

GENERAL AGREEMENT ON TARIFFS AND TRADE

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International Dairy Arrangement

INTERNATIONAL DAIRY PRODUCTS COUNCIL

Status Report on the World Market for Dairy Products

Note by the Secretariat

1. In accordance with Article IV:1(a) of the Arrangement, the secretariat has prepared this note mainly on the basis of replies to the questionnaires received by it up to 14 May 1980 as well as information arising from the operation of the Protocols listed in Article VI of the Arrangement. Other sources used for the preparation of this document include the following: Monthly Bulletin of Statistics (FAO), Meat and Dairy Products, November 1979, (Commonwealth Secretariat), Foreign Agriculture Circular, Dairy, November 1979 and March 1980, and Dairy Situation, December 1979 and March 1980, (US Department of Agriculture), The Agricultural Situation in the Community, 1979 Report, and Official Journal of the European Communities, series L and C, and Economic Outlook, December 1979, (OECD).
2. This note concerns milk and the principal milk products. To the extent permitted by the data available, it reports on production, trade, consumption, stocks and prices of the various products.

Summary

Production

- (a) In 1979 world milk production is estimated to have increased by less than 1 per cent, i.e. at a very much slower rate than in recent years. This slow-down can be attributed to measures taken to that end by some of the major producers and, in addition, to unfavourable weather conditions in certain regions. According to the limited information available for the beginning of 1980, milk production seems to have increased appreciably in some of the major producing countries.
- (b) In most cases, any increase recorded in 1979 was not the result of a larger dairy herd but of improved yield. Such increased yield will probably continue to be the main cause of rising production.

(c) In 1979 and the early months of 1980, production of butter and skimmed milk powder declined appreciably in the major producing countries, while production of whole milk powder and cheese increased. In several producing countries, a larger share of milk production was used for the manufacture of cheese and whole milk powder, products offering better valorization possibilities and which are in keen demand.

Trade

International trade in milk powders, butter, anhydrous milk fat and cheese remained very active in 1979 and the early months of 1980. The main dairy products exporters shipped sizeable quantities of butter and butter oil to the USSR and Eastern Europe. At the same time, purchases of milk powders and cheese by some developing countries remained substantial.

Consumption

(a) No global estimates are currently available as to the trend in world consumption of liquid milk. It would seem, however, that as a general rule, it is tending to develop too slowly to take up more than a small part of the increased milk production, so that larger quantities are available for industrial use. In addition, increased consumption of skimmed and semi-skimmed milk could only add to availabilities of fats.

(b) In 1979, consumption of dairy products worldwide has increased at a rate somewhat faster than 1978. Two factors have been important in increasing consumption. Firstly, relatively favourable economic conditions especially with respect to rising incomes have been reflected in the continuing trend toward greater demand for cheese as well as certain fresh products. Secondly, consumption was stimulated by subsidization of dairy products for both food and feed uses.

Stocks

Partly due to large exports, the aggregate stocks of skimmed milk powder of the main participants decreased to 0.7 million tons by 1 March 1980, compared with 1.3 million tons a year earlier and 1.6 million tons in 1978. After reaching a peak in September 1979, butter stocks decreased also, and in March 1980 were at a lower level than in the preceding year. Stocks of cheese do not appear to have increased greatly in the first months of 1980. In Spain, however, the stocks of cheese at the end of April 1980 were considered rather large.

International prices

International prices of milk powders, butter, anhydrous milk fat and cheese rose in 1979. In the early months of 1980, world prices of skimmed milk powder and whole milk powder were in the region of US\$ 850 and US\$1,100 respectively per ton f.o.b. In the same period, world prices of butter reached US\$1,400 to US\$1,500 per ton f.o.b., while world prices of anhydrous milk fat, which were fluctuating between US\$1,500 and US\$1,600 per ton f.o.b. at the end of 1979, continued to strengthen. In the early months of 1980, international prices of skimmed milk powder, whole milk powder, butter, anhydrous milk fat and the cheeses covered by the Protocol Regarding Certain Cheeses were all at levels well above the minimum prices set by the Arrangement in respect of those various products.

Note: World economic prospects at the beginning of 1979 were clouded by international oil market developments and by rising inflation in some countries of Western Europe and North America. According to certain estimates, growth might slow down in several West European countries, and a recession that might last several quarters is foreseen in the United States. Prospects for 1980 in regard to inflation are not encouraging. It seems possible that consumption in many countries of Western Europe will grow at a slower rate in 1980 as a result of more restrictive demand management policies, reflecting the governments' concern about rising inflation rates. Furthermore, according to certain forecasts, the only really dynamic markets in 1980 are likely to be the oil-exporting countries, and the principal beneficiaries of exports to those markets will be certain West European countries, the United States and Japan.

The general prospects outlined above will very probably affect the market for dairy products in 1980.

MilkProduction

1. The volume of world milk production in 1979 is estimated at slightly more than 460 million tons, with an increase of less than 1 per cent in the course of the year, i.e. about one half of the increase recorded in 1978 which was well down on the preceding year's level.¹

2. This slowing down in the production growth rate can be attributed to measures taken to that end by some major producers and, in addition, to unfavourable weather conditions in certain regions. Nevertheless, the initial indications for 1980 seem to point to an appreciable increase in production in certain countries.

