

GENERAL AGREEMENT ON

RESTRICTED

TARIFFS AND TRADE

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Special Distribution

International Dairy Arrangement

COMMITTEE OF THE PROTOCOL REGARDING MILK FAT

Twenty-Ninth Session

Report

Introduction

1. The Committee of the Protocol Regarding Milk Fat held its twenty-ninth session on 17 March 1987.

Adoption of the agenda

2. The Committee adopted the following agenda:
- A. Election of Chairman and Vice-Chairman
 - B. Adoption of report on the twenty-eighth session
 - C. Information required by the Committee:
 - (i) Replies to Questionnaire 2
 - (ii) Summary tables
 - (iii) Other information
 - D. Sales under derogations
 - E. Review of the market situation for products covered by the Protocol
 - F. Oral report to the Council
 - G. Date of the next session

Election of Chairman and Vice-Chairman

3. The Committee elected Mr. P. Huhtaniemi (Finland) as Chairman for 1987/88; no Vice-Chairman was elected.

Adoption of report on the twenty-eighth session

4. The Committee adopted the report on its twenty-eighth session, as amended. This was distributed as document DPC/F/47.

Information required by the Committee

(i) Replies to Questionnaire 2

5. The Committee reviewed the replies to Questionnaire 2 and requested participants who had not communicated such information in respect of the fourth quarter of 1986 to do so without further delay. They were also requested to submit information regarding the first quarter of 1987 by 15 June 1987.

(ii) Summary tables

6. The Committee reviewed the summary tables based on information provided by participants up to the third quarter of 1986, which was issued in document DPC/F/W/22/Rev.4. It noted that amendments to these tables had been communicated by Australia. Further revision would be carried out when data for the fourth quarter of 1986 would be received from all the participants.

(iii) Other information

7. The Committee took note of the statistical information which the secretariat had compiled on production, trade (including food aid), stocks and consumption of dairy products in the United States. Data related to the fourth quarter of 1986 and also forecasts for the first quarter of 1987.

8. The Committee had before it two notes prepared by the secretariat, namely a note on the United States Exports of Dairy Products (DPC/W/68) and a note on the Chernobyl nuclear accident and dairy trade (DPC/W/69).

9. It was noted that the paper on United States Exports of Dairy Products (DPC/W/68) had already been discussed during the meeting of the Committee of the Protocol Regarding Certain Cheeses (DPC/C/45, paragraphs 13 to 19) and that the paper on the Chernobyl nuclear accident and dairy trade (DPC/W/69) during the meeting of the Committee of the Protocol Regarding Certain Milk Powders (DPC/P/47, paragraphs 10 to 17). It was also noted that the comments and suggestions made applied also to the products covered by the Protocol Regarding Milk Fat.

Sales under derogations

10. The representative of New Zealand recalled that at the December 1986 meeting of the Committee, his delegation had confirmed the sale of 50,000 tons of butteroil to Brazil in relation to the Decision adopted on 31 May 1985 (DPC/F/35), and that the shipments were being carried out according to the notified schedule, i.e. delivery in the period October 1986 through to December 1987 (DPC/F/W/25 and Add.1). His delegation had undertaken to furnish more detailed information in the present meeting. He said that 18,311 tons of butteroil had already been shipped to Brazil under the contract concerned as follows:

<u>Year and month of shipment</u>		<u>Quantity (tons)</u> (rounded to nearest ton)
1986	October	3,500
	November	3,533
	December	2,277
1987	January	4,001
	February	2,500
	March	2,500 (Provisional)
Total		18,311

The balance of the contracted quantity was scheduled to be shipped in approximately equal monthly shipments throughout the rest of this year (approximately 3,500 tons per month). The butteroil had been purchased and was being imported by a Brazilian Government State Purchasing Organization. It was being utilized by the Government in an expanded food distribution set of programmes for the needy to augment reduced domestic supplies of milk fat.

11. The Committee took note of the information furnished by the representative of New Zealand.

12. The Committee had before it notifications presented by the EC (DPC/F/W/26 and Add.1), in relation to the Decision adopted on 31 May 1985 (DPC/F/35).

