Aug.		
	Exports from third countries	Exports from EU-15	Total exports	Exports from third countries	Export from EU-15	Total exports	Exports from third countries	Exports from EU-15	Total exports	Exports from third countries	Exports from EU-15	Total exports
Milk & cream	87	22	109	157	416	573	119	183	302	81	3 921	4 002
Skimmed milk powder	1 341	8173	9 514	2 488	5 751	8 239	477	1 084	1 561	4 280	5 705	9 985
Other milk powder	266	345	611	8	183	191	6	76	82	136	132	268
Yoghurt, not flavoured	44	12	56	4	108	112	3	79	82	3	81	84
Yoghurt, flavoured	39	11047	11 086	56	10 232	10 288	54	7 128	7 182	1	6 572	6 573
Other fermented or acidified milk/cream	20	186	206	45	103	148	42	4	46	4	418	422
Whey, whey powder etc	1 046	302	1 348	1 568	691	2 259	1 264	494	1 758	1 099	296	1 395
Butter & butteroil	5 988	5 144	11 132	5 364	12 300	17 664	461	4 013	4 474	5 281	4 577	9 858
Dairy spreads				2	10	12	2	11	13	171	1	172
Fresh cheese	118	74	192	125	192	317	68	128	196	109	276	385
Grated/powdered cheese	0	21	21	0	2	2	0	2	2	0	1	1
Processed cheese	11	94	105	5	358	363	4	186	190	33	555	588
Blue-veined cheese	3	18	21	1	1	2	1	0	1	15	2	17
Other cheese	1 669	7 090	8 759	1 413	5 537	6 950	846	1 240	2 086	1 386	1 442	2 828
Total	10 632	32 528	43 160	11 236	35 884	47 120	3 347	14 628	17 975	12 599	23 979	36 578

Source: Statistics Sweden and Swedish Dairies' Association.

b) Short term outlook for the dairy product markets

The following estimations are made for the production of milk and milk products in Sweden 1997

	Tons
Milk deliveries	3 290 000
Liquid milk[5]	1 310 000
Cream	88 000
Butter & butteroil	65 000
Skimmed milk powder	35 000
Other milk powder	6 000
Cheese	120 000

It is anticipated that deliveries will increase further this year as Swedish milk producers now have had time to adapt to the quota system. Furthermore, the exchange of quotas on three occasions ought to have brought about a better allocation of the national quota compared to the original distribution between producers.

Due to increased competition from imported cheese and reduced consumption, Swedish cheese production is expected to decline compared to 1996. Production of liquid milk will probably be relatively stable. The increased milk supply will presumably be used to produce more butter and skimmed milk powder.

Following price reductions at the end of 1996 dairies have been forced to further reductions this spring and there might be another adjustment before the end of 1997. The average producer price for 1997 is therefore expected to be cut to 295-300 öre/kg.

[5]. Including fil, yoghurt, etc.

SWITZERLAND

Developments of dairy policies since 1st August 1996

Liberalisation of cheese marketing

Given that the dairy market is to be reorganised as part of the agricultural reforms, the Federal Council has amended the legal status of the Swiss Cheese Marketing Union (USF). The proposed liberalisation of the marketing of hard cheese was accordingly introduced on 1 August 1997.

In its decision of 3 March 1997, the Federal Council had instructed the Federal Department for National Accounts to take further liberalisation measures within the general framework of the current regulations governing the cheese market and the Confederation's financial plan. In particular, the transfer of cheese ownership to retailers was to be brought forward.

The Department and USF worked in close collaboration on the new arrangements. Under the current regulations governing the cheese market (Federal Act on Cheese Marketing), various executive provisions concerning USF require approval by the Federal Council. The latter accordingly approved a new USF order concerning the allocation of goods to its member firms, set in hand an amendment to the Swiss cheesemaking convention contract and revised the USF membership regulations by easing the terms for admission of new members.

Ownership of cheese being transferred much earlier to retailers (within some three months for Emmental, for instance), they take on greater responsibility as entrepreneurs and have to assume more risk. USF no longer bears all the costs and imponderables of storage, maturing and delays in sale: retailers now contribute substantially. USF still takes up cheese not required by retailers, but at lower prices.

These adjustments to the distribution network, and the easing of terms of admission within the framework of the current regulations, are designed to stimulate competition and oblige the cheese sector to assume greater responsibilities; they also represent one stage in the reorganisation of the dairy market, which will inter alia entail the abolition of the Swiss Cheese Marketing Union.

Increase of 5 centimes in the supplement paid for milk converted into cheese

On 1 August 1997 the Federal Council raised the supplement paid for milk converted into cheese by 5 centimes, from 7 to 12 centimes per kilo.

This supplement reduces the price of the raw material for cheesemaking, and will play a key part in the liberalisation of the dairy market set out in Agricultural Policy 2002: the purpose is to make the cheese sector as a whole more competitive.

While the measure has no direct impact on farm income, it has been welcomed as a promising step in farming circles.