3. In the European Economic Community, despite the premium system in force since 1977, dairy cattle numbers increased by approximately 1 per cent in 1978. In addition, as a result of a good fodder harvest and low prices for concentrated feeds, average yields increased by more than 3 per cent in that year, a trend that seems to have continued in 1979. Milk production probably increased by about 2 per cent in 1979 and deliveries to dairies by approximately 2.4 per cent, reaching nearly 93 million tons. This increase was slower than in the preceding year when production rose by approximately 4.5 per cent and deliveries by about 5 per cent. For the 1979/80 milk year, the common prices of 1978/79 were maintained. New proposals were made for strengthening control measures, including an increase in the co-responsibility levy and an additional levy. Indeed, a further increase in milk production and deliveries seems likely because while in 1980 the dairy herd will probably be affected by the combined influence of inflationary pressures and non-marketing programmes, improved average yield will still be the main cause of increased production. The statistics available for early 1980 indicate that production is still rising.

¹This information refers to production of cow's milk and total milk production. Production of buffalo's, goat's and sheep's milk reached 26, 7 and 7 million tons respectively in 1979. Although production of these milks developed differently from that of cow's milk, there is no significant effect on the overall trend.

4. In most of the other West European countries, and despite the measures taken, deliveries to dairies have increased on average at a rate of 2 to 3 per cent. In these countries too, the production increase generally reflects improved yield, the number of dairy cows having remained relatively stable.
5. In Sweden, milk production amounted to 3,394,000 tons in 1979, increasing by approximately 3 per cent in 1979, as against a 1.5 per cent increase in the preceding year. The increase for 1980 is expected to be about 2 per cent.
6. Milk production in Finland, which had declined by about 1.5 per cent in 1977 and again very slightly in 1978, increased by 0.5 per cent in 1979 to reach 3,242,000 tons. The production ceiling set by the Farm Income Act was exceeded. In such a case, agriculture itself is responsible for the cost of exporting the excess. Deliveries in 1980 are expected to be relatively unchanged and might well be higher than the ceiling, which is lowered from one year to the next.
7. In Norway, where measures have been adopted to limit and stabilize milk production, milk deliveries increased by approximately 2 per cent in 1979, after having declined in the preceding year. Production reached 1,764,000 tons in 1979 and a further increase by approximately 1 per cent is forecast for 1980.
8. In Switzerland, where a production control system is in force, deliveries to dairies increased by 3 per cent in 1979, after a 1 per cent increase in 1978. In 1980, the existing measures were strengthened.
9. In Austria, a different trend can be seen. Milk deliveries to dairies have been subject to a new regulation programme since July 1978 and have continued to decline, by nearly 2 per cent in 1979 as against nearly 3 per cent in 1978. Nevertheless, total production probably increased in 1979 and deliveries are believed to have risen in the last quarter of the year and again in early 1980.
10. According to initial estimates, milk production in Hungary increased more slowly in 1979 than in 1978, by nearly 4 per cent to reach 2,355,000 tons. Production in Bulgaria amounted to 469,000 tons in 1979.
11. In the United States, milk production which had declined by approximately 1 per cent in 1978, increased by 1.7 per cent in 1979 as against the preceding year to reach 56 million tons, the highest level since 1965.

The major factor in this increase was a higher output per cow which occurred primarily as a result of larger concentrate feeding and favourable weather conditions. A slow rate of culling also contributed. Production showed strong year-to-year increases during the latter months of 1979. These increases continued in early 1980 and substantial gains in production are expected to continue during the next several months. Second-half production will be dependent upon many factors, including whether or not cow numbers increase over the June-December period, weather and pasture conditions during the summer and fall, the support price of milk effective 1 October, and any major changes in expected feed prices. It is expected that for all of 1980 milk production could increase by 1 to 2 per cent over 1979. A bill, enacted on 28 November 1979, requires that the support price of milk be set at no less than 80 per cent of parity through 30 September 1981. It also requires that the support price be adjusted in the middle of the marketing year (on 1 April) to reflect changes in the Index of Prices Paid by Farmers (the parity index).

12. In Canada milk deliveries probably increased by less than 1 per cent in 1979, after a decline by almost 2 per cent in 1978. Deliveries seem to have risen, however, in the last quarter of 1979; this upward trend, which seems to have continued into early 1980, should result in a production increase for 1980 as a whole that might exceed 3 per cent.

13. In Australia production dropped by 5 per cent in 1977/78 (year ending 30 June). In 1978/79, although the dairy herd continued to decline in numbers, production was up by about 3 per cent. Nevertheless deliveries seem to have slowed down in late 1979 and for the year as a whole the increase was probably only by 1 per cent. This decline seems to have continued into 1980, and production for the milk year 1979/80 is expected to be well below the level for the preceding period. The decline in Australian dairy production is due to Government adjustment policies and long-term industry trends, with some influence being exerted by short-term seasonal factors. Apart from recent drought conditions, which resulted in an early end to milk production this season, there has been a long-term decline in dairy production as a result of the industry's adjustment, assisted by Government policies, to severe economic pressures, particularly in the international market for dairy products.

