The GATT Secretariat today published its second annual report on The World Market for Dairy Products.¹

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 milk 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 1980 and the first six months of 1981, with estimates for the second half of 1981 and the year 1981 as a whole. A series of 17 tables at the end of the report gives a quarterly breakdown of the main statistics on which it is based.

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

The general situation in the international market for dairy products is at present satisfactory, although some elements are giving rise to concern.

According to first estimates, world dairy production seems relatively stationary in 1981, after growing by about one per cent in 1979 and 1980. While this apparent stability is partly the result of measures taken by some major producer countries to regulate their production increase, it is mainly attributable to a decline caused by unfavourable weather and poor supply conditions in certain regions, the USSR in particular. The report says that the possibility of a future increase in production, if these conditions improve, should therefore not be discounted.

Overall, international trade in dairy products remained active in 1980 and the first six months of 1981. At 30 million tons of milk equivalent, this trade in 1980 was slightly above the preceding year's level. Exports by the EEC and New Zealand increased. The USSR remained the largest importer of dairy products. Some East European countries as well as petroleum-exporting developing countries also increased their purchases. Several delivery agreements for dairy products have been concluded for 1981 and 1982, and reports have been received of others which are planned.

Food aid commitments seem to have remained stable; in particular, EEC programmes for 1981 provide for the same quantities of skimmed milk powder and butter oil as in 1980.

World consumption of dairy products seems to have increased more rapidly than production in 1980, for the second consecutive year.

At 1 July 1981, aggregate stocks held by the major producers in Western Europe, North America and Oceania were probably somewhat larger than one year earlier; the stocks are expected to be at a higher level at the end of 1981 than at the beginning of the year. United States stocks, which have been rising very rapidly since the beginning of 1980, could increase still further by the end of 1981; the report says that the question of their disposal has not yet been solved, despite certain measures taken to that end.

International prices of milk powders, butter, anhydrous milk fat and cheese increased in 1980 and have continued to rise or have remained relatively firm in 1981. The future trend will depend mainly on development in milk production, disposal of surplus stocks and currency movements; prices could continue firm if shortages persist in certain major importing countries such as the USSR.

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The International Dairy Arrangement entered into force on 1 January 1980. The International Dairy Products Council, comprising the sixteen participants¹ in the Arrangement, evaluates the situation in and outlook for the world market for dairy products on the basis of reports prepared by the GATT Secretariat. The Council has decided that these reports will be issued each year.²

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

²The first report, covering the period 1979-1980, was issued in October 1980.