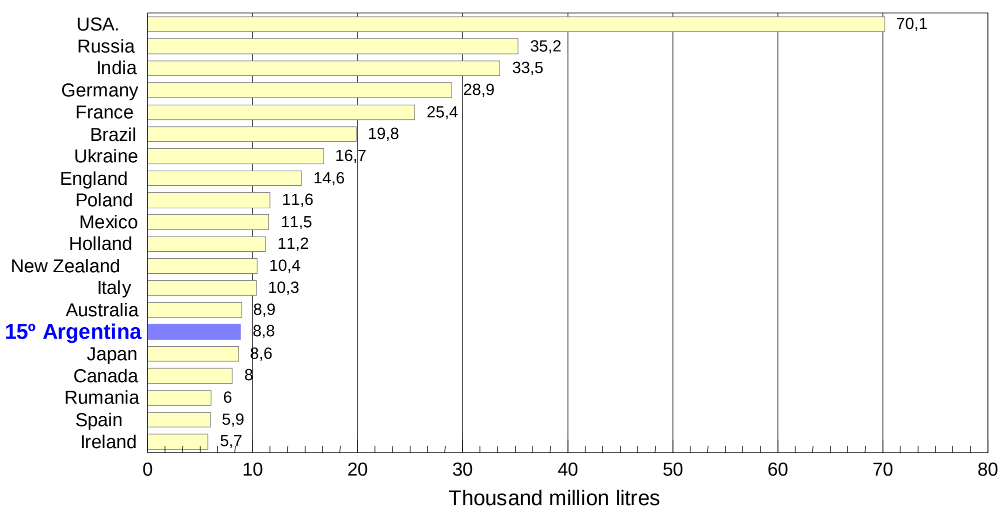
In addition, raising the supplement paid for milk converted into cheese should assist the gradual reduction of aid to exports, as Switzerland is obliged to do under the WTO Agreement.

ARGENTINA

1. World context

Argentina, with a milk production of 8 864 litres in 1996 is fifteenth in the world ranking order, and is, together with Australia, one of the countries that experienced the greatest growth between 1991 and 1996 (USDA, January 1997).

The world total for that year is estimated at 534 000 million litres; Argentina's share is therefore 1.6 per cent (WTO, August 1996).

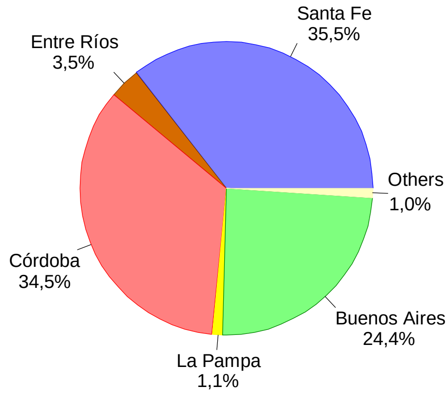


SOURCE: U.S.D.A. Dairy: World Markets and Trade. January 1997

2. Production location, main dairy areas

The Argentine dairy production takes place mainly in the Pampa Region, which gathers the main dairy areas and almost all the dairy farms and the sector's industries.

As a matter of fact, the five Pampa provinces (Buenos Aires, Córdoba, Entre Ríos and La Pampa) produced an average of 99 per cent of the country's milk (91-95), as it is shown in the graph below:



SOURCE: Made from data provided by the provinces

Within "others", Salta, Tucumán and Catamarca stand out by their production. It is also worth mentioning the existence of some non-traditional small areas under incipient development, with animals adapted to their particular conditions.

At a provincial level, different areas can be identified according to the number of dairy farms surrounding industrial plants. The most important are mentioned below:

SANTA FE: In the Central Dairy Area (mainly Castellanos and Las Colonias districts) approximately 990 per cent of milk is produced, while the other 10 per cent is produced in the South Dairy Area (where Gral Lopez and Iriondo districts stand out).

CORDOBA: The Northeast Dairy Area (San Justo District) and the Southeast (mainly San Martín district) are the main ones. Those districts produce about 60 per cent of the provincial total.

BUENOS AIRES: The three most important dairy areas are, in decreasing order, the West, South and North. All together, they control approximately 87 per cent of dairy farms.

ENTRE RÍOS: The West Dairy Area, mainly Paraná, Nogoyá and Diamante districts, gathers the major part of production.

