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France

Dairy

Dairy Semi-Annual Report

1999

Prepared by:

Mattie R. Sharpless/Susan Reid

U.S. Embassy

Drafted by:

Marie-Cecile Henard

Report Highlights:

France slightly under-utilized its milk production quota in 1998/99, as in 1997/98. In 1998, economic crises in Russia, Asia and South America reduced the world demand for dairy products. This affected French exports of butter (principally to Russia) and non fat dry milk. As a result, prices for non fat dry milk and butter decreased in the last quarter of 1998 and have continued to decrease during the first months of 1999.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Semi-Annual Report
Paris, FR

Executive Summary	1
Section I: Situation and Outlook	2
Section II: Statistical Tables	3
1. PS&D tables	3
2. Trade Matrices	9
Section III: Narrative on Supply, Demand, Policy, & Marketing	15
Production	15
Fluid Milk	15
Cheese	16
Butter	16
Non Fat Dry Milk	17
Consumption	18
Stocks	18
Cheese	18
Butter	19
Non Fat Dry Milk	19
Whole Milk Powder	19
Trade	20
Policy	20

Executive Summary

Preliminary estimates indicate that France under-utilized its milk production quota in the 1998/99 (April/March) production year, as in 1997/98. There were no major changes from CY 1997 to CY 1998 in the production of processed dairy products in France. However, French exports suffered from the low world demand for dairy products (mainly butter and non fat dry milk), due to the economic crises in Russia, Asia, and South America. French butter exports were significantly affected by the Russian crisis in 1998. As a result, prices for butter and non fat dry milk have decreased in the last quarter of 1998 and continue to decrease in 1999. The agreement reached by EU member states to reform the Common Organization of the Market for the dairy sector in Agenda 2000 is not considered as satisfactory by the French dairy sector, because they fear that the termination of the production quota regime coupled with reduced milk prices would reduce farmers' income.

Section I: Situation and Outlook

The European Union (EU) and the United States are competitors on the world market for dairy products. France, as the second leading EU milk producer and exporter after Germany, plays a key-role as a market competitor. Although France mainly exports dairy products to EU member states, its non-EU markets are principally the Middle-East, North Africa, Asia, and Russia.

The Russian economic crisis, which started in August 1998, sharply reduced EU and French shipments of butter to this country, therefore reducing butter prices. In addition, the low world demand for non fat dry milk has depressed prices for this commodity for several months, as a result of the Asian and South American economic difficulties.

The traditional EU tools used by the EU Commission to manage the dairy market are export restitutions and intervention stocks for butter and non fat dry milk. EU domestic producer prices for milk are on a decreasing trend as a result of the Agenda 2000, and EU and French dairy products may therefore become more competitive on the world market. However, EU milk prices will not decrease until 2005, so that present times are a "transition period" where EU milk producers and processors can anticipate this price decrease and adjust to it. In general, the French dairy sector does not support the reform adopted by the EU member states, because it fears that the income of farmers suffer from lower milk prices and the termination of milk production quotas.

Exchange rates used in this report are the following:

1997 1 USD = FF 5.84

1998 1 USD = FF 5.90

Acronyms used in this report are the following:

CFCE: French Center for Foreign Trade

CNIEL: French Information Center for the Dairy Economy

ONILAIT: French Dairy Board

SCEES: Office of Statistics of the French Ministry of Agriculture and Fisheries

Section II: Statistical Tables

1. PS&D tables

PS&D table for milk:

PSD Table						
Country:	France					
Commodity:	Dairy, Milk, Fluid					
		1997		1998		1999
	Old	New	Old	New	Old	New
Calendar Year Begin		01/1997		01/1998		01/1999
Cows In Milk	4562	4567	4453	4476	4370	4432
Cows Milk Production	24957	24893	24700	24793	24500	24700
Other Milk Production	780	728	780	730	780	730
TOTAL Production	25737	25621	25480	25523	25280	25430
Intra EC Imports	592	592	570	563	890	580
Other Imports	0	0	0	0	0	0
TOTAL Imports	592	592	570	563	890	580
TOTAL SUPPLY	26329	26213	26050	26086	26170	26010
Intra EC Exports	754	754	755	759	755	755
Other Exports	74	74	75	57	75	60
TOTAL Exports	828	828	830	816	830	815
Fluid Use Dom. Consum.	4000	4001	4000	4098	4000	4000
Factory Use Consum.	20985	20868	20695	20612	20820	20635
Feed Use Dom. Consum.	516	516	525	560	520	560
TOTAL Dom. Consumption	25501	25385	25220	25270	25340	25195
TOTAL DISTRIBUTION	26329	26213	26050	26086	26170	26010
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

