

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

L/6143
23 March 1987

Limited Distribution

INTERNATIONAL DAIRY PRODUCTS COUNCIL

SIXTEENTH SESSION

Note by the Chairman

1. The International Dairy Products Council held its sixteenth session on 19 March 1987.
2. Mr. T. Groser (New Zealand) was elected Chairman for 1987/88 and Mr. P. Huhtaniemi (Finland) was elected Vice-Chairman of the Council.
3. Under Rules 11 and 14 of the Rules of Procedure, the Council invited representatives of Panama and the Economic Commission for Europe, FAO, IMF, OECD and UNCTAD to attend the session as observers.
4. The Council reviewed the functioning of the Arrangement. It took note of reports on the implementation of the Protocol Regarding Certain Cheeses, the Protocol Regarding Certain Milk Powders and the Protocol Regarding Milk Fat and also noted the concerns expressed with regard to the situation in the market for the products covered by the Protocols.
5. The Council took note of the information submitted recently in reply to questionnaires 4 and 5, concerning products not subject to the provisions of the Protocols and concerning domestic policies and trade measures. Participants that had not submitted all the information requested were urged to do so as soon as possible.
6. For its traditional evaluation of the situation in, and outlook for, the world market for dairy products, the Council, in addition to the reports from the Committees of the Protocols, also had before it two documents prepared by the secretariat, namely a status report on the world market for dairy products and a note on food-aid operations as well as the relevant statistical information. The Council took note of the documents and comments made.
7. World milk production had continued to increase at a rate of 1.5 per cent in 1986, but the growth was expected to level off in 1987, assuming that measures applied in several countries to contain the production would yield the results hoped for. However, ample availabilities of feed, low feed prices and the introduction of new techniques, such as the use of bovine growth hormones to dairy cows, may result in any forecasts for the next few years being less reliable.

./.

8. The Council noted with concern a strong decline in international butter trade and a further accumulation of stocks in 1986 and early 1987. World stocks of butter had at the end of 1986 reached 1.64 million tons of which Community stocks accounted for 1.37 million tons. The Council noted with appreciation the information that the European Communities had taken steps to reduce significantly milk production and to reduce stocks of butter. Import demand for cheese and skimmed milk powder had shown some weakness in 1986, but the outlook for the immediate future gave rise to some hope for improvement.

9. Export prices for butter and anhydrous milk fat had remained very depressed throughout 1986, and no rapid improvement was in sight early in 1987. Prices for cheese and milk powders had shown slight improvements in 1986, and expectations were fairly promising for further improvements in 1987.

10. Renewed efforts made late in 1986 and early in 1987 by the European Communities and the United States, to dispose of dairy surpluses abroad, were creating uncertainties in the world dairy market. The Council noted that consultations between the Community and other participants were being pursued in order to alleviate problems caused to traditional trade of butter. It was agreed that the Chairman of the Council should inform the United States of the concern expressed, suggesting that whenever making offers and sales under the new Dairy Export Incentive Program, care should be taken not to disrupt international trade nor depress the prices of dairy products observed by the participants to the Arrangement.