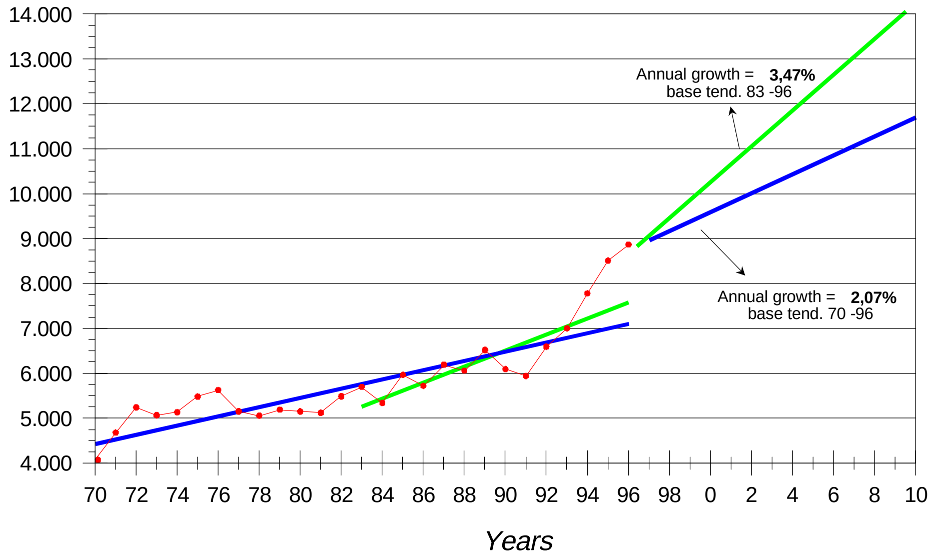
LA PAMPA: Both dairy farms and industrial plants are located in the eastern part of the province.

3. National production evolution and tendency

According to available data, Argentine production shows a growing tendency for the period 1943-1996. However, the growing rate has been faster than in last years. As a matter of fact, between 1991 and 1996, production grew at an annual rate of 8 per cent, while in the period 1983-1996, it did at 3.5 per cent per year.

According to this behaviour, production is expected to grow, in the short run, at an annual rate of between 2 and 3.5 per cent.

NATIONAL PRODUCTION EVOLUTION AND PROSPECTS



SOURCE: Self-made. Base: Agreement *Lechería* S.A.G.P.y A. - C.I.L. - FIEL

The downturn registered in 1996 was a logical consequence of an unprecedent drought that affected the main dairy areas during the second half of 1995 and whose effects were felt at the beginning of 1996's autumn. The shortage of fodder stock and the worsening of pastures caused by the drought must be considered together with the rise in the price of grains, an essential input of the dairy cattle's diet.

4. Industry's characteristics

According to 1994 National Economic Census developed by INDEC, the Food and Beverage Industry in Argentina grew during the period 1990/94 at an annual accumulative rate of 12.1 per cent, higher than the rest of the industry, which was 8.3 per cent. Within the *food* sector**,** fisheries, fruits and vegetables, bakery and dairy products had the greatest growth. The latter had a 12 per cent share of the *Food* Sector's Gross product (Machinea y Obschatko, 10996).

According to such INDEC's census, the Sector 15200 "Manufacture of Dairy products" has the following characteristics (information about 1993):

		% / Industry
Number of Premises	737	0,78
Jobs	21 646	2,03
Production Value ($ million)	2 797	2,91

The last data available, in relation to the number of plants, their location and processing capacity are as follows:

PROVINCE (YEAR DATA)	PROCESSING CAPACITY (litres/day)	QUANTITY OF PLANTS (*)	AVERAGE PLANT (litres/day)
CORDOBA (1996)	9 160 000	332	27 590
SANTA FE (1996)	15 882 000	162	98 037
BUENOS AIRES (1994/95)	7 544 000	276	27 333
ENTRE RIOS (1996)	1 223 500	54	22 657
LA PAMPA (1994)	185 000	24	7 708

(*) Every plant that receives milk and manufactures any dairy by-product will be considered as "plant". A company can have several manufacturing plants.

Source: See details in bibliography.

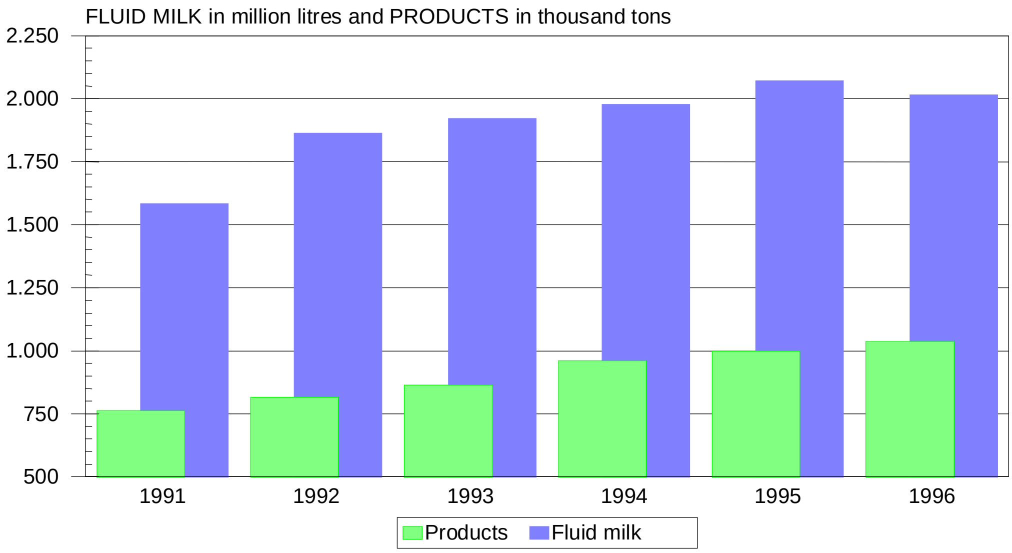
The number of companies and plants is a very dynamic value. On the one hand, small and mid companies are being absorbed practically every day, the same as it is observed all over the world. In the meantime, main companies are investing great amounts of money in opening new establishments and expanding their reception capacity.