14. In New Zealand where production had fallen off by nearly 9 per cent in the year 1977/78 (year ending in May) and despite the drought which caused a further decline in production in early 1979, an increase by approximately 5 per cent was recorded for the year 1978/79. For 1979 as a whole the percentage increase in deliveries was probably higher and the trend seems to have continued into 1980.

15. In Japan production continued to increase but more slowly than in the preceding year. It reached 6,465,000 tons in 1979, i.e. an increase by about 6 per cent. Stabilization measures have been taken.

16. Production seems to have declined in Argentina; in 1979, total domestic utilization was somewhat more than 5 million tons.

17. An important factor in the world production trend in 1979 was the decline in production in the USSR, probably by more than 3 per cent, attributable to inadequate supply arrangements which affected yield and production, despite an increase in the dairy herd. A further decline seems probable in 1980. Poland, the German Democratic Republic and Czechoslovakia, which had increased production in 1978, seem also to have experienced a certain slowdown in the first half of 1979 because of poor weather conditions.

Consumption

18. Information on consumption trends is at present available for only a few countries.

19. A downturn in the consumption of liquid milk and the marketing of upperized and sterilized milk in preference to pasteurized milk were noted in the EEC in 1977 and 1978. Consumption appears to be stationary in Norway and Sweden.

20. Skimmed and in particular semi-skimmed milks seem to be appreciated more and more in certain countries.

21. This trend is noted in the United States, where sales of liquid whole milk declined of nearly 3 per cent in 1979, while sales of skimmed and low-fat milk were up by more than 4 per cent.

22. Household consumption seems to have declined in New Zealand in recent years, while in Australia consumption seems stationary.

23. In certain countries, however, an increase was recorded in 1979. Sales of milk for fluid purposes were up by approximately 3.5 per cent in Canada, and sales of partly skimmed milk by about 7.5 per cent. Hungary has reported an 11 per cent increase in liquid milk consumption.

Fresh milk products

24. At present, the secretariat has only limited information regarding fresh milk products. Moreover, the information received in reply to Questionnaire 4 in general relates only to 1979, so that it is not possible to establish production and consumption trends. What few indications are available are given below.

25. Consumption of products based on fresh or fermented milk would appear to have increased in recent years.

26. In Sweden, production of acidified milk increased by 6 per cent in 1978 and by 5 per cent in 1979, when it amounted to 190,000 tons. Japan's production of acidified fermented milk, acidified milk beverages and other flavoured milk amounted to 938,000 tons in 1979. In Hungary, production of acidified milk is reported to have increased by more than 10 per cent in 1979 and that of sour cream by nearly 12 per cent, amounting respectively to 20,000 and 56,000 tons.

27. Data concerning consumption of the products mentioned in the preceding paragraph are the same as those for production.

28. The rise in the consumption of yoghurt in the EEC seems to have been slower in 1978, as in 1977. In 1979, the production and consumption of yoghurt in Canada, which made notable annual gains in recent years, changed little from 1978 levels.

29. Deliveries of cream seem to have declined in the EEC in 1977 and 1978. Production is reported to have declined in Hungary also. In Sweden, on the other hand, production and consumption increased in 1979 and amounted to 64,000 tons. Production and consumption in Finland in 1978 and in Norway in 1979 amounted to 27,000 and 24,000 tons respectively. United States consumption was 559,000 tons in 1979, 67,000 tons being imported. Canadian consumption of fresh cream is said to have increased by about 7 per cent in 1979.

30. Sweden registered increases in its production of buttermilk and whey, which amounted to 84,000 and 871,000 tons respectively in 1979. Hungary had a production of 509,000 tons of whey in 1979 and also imported buttermilk. Buttermilk production in the United States amounted to 22,000 tons in 1979.

Skimmed Milk Powder

Production

31. World production of skimmed milk powder in 1979 was estimated at 4 million tons, i.e. about 1.4 per cent down on 1978. The major producers are the European Economic Community (1.94 million tons as against 1.97 million tons in 1978), the United States (411,000 tons as against 417,000 tons in 1978) and New Zealand (156,000 tons as against 160,000 tons in 1978). In other producing countries that have signed the Arrangement, such as Switzerland, Sweden and Japan, production increased strongly in 1979 and remained virtually stable in Austria. In Argentina, production totalled 14,800 tons in 1979. A slight increase in production was recorded in Hungary and Finland and a sharp decline in Australia (by approximately 16 per cent), reflecting the decline in that country's butter production. In certain other countries that produce skimmed milk powder, such as the USSR, Brazil and Canada, production seems to have declined by 3 per cent, 7 per cent and 12 per cent respectively, and has remained at stable levels in Poland.

32. Production in the EEC in the first quarter of 1980 declined by 3 to 5 per cent in line with butter manufacture. There was a large increase in production in Sweden and a slight increase in Austria. United States production rose by about 12 per cent while New Zealand production declined by about 8 per cent.

33. Among the causes underlying the fall in skimmed milk powder production in certain producing countries, one may mention an increase in the quantity of liquid skimmed milk used either for feeding calves or for the manufacture of casein. Furthermore, skimmed milk powder production has declined because in several producing countries a larger share of milk production is being used for the manufacture of cheese, whole milk powder and condensed milk - products which offer better valorization possibilities and for which demand is keen.

