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THE WORLD DAIRY MARKET REMAINS STRONG
AS CHEESE AND MILK POWDERS REACH RECORD PRICES

Stability returned to the world dairy market as supply finally matched demand in 1989. This has buttressed the strong price gains in 1988 with cheeses and milk powders enjoying record prices, and has kept down intervention stocks of butter and milk powders to near-zero levels. These are among the findings contained in GATT's Annual Report¹ on the international dairy products market, published today.

Among the major trends identified in the Report are the following:

- International prices rose strongly throughout 1988, and stabilised overall in 1989. This year, most dairy products have been traded at nearly US\$2,000 per ton, roughly double the pre-1988 levels. For some cheese and milk powders, prices have reached historical records.
- World milk production increased by one per cent in 1989. Production continued to expand in North America, the USSR and India, outweighing further declines in Europe.
- World production of butter in 1989 was 7.5 million tons - the same as in the previous year. Production of skimmed milk powder was 3.8 million tons. In the near future, trade in these products is expected to remain at or slightly below the averages in early 1980s.
- Production and international trade in cheese and whole milk powder continued to expand in 1989. Trade in whole milk powder exceeded the one-million ton mark, confirming its position as the leading dairy export product in terms of volume.
- Reduction of available supplies led to the decline in 1988 and 1989 of food aid in the form of dairy products.

¹The World Market for Dairy Products 1989, Tenth Annual Report - available in English, French and Spanish from the GATT Secretariat, Centre William Rappard, 154 rue de Lausanne, 1211 Geneva 21, Switzerland. Price SF25.-

The GATT report observes that the favourable market conditions have not tempted governments to relax policies aimed at containing milk production. "Obviously, the costs and difficulties entailed by the accumulation of surpluses in the early 1980s have been a lesson," according to the report.

The Tenth Annual Report issued under the GATT International Dairy Arrangement reviews the world market situation for dairy products. It covers developments in 1988 and the first half of 1989 and the outlook for 1989/1990. It is, to a great extent, based on the work of the International Dairy Products Council and its Protocol Committees. A series of detailed statistics is provided for the products covered by the 1979 Arrangement, notably certain milk powders, butter and anhydrous milk fat and certain cheeses.

Note to Editors

The International Dairy Arrangement came into operation on 1 January 1980, and was a result of the Multilateral Trade Negotiations (the "Tokyo Round") of 1973 to 1979. It was, in some respects, a successor to the Arrangement Concerning Certain Dairy Products of 1970. It has been extended until 31 December 1991.

The objectives of the arrangement are: to achieve the expansion and ever-greater liberalization of world trade in dairy products under market conditions as stable as possible, on the basis of mutual benefit to exporting and importing countries; and to further the economic and social development in developing countries. In adopting these objectives, the economic importance of milk and dairy products to many countries, and the need to avoid surpluses and shortages and to maintain prices at an equitable level were recognized.

These objectives are pursued through the activities of the International Dairy Products Council and the Committees of the Protocols. Three Protocols are annexed to the Arrangement: the Protocol Regarding Certain Milk Powders; the Protocol Regarding Milk Fat and the Protocol Regarding Certain Cheeses, which are integral parts of it. Under these Protocols, minimum export prices have been established for skimmed milk powder, whole milk powder, buttermilk powder, anhydrous milk fat, butter and certain cheeses. Participants have undertaken to take the steps necessary to ensure that these minimum export price provisions are complied with. The Committees make quarterly reviews of the application of the provisions of the Protocols by participants, notably their observance of the minimum export prices. The Council makes an evaluation of the market situation twice a year based on background documentation established by the Secretariat.

As of 1 December 1989, the Arrangement had the following participants: Argentina, Australia, Bulgaria, Egypt, the European Communities, Finland, Hungary, Japan, New Zealand, Norway, Poland, Romania, South Africa, Sweden, Switzerland and Uruguay. Other countries have been represented at meetings by observers.

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