The national dairy industry is highly concentrated. A clear example can be seen when considering the relative importance that plants that produce more than 50 000 litres per day have in every province. Although they represent a low percentage of the total (never higher than 20 per cent), they control a great part of reception capacity (a minimum of about 60 per cent). This phenomenon is very remarkable in Buenos Aires, and Entre Ríos and slightly less in Córdoba and Santa Fe.

5. Manufacture of dairy products

In 1996, 1 036 831 tons of dairy products were manufactured in Argentina and 2 014 million litres of fluid milk were produced (including Pasteurised, Sterilised and Chocolate-flavoured).

FLUID MILK and PRODUCTS



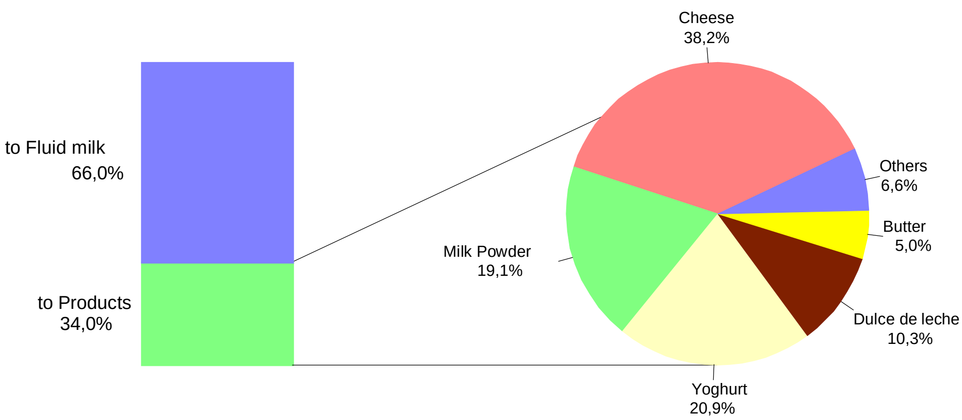
Source: Agreement Lechería, S.A.G.P. y A. - C.I.L. - FIEL

Against 1991, these values represent a growth of 36 and 27 per cent for products and fluid milk respectively.

Against 1995, the growths are 3.7 per cent for products and 2.5 per cent for fluid milk.

MANUFACTURE OF DAIRY PRODUCTS

Year 1996, % in tons



Source: Agreement Lechería, S.A.G.P. y A. - C.I.L. - FIEL

The main destination of Argentine dairy products is the internal market. During the period 1991-1996 exports represented an average of 7 per cent of the total produced. However it is interesting to remark that in the last two years the share in foreign exports has grown to an extent so as to double that value.

The growing insertion of Argentina in the international market of dairy products has led to a change in the *mix* of manufactured products. As a matter of fact, if 1996 values are compared against the average values for the period 1991-94, a high growth of milk powder is observed, with more moderate growths in butter and dulce de leche, and some falls in the share of cheese and yoghurt.

6. Foreign trade

The analysis of foreign trade of dairy products during the period 1991/6 shows that exports grew four times their initial values, imports diminished 14 per cent and the balance of trade changed from a negative balance of more than 100 million dollars, in 1992, to a surplus of near 230 millions, last year.

Evolution of Dairy Product Foreign Trade

Million dollars

	Exports	**Imports**	**Balance**
1991	65.5	70.5	-5.0
1992	15.3	124.4	-109.1
1993	78.6	59.1	19.6
1994	127.6	67.3	60.3
1995	278.8	48.9	229.9
1996	288.9	59.9	229.0

6.a. Exports

1996 exports were, in tons, 6 per cent and 150 per cent against 1995 and the average of the period 1991-1995, respectively.

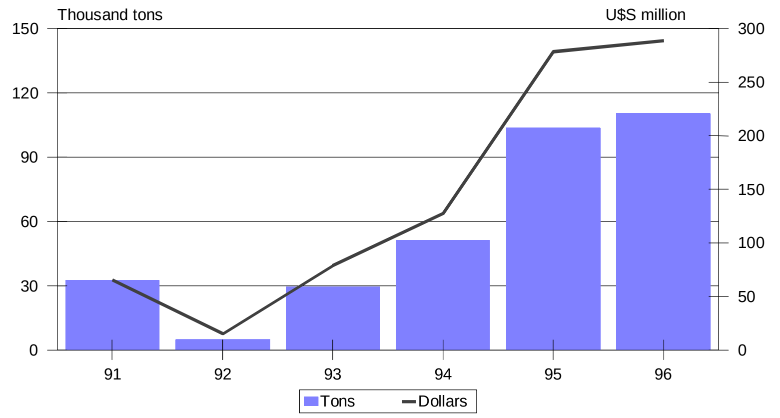
In dollars, last year sales were 4 per cent and 155 per cent higher than 1995’s and the average of the period 1991-1995, respectively.