13. The representative of Finland on behalf of the Nordic countries recalled that at the meeting in December 1986, the Nordic statement on this agenda item had been rather pessimistic, particularly when it came to the functioning of the minimum price of butter in the present international market situation. Since then the situation had quite obviously further aggravated. At the beginning of this year it had been still feasible to get certain contracts at the minimum price, though with considerable difficulties, but at present the signals received from the market were becoming more and more negative. The Nordic countries were hearing from potential buyers that their offers at US\$1,000 per ton f.o.b. ought to be lowered "in order to be competitive", and they were being told that butter at prices below the minimum price was available from a number of sources, including suppliers covered by the minimum price obligation. The Nordic countries had so far told their exporters to keep strictly to the minimum price, but they were clearly getting desperate, having to face competition, which they had no means to cope with. The Nordic countries recognized that it might be difficult to quantify the concrete impact that certain extensive sales under derogation had had on the market. It was, however, impossible to neglect the fact that low-price sales amounting to hundreds of thousands of tons could not but influence not only the particular market in question, but also the overall market situation. At the same time the Nordic countries also recognized that excessive stocks, even if not sold in the international market, would exert a certain pressure on the market by their mere existence. It could be argued that an improvement in the long run might have called for certain emergency measures, and that the remedies

for the negative effects of such measures could be found in the Committee Decision of 31 May 1985, whereby the derogation had been granted. The said Decision provided for compensation to those parties, whose traditional markets had suffered from sales under the derogation. As far as the Nordic countries were concerned, they had identified certain losses of their traditional export markets which had taken place as a result of sales under the derogation. Consultations had been held between the Nordic countries and the European Communities, following the information that was initially received in January and confirmed at the beginning of March, regarding major deliveries by a Community operator to the USSR. The Nordic delegations understood that considerable progress had been made in discussions which were continuing now in Brussels. The Nordic delegations were hopeful that the solution envisaged in these consultations could be put into effect in the next few months. While the Nordic countries did not believe that it would be possible to completely repair the damage resulting from these sales, they hoped nevertheless that the remedial action to be taken by the EC could alleviate the problems they were currently facing. This would also contribute to the maintenance of the viability of this Protocol. The Nordic countries would find it highly regrettable, if the Protocol Regarding Milk Fat were to fail at this moment, given the fact that the Uruguay Round had just been launched. Nevertheless the Nordic countries could not overlook the difficulties that their exporters were facing in following the present minimum price. It seemed for the Nordic delegations, perhaps more probable than ever before during the lifetime of the Protocol, that a stage might be approached where it might become impossible to maintain the minimum price at its present level. The necessary conclusions on the basis of this fact had to be drawn. But, until such a moment came, the Nordic countries would respect the minimum price and expect that all other participants would act accordingly.

14. The representative of New Zealand thanked the spokesman for the Nordic countries for summarizing very well the situation of the market. The Nordic countries had noted that it was getting difficult to sell butter at the GATT minimum price. Like the Nordic countries, New Zealand too was suffering from this situation and was having problems in making sales at the moment. Expectations had been created in the market which were having a serious breaking effect on his country's ability to supply. He noted that the spokesman for the Nordic countries had mentioned also the positive effects of the derogation procedure in this area in helping to dispose large stocks of butter which were overhanging in the market. New Zealand had as well considered this as a beneficial development in terms of the measures taken by the EC in order to reduce the stocks. He noted that the spokesman for the Nordic countries had nonetheless mentioned that this gave rise to the question of safeguarding the position of traditional suppliers in the market and that consultations were being held under paragraph 4 of the Decision (DPC/F/35). He informed the Committee that New Zealand also had commenced consultations with the EC and these consultations were continuing. As provided by paragraph 4 of the Decision (DPC/F/35) "the purpose of these consultations shall be to define the measures to be taken to enable the above-mentioned participants to realize their traditional volume of sales". He concluded by stating that New Zealand had an expectation that this would occur and wished to see the satisfactory conclusion of these consultations to this effect.

15. The representative of Australia hoped that the EC delegation might elaborate on the aspects of the derogation to convince participants that their sales to the USSR were in compliance with the provisions of this derogation given that the contract had been marked on 29 December 1986, but notifications to others did not come until later. He noted that now in mid-March 1987, there were indications that the sales had not yet been fully concluded. He requested the representative of the EC to furnish an explanation and to show that the sales were in compliance with the provisions of the derogation.