Sources: CNIEL, SCEES, French Customs

PS&D table for cheese:

PSD Table						
Country:	France					
Commodity:	Dairy, Cheese					
		1997		1998		1999
	Old	New	Old	New	Old	New
Calendar Year Begin		01/1997		01/1998		01/1999
Beginning Stocks	58	58	62	62	66	68
Production	1645	1645	1670	1648	1675	1650
Intra EC Imports	141	141	143	154	143	150
Other Imports	13	13	14	14	14	14
TOTAL Imports	154	154	157	168	157	164
TOTAL SUPPLY	1857	1857	1889	1878	1898	1882
Intra EC Exports	376	376	380	383	385	380
Other Exports	96	96	98	99	100	100
TOTAL Exports	472	472	478	482	485	480
Human Dom. Consumption	1323	1323	1345	1328	1345	1330
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	1323	1323	1345	1328	1345	1330
TOTAL Use	1795	1795	1823	1810	1830	1810
Ending Stocks	62	62	66	68	68	72
TOTAL DISTRIBUTION	1857	1857	1889	1878	1898	1882
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	10	10	0	11	0	12

Sources: CNIEL, ONILAIT, SCEES, French Customs

PS&D table for butter:

PSD Table						
Country:	France					
Commodity:	Dairy, Butter					
		1997		1998		1999
	Old	New	Old	New	Old	New
Calendar Year Begin		01/1997		01/1998		01/1999
Beginning Stocks	28	28	15	19	13	40
Production	466	466	465	463	465	464
Intra EC Imports	133	133	133	128	133	130
Other Imports	8	8	8	8	8	8
TOTAL Imports	141	141	141	136	141	138
TOTAL SUPPLY	635	635	621	618	619	642
Intra EC Exports	54	54	50	42	50	45
Other Exports	34	34	30	32	27	33
TOTAL Exports	88	88	80	74	77	78
Domestic Consumption	532	528	528	504	527	520
TOTAL Use	620	616	608	578	604	598
Ending Stocks	15	19	13	40	15	44
TOTAL DISTRIBUTION	635	635	621	618	619	642
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

Sources: CNIEL, ONILAIT, SCEES, French Customs

PS&D table for non fat dry milk:

PSD Table						
Country:	France					
Commodity:	Dairy, Milk, Nonfat Dry					
		1997		1998		1999
	Old	New	Old	New	Old	New
Calendar Year Begin		01/1997		01/1998		01/1999
Beginning Stocks	44	44	30	30	18	34
Production	369	369	350	325	360	330
Intra EC Imports	23	23	23	36	22	30
Other Imports	6	6	5	6	5	6
TOTAL Imports	29	29	28	42	27	36
TOTAL SUPPLY	442	442	408	397	405	400
Intra EC Exports	86	86	80	65	80	75
Other Exports	39	39	35	30	35	35
TOTAL Exports	125	125	115	95	115	110
Human Dom. Consumption	85	85	85	85	85	85
Other Use, Losses	202	202	190	183	190	185
Total Dom. Consumption	287	287	275	268	275	270
TOTAL Use	412	412	390	363	390	380
Ending Stocks	30	30	18	34	15	20
TOTAL DISTRIBUTION	442	442	408	397	405	400
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

Sources: CNIEL, ONILAIT, SCEES, French Customs

PS&D table for whole milk powder:

PSD Table						
Country:	France					
Commodity:	Dairy, Dry Whole Milk Powder					
		1997		1998		1999
	Old	New	Old	New	Old	New
Calendar Year Begin		01/1997		01/1998		01/1999
Beginning Stocks	25	25	23	23	28	23
Production	390	390	410	438	410	420
Intra EC Imports	7	7	10	11	10	10
Other Imports	0	0	0	0	0	0
TOTAL Imports	7	7	10	11	10	10
TOTAL SUPPLY	422	422	443	472	448	453
Intra EC Exports	89	89	90	48	90	60
Other Exports	138	138	145	155	150	150
TOTAL Exports	227	227	235	203	240	210
Human Dom. Consumption	139	139	140	175	140	150
Other Use, Losses	33	33	40	71	40	60
Total Dom. Consumption	172	172	180	246	180	210
TOTAL Use	399	399	415	449	420	420
Ending Stocks	23	23	28	23	28	33
TOTAL DISTRIBUTION	422	422	443	472	448	453
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

Sources: CNIEL, ONILAIT, SCEES, French Customs

PS&D table for dried whey:

PSD Table						
Country:	France					
Commodity:	Dairy, Dried Whey					
		1997		1998		1999
	Old	New	Old	New	Old	New
Calendar Year Begin		01/1997		01/1998		01/1999
Beginning Stocks	0	38	0	31	0	51
Production	0	516	0	560	0	530
Intra EC Imports	0	40	0	47	0	40
Other Imports	0	1	0	0	0	0
TOTAL Imports	0	41	0	47	0	40
TOTAL SUPPLY	0	595	0	638	0	621
Intra EC Exports	0	244	0	264	0	260
Other Exports	0	60	0	48	0	55
TOTAL Exports	0	304	0	312	0	315
Human Dom. Consumption	0	0	0	0	0	0
Other Use, Losses	0	260	0	275	0	260
Total Dom. Consumption	0	260	0	275	0	260
TOTAL Use	0	564	0	587	0	575
Ending Stocks	0	31	0	51	0	46
TOTAL DISTRIBUTION	0	595	0	638	0	621
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

Sources: CNIEL, ONILAIT, SCEES, French Customs

2. Trade Matrices

Trade matrices for milk:

Export Trade Matrix			
Country:	France	Units:	Metric Tons
Commodity:	Dairy, Milk, Fluid		
Time period:	Jan-Dec		
Exports for	1997		1998
U.S.	0	U.S.	0
Others		Others	
Italy	321039	Italy	332257
Spain	196839	Spain	183359
Belg/Lux.	140940	Belg/Lux.	145647
Germany	36520	Germany	43113
Portugal	31568	Portugal	24548
Switzerland	22787	Switzerland	22691
UK	21232	UK	21604
Total for Others	770925		773219
Others not listed	56823		42875
Grand Total	827748		816094

Import Trade Matrix			
Country:	France	Units:	Metric Tons
Commodity:	Dairy, Milk, Fluid		
Time period:	Jan-Dec		
Imports for	1997		1998
U.S.	0	U.S.	0
Others		Others	
Belg/Lux.	392848	Belg/Lux.	377122
Germany	170117	Germany	149787
Spain	25316	Spain	25203
Total for Others	588281		552112
Others not listed	3281		11300
Grand Total	591562		563412

Sources: French Customs, CFCE

Trade matrices for cheese:

Export Trade Matrix			
Country:	France	Units:	Metric Tons
Commodity:	Dairy, Cheese		
Time period:	Jan-Dec		
Exports for	1997		1998
U.S.	10077	U.S.	11115
Others		Others	
Germany	134062	Germany	132161
Belgium/Lux.	60319	Belgium/Lux.	66342
UK	53868	UK	56308
Italy	53582	Italy	52785
Spain	25595	Spain	27281
Netherlands	25434	Netherlands	24555
Saudi Arabia	13763	Saudi Arabia	16141
Switzerland	11092	Switzerland	11127
Denmark	7114	Lebanon	6955
Lebanon	6618	Denmark	6425
Total for Others	391447		400080
Others not listed	70605		70947
Grand Total	472129		482142

Import Trade Matrix			
Country:	France	Units:	Metric Tons
Commodity:	Dairy, Cheese		
Time period:	Jan-Dec		
Imports for	1997		1998
U.S.	254	U.S.	61
Others		Others	
Netherlands	48633	Netherlands	48173
Germany	38814	Germany	42359
Italy	20610	Italy	24942
Belgium/Lux.	11948	Belgium/Lux.	14997
Switzerland	10248	Switzerland	8743
Denmark	6762	Denmark	7094
UK	6140	UK	5522
Spain	4123	Spain	5404
Ireland	2648	Ireland	3703
Australia	1281	New-Zealand	3288
Total for Others	151207		164225
Others not listed	2684		3798
Grand Total	154145		168084