Trade

34. In 1979 the EEC was the largest world exporter of skimmed milk powder, with exports totalling 607,000 tons, about 40 per cent above the 1978 level. This remarkable increase in EEC exports to third countries is probably due in part to import demand from OPEC countries where school milk programmes have been introduced. New Zealand's exports also increased in 1979, reaching 146,500 tons as against 130,700 tons in 1978. On the other hand, exports by Australia, Austria, the United States, Sweden and Canada declined appreciably in 1979 from their 1978 levels.

35. On the import side, Japan and Spain, both traditional importers, have been purchasing less skimmed milk powder. Japan's imports declined by some 43,000 tons in 1979, reaching 125,000 tons. Most of the skimmed milk powder imported by Japan was used for animal feed. Milk production is increasing in that country, and as a result imports will probably continue to decline in 1980. Argentina, which is traditionally an exporting country, imported approximately 9,200 tons of skimmed milk powder in 1979, while its exports were negligible.

Food aid

36. According to the information available, EEC deliveries for food aid have been rising steadily, reaching some 176,000 tons in 1979 as against 98,000 tons in 1977 and 124,000 tons in 1978. The 1980 programme provides for 150,000 tons by way of food aid. Some 68,000 tons are to be allocated to international agencies, 8,400 tons for reserve stocks and approximately 73,000 tons to be delivered directly to the recipient countries. The main beneficiary of this aid is Asia with 37,000 tons, of which 31,000 to India. 19,500 tons are earmarked for African countries and 10,200 tons for countries in the Middle East.

Consumption

37. On the basis of the data so far available for 1979, it appears that human consumption of skimmed milk powder in many countries of Europe is still very limited. Human consumption of skimmed milk powder in the EEC is relatively stable and is estimated to reach 240,000 tons per year as compared to the total domestic consumption of about 1.9 million tons in 1979. On the other hand, human consumption of skimmed milk powder in 1979 has been declining in Austria and Switzerland. In the United States, total domestic consumption, which had declined by 50,000 tons in 1978 compared with 1977, recovered in 1979 and almost regained the 1977 level. In Japan, human consumption of skimmed milk powder dropped to 133,000 tons as compared to 169,000 tons consumed in 1978.

38. In the EEC, consumption of skimmed milk powder for animal feeding decreased in 1979 as compared to 1978. In Austria, there was a marginal decline in consumption of skimmed milk powder for animal feed while United States use continued to rise, though the quantity used for animal feed (32,000 tons) is still very small in relation to human consumption (328,000 tons). In Japan, consumption of skimmed milk powder for animal feed increased to 111,000 tons in 1979 as compared to 98,000 tons in 1978.

Stocks

39. The rising demand in international trade and in domestic markets of major producing countries, accompanied by a slight decrease in production and the equally important massive disposal of surplus products in the feeding-stuffs sector have resulted in a sharp reduction in skimmed milk powder stocks, especially in the EEC. On 1 March 1980, the EEC, North America and Oceania together held stocks of about 0.7 million tons, compared with 1.3 million tons a year earlier and 1.6 million tons in March 1978.

40. The pronounced fall in stocks during 1979 is essentially due to the decline in EEC stocks. These have dropped steadily from about 1 million tons at 1 January 1978 to 670,000 tons at 1 January 1979 and 230,000 tons at 1 January 1980, as a result of a series of measures designed to encourage the use of skimmed milk powder in animal feed. In 1979 stocks were reduced by increasing demand for skimmed milk powder and a fall in production. In October 1979, the Commission revoked certain measures for the disposal of domestic surpluses.

41. In early 1980, stocks have continued to decline in the Community and amounted to only 165,500 tons at 27 March 1980. By 17 April there had been a further decline, to approximately 153,000 tons. In the first two months of 1980, there have been some modest increases of stocks in Austria and Switzerland. In the same months stocks have been generally reduced in the United States, in Australia and in New Zealand. On 1 March 1980 total stocks of the United States declined by 23,000 tons but government stocks decreased by 39,000 tons.

International prices

42. World prices, which had stood at approximately US\$490 per ton at the end of 1978, increased relatively rapidly in the first eight months of 1979, reaching approximately US\$610 in August. Thereafter the skimmed milk powder supply situation continued very tight and international prices rose still further, reaching some US\$630 to 650 per ton in September 1979. At the end of the year and in the early months of 1980, world prices were in the region of US\$850 per ton, i.e. about twice the minimum price established in the International Dairy Arrangement. As regards the trend in prices, an FAO report estimates that prices might come down again. Certain East European countries and some developing countries have imported large quantities of skimmed milk powder. The FAO forecasts that in the coming months production in Eastern Europe might be resumed and imports might decline. On the other hand, in the developing countries present prices might discourage import demand.