Dairy product exports

	Tons	Thousand dollars
1991	32 607	65 502
1992	4 979	15 302
1993	29 472	78 645
1994	51 168	127 577
1995	103 856	278 806
1996	110 383	288 9

DAIRY PRODUCT EXPORTS

Evolution 1991-96



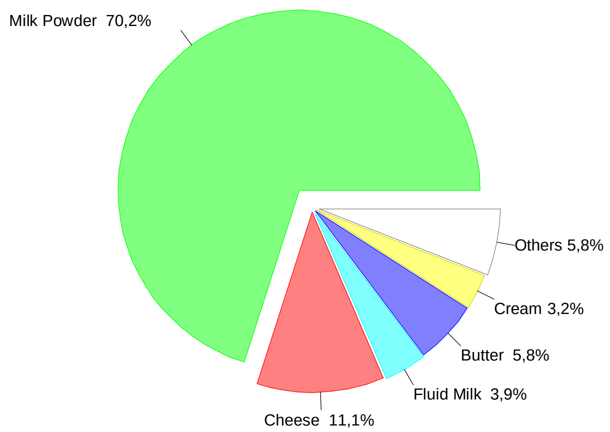
Source: Customs- INDEC
Made by: Lechería, S.A.G.P. y A.

As regards the exports' composition, the products that were most sold are, in this order, Milk Powder, Cheese and Butter.

If this composition is compared against exports from the beginning of the decade, the increase in the share of fluid milk and milk powder and the sudden slump of cheese stand out.

EXPORTED PRODUCTS

Year 1996, % in tons



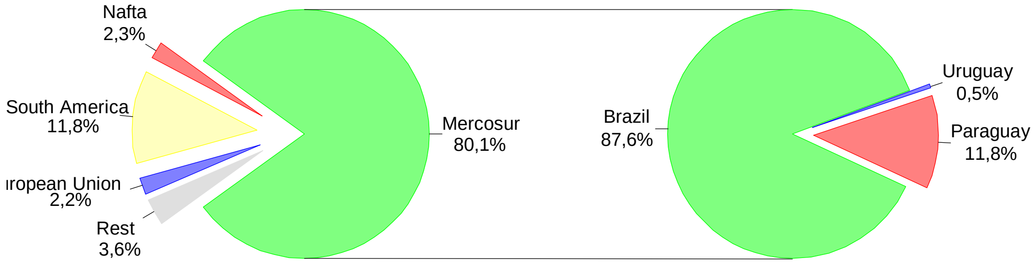
Source: Customs- INDEC
Made by: Lechería, S.A.G.P. y A.

The Mercosur is the main client of our dairy products, importing in 1996 80 per cent of total volume. However, its share has been reduced since 1994, when its imports reached 91 per cent.

This hegemony goes against a favourable evolution in the markets' diversification, which is shown in the increase registered mainly in South American countries «extra Mercosur» and in the group «others».

MAIN DESTINATIONS

Year 1996, % in tons



Source: Customs - INDEC
Made by: Lechería, S.A.G.P. y A.

6.b. Imports

1996 imports were, in tons, 2 per cent higher and 41 per cent lower than the previous period and the average 1991-1995 respectively.

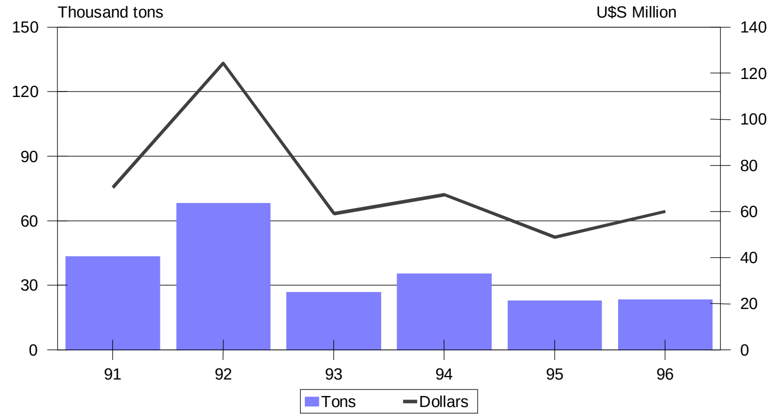
In dollars, last year's imports grew 22 per cent against the previous year's. Instead, they were reduced 19 per cent against the average of the period 1991-1995.

Dairy product Imports (in tons and US$ thousand)

	Tons	Thousand dollars
1991	43 403	70 503
1992	68 127	124 449
1993	26 815	59 087
1994	35 511	67 300
1995	22 879	48 901
1996	23 383	59 899

DAIRY PRODUCT IMPORTS

Evolution 1991-96



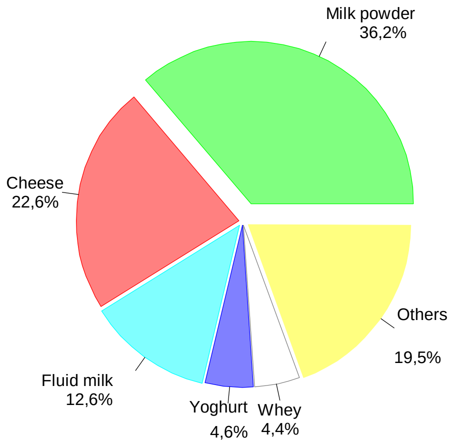
Source: Aduana - INDEC

Made by: Lechería, S.A.G.P. y A.