Sources: French Customs, CFCE

Trade matrices for butter:

Export Trade Matrix			
Country:	France	Units:	Metric Tons
Commodity:	Dairy, Butter		
Time period:	Jan-Dec		
Exports for	1997		1998
U.S.	99	U.S.	523
Others		Others	
Italy	24136	Italy	21939
Belg/Lux.	11206	Belg/Lux.	6938
Germany	6017	Germany	4837
Russia	4889	UK	4033
Egypt	4595	Egypt	3265
UK	4173	Greece	2949
Greece	2813	Saudi Arabia	2324
Netherlands	2416	Singapore	2272
Spain	2037	Morocco	1778
Saudi Arabia	1778	Algeria	1730
Total for Others	64060		52065
Others not listed	23822		21352
Grand Total	87981		73940

Import Trade Matrix			
Country:	France	Units:	Metric Tons
Commodity:	Dairy, Butter		
Time period:	Jan-Dec		
Imports for	1997		1998
U.S.	0	U.S.	0
Others		Others	
Ireland	34616	Ireland	28948
Belgium/Lux.	30684	Belg/Lux.	28016
UK	16970	Netherlands	18989
Netherlands	14311	UK	15574
Spain	11095	Italy	11757
Italy	10147	Spain	9236
New Zealand	5947	Germany	5638
Germany	5253	New Zealand	5600
Portugal	3185	Portugal	3648
Sweden	2558	Finland	2645
Total for Others	134766		130051
Others not listed	6504		6115
Grand Total	141270		136166

Sources: French Customs, CFCE

Trade matrices for non fat dry milk:

Export Trade Matrix			
Country:	France	Units:	Metric Tons
Commodity:	Dairy, Non Fat Dry Milk		
Time period:	Jan-Dec		
Exports for	1997		1998
U.S.	0	U.S.	0
Others		Others	
Netherlands	31695	Italy	16898
Italy	16457	Netherlands	16715
Belgium/Lux.	14329	Belg/Lux.	10651
Germany	10584	Spain	9629
Spain	6823	Germany	5479
Mexico	6275	Egypt	4601
Algeria	5949	Cuba	3906
Morocco	3714	Morocco	3161
UK	3537	Taiwan	2803
Japan	3050	Algeria	2737
Total for Others	102413		76580
Others not listed	22865		18195
Grand Total	125278		94775

Import Trade Matrix			
Country:	France	Units:	Metric Tons
Commodity:	Dairy, Non Fat Dry Milk		
Time period:	Jan-Dec		
Imports for	1997		1998
U.S.	0	U.S.	0
Others		Others	
Germany	5805	Netherlands	10385
Belg/Lux.	5266	Germany	8378
Netherlands	4502	Belg/Lux.	7058
Poland	3237	UK	4798
UK	2527	Ireland	3957
Ireland	979	Poland	1578
Spain	943	Czech Rep.	1545
Austria	912	Estonia	1069
Czech Rep.	780	Lithuania	824
Lithuania	724	Denmark	258
Total for Others	25675		39850
Others not listed	3227		2744
Grand Total	28902		42594

Sources: French Customs, CFCE

Trade matrices for whole milk powder:

Export Trade Matrix			
Country:	France	Units:	Metric Tons
Commodity:	Dairy, Whole Milk Powder		
Time period:	Jan-Dec		
Exports for	1997		1998
U.S.	0	U.S.	0
Others		Others	
Algeria	53404	Algeria	72051
Belg/Lux.	27819	Netherlands	18542
Netherlands	24951	Saudi Arabia	11557
Germany	18373	Belg/Lux.	9892
Saudi Arabia	9612	Germany	9316
Senegal	9185	Senegal	7818
Italy	7045	Irak	6124
Lebanon	5439	Cuba	5199
Spain	4677	Mali	5050
Philippines	4389	Lebanon	4921
Total for Others	164894		150470
Others not listed	62574		52832
Grand Total	227468		203302

