

GENERAL AGREEMENT ON
TARIFFS AND TRADE

RESTRICTED
DPC/F/26
4 April 1984

International Dairy Arrangement

COMMITTEE OF THE PROTOCOL REGARDING MILK FAT

SIXTEENTH SESSION

Report

Introduction

1. The Committee of the Protocol Regarding Milk Fat held its sixteenth session on 15 and 16 December 1983.

Adoption of the agenda

2. The Committee adopted the following agenda:
1. Adoption of report on the fifteenth session
 2. Information required by the Committee:
 - (a) Replies to Questionnaire 2
 - (b) Summary tables
 - (c) Other information
 3. Review of the market situation for products covered by the Protocol
 4. Adoption of report to the Council
 5. Other business

Adoption of report on the fifteenth session

3. The Committee adopted the report on its fifteenth session. The report will be distributed as document DPC/F/22.

Information required by the Committee

(a) Replies to Questionnaire 2

4. The Committee reviewed the replies to Questionnaire 2 and requested members which had not yet communicated information for the third quarter of 1983 to do so without delay. In addition, it was pointed out that replies to Questionnaire 2 relating to the fourth quarter of 1983 should reach the secretariat not later than 15 March 1984.

(b) Summary tables

5. The Committee had before it a document containing revised summary tables (DPC/F/W/1/Rev.15) prepared in conformity with Rule 28 of the Rules of Procedure and reproducing the information furnished in Tables A and B of Questionnaire 2 regarding anhydrous milk fat and butter. The Committee took note of document DPC/F/W/1/Rev.15.

(c) Other information

6. No other information was requested.

Review of the market situation for products covered by the Protocol

7. The representative of the EEC said that butter output was forecast to show an increase by about 12 per cent in 1983 in relation to 1982, and apparent consumption a decline by some 3.2 per cent. Butter export could be down by around 20 per cent in 1983 while commercial exports of butteroil were tending to rise. The latter increase, however, represented only some recovery having regard to the substantial decline in butteroil exports which had been recorded in 1982. At 15 December 1983, public stocks of butter were at the level of 667,796 tons and private stocks totalled 188,440 tons. Export prices were currently between US\$1,620 and US\$1,650 per ton f.o.b. for butter and between US\$1,800 and US\$1,850 per ton f.o.b. for butteroil.

8. The representative of the United States said that his delegation wished to give some information on recent world butter prices. According to certain indications price quotes for butter were between US\$1,500 and US\$1,550 per ton f.o.b. With regard to anhydrous milk fat, price quotes had been at US\$1,950 per ton f.o.b. but more recently price quotes by New Zealand had been at US\$1,750 per ton f.o.b.

9. The representative of New Zealand said that prices of butter and anhydrous milk fat in international trade were largely unchanged from those reported in the previous session of the Committee in September 1983. He pointed out that butter stocks held by the EEC continued to be at historically high levels. The international markets were relatively quiet at present with most activity for butter occurring in the Middle East and North Africa at low prices.

10. The representative of Japan said that with the increase of consumption at the beginning of the fiscal year 1983, the prices of dairy products had continued to be relatively strong. Under this market situation and for the purposes of stabilization of market prices, the LIPC had sold in June, August and October 1983, 1,937 tons of butter and 13,000 tons of skimmed milk powder. Consequently, prices had remained relatively stable in 1983 so far.

11. The representative of Hungary said that butter output had remained stable in the three first quarters of 1983 while exports and consumption had been rising. To meet the increase in domestic demand, Hungary had had to import some 7,200 tons of butter in the three first quarters of 1983, while in the corresponding period of 1982 its imports had been nil.

12. The representative of Australia said that butter production in the July-September period, at 27,358 tons, had been 41 per cent above the corresponding period in the 1982/83 season. International market pressures would result in most of the increased milk being utilized in the production of butter and skimmed milk powder. The Australian Dairy Corporation estimated that butter production in 1983/84 would increase by 12.6 per cent to reach 99,500 tons. Domestic consumption of butter/butteroil in 1983/84 was estimated to be slightly above the 1982/83 levels at 62,000 tons, and given higher than optimal closing stocks export availability was expected to be 42,000 tons. In the period under review, international market price quotations had been variable depending on the supplier, the market into which the product had been offered, and the terms of sale. In general, prices continued to weaken in response to mounting butter stocks, particularly in the EEC, weak export demand, and increasingly desperate sellers.

