

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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Limited Distribution

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 1992 (L/7083, paragraph 12). The report provides a resumé of the activities and considerations of the Council and its Committees since the Forty-Seventh Session of the CONTRACTING PARTIES.

The International Dairy Arrangement came into operation on 1 January 1980 and has been extended until 31 December 1994, in conformity with Article VIII, paragraph 4. As of 1 November 1992, the Arrangement had the following participants: Argentina, Australia, Bulgaria, Egypt, the European Community, Finland, Hungary, Japan, New Zealand, Norway, Poland, Romania, South Africa, Sweden, Switzerland and Uruguay. Other countries and international organizations have been represented at meetings by observers.

The Council held two regular sessions in 1992, one in March and one in September. At its March meeting, the International Dairy Products Council elected Mr. M. Jordana (Australia) as Chairman for 1992 and Mr. K. Luotonen (Finland) as Vice-Chairman. Mr. Luotonen was also elected as Chairman of the Committees of the Protocols for 1992.

Basing itself on reports from the Committees of the Protocols, documentation prepared by the Secretariat and on information provided by participants during meetings, the Council undertook an evaluation of the situation in, and outlook for, the world market for dairy products. In contrast to the increase in world merchandise trade in general in 1991 and the first half of 1992, the total trade volume of dairy products fell in 1991, mainly due to lower imports by the former Soviet Union area.

World milk production decreased by 2 per cent in 1991 and a further 1 to 2 per cent drop is expected in 1992. This decline is largely the result of efforts to reduce output in the European Community and some other countries and the virtual collapse of the commercial market in Russia and Central and Eastern parts of Europe.

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World butter production declined by 4 per cent in 1991 and is expected to contract by a further 2½ per cent in 1992. Consumption of butter also declined in 1991, and this trend is expected to continue in the short and medium term. World butter prices remained at, or only slightly above, the agreed IDA minimum prices in 1991 