The composition of 1996 imports has varied against the average of the last years. Although the percentage of milk powder has been reduced, it remains as the main imported product. Within these changes, cheese has considerably grown and is now second in the ranking order. Yoghurt and whey imports have also grown.

IMPORTED PRODUCTS

Year 1996, % in tons



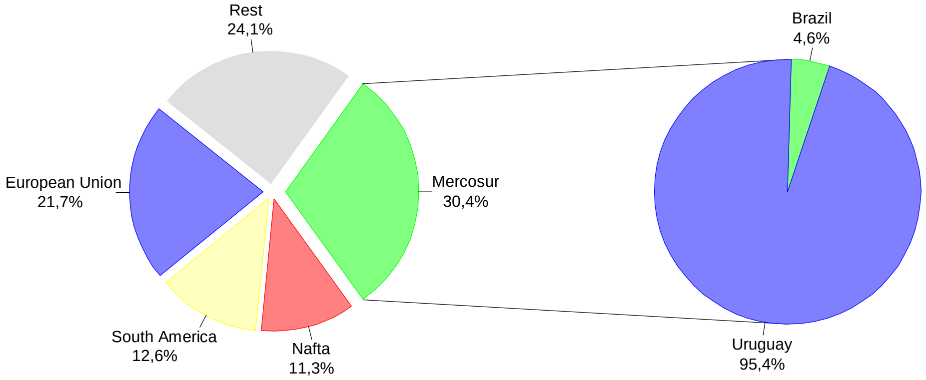
Source: INDEC

Made by: Lechería, S.A.G.P. y A.

As regards origins, the two main providing blocs are the European Union and the Mercosur, which together represent more than 50 per cent of total volume.

MAIN ORIGINS

Year1996, % in tons



Source: INDEC
Made by: Lechería, S.A.G.P. y A.

Against 1995 values, a growth in imports from Mercosur and Nafta and a decrease in those coming from the EU and South America can be seen.

The three main origins, Uruguay, New Zealand and Chile, control 62 per cent of volume.

National milk production (in million litres)

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
Milk for Products	400.4	355.4	345.5	292.6	298.3	304.7	315.4	356.7	393.6	471.0	465.6	478.2	**4 477.4**
Milk for fluid milk	137.8	132.0	143.6	142.1	143.6	149.4	147.9	149.4	145.0	143.6	136.3	142.1	**1 712.5**
TOTAL - 1987	538.2	487.4	489.1	434.7	441.9	454.1	463.3	506.1	538.6	614.6	601.9	620.3	**6 189.9**
Milk for Products	414.8	373.6	342.9	326.3	327.2	280.1	268.2	325.8	365.2	441.6	442.9	484.9	**4 393.5**
Milk for fluid milk	143.6	134.9	146.5	139.2	140.7	134.9	140.7	137.8	136.3	137.8	136.3	139.2	**1 667.5**
TOTAL - 1988	558.4	508.5	489.4	465.5	467.9	415.0	408.9	463.6	501.5	579.4	579.2	624.1	**6 061.0**
Milk for Products	403.9	334.7	393.3	367.1	385.4	366.5	383.9	398.4	449.8	514.7	493.4	489.0	**4 980.1**
Milk for fluid milk	133.4	126.2	142.1	132.0	126.2	111.7	110.2	124.7	126.2	133.4	137.8	136.3	**1 539.9**
TOTAL - 1989	537.3	460.9	535.4	499.1	511.6	478.2	494.1	523.1	576.0	648.1	631.2	625.3	**6 520.0**
Milk for Products	467.4	378.6	403.8	323.3	323.1	291.3	306.5	355.6	386.9	438.1	453.5	485.9	**4 614.0**
Milk for fluid milk	125.4	110.2	117.0	114.4	122.7	125.0	126.7	129.3	122.4	131.7	130.6	123.7	**1 479.1**
TOTAL - 1990	592.8	488.8	520.8	437.7	445.8	416.3	433.2	484.9	509.3	569.8	584.1	609.6	**6 093.1**
Milk for Products	460.5	373.0	345.8	299.0	276.7	246.6	330.6	286.7	388.9	445.1	450.9	449.7	**4 353.5**
Milk for fluid milk	126.2	117.5	129.6	131.8	132.8	129.5	142.0	140.7	126.9	140.1	136.9	129.6	**1 583.4**
TOTAL - 1991	586.7	490.5	475.4	430.8	409.5	376.1	472.6	427.4	515.8	585.2	587.8	579.3	**5 936.9**
Milk for Products	498.3	366.1	329.5	261.8	313.5	333.8	348.9	364.8	421.4	502.0	442.0	546.2	**4 728.3**
Milk for fluid milk	154.3	150.8	172.8	168.2	158.6	154.7	149.1	152.0	149.5	154.1	149.2	148.9	**1 862.2**
TOTAL - 1992	652.6	516.9	502.3	430.0	472.1	488.5	498.0	516.8	570.9	656.1	591.2	695.1	**6 590.5**
Milk for Products	477.0	382.0	366.0	352.0	340.0	333.2	387.6	366.5	460.0	528.8	551.4	537.5	**5 082.0**
Milk for fluid milk	158.1	143.6	171.1	165.3	166.8	165.3	154.5	159.7	154.8	160.9	158.7	161.7	**1 920.4**
TOTAL - 1993	635.1	525.6	537.1	517.3	506.8	498.5	542.1	526.2	614.8	689.7	710.1	699.2	**7 002.4**
Milk for Products	571.6	439.9	400.1	395.8	392.0	421.8	461.0	489.6	540.8	581.2	557.3	549.8	**5 800.9**
Milk for fluid milk	154.9	147.1	176.3	162.3	169.6	167.8	159.0	181.1	151.4	161.6	173.1	172.1	**1 976.3**
TOTAL - 1994	726.5	587.0	576.4	558.1	561.6	589.6	620.0	670.7	692.2	742.8	730.4	721.9	**7 777.2**
Milk for Products	602.2	510.3	501.7	454.9	493.1	505.1	532.4	502.1	522.2	575.1	612.4	624.7	**6 436.2**
Milk for fluid milk	181.6	161.1	187.1	172.5	176.8	175.4	165.2	168.9	165.8	169.9	179.7	166.5	**2 070.6**
TOTAL - 1995	783.8	671.4	688.9	627.3	669.9	680.5	697.6	671.0	688.0	745.0	792.2	791.2	**8 506.7**
Milk for Products	635.0	537.7	516.4	439.0	488.8	482.0	547.5	556.9	589.8	637.9	656.8	666.2	**6 754.0**
Milk for fluid milk	177.2	166.0	181.2	180.7	190.5	181.1	169.6	170.4	161.6	181.4	177.5	173.8	**2 110.9**
TOTAL - 1996	812.1	703.7	697.6	619.7	679.2	663.1	717.1	727.3	751.4	819.3	834.3	840.0	**8 864.9**