Whole Milk Powder

Production

43. In Western Europe, production probably increased by about 4 per cent in 1979 after having declined by about 1 per cent in 1978. EEC production was estimated at 600,000 tons in 1979, as against 566,000 tons in 1978. The upward trend in the EEC may be due to firmer demand in both the Community market and the world market. United States production reached 38,000 tons in 1979. In Finland, production fell slightly in 1979, to 27,000 tons as against 29,000 tons in 1978. In Switzerland too, production was down in 1979, to 16,000 tons from 18,000 tons in the preceding year. Production of whole milk powder in Japan is fairly stable at around 30,000 tons. On the other hand, production has increased in Australia and New Zealand. Whole milk powder production in Argentina reached 48,000 tons in 1979.

44. Production in many countries of Europe in the first quarter of 1980 was increasing. Overall EEC production was expected to show a rise of about 9 per cent. Production of whole milk powder in the first quarter of 1980 rose by about 34 per cent in Finland, 29 per cent in Sweden, 10 per cent in Austria, 11 per cent in the United States and 30 per cent in New Zealand. Australian whole milk powder production in the current season ending on 30 June 1980 is expected to increase by about 7 per cent.

Trade

45. Whole milk powder trade, which had already reached very high levels in recent years, made further progress in 1979. Accordingly, exports by the EEC in 1979 reached 405,000 tons as against 361,000 tons in 1978 - an increase by about 12 per cent. Australia's exports almost doubled in 1979, reaching 77,800 tons as against 39,400 tons in 1978. Exports by New Zealand increased slightly in 1979 to 64,500 tons as against 61,000 tons in 1978, an increase of about 5 per cent. Finland's exports were 1,000 tons above the 1978 level, reaching 28,000 tons in 1979. As regards the destination of exports, the EEC exports mainly to the Middle East, Africa, Latin America and the Far East; New Zealand and Australia export mainly to the Far East; Finland's exports are mainly to the East European countries. As regards imports by participants, one may note that Switzerland's imports remained stable in 1979 at 2,000 tons, while Argentina's imports in that year totalled 10,700 tons.

International prices

46. Reflecting the firmness of international demand, world prices for whole milk powder increased in 1978 and the first half of 1979. In June 1979 export prices were between US\$830 and US\$850 per ton. Thereafter the market became still firmer and in October 1979 export prices quoted by the major exporters were in a fork of between US\$860 and US\$950 per ton. By March 1980 world market prices had probably reached about US\$1,100 per ton, about 50 per cent above the minimum price of US\$725 per ton set by the Arrangement.

Buttermilk Powder

47. At the time of preparing this report, the secretariat had received only very little information from participants in response to questionnaire 1. It appears that in several participating countries no separate official statistics are kept on production, stocks and trade in respect of buttermilk powder. The figures are not identifiable because they are no doubt included in the statistics for skimmed milk powder. Nevertheless, a few participants have reported the following information for the year 1979.

48. In Switzerland, production of buttermilk powder doubled in 1979, reaching 2,000 tons as against 1,000 tons in 1978. In those two years, total domestic consumption was equal to production. Switzerland neither imported nor exported any buttermilk powder in that period, and stocks at the beginning and the end of the period were nil. New Zealand exported about 17,000 tons of buttermilk powder in 1979, when end-of-year stocks were approximately 10,000 tons, as against 5,800 tons at the beginning of the year. In the United States, imports and exports of buttermilk powder were negligible in 1979. Production, totalling 21,000 tons, was almost entirely used for domestic consumption. Stocks increased from 1,000 tons at the beginning of the year to 2,000 tons at the end. Sweden had no imports nor exports of buttermilk powder in 1979. Production is small (1,700 tons) and was almost entirely used for domestic consumption. Stocks were quite low at the beginning and the end of 1979. In Australia, production of buttermilk powder in 1979 reached 9,200 tons, exports totalled 5,300 tons and stocks declined from 3,900 tons at the beginning of the year to 3,000 tons at the end.

Butter

Production

49. World production of butter in 1979 was estimated at approximately 6 million tons, as in the preceding year. In the EEC, production reached 1.94 million tons, approximately 1.2 per cent less than in 1978. Similarly, in the United States production was down slightly by about 1 per cent to 447,000 tons in 1979. In New Zealand, production of butter and anhydrous milk fat in the 1979/80 season was estimated at 250,000 tons (in terms of butter equivalent) i.e. about 5 per cent less than in the preceding season. Production of butter and anhydrous milk fat in Australia is also likely to decline considerably, (by approximately 20 per cent) in the 1979/80 season in relation to the preceding season, reaching only approximately 83,000 tons. In Austria too, butter production fell off slightly, by 3.5 per cent in 1979 as against 1978. In Argentina, butter production totalled 33,000 tons in 1979. According to certain estimates, production in the East European countries declined slightly, by about 0.7 per cent in relation to 1978, with a larger reduction in the USSR, by approximately 4 per cent from the preceding year's level. Canada's butter production declined slightly in 1979, by about 3 per cent. It may be noted that in several producing countries a larger proportion of milk production was used for the manufacture of cheese and whole milk powder which offer better possibilities of valorization than butter and skimmed milk powder. As a result, production of butter and consequently skimmed milk powder declined. Nevertheless, butter production increased slightly in certain countries in 1979. In Finland, for example, production increased slightly by about 1.3 per cent reaching 74,000 tons, while in Sweden a larger increase, by about 7 per cent, was recorded and production in Switzerland increased by 12 per cent in 1979, reaching 36,000 tons.

