

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

L/6068

3 November 1986

Limited Distribution

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## INTERNATIONAL DAIRY PRODUCTS COUNCIL

### Report to the CONTRACTING PARTIES

The present report by the Chairman of the International Dairy Products Council is submitted in accordance with the Decision of 28 November 1979 (BISD 26S/201, paragraph 4), and in conformity with an agreement reached in the International Dairy Products Council at its September meeting 1986 (L/6051, paragraph 11). The report provides a resumé of the activities of the Council and its Committees since the Forty-First Session of the CONTRACTING PARTIES.

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1. The International Dairy Arrangement came into operation on 1 January 1980 and has been extended until 31 December 1988, in conformity with Article VIII, paragraph 4. As of 1 November 1986, the Arrangement had the following participants: Argentina, Australia, Bulgaria, Egypt, the European Economic Community, Finland, Hungary, Japan, New Zealand, Norway, Poland, Romania, South Africa, Sweden, Switzerland and Uruguay. Some other countries and international organizations have been represented at meetings by observers.
2. The International Dairy Council re-elected Mr. J.A. Viganó (Argentina) as Chairman for 1986 and Mr. G.A. Stünzi (Switzerland) as Vice-Chairman. Mr. Stünzi was also re-elected as Chairman of the Committees of the Protocols.
3. The Council held two regular sessions in 1986, one in March and one in September and October. The Council reviewed the functioning of the Arrangement on the basis of reports from the Committees of the Protocols and on the basis of documentation established by the secretariat and noted the concerns expressed with regard to the situation in the market for the products covered by the Protocols. Total world milk production had continued to expand, in spite of various measures implemented to limit milk deliveries in many countries. Milk supplies were again excessive in 1986, and surplus stocks of some dairy products continued to increase having a depressive effect on the market, notably in the case of milk fat.
4. The market for butter and anhydrous milk fat continued to be adversely influenced by the presence of abundant supplies and burdensome stocks in 1986, with international butter prices at, or just slightly above, the agreed minimum export price of US\$1,000 per ton f.o.b. The Council expressed its concern at the serious situation in the butter market and stressed that close co-operation was absolutely necessary for solution of the current problems relating to production, trade, stocks and prices of

butter and milk fat. It noted that the Committee of the Protocol Regarding Milk Fat had considered possible steps to be taken to resolve the problems facing butter trade, in accordance with the request of the Council, and that informal discussions were being held among major participants with the aim of developing mutually acceptable solutions to the problems in the butter market.

5. The markets for other dairy products showed appreciable improvements throughout 1986. Prices for Cheddar cheese which were under some pressure from heavy supplies in the middle of the year, recovered somewhat during the third quarter. Prices for milk powders strengthened and remained well above the minimum price. During the 1986 annual review of the prices, it was decided to raise the minimum export prices for cheese and powders effective 2 October 1986. The new minimum export prices were, for certain cheeses US\$1,030 per ton f.o.b., for whole milk powder US\$880 per ton f.o.b. and for skimmed milk powder and buttermilk powder US\$680 per ton f.o.b.

6. At the fifteenth session of the Council, hope and confidence was expressed that the launching of the Uruguay Round would halt and reverse protectionism in the dairy sector, favour developments of positive attitudes for the liberalization of dairy trade and provide scope for improving the International Dairy Arrangement and for a wider participation in it. On the same occasion, the Council agreed that its evaluation of the situation in, and outlook for the world market for dairy products should be released for general distribution as the seventh annual report under the International Dairy Arrangement.