Comments Data expressed in million litres. Milk for fluid milk includes raw milk (45% until 1994 and 43% since 1995).

Source and production S.A.G.P.. yA.

Manufacture of products 1980 - 1996 - in tons

Years	Cheese				Butter	Milk powder			Dairy Desserts
	Hard	**Semi-hard**	**Soft**	**Melted**		**Whole**	**Skimmed**	**Total**	
1980	41 685	96 542	110 255		29 051			59 971	40 619
1981	45 568	79 156	103 900		31 762			63 261	50 730
1982	44 335	78 177	109 656		37 034			89 538	55 704
1983	47 341	82 381	118 477		34 064			85 837	59 211
1984	41 075	78 225	125 044		29 077			77 715	64 604
1985	44 486	78 920	124 683		32 142	97 508	14 653	112 161	64 299
1986	41 307	120 987	132 708		32 513	81 595	11 730	93 325	72 548
1987	49 196	120 324	144 601		34 649	86 729	13 492	100 221	75 979
1988	42 750	109 601	133 325		36 644	85 109	23 744	108 853	63 012
1989	46 501	106 091	136 673	4 830	46 856	92 524	43 313	135 837	65 258
1990	45 067	109 290	146 128	5 226	40 696	85 052	33 978	119 030	70 563
1991	45 673	114 785	163 153	6 032	37 826	69 245	22 949	92 194	74 905
1992	50 824	117 606	160 316	7 421	36 636	71 451	23 141	94 592	87 243
1993	46 303	108 784	187 168	7 794	35 760	81 204	22 408	10 612	91 832
1994	56 071	120 462	201 202	7 488	43 494	102 493	26 811	129 304	101 775
1995	51 395	112 453	198 175	6 909	51 299	146 472	36 622	183 094	106 317
1996	51 714	114 289	221 669	7 881	52 182	161 886	36 320	198 206	106 385

