

WORLD MARKET FOR DAIRY PRODUCTS

The GATT secretariat today published its fifth annual report on The World Market for Dairy Products.<sup>1</sup>

The report contains comprehensive and detailed information on production, trade, consumption, stocks and world market prices of dairy products. It is based mainly on information given directly to GATT by countries that are producers and consumers of dairy products.

The report covers milk and dairy products, including certain milk powders (whole milk powder, skimmed milk powder, buttermilk powder); milk fats such as butter; cheeses; fresh dairy products; concentrated milk, whey and casein. It analyses trends in production, trade, consumption, stocks and international prices of these products in the year 1983 and the first six months of 1984, with estimates for the second half of 1984 and the year 1984 as a whole. A series of twenty-four tables at the end of the report provides the main statistics on which it is based.

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<sup>1</sup>The World Market for Dairy Products, Geneva, GATT 1984. Available free of charge in English, French or Spanish from the GATT secretariat, Centre William Rappard, 154 rue de Lausanne, 1211 Geneva 21, Switzerland.

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The report contains a summary of the world dairy market situation. Following are salient features:

The situation on the international dairy market is very serious, notwithstanding measures taken to restrain milk production. Keen concern is being felt over the level of stocks and problems of their disposal. Market prices are continuing to weaken. The trend in prices of butter, anhydrous milk fat and whole milk powder is causing considerable disquiet.

World production of milk reached a new record level in 1983 at some 500 million tons, i.e. an increase by nearly 4 per cent; forecasts currently indicate that production could stabilize in 1984. The braking of the upward trend in 1984 can be attributed mainly to the production restraint programmes inaugurated in the EEC and the United States, two of the world's biggest producers. Elsewhere, production is continuing to increase in the USSR and in several Southern Hemisphere countries consequent to the cessation of drought conditions. Beyond 1984 there are a number of conflicting factors which make it difficult to assess possible trends. It should be noted that to redress the existing serious imbalance in world dairy markets, much more than a mere stabilization of milk production is required.

International trade in dairy products declined in 1983 for the second consecutive year. It appears to have amounted only to some 22 to 23 million tons of milk equivalent, as against 24.5 million tons in 1982 and 27 million tons in 1981. The level of stocks and the problems caused by their disposal are having a disquieting effect on the world market situation. An improved economic situation could bring some increase in overall demand for milk and dairy products. Import demand from developing countries can be expected to recover progressively. In addition, the USSR will no doubt remain a major outlet, for butter in particular.

Total food-aid exports are increasing. United States donations of dairy products, in particular skimmed milk powder, have risen considerably. The EEC's aid programmes for 1984 provide for smaller quantities of skimmed milk powder and butter oil than in 1983.

At 1 July 1984, total stocks held by major producers in Western Europe, North America and Oceania were above their level one year earlier; stocks of butter have increased substantially, while the rise in stocks of skimmed milk powder has been much less pronounced. Stocks of butter and skimmed milk powder are expected to be at a higher level at the end of 1984 than at the beginning of the year, while cheese stocks could show some decline. The trend in EEC stocks is causing keen concern, in particular with respect to stocks of butter, which rose sharply in 1983 and have continued to progress in 1984 despite efforts to boost consumption. In October the EEC, which in July 1984 had introduced a series of additional measures to facilitate the disposal of dairy products, including butter, announced two new measures designed to reduce its public stocks of butter - the launching of a "Christmas butter" scheme and the sale of old butter on

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special terms for export to certain destinations. This second measure is currently the subject of consultations within the framework of the International Dairy Arrangement. In the United States, where stocks had been increasing since the beginning of 1980, it is hoped that by the end of 1984 they will be below their level at the beginning of the year thanks to the measures taken to reduce milk production, to an increase in consumption and to increased exports, particularly as food aid.

In 1983, the downward trend of international prices of dairy products continued, even accelerating in the case of certain products; there was keen competition on the prices of all dairy products. This is attributable to pressure from increasing stocks, monetary fluctuations and the consequences of the general economic situation. Prices generally continued to weaken during the first three quarters of 1984. Keen concern is being felt over the market situation, and in particular the trend in prices of butter, anhydrous milk fat and whole milk powder. As regards short-term prospects, the trend in milk output and the disposal of surplus stocks will be the main factors likely to cause a shift in prices which are also influenced by exchange-rate fluctuations. Surplus offer in relation to commercial outlets continues to make its influence felt.

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The International Dairy Arrangement entered into force on 1 January 1980. The International Dairy Products Council, comprising the eighteen participants<sup>1</sup> in the Arrangement, evaluates the situation in the outlook for the world market for dairy products on the basis of reports prepared by the GATT secretariat. These reports are issued annually.

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<sup>1</sup> Argentina, Australia, Austria, Bulgaria, Egypt, European Economic Community (and its member States), Finland, Hungary, Japan, New Zealand, Norway, Poland, Romania, South Africa, Sweden, Switzerland, United States of America and Uruguay.

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