16. The representative of the EC said that, in accordance with the Decision adopted on 31 May 1985 (DPC/F/35), the Community had made use of the derogation under Article 7:1 of the Protocol on two occasions. The first had been in March-April 1986 (DPC/F/W/23 and Add.1) and it was now using the derogation for the second time. The Commission of the European Communities had accordingly sent the Chairman and the secretariat a notification dated 15 January 1987. In reply to the representative of Australia, who had mentioned the belated arrival of that notification, he explained that the reasons for the delay were quite simple. During the period of the year-end holidays, communications in Europe were extremely difficult. The offices of the Commission were closed and things did not fully return to normal until some time after the holidays. He stressed that the Community operator concerned had proven to the Commission that the contract had been signed on 29 December 1986. The contract was being carried out by an operator of the Community. The quantities contracted were a minimum of 300,000 tons and a maximum of 500,000 tons. As indicated in the notification (DPC/F/W/26/Add.1), the contract concluded with the Soviet Union on 29 December 1986 provided for the sale of 300,000 tons with an option to deliver an additional quantity of 200,000 tons. The reasons why the operator had not signed a contract providing from the outset for the sale of 500,000 tons were quite understandable: the operation was costing the Community an enormous amount of money and it was making a tremendous sacrifice in order to dispose of its stocks. The fact was that in recent years the Community had followed a policy of storing butter and not one of exporting it. The Community's share of total world exports, which had been 65 per cent in 1980, had now fallen to 48 per cent, and that included the Community's special sales by virtue of derogations. During the same period, other exporting countries had substantially increased their market share. He reiterated that the special sales were very costly to the Community. His delegation was not able to say what the export price was for the first tranche of 100,000 tons of butter to be delivered to the Soviet Union but it could inform the Committee that the Community's intervention bodies had sold the operator the 100,000 tons at the price of 225 ECU's per ton. As called for by the Decision, the delivery period from the date of sale (29 December 1986) would be 18 months; following a tendering procedure, the tender for the first tranche of 100,000 tons had been accepted on 29 January 1987. The next award would take place very soon. He pointed out that the quantities covered by the contract could only be exported in tranches, if only because of the difficulties of shipping butter from the Community to the Soviet Union.

17. With regard to the bilateral consultations that had been undertaken at the request of countries that were traditional suppliers of the USSR market, he said that they had started a few weeks earlier and were continuing. His delegation's first impression was that the consultations were developing in a very constructive manner. Consequently, the Community hoped to be able to satisfy those countries as concerned realization of their traditional volume of sales to the Soviet Union. In that connection, his delegation welcomed with satisfaction the statement of the spokesman for the Nordic countries that the Nordic countries were optimistic about the results of the consultations.

18. The representative of New Zealand thanked the representative of the EC for the additional information furnished, in particular the information concerning the prices. However, participants should note the serious effects that a sale of this size at this price would have on the overall market situation, even if the sale was effected to a particular market. New Zealand as a traditional supplier of butter had to be concerned about its commercial markets. His delegation did not think that the outcome of the debate was satisfactory with regard to the explanations given as to the carrying out of the obligations under paragraph 4 of the Decision. Therefore, his delegation had to reserve its position because it did not think that New Zealand had been satisfied on this particular point related to the position of traditional suppliers. Consultations were continuing on that particular point and New Zealand would not be satisfied until a solution which would enable traditional suppliers to realize their traditional sales could be found.

19. In reply to the statement by the representative of New Zealand, the representative of the EC observed that the Community had tried to sell the butter at a much higher price than the one he had just mentioned. However, the Community had found itself compelled to sell the first tranche at 225 ECU's per ton. Such a price represented an enormous financial loss to the Community but the sale had been made to benefit the world market and, in particular, to protect the world market for fresh butter. He added that it was also necessary to bear in mind the storage costs for the butter over a period of more than 18 months, which further aggravated the financial burden. The Community had chosen not to export the butter but to store it; it could have undermined the market by applying the irrational policy which had been followed by other countries. Moreover, it could have closed its import market, which had obliged it to buy an average of some 100,000 tons of butter annually in recent years. If that butter had not been imported, there would now be no stocks in the Community. Consequently, in the opinion of his delegation, one should be reasonable in appreciating the situation.

20. The representative of Australia said that his country also, as a traditional supplier to the USSR market, was involved in consultations which were still going on.

21. The representative of New Zealand reiterated that the position of the traditional suppliers should be taken into account. The position of the traditional suppliers was not taken into account simply by solving the

Community's problem of reducing its stocks of butter even if this was going to be at considerable pain and burden to the Community. The position of commercial suppliers of butter ought to be taken into account and this obligation ought to be satisfied. That debate was not yet being concluded.

