

GENERAL AGREEMENT ON

TARIFFS AND TRADE

RESTRICTED

L/7083

21 September 1992

Limited Distribution

INTERNATIONAL DAIRY PRODUCTS COUNCIL

TWENTY-SEVENTH SESSION

Note by the Chairman

1. The International Dairy Products Council held its twenty-seventh session on 16 September 1992.
2. Observers from Brazil, Canada, Chile, the Republic of Korea and Mexico, as well as from the FAO, UNCTAD and the Economic Commission for Europe, attended the session.
3. The Council reviewed the functioning of the Arrangement. It took note of reports on the implementation of the Protocol Regarding Certain Milk Powders, the Protocol Regarding Milk Fat and the Protocol Regarding Certain Cheeses. The Council took note of the information submitted recently in reply to Questionnaires 4 and 5, concerning production, consumption, trade and prices for products not covered by the Protocols and concerning dairy policies and measures affecting trade. The Council concluded that the International Dairy Arrangement was functioning to the general satisfaction of its participants and had proved to be a valuable instrument in maintaining order in international dairy trade.
4. Basing itself on the reports from the Committees of the Protocols, documentation prepared by the Secretariat and on information provided by participants during the meeting, the Council undertook an evaluation of the situation in, and outlook for, the world market for dairy products.
5. World butter and butter oil production declined by 4.5 per cent in 1991 and a further decrease of 2.5 per cent is likely in 1992. World butter consumption also decreased by 2 per cent in 1991, and this trend is expected to continue in the short and medium term. Butter prices remained depressed in early 1992 and the market situation continues to be uncertain, largely because the potential for commercial sales to the former USSR republics remains unknown. Stocks of butter in the major dairy producing areas declined by some 15 per cent compared to year earlier levels.
6. World cheese production grew by another 1 per cent in 1991, and a further growth of the same order is anticipated for 1992. Cheese consumption and exports both continued to expand by about 2 per cent in 1991. For most cheeses covered by the Protocol, the market situation is steady and prices are expected to remain at current levels or increase throughout 1992.

7. Skimmed milk powder production declined by 3.5 per cent in 1991, and a decrease of about 6 per cent is expected in 1992. Although import demand for skimmed milk powder dropped in 1991, recovery is expected in 1992 due to renewed interest from traditional buyers. In contrast, whole milk powder production increased by 5 per cent in 1991 and exports of whole milk powder by major suppliers reached new record levels. The market price situation for milk powders, especially skimmed milk powder, strengthened further in the three quarters of 1992. Skimmed milk powder stocks decreased by as much as 48 per cent compared to year earlier levels, mainly due to decreases in the Community and the United States.

8. Some participants stressed the uncertainties facing the world dairy market. The effects of the Uruguay Round proposals on future production and trade in dairy products, and of possible modifications in national policies, were discussed. It was also noted that the situation in the ex-USSR area and in certain other Eastern European countries remained unstable.

9. In conformity with Article 3:3(b) of each of the Protocols, the Committees reviewed the minimum export prices for products covered by the Protocols. New Zealand had submitted a written proposal well in advance of the meeting to increase the minimum prices specified under the Protocol Regarding Certain Milk Powders by US\$200 per ton f.o.b., indicating that such an increase was fully justified in light of the criteria of Article 3:3(b) (DPC/PTL/W/78). Some participants supported this proposal and urged immediate implementation. They noted that current IDA minimum prices for powders were too low to guarantee a viable return to the most economic producers. They further noted the long-term and sustained upward trend in the prices of milk powders and expressed their concern over the substantial difference between market prices and the IDA minima. However, others felt that the upward trend in the prices was largely due to the decline in the US dollar and that in light of the monetary uncertainties and the changes in the production and consumption patterns in certain countries, it would not be appropriate to modify minimum export prices at this time. Consequently, the present minimum export prices for the pilot products covered by the three Protocols were maintained unchanged. The Committees agreed to revert to this item at a later meeting upon request by a participant.

10. The Council took note of the documents and comments made, and agreed that the status report as completed, updated and amended should be released for general distribution as the thirteenth annual report of the International Dairy Arrangement.

11. The Council also began a review of the Rules of Procedure, to examine the appropriateness of the existing Rules and to consider their possible modification. The Council decided to immediately revise Rule 11 so that countries which did not participate in the Multilateral Trade Negotiations could be accepted as observers to the International Dairy Arrangement, and also decided to continue their review at a future meeting.

12. The Council authorized the Chairman to submit to the CONTRACTING PARTIES, on his own responsibility, a report on the work done since December 1991 in pursuance of the objectives of the International Dairy Arrangement.

13. The Council adopted a tentative time schedule for regular meetings up to the end of 1993. Any special session would be in addition to that schedule and all dates remain subject to confirmation by the Secretariat. The next meeting of the Council is scheduled for 17 March 1993.