PRODUCTION INDUSTRIAL PROCESSING 1989 - 1996

In million litres	1989	Share %	1990	Share %	1991	Share %	1992	Share %	1993	Share %	1994	Share %	1995	Share %	1996	Share %
														o		
Fluid milk (1)	1 540	23.62	1 479	24.27	1 583	26.66	1 862	28.25	1 920	27.42	1 976	25.41	2 071	24.34	2 111	23.81
	13	0.20	18	0.30	21	0.35	27	0.41	29	0.41	31	0.40	28	0.33	26	0.30
Milk powder	1 366	20.95	1 118	18.35	809	13.63	919	13.95	940	13.42	1 224	15.74	1 616	19.00	1 721	19.41
Hard cheese	559	8.57	547	8.98	525	8.84	648	9.83	613	8.75	740	9.52	707	8.31	720	8.12
Semi-hard cheese	970	14.88	1 010	16.58	1 051	17.70	1 203	18.25	1 193	17.04	1 298	16.69	1 210	14.22	1 239	13.97
Soft cheese	919	14.10	953	15.64	997	16.79	1 143	17.34	1 381	19.72	1 450	18.64	1 532	18.01	1 705	19.23
Butter	898	13.77	738	12.11	665	11.20	490	7.44	558	7.97	672	8.64	906	10.65	919	10.36
Dulce de Leche	104	1.60	111	1.82	121	2.04	133	2.02	158	2.26	172	2.21	185	2.17	186	2.10
Yoghurt	144	2.21	110	1.81	150	2.53	149	2.26	189	2.70	193	2.48	229	2.69	223	2.51
Desserts and custards	7	0.11	9	0.15	15	0.25	16	0.24	21	0.30	21	0.27	24	0.28	16	0.18
TOTAL	**6 520**	**100**	**6 093**	**100**	**5 937**	**100**	**6 590**	**100**	**7 002**	**100**	**7 777**	**100**	**8 507**	**100**	**8 865**	**100**

Note: (1) Pasteurised, sterilised, shocolate-flavoured milk, including 45% of raw milk until 1994 and 43% after 1995.
Not included: Caseine, Caseinates, Melted Cheese, Whey and Cream since they are considered by-products.

MILK PER CAPITA PRODUCTION AND PROBABLE PER CAPITA CONSUMPTION

Year	Production (millions)	Inhabitants (millions)	Production per capita (1) (litres/inhab)	Export (millions)	Import (millions)	Probable Consumption (2) (litres/inhab.)
1981	5 092	28.64	177.8	111	145	178.9
1982	5 487	29.05	188.9	340	10	177.5
1983	5 697	29.46	193.4	379	14	181.0
1984	5 341	29.86	178.8	100	31	176.5
1985	5 962	30.27	197.0	78	20	195.1
1986	5 721	30.68	186.5	137	71	184.3
1987	6 190	31.08	199.1	91	122	200.1
1988	6 061	31.49	192.5	438	62	180.5
1989	6 520	31.91	204.3	870	5	177.2
1990	6 093	32.30	188.7	950	23	160.0
1991	5 937	32.69	181.6	403	540	185.8
1992	6 591	33.38	197.5	57	857	221.4
1993	7 002	33.78	207.3	306	301	207.1
1994	7 777	34.18	227.0	527	391	223.6
1995	8 507	34.77	244.7	1 094	227	219.7
1996	8 865	35.22	251.7	1 118	214	226.1

(1) National Production / Population
(2) (Production + Import - export) / Population

Argentine Dairy Production

	1990	1991	1992	1993	1994	1995	1996
1.- Milk:							
Dairy cow numbers	2 344 778	2 327 809	2 378 905	2 382 025	2 417 725	2 358 000	2 358 000
Average yield (tn/cow/year)	2.63	2.55	2.77	2.94	3.22	3.61	3.76
Production (tn)	6 167 572	5 936 900	6 590 500	7 002 400	7 777 200	8 506 700	8 864 00
Total consumption (tn)	6 093 100	5 936 900	6 590 500	7 002 400	7 777 200	8 506 700	8 864 900
uman consumption (tn	1 479 100	1 583 400	1 862 200	1 920 400	1 976 300	2 070 550	2 110 900
Manufacturing use (tn)	4 614 000	4 353 500	4 728 300	5 082 000	5 800 900	6 436 150	6 754 000
2.- Butter:							
Production (tn)	40 064	36 978	36 636	35 760	43 490	51 299	52 182
Beginning stocks (tn)	6 970	4 452	5 422	6 892	6 433	6 253	6 330
Import (tn)	175	7 681	11 321	2 024	2 060	941	256
Export (tn)	7 400	3 005	20	1 273	1 210	6 964	6 391
Consumption (tn)	35 357	40 684	46 467	36 970	44 685	45 199	44 108
Ending stocks (tn)	4 452	5 422	6 892	6 433	6 088	6 330	8 269
3.- Skimmed milk powder:							
Production (tn)	33 978	22 946	23 141	25 242	26 811	36 622	36 320
Beginning stocks (tn)	14 739	7 734	6 530	11 815	9 712	4 482	7 292
Import (tn)	392	10 572	17 920	4 512	4 735	928	1 632
Export (tn)	27 189	8 563	159	6 946	9 132	15 864	19 873
Consumption (tn)	14 337	26 159	35 617	24 911	27 644	18 876	16 448
Ending stocks (tn)	7 583	6 530	11 815	9 712	4 482	7 292	8 923
4.- Cheese:							
Production (tn)	270 672	289 348	336 167	350 049	385 223	368 932	395 553
Beginning stocks (tn)	22 779	24 402	22 379	22 099	21 246	32 506	31 593
Import (tn)	117	2 618	6 262	4 428	6 142	3 556	5 284
Export (tn)	22 304	8,991	2 647	5 079	12 603	12 717	12 289
Consumption (tn)	248 926	284 998	340 062	350 251	373 220	360 684	386 146
Ending stocks (tn)	22 338	22 379	22 099	21 246	26 788	31 593	33 995