Import Trade Matrix			
Country:	France	Units:	Metric Tons
Commodity:	Dairy, Whole Milk Powder		
Time period:	Jan-Dec		
Imports for	1997		1998
U.S.	0	U.S.	0
Others		Others	
Belgium/Lux.	2455	Belgium/Lux.	3109
Germany	1748	Germany	3085
Portugal	1427	Netherlands	1505
Netherlands	915	Portugal	1497
UK	182	Ireland	1034
		UK	646
Total for Others	6727		10876
Others not listed	505		589
Grand Total	7232		11465

Sources: French Customs, CFCE

Trade matrices for dried whey:

Export Trade Matrix			
Country:	France	Units:	Metric Tons
Commodity:	Dairy, Dried Whey		
Time period:	Jan-Dec		
Exports for	1997		1998
U.S.	0	U.S.	0
Others		Others	
Netherlands	120198	Netherlands	135248
Spain	34520	Germany	37324
Germany	33814	Spain	36777
Belg/Lux.	26070	Belg/Lux.	26293
China	24832	Italy	20170
Italy	20745	China	10390
South Korea	5660	UK	4927
UK	4820	Mexico	4737
Malaysia	4392	Malaysia	4638
South Africa	3577	Philippines	4544
Total for Others	278628		285048
Others not listed	25748		26739
Grand Total	304376		311787

Import Trade Matrix			
Country:	France	Units:	Metric Tons
Commodity:	Dairy, Dried Whey		
Time period:	Jan-Dec		
Imports for	1997		1998
U.S.	0	U.S.	0
Others		Others	
Germany	15945	Germany	21242
Netherlands	15435	Netherlands	13114
UK	3673	UK	5698
Ireland	3251	Ireland	2519
Denmark	810	Belg/Lux.	1712
Belg/Lux.	663	Denmark	721
Poland	454	Finland	634
Spain	183	Portugal	452
		Spain	341
		Poland	249
Total for Others	40414		46682
Others not listed	517		545
Grand Total	40931		47227

Sources: French Customs, CFCE

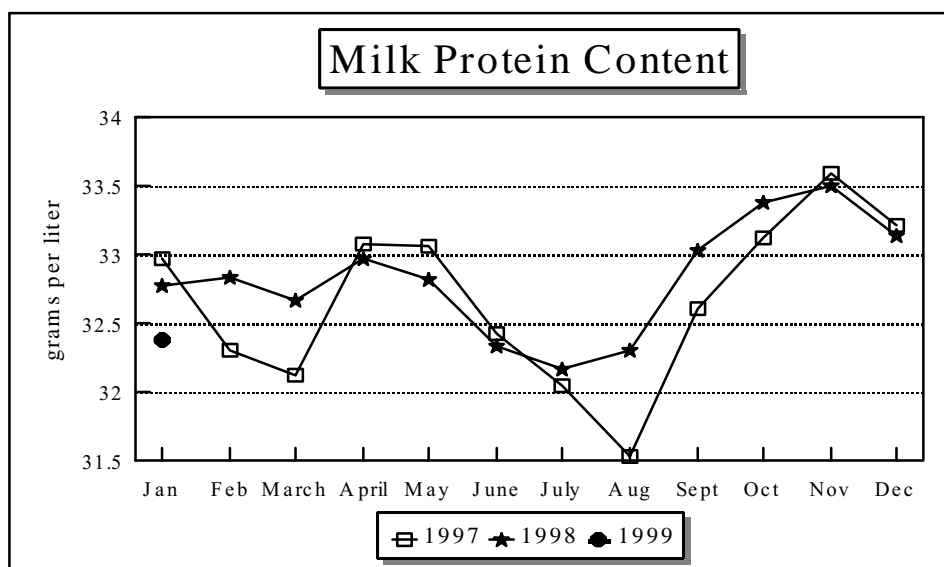
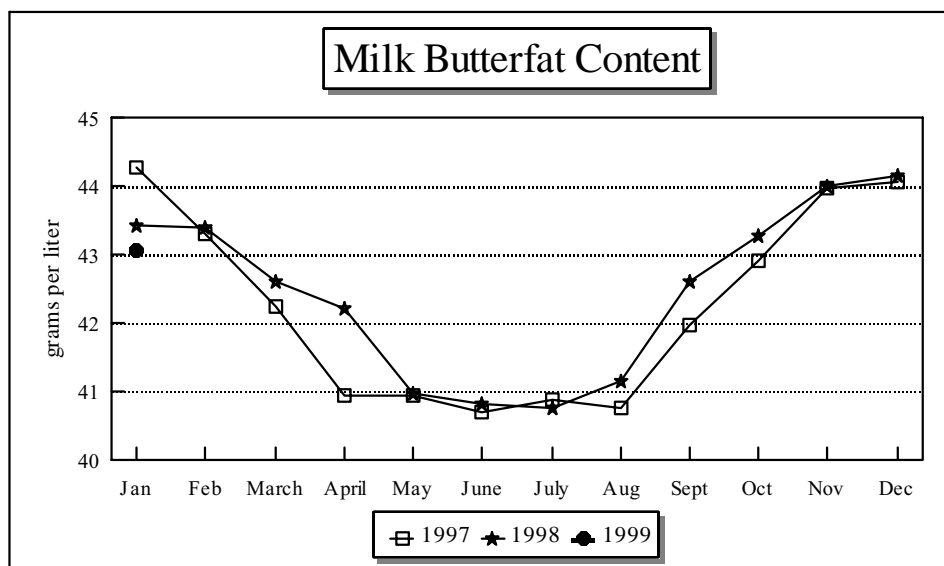
Section III: Narrative on Supply, Demand, Policy, & Marketing