22. The Committee took note of the notifications presented by the EC (DPC/F/W/26 and Add.1) in relation to the Decision adopted on 31 May 1985 (DPC/F/35), and the additional information furnished by the EC. It also noted the statements made by other participants and the concerns expressed with respect to effects on the market of the EC sales. It was furthermore noted that bilateral consultations were being held under paragraph 4 of said Decision. It was concluded that depending on the outcome of these consultations the matter might be reverted to at the next meeting or at a special meeting convened in conformity with paragraph 5 of the Decision.

Review of the market situation for products covered by the Protocol

23. The representative of the EC said that on 16 December 1986, the EC Council of Ministers had decided on an important series of reforms in the dairy sector, aimed, in particular, at reducing milk production by 9.5 per cent. While the rigorous measures would affect all dairy products, a number of decisions had been taken regarding butter, with a view to reducing its production - which would mean a consequent decrease in the production of skimmed milk powder. His delegation planned to explain those important decisions concerning the dairy sector in detail at the meeting of the Council.

24. The representative of the EC said that production of butter had increased by 6 per cent to 2.2 million tons in 1986. In 1987, however, a decline by 6 per cent was expected. Consumption of butter had decreased by 1.1 per cent in 1986 and a further decrease by 1 per cent was forecast for 1987. Butter stocks at the end of February 1987 were at 1,335,000 tons in the public sector and 35,000 tons in the private sector, giving a total of 1,370,000 tons. It was estimated that some 500,000 to 600,000 tons could be deemed to be older than 18 months. Prices for fresh butter were between US\$1,050 and US\$1,150 per ton f.o.b. and prices for butteroil were slightly above the GATT minimum price.

25. The representative of the EC said that his delegation would like to comment on the market prices for butter, and in particular for butteroil, in recent months. Like other exporters, the Community had noted that butteroil prices were causing serious difficulty and apprehension. It had noted, particularly at the end of 1986, that several offers had been made on the world market at prices below the minimum price by various participants in that market. As concerned the Community, its machinery did not enable it to respect the minimum export price down to the last cent. The only way in which the Community could ensure observance of the minimum price was to act on the export refund. He recalled that that refund represented the difference between the internal Community price and the lowest world-market price, which, however, could not be lower than the minimum price established under the Arrangement. There was another factor which made it difficult for the Community to keep its commitments. It was

the fact that butteroil can be produced in different ways. It could be obtained from fresh cream or from the transformation of butter into butteroil, the former process being definitely less expensive than the latter. The services of the Community had clearly established that there were operators who made butteroil by the first process and that they could theoretically offer butteroil at prices below the minimum price established under the Arrangement. His authorities had done their utmost, particularly in recent weeks, to rectify that anomaly. His delegation believed that the Arrangement should be made to function in the spirit in which it had been created. Actually, when the Arrangement had entered into force, its minimum prices had been well below market prices. Unfortunately, current market prices were practically the same as the minimum prices established under the Arrangement. Since all the exporters of butteroil were members of the Committee, his delegation felt that all the participants in the Arrangement should make an effort to bring about an effective increase in world market prices. The functioning of the Arrangement would thereby be improved since the minimum price would then again become a safeguard price below which no sale should be made. The Community had now taken the first steps in that regard: it had changed its system of determining refunds particularly for butteroil; and it would henceforth adapt the refund to the needs of the market and change it more often than in the past, probably every fortnight or even every week if that proved necessary in the light of information supplied by those principally concerned by that market. He invited the other participants to send the Community information on the prices prevailing on the world market. The Community would then be able to make progress towards the attainment of its objective, namely raising world market prices for butteroil. Since the Community could not act alone, it was therefore inviting all exporters of that product to act jointly with it and to make a common effort to raise market prices. If there were real co-operation on the improvement of market prices, the beneficial effects could be felt immediately.

26. The representative of New Zealand said that production of butter and butteroil had been affected dramatically by the downturn in milk production. Total production of milk fat products in the season ending on 31 May 1987 was now expected to be only around 250,000 tons (expressed in butter equivalent). This compared with the production of the previous season (1985/86) of 310,000 tons of butter equivalent; a drop of 60,000 tons or 19 per cent. This reduction was reflected in the lower production figures included in the questionnaire return for 1986 as compared to 1985. It would also in due course flow through in a reduction in the volume of exports from the levels earlier expected. It was well known in the market place that at the beginning of the current season, New Zealand held substantial stocks of butter beyond the level required to service normal commercial trade. This problem had now been significantly reduced on the one hand by the substantial reduction in production just described, and on the other hand, by the sale in October 1986 in terms of the derogation decision of the Committee, of 50,000 tons of butteroil to Brazil. Currently and looking ahead, problems were expected to continue to be faced in maintaining New Zealand's export sales volumes of butter and butteroil. Available markets were limited in number, fragmented and subject to continuing intense competition which made the diversification of sales away

from New Zealand's traditional markets extremely difficult. The USSR had for some years accounted for approximately half of total world imports of butter and the maintenance of commercial sales volumes there remained of critical importance to New Zealand.