50. Butter manufacture in the first months of 1980 showed no general trend in the major producing countries. Production in the EEC was expected to decline by 3 to 5 per cent in the first quarter of 1980. In Australia, a sharp reduction in butter output is expected in the first quarter of 1980. Since mid-1977, the Australian Government has adopted policies aimed at bringing production in the manufacturing sector into line with remunerative market outlets, and this has resulted in diversification away from less profitable products such as butter, while allowing scope for an increase in production of more profitable lines such as fresh milk products, cheese and whole milk powder. In Austria, New Zealand, Sweden and the United States, production of butter was expected to increase slightly in the first months of 1980.

Trade

51. Total EEC exports of butter and anhydrous milk fat in the year 1979 can be estimated at some 0.5 million tons (in butter equivalent) i.e. more than half of world exports of these products. The destinations of these exports include the USSR and certain East European countries. According to estimates, total EEC exports of butter to the USSR in the last months of 1978 and the whole of 1979 are believed to have been slightly more than 100,000 tons.

52. With reference to butter trade between the EEC and the USSR in early 1980, one may note that the EEC Commission has suspended all export refunds on bulk sales of butter to certain East European countries, the USSR and Mongolia. Thereafter the Commission set up a system of sales of intervention butter by tender for the above-mentioned countries. In April 1980, the Commission is reported to have accepted offers for the sale of 20,900 tons of intervention butter held in stock for more than a year and intended for export to the USSR.

53. New Zealand's butter exports in 1979 reached approximately 169,000 tons, the principal outlet being the United Kingdom. EEC imports of butter under preferential terms from New Zealand have been fixed at 120,000 tons for 1979 and 115,000 tons for 1980.

54. Among other butter exporters, Finland exported 17,000 tons of butter in 1979, i.e. 2,000 tons more than in 1978. Australia's exports continued to decline in 1979. Argentina had no butter exports in 1979, but imported 3,500 tons.

Consumption

55. It had been estimated that butter consumption was tending to decline. On the basis of the statistics at present available for 1979, no overall trend can be determined. With a view to reducing butter stocks, the EEC has continued and developed its financing policy for butter consumption. For the 1979/80 season the Community granted a general consumption aid for United Kingdom butter consumption, financed entirely by the Community. In certain member States measures were taken to reduce the price of butter for direct consumption. In Finland, where the consumer price of butter is subsidized, per capita consumption of butter increased in 1979. However, a slight decrease is forecast. In Canada, creamery butter consumption was down 4 per cent from that of 1978. In the United States, total domestic consumption of butter increased by 4 per cent in 1979.

Stocks

56. In the EEC, public stocks of butter stood at approximately 271,000 tons at 1 January 1980, as against 231,000 tons at 1 January 1979, and 117,000 tons at 1 January 1978. In mid-September 1979, public and private stocks of butter were in excess of 600,000 tons. In the United States, Canada, New Zealand, Australia and Finland, butter stocks at 1 January 1980 were generally lower than at 1 January 1979. United States stocks stood at 81,000 tons on 1 January 1980 as against 94,000 tons on 1 January 1979. In Finland, stocks declined by one half in a year, reaching 4,000 tons at 1 January 1980. Australia's stocks declined from 31,000 to 25,000 tons between 1 January 1979 and 1 January 1980.

57. EEC stocks have declined in the early months of 1980. Public and private stocks of butter stood at 320,000 tons at the end of February 1980. On 27 March 1980 stocks totalled 306,000 tons and they continued to decline in the first half of April to the level of approximately 284,000 tons on 17 April 1980.

58. Outside the EEC, stock variations in Europe were only marginal in the first two months of 1980. In the United States, government purchases during the first two months of 1980 were up sharply from a year ago because of increased manufacture of dairy products combined with smaller increases in commercial use. On 1 March 1980, uncommitted stocks of butter were around 75,000 tons, 3 per cent above year earlier levels. Australian stocks fell by almost one third between March 1979 and 1980, while New Zealand stocks declined by about 6 per cent.

International prices

59. Prices of butter in international trade which had been in the region of US\$1,300 per ton f.o.b. towards the end of 1979 strengthened in the early months of 1980 to reach US\$1,400 to 1,500 per ton f.o.b. Export prices were therefore well above the minimum price of US\$925 per ton f.o.b. provided under the Arrangement.

Anhydrous Milk Fat

60. It should be noted that several participants do not keep separate statistics on anhydrous milk fat. The figures are not identifiable because they are no doubt included in the statistics on butter. Nevertheless, a few participants have furnished separate statistics regarding this product.

Production

61. New Zealand's production of anhydrous milk fat increased slightly in 1979 to reach 29,400 tons as against 28,600 tons in 1978. In Switzerland, production is very small. Sweden's production fell off by 2,000 tons in 1979 to reach 5,000 tons. The EEC produces anhydrous milk fat according to its export needs, and production figures correspond more or less to export figures. In Australia, production of anhydrous milk fat reached approximately 21,000 tons in 1979.