Production

Fluid Milk

Although there are no final estimates for French milk production during the 1998/99 milk production year (April/March), France is likely to have slightly under-utilized its 23.8 million MT of milk production quota, as it did in 1997/98. French milk production decreased by 0.6 percent from the April-February period of 1997/98 to the same period of 1998/99.

On average, French milk butterfat content increased from 42.21 gram/liter in 1997 to 42.44 gram/liter in 1998, while protein content increased from 32.69 grams/liter to 32.83 grams/liter. Fluctuations of butterfat and protein contents were the following in 1997, 1998 and 1999:



Most of French milk production consists of cow milk. The remainder is sheep and goat milk. In 1997, sheep milk production amounted to 242,700 MT and goat milk amounted to 485,000 MT.

Cheese

The French Ministry of Agriculture's Office of Statistics (SCEES) provided the following data for cheese production, by type, for 1997 and 1998 (in MT):

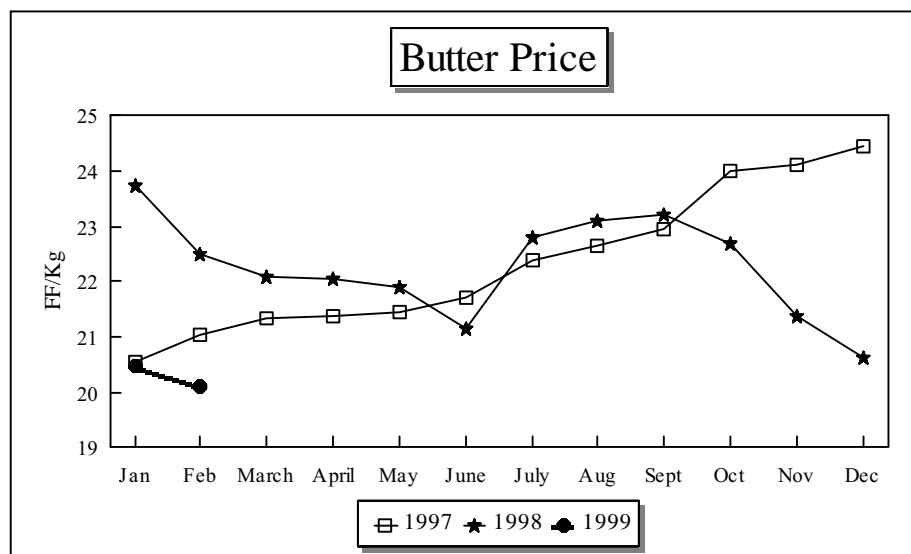
		1997	1998
Cheeses made from cow milk	Fresh Cheeses	530,501	532,328
	Soft Cheeses	454,501	458,353
	Cooked Pressed Cheeses	293,110	310,036
	Uncooked Pressed Cheeses	207,285	211,860
	Blue Cheeses	35,064	37,400
	TOTAL	1,520,720	1,549,977
Cheeses made from Sheep Milk		46,445	46,749
Cheeses made from Goat Milk		47,971	51,538
TOTAL CHEESES		1,645,140	1,648,260