27. He said that the market situation for butter and butteroil remained depressed and uncertain. The main influence continued to be the high level of stocks held by certain participants, especially the EC, which continued to overhang and bear down on the market. Prices for both butter and butteroil remained down on the minima fixed by the Arrangement of respectively US\$1,000 and US\$1,200 per ton f.o.b. There had been reports of certain offers and sales of butteroil at prices below the minimum for butteroil. That was the situation that had been referred to in the statement just made by the representative of the EC. His delegation could only applaud the comments and support the sentiments made by the EC for some hopefully upward movement in the market price for butteroil.

28. The representative of Japan said that butter production during fiscal year 1985 at 91,000 tons had been 13 per cent above the level of 1984. There had been a slow-down in butter production in fiscal year 1986. Output in December 1986 had shown a decrease by 18.6 per cent in relation to the corresponding month of 1985. Stocks remained, however, still at a high level. Imports of butter in 1986 had been 2.9 per cent below the level in 1985 due to the large stocks. Average import price in 1986 had been reckoned at US\$1,401 per ton c.i.f.

29. The representative of Hungary said that butter production had increased from 30,300 tons in 1985 to 32,000 tons in 1986. There had been an even more substantial growth in consumption of butter, as a result of a continuing upward trend since the early eighties, when it had been at 27,400 tons against 33,000 tons in 1986. Hungarian exports of butter had remained negligible while imports continued to increase reaching 3,000 tons in 1986. The major suppliers had remained Western European countries.

30. The representative of Bulgaria said that production of butter had amounted to 24,400 tons in 1986, remaining stable in relation to the two previous years. His country had imported 2,000 tons of butter from Austria and France. These imports had been made as a result of the increase in domestic consumption in 1986.

31. The representative of Australia informed that butter and anhydrous milk fat (AMF) production in the October-December quarter 1986 of 45,300 tons had been 8 per cent below production in the corresponding period in 1985. This decrease was mainly due to the increased production of cheese and whole milk powder. Butter/AMF production for 1986/87 was estimated to be down to 98,000 tons, compared with 104,900 tons in 1985/86. Domestic consumption of butter/AMF was expected to increase marginally in 1986/87 to 60,000 tons from 59,600 tons in 1985/86. Exports for 1986/87 were expected to be 38,000 tons. Butter and AMF prices had been at their respective GATT minimum levels of US\$1,000 and US\$1,200 per ton f.o.b. in the fourth quarter of 1986. Current prices were US\$1,000 per ton f.o.b. for butter and US\$1,220 per ton f.o.b. for butteroil.

32. In the period since mid-1986, Australia had become increasingly concerned about the butteroil market and in particular about the ability of its industry to compete in traditional markets because of product being offered at prices below the IDA minimum. The minimum price elements of the IDA Protocol depended for their successful implementation on the commitment and the capacity of governments to ensure their observance by traders rather than on market forces. For Australia's part, the government had established strict legislated observance measures which included sanctions for breaches of minimum prices. This meant that then the butteroil market was below the IDA minimum, Australian exporters were faced with two alternatives: either observe the minimum and lose trade or meet the market and sell in breach of law. From Australia's point of view neither of these alternatives was acceptable. Accordingly in recent weeks serious thought had been given to finding an effective and lasting solution to address this problem which resulted from Australia's continued commitment to the disciplines of the Protocol Regarding Milk Fat. This had involved addressing a range of options designed either: to secure adjustments to existing arrangements to ensure the price of butteroil moved above the current GATT minimum, or to suspend or otherwise remove the effect of the price discipline. In order to acquaint IDA members with Australian concerns, an informal note by the Australian delegation had been circulated last week which had elaborated the Australian approach. It had referred, inter alia, to discussions Australia had been having with the EC and New Zealand, the only other significant butteroil exporting countries. In those discussions Australia had been heartened by the Community's statement about its commitment to IDA, the effect of measures recently adopted in the Community's restitution fixing mechanisms and its preparedness to adopt improved systems of communication and be responsive to information that came forward under that system. In deciding to wait and test the effectiveness of these improved observance measures, the Australian delegation had been influenced by the lack of support it had been clearly indicated it would receive for its alternative options of seeking the IDA's agreement to suspend the minimum price for butteroil or to significantly reduce the minimum price to establish a buffer below what was perceived to be the market price. These options had been clearly identified in last week's informal note by the Australian delegation as contingent measures to be pursued this week and while Australia was not now proceeding with them as proposals it would welcome expressions of view on their acceptability or effectiveness in addressing Australian problems. Australia was seriously concerned at the real problem that its membership of IDA presented for the integrity of the government and the integrity and trading interests of its industry. A situation where its membership of the Protocol Regarding Milk Fat seriously placed at a disadvantage its ability to continue to make export sales was untenable. The current Australian dairy exporting season was drawing to a close, and while selling activities had eased off somewhat, the industry still wished to make some sales from current production. In any case, Australian industry would need shortly to be strongly back in the market to sell the new season's product which became available from 1 July 1987. If, notwithstanding the improved observance measures he had referred to, Australian industry found itself in a situation where it was unable to trade or it would be in breach of Australian legislation by meeting the market, the Australian Government would initiate action within Australia for unilateral withdrawal from the Protocol Regarding Milk Fat.

