
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 1982 and the first six months of 1983, with estimates for the second half of 1983 and the year 1983 as a whole. A series of 24 tables at the end of the report provides the main statistics on which it is based.

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

The growth in world output of dairy products, in the absence of a parallel increase in consumption, has caused stocks to swell and market prices to weaken. The situation in the world market for dairy products is serious and for certain products such as cheese could deteriorate still further.

World output of milk reached a level slightly over 480 million tons in 1982, an increase of nearly 2 per cent. The increase continued in 1983 and for the year as a whole could exceed its 1982 rate; in particular, production has continued to increase in the EEC, the United States and the USSR, where a recovery has been under way since 1982 after several years of decline. The increase in production is due mainly to improvement in yield, which is expected to continue to rise. According to initial forecasts, however, and taking into account measures which have been taken, or which are planned, to control output, in particular by the EEC and the United States, the rate of increase in milk output should be lower in 1984 than in the two preceding years.

Overall consumption of milk and dairy products has progressed less rapidly than milk output in recent years. While it is difficult to forecast the future trend, consumption could tend to develop, in particular because of the economic recovery and various schemes which have been implemented; nevertheless, it seems clear that milk output is currently increasing more rapidly. Unless the milk production increase is checked, the surplus situation of the world market for dairy products can only become still more pronounced.

In 1982, international trade in dairy products, estimated at some 25 to 26 million tons of milk equivalent, was down from the 1981 level when it had been estimated at 27 million tons of milk equivalent. This downward trend seems to have continued in 1983. Demand for dairy products could improve somewhat, however, because of the economic recovery. Prospects for commercial exports to the Middle East and North Africa are not bad on the whole, but in other developing regions and in the USSR and Eastern Europe import demand will probably weaken in 1983/84.

Total food aid exports are increasing. United States donations of milk products, in particular skimmed milk powder, have increased considerably. The 1983 aid programme of the EEC provides for the same quantities of skimmed milk powder and smaller quantities of butteroil in relation to 1982.

On 1 July 1983, total stocks held by the major producers in Western Europe, North America and Oceania were substantially above their level one year earlier; by the end of 1983, they are expected to be very much larger than at the beginning of the year. Keen concern is being felt over the level of stocks in the EEC and the United States. EEC stocks of skimmed
milk powder and butter had increased in 1982 and continued to develop at a very rapid rate in 1983. United States stocks, which have been increasing since the beginning of 1980, have continued to rise; the question of their disposal is still not resolved despite donations and sales to other countries and disposal programmes on the domestic market.

**International prices** of the principal dairy products weakened in 1982, except in respect of Cheddar cheese. In 1983, the downward trend in these prices has continued, even accelerating in the case of certain products. Prices of Cheddar cheese have also dropped back. Keen competition has been seen at the level of prices of all dairy products, attributable to pressure from swelling stocks, monetary fluctuations and the consequences of the general economic situation. The future development of prices will depend in particular on the trend in milk output, disposal of surplus stocks and exchange rate variations. Surplus offer in relation to commercial outlets, and the rising level of stocks, will continue to make their influence felt. The market situation for products such as Cheddar cheese could deteriorate. Taking into account the economic recovery, however, one can hope that prices of certain dairy products such as skimmed milk will be able to firm in the coming months.

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The International Dairy Arrangement entered into force on 1 January 1980. The International Dairy Products Council, comprising the eighteen participants 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.