Butter

According to SCEES, French butter production included the following in 1997 and 1998 (in MT):

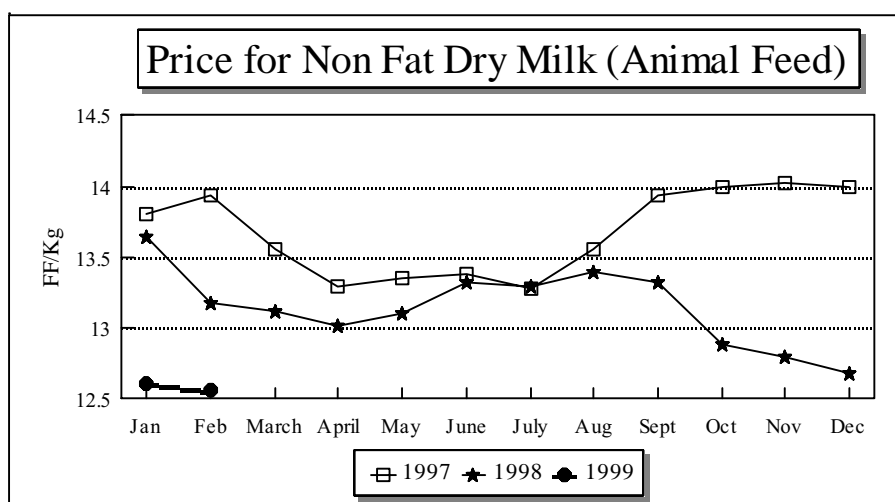
	1997	1998
Butter	389,371	386,459
Butter Oil (made from cream)	72,667	69,894
Light Butter	4,024	6,294
TOTAL BUTTER	466,062	462,647

The graph below shows the fluctuations in the price of French pasteurized butter, at the processing plant. French and EU butter prices have gradually decreased since the last quarter of 1998, as a result of the economic crisis in Russia, which is a traditional importer of butter from the EU and is currently unable to purchase this commodity.



Non Fat Dry Milk

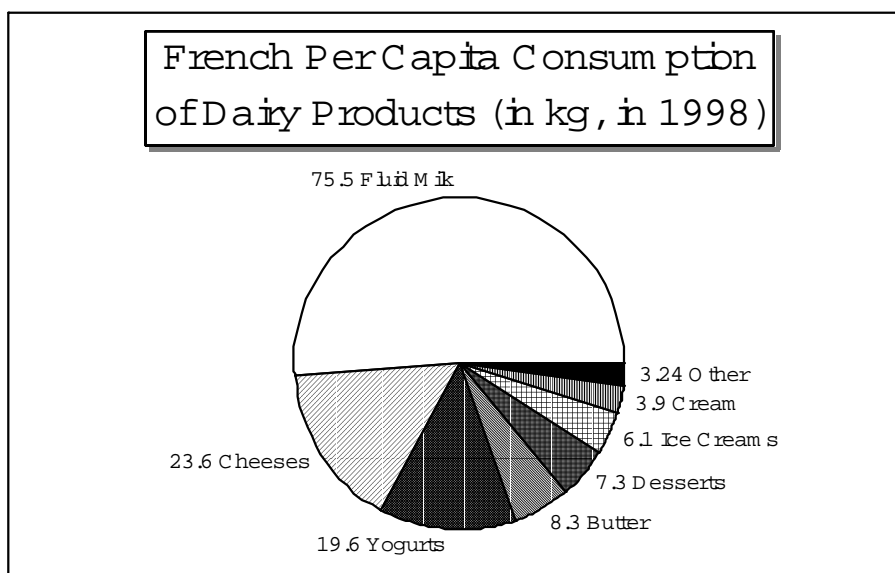
The following graph illustrates the fluctuations in non fat dry milk prices at the processing plant for animal feed uses in 1997, 1998, and 1999.