33. The representative of Switzerland said that production of butter had decreased to 31,800 tons in 1986 in relation to 33,200 tons in 1985. Imports had slightly increased in 1986 to 7,900 tons. Consumption had slightly decreased to 40,100 tons.

34. The representative of Finland said that the average export price of butter in the fourth quarter of 1986 had been at US\$1,168 per ton f.o.b. This higher price (expressed in US dollars) was due to the decline in the value of the US dollar against currencies in which Finland was making deals. With regard to domestic consumption, he said that Finland had introduced a new legislation concerning edible fats as of 1 January 1987. This legislation allowed now to manufacture and sell butter-type products containing only 50 per cent of fat instead of 30 per cent before. This would create a new competition in the fats market. However, it remained still to be seen what would be the actual effect on the consumption of cream and butter. Further information would be furnished in due course.

35. The representative of South Africa said that domestic consumption of butter had substantially increased (by some 27 per cent) in 1986. It was, however, doubtful whether this trend could be maintained.

36. The representative of Romania said that production of butter decreased by 3.5 per cent in 1985 to 47,000 tons. It had remained stable in the first half of 1986 at 20,100 tons in relation to the first half of 1985. Exports had increased by 15.2 per cent in 1985 to 22,000 tons. They had amounted to 6,500 tons in the first six months of 1986.

37. The representative of Poland said that production and consumption of butter had respectively amounted to 259,000 tons and 298,000 tons in 1986; imports had reached 39,000 tons in 1986. Poland had imported some 20,000 tons of butter in the first quarter of 1987 and was now negotiating a contract covering 10,000 tons for delivery in April 1987.

38. The representative of Sweden said that production of butter had decreased to 36,900 tons in 1986 as compared to 42,500 tons in 1985. A further reduction by nearly 2,000 tons was expected for 1987. Exports of butter had averaged 13,000 to 15,000 tons in the period 1982-85. However, exports had declined to 8,300 tons in 1986. Stocks at the end of 1986 had amounted to 5,600 tons.

39. The observer of Canada estimated that production of butter might decline by 2 per cent in 1986/87; a further decline by 2 per cent was forecast for 1987/88. Consumption was also falling but was still marginally above production levels. The consumption trend would continue and might be exacerbated by the increasing differential between margarine and butter prices. During 1986, for example, butter retail prices had increased by 3 per cent, while margarine retail prices had declined by 7 per cent. Stocks at the end of December 1986 decreased to 18,100 tons as compared to 20,500 tons at the beginning of the year.

40. The observer of the Economic Commission for Europe said that production of butter in the USSR had increased by 6 per cent in 1986 to 1.6 million tons. Per capita consumption of butter had been around 6 kgs.

41. The Committee took note of the information provided and of the comments made.

Oral report to the Council

42. The Committee agreed that an oral report giving an account of its discussions at the present session would be submitted to the Council.

Date of the next session

43. The next sessions of the Committees will be held on 15-16 June 1987, subject to confirmation by the secretariat. The session of the Committee of the Protocol Regarding Milk Fat will be followed by the session of the Committee of the Protocol Regarding Certain Cheeses and then the Committee of the Protocol Regarding Certain Milk Powders.