Trade

62. In 1979 the principal world exporters of these products were the EEC and New Zealand. The EEC exported 159,000 tons of anhydrous milk fat in 1979 as against 132,000 tons in 1978, including the quantities furnished as food aid (see paragraph 64 below).

63. New Zealand's exports of anhydrous milk fat increased substantially in 1979 to reach 38,000 tons, i.e. 14,000 tons more than in 1978.

Food aid

64. According to the information available, the quantities supplied by the EEC as food aid reached 49,000 tons in 1979 as against 52,000 tons in 1978. The 1980 programme provides for 45,000 tons, of which 13,500 tons to be allocated to international agencies, 3,224 for reserve stocks and approximately 28,400 to be delivered directly to the recipient countries. Asia will be the main beneficiary of this aid, with 17,000 tons of which 12,700 for India. Approximately 6,500 tons will be earmarked for countries in Africa and some 2,000 tons for countries in the Middle East.

Stocks

65. In New Zealand, stocks of milk fat declined sharply in 1979 to reach 5,500 tons at 1 January, i.e. 12,400 tons less than at 1 January 1979. In the EEC, the size of anhydrous milk fat stocks was not known. In Australia, stocks declined by one half in a year to reach 2,400 tons at 1 January 1980.

International prices

66. Prices of anhydrous milk fat strengthened throughout 1979. In the second quarter of the year, export prices were within a fork ranging from US\$1,300 to US\$1,450 per ton f.o.b. In the second half of the year prices continued to rise and at year's end the export prices quoted by the principal exporters varied between US\$1,500 and US\$1,600 per ton f.o.b. When the International Dairy Arrangement entered into force, export prices were about 40 per cent above the minimum price of US\$1,100 per ton f.o.b. provided under the Arrangement. In the first quarter of 1980 prices continued to strengthen.

Cheeses

Production

67. World production of cheese in 1979 was estimated at around 11 million tons, i.e. 3 per cent more than in 1978; it has continued to take up a larger part of the milk produced. The principal producers are the European Economic Community and the United States. According to estimates, total cheese production in the EEC reached 3.33 million tons, i.e. 4 per cent more than in 1978. In the United States too, production was up in 1979 and reached 1.68 million tons, i.e. some 5.5 per cent more than 1978. Cheese production also increased in 1979 in most of the participating countries. Thus, production reached 41,700 tons in Hungary as against 39,000 in 1978, and in Finland it reached 70,000 tons, i.e. 6 per cent more than in the preceding year. In Sweden, Norway and Switzerland cheese production increased slightly, by about 1 to 2 per cent over the 1978 level. In Australia production in the 1978/79 season reached 139,000 tons, approximately 20 per cent over the level for the preceding season. Australia's cheese production can be expected to increase by about 11 per cent during the present 1979/80 season, to reach 154,000 to 155,000 tons. New Zealand's cheese production can also be expected to increase by about 13 per cent during the present 1979/80 season, to reach approximately 105,000 tons. According to estimates, Bulgaria's cheese production probably remained stable in 1979. Production in Argentina totalled 248,000 tons. Cheese production probably increased in the USSR by about 3 per cent in 1979.

68. As in 1979, cheese production in the first months of 1980 continued to absorb increased quantities of milk. In the EEC total production during the first quarter increased by nearly 4 per cent over 1979. In Austria, the increase in production reflects larger milk supplies. In Switzerland, where measures have been taken in order to limit production, production was stable at the level of 1979. After an increase of 5.5 per cent in 1979, United States production was up by 3 per cent as compared to the previous year's level. The trend towards increased cheese output and lower butter and skimmed milk powder production continued in Australia during the first quarter of 1980, when total manufacture was about 13 per cent higher than in 1979. New Zealand's production was almost unchanged.

Trade

69. International trade in cheese remained very active in 1979, particularly on the export side. The main reasons for this trade expansion were firm demand, a relatively favourable price situation, and interest shown by the Near Eastern countries in this product. EEC exports increased by approximately 5 per cent in 1979, reaching some 230,000 tons. The share of

the EEC in world cheese exports is estimated to have reached 40 per cent in 1979, as against 37 per cent in 1978. New Zealand's exports reached approximately 63,000 tons in 1978/79 and may well increase quite substantially in the 1979/80 season, to exceed 100,000 tons. Exports by Australia, which amounted to 51,000 tons in the 1978/79 season, may increase by approximately 18 per cent to a level in the region of 60,000 tons in the 1979/80 season. Exports by Hungary and by Switzerland progressed in 1979, while Norway's exports remained stationary. Argentina's exports reached 5,000 tons in 1979.

70. On the import side, it should be noted that imports by the United States, the EEC and Japan increased in 1979 to reach 113,000 tons, approximately 80,000 tons, and 74,000 tons respectively. Argentina's imports totalled 4,600 tons in 1979.

71. Among the results of the multilateral trade negotiations, one may note that the United States cheese import quotas have been increased to 245 million pounds (approximately 111,000 tons), beginning calendar year 1980, from the level of 128 million pounds (approximately 58,000 tons) in calendar year 1979. The quotas include "price-break" cheeses which have previously entered the United States without quantity restrictions. Bilateral quotas have been granted. One may also note that the EEC has undertaken to allow the import, on specific conditions, of certain quantities of cheese from Australia, Canada and New Zealand. In addition, Canada and the United States have undertaken to allow the import, on specific conditions, of certain quantities of cheese from the EEC. Furthermore, Australia has undertaken to include bindings on certain cheeses in its schedule of concessions annexed to the General Agreement.