The economic crises in Russia and Asia reduced the world demand for dairy products, thereby decreasing market prices for butter and non fat dry milk, as illustrated in the graphs above. The demand for dairy products has also declined from Mexico and South America.

Consumption

France is a major consumer of dairy products. The distribution of the major dairy products consumed per capita in 1998 is in the graph below:



Stocks

Cheese

French stocks of cheese included the following in December 1997 and 1998 (in MT):

	December 1997	December 1998
Private Stocks of Cheese under Contract	5,250	7,470
Private Stocks of Cheese in Factories	56,727	60,811
TOTAL CHEESE STOCKS	61,977	68,281

Sources: ONILAIT, SCEES

Note: Private stocks of cheese consist of cooked pressed cheeses, of which 65 percent is Emmental.

Butter

Butter stocks included the following in December 1997 and December 1998 (in MT, butter equivalent):

	December 1997	December 1998
Public Stocks of Butter	0	0
Private Stocks of Butter under Contract	3,726	8,219
Private Stocks of Butter in Factories	11,287	25,853
Private Stocks of Butter-Oil in Factories	3,859	5,713
TOTAL BUTTER STOCKS	18,872	39,785

Source: ONILAIT

Non Fat Dry Milk

French stocks of non fat dry milk included the following in December 1997 and 1998 (in MT):

	December 1997	December 1998
Public Stocks on Non Fat Dry Milk	8,228	4,470
Private Stocks of Pure Non Fat Dry Milk in Plants	17,865	26,250
Private Stocks of Fattened Non Fat Dry Milk in Plants	3,825	3,285
TOTAL STOCKS OF NON FAT DRY MILK	29,918	34,005

Source: ONILAIT

Whole Milk Powder

French stocks (which consisted of private stocks in factories only) of whole milk powder in December 1997 and 1998 included the following (in MT):

	December 1997	December 1998
Bulk Whole Milk Powder, 1.5% - 25.9 % Fat Content	1,648	1,226
Bulk Whole Milk Powder, 26 % Fat Content and Above	13,816	14,820
Packaged Whole Milk Powder	7,676	7,226
TOTAL STOCKS OF WHOLE MILK POWDER	23,140	23,272

Sources: ONILAIT, SCEES

Trade

French trade in dairy products is mainly with EU member states and Switzerland. In addition, French export markets include Middle East countries (Saudi Arabia, Lebanon, Egypt, and Irak), North African countries (Algeria and Morocco), Asian countries (Singapore, Taiwan, Malaysia and Philippines), and Cuba.

Russia was also a traditional market for butter, but the economic crisis that it has faced since August 1998 reduced significantly French and EU butter exports to Russia in 1998.

Policy

The EU Member States reached an agreement in March, 1999 on the reform of the dairy sector as part of the reformed Common Agricultural Policy (CAP) under Agenda 2000. The main measures decided are the following:

- milk producer prices will gradually decrease starting in 2005 by 15 percent in three steps;
- milk production quotas will increase by 2.4 percent starting in 2006, including a 1.5 percent increase for all EU Member States starting in 2005/2006, and a 0.9 percent increase distributed among Spain, Italy, Greece, and Ireland, and termination of the quota regime in 2006 or 2008;
- the compensatory payment will be calculated as a fixed sum per MT according to each producer's quota in 1998/99. It will amount to 5.75 Euros/MT in 2005, 11.49 Euros/MT in 2006, and 17.24 Euros/MT in 2007;
- each EU Member State will have a budget consisting of "supplementary aid" funds allocated to that State by the EU. France's budget will be 187.9 million Euros in 2005 (20.6 percent of the total budgets for EU Member States);
- the transfer of milk production quotas will be more flexible than it is currently.

The French dairy sector welcomes the extension of the production quota regime to the next few years and the delay of the milk price decrease until 2005. However, the French fear that terminating the quota regime and reducing milk prices in future years will affect milk producers' income. In addition, the French dairy sector suspects that the increase in production quotas of the southern EU member states for the next production year would increase total EU production, thereby reducing prices of dairy products, which are currently low (especially butter and non fat dry milk).