13. The representative of Uruguay said that butter production in the three first quarters of 1983 had increased in relation to the corresponding period of 1982. In the same period, exports had progressed substantially, the main destinations being the USSR and Iran.

14. The representative of Switzerland said that butter output in the fourth quarter of 1983 was estimated at 7,000 tons, representing an increase by about 1,000 tons in relation to the corresponding quarter of 1983. Production was expected to continue to rise in the first quarter of 1984. Imports in the fourth quarter of 1983 were estimated at 4,600 tons and for the year as a whole at around 11,900 tons. Imports were forecast to decline in 1984 to between 9,000 and 10,000 tons. Between September and November 1983, domestic consumption was believed to have declined by about 1 per cent. Consumption was expected to continue at a stable level in the first quarter of 1984 and probably thereafter. Stocks had totalled 4,800 tons at the end of November and could continue at that level in the coming months.

15. The representative of Sweden said that output and exports of butter were estimated to have continued in 1983 at the previous year's level, while domestic consumption could show a slight increase in 1983 in relation to 1982.

16. The representative of Norway said that butter exports had risen in the first three quarters of 1983, while consumption had declined somewhat. Stocks at the end of December 1983 were expected to be at a relatively low level.

17. The representative of Finland said that butter output was estimated to have increased substantially in 1983 to reach 85,000 tons, as against 69,000 tons in 1982. Domestic consumption was forecast to show a decline by 3,000 tons to the level of 56,000 tons, as against 59,000 tons in 1982. Following end-of-year sales at reduced prices, however, the decline in consumption in 1983 in relation to 1982 would probably total only 1,000 tons. On the international market, offer prices for butter in the fourth quarter of 1983 had been considerably lower than in the preceding quarter.

18. The representative of South Africa indicated that for the fourth quarter of 1983 production of butter was estimated at 4,800 tons. Consumption did not decrease during the third quarter of 1983 as much as anticipated but it was expected to rise during the fourth quarter to a figure of 4,500 tons due to the promotion campaign during November, involving 1,200 tons of butter. Despite the promotion of butter sales, it was expected that stocks would remain at the September level, i.e. approximately 3,700 tons.

19. The observer for Canada said that in the three-month period August-October 1983, butter production had been down about 17 per cent in relation to the corresponding period of 1982. For the year 1983 as a whole, output could be around 104,300 tons, i.e. 15 per cent below the previous year's level. In parallel with the decline in manufacturing milk production, stocks of butter had dropped back and at 1 October 1983 had totalled 33,000 tons. They seemed to have been still at that level at 1 December 1983.

20. The Committee underlined the need for participants to furnish full information so that its evaluation of the market situation could be as accurate as possible. With a view to attaining the objectives of the Arrangement, compliance with all its provisions was necessary.

Adoption of report to the Council

21. Pursuant to Article VII:2(a) of the Arrangement and in accordance with Rule 22 of the Rules of Procedure, the Committee adopted its report to the Council. That report, on the Committee's sixteenth session will be distributed as DPC/F/24.

Other business

Dates of next sessions

22. At the ninth session of the Council it was proposed that, as for the 1983 sessions, a preliminary calendar should be established for 1984 and provisional dates adopted at the December 1983 sessions of the Committees. The following dates have been agreed for 1984:

26 to 28 March 1984,
- the Council to meet on 29 and (if necessary) 30 March 1984 -
20 to 22 June 1984,
24 to 26 September 1984,
- the Council to meet on 27 and (if necessary) 28 September 1984 -
17 to 19 December 1984.

It was agreed that, to the extent their work permitted, the Committees could hold their sessions in two days instead of three. At the March sessions for which the dates 26 to 28 March 1984 have been scheduled, the session of the Committee of the Protocol Regarding Certain Milk Powders will be followed by the session of the Committee of the Protocol Regarding Certain Cheeses and then the session of the Committee of the Protocol Regarding Milk Fat. The opening date of the session of the Committee of the Protocol Regarding Certain Milk Powders (26 or 27 March 1984) will be confirmed by the secretariat after consultation with delegations.