Consumption

72. Cheese consumption increased substantially in 1979 in line with the increased production and trade. According to estimates, world consumption of cheeses increased by more than 3.5 per cent over 1978. The relatively favourable economic conditions especially with rising incomes have been reflected in the continuing trend toward greater demand for cheese.

Stocks

73. Cheese stocks in many countries of Europe as of 1 March 1980 have not been built up to much higher levels than a year ago despite substantial rise in production. This was mainly due to strong demand in domestic markets. United States stocks increased by 28,000 tons. Government-held stocks, though rising, were still very small, only 15,000 tons, on 1 March 1980. In both Australia and New Zealand, stocks at 1 March 1980 were estimated to be higher than a year ago. In Spain, stocks of cheese exceeded 32,000 tons at the end of April 1980 and were consequently considered rather large. The Spanish authorities have taken emergency measures regarding imports of cheese and curd under Article XIX of the General Agreement.

International prices

74. In the early months of 1980, export prices of Cheddar were within a fork ranging from US\$1,350 to US\$1,600 per ton f.o.b. The Protocol Regarding Certain Cheeses provides for certain cheeses a minimum export price of US\$800 per ton f.o.b. World prices of the cheeses covered by the Protocol Regarding Certain Cheeses were at levels well above the minimum price.

Other Dairy Products

75. At present, the secretariat has only incomplete data concerning the other dairy products. They are reported below by way of indication.

Whey in powder or block, or concentrated

76. Production of whey in powder in the EEC reportedly increased in 1978. That increase, which seems to have continued in 1979, has been attributed to rising production of cheese, stronger demand in certain sectors of the foodstuffs industry, and utilization in certain compound animal feeding-stuffs. Finland's production, which also increased in 1978, remained relatively stationary in 1979 when it reached 27,000 tons, with animal consumption totalling 25,000 tons. Sweden's production of whey in powder declined in the last two years, amounting to 10,000 tons in 1979 (of which 8,500 tons went into animal feed), whereas its production of concentrated whey increased, reaching 22,500 tons in 1979.

77. In the United States, production of whey in powder rose by more than 10 per cent in 1978, but only a slight increase was recorded in 1979 when production of total whey products reached 408,000 tons. Human consumption is reported as being 417,000 tons. In Canada, output of whey in powder is expected to be around 50,000 tons, an increase of 5 per cent over 1978.

78. Japan imported 11,000 tons in 1979, the principal suppliers being Australia, the United States, Canada and New Zealand. 9,400 tons were used for animal feed.

Concentrated milk¹

79. World production of evaporated and condensed milk is believed to have reached 4.5 million tons in 1979, i.e. an increase by less than 1 per cent over the preceding year when a decline had been recorded.

80. In the EEC, concentrated milk production continued to decline, by approximately 2 per cent in 1979, as in 1978. Variations in Community production are mainly generated by international demand, since consumption in the EEC is stagnating or declining. Exports fell off in 1979 and in the preceding year, by about 6 per cent in 1979 and 2 per cent in 1978. Sweden's production of concentrated milk remained relatively stable in 1979.

81. In the United States, production of evaporated and condensed milk, which had been declining for several years, increased by about 5 per cent in 1979, and consumption also rose. Condensed milk production reached 357,000 tons in 1979, and exports 52,000 tons.

¹Data on evaporated and condensed milk are included under this heading.

82. In Canada, evaporated whole milk production will probably exceed 140,000 tons in 1979, (an increase of 6 per cent). Exports are said to have increased considerably. Condensed whole milk production is reported to have risen by 3 per cent over 1978.

83. Australia's production, which had risen by 5 per cent in 1977/78 (year ending in June) rose by approximately 3 per cent in 1978/79. Exports, which had almost doubled between 1976/77 and 1977/78, dropped back again in 1978/79.

84. Japan's production of concentrated milk (evaporated or condensed) reached 73,000 tons in 1979.

Casein

85. Casein production seems to have continued to progress in a number of countries, and to have exceeded 180,000 tons in 1979, an increase by approximately 7 per cent over 1978.

86. Production in the European Economic Community, which had risen by more than 20 per cent in 1978, increased by 17 per cent to reach some 75,000 tons. Community exports continued to develop while imports fell off considerably in 1979.

87. New Zealand's production increased by 12 per cent in 1978/79 (year ending in May) to reach 64,000 tons; exports have been declining, however, since 1976/77 (year ending in June) when they had reached 62,000 tons.

88. Australia's production fell off slightly in 1978/79 (year ending in June) and a further decline is expected for 1979/80. In Argentina, production had declined in 1978 and seems to have remained stationary in 1979 at 3,000 tons.

89. United States imports reached 68,000 tons in 1979, an increase by 10 per cent over the preceding year. Japan's imports totalled 23,000 tons in 1979.

90. Prices of casein went up considerably in 1979 and this trend can be expected to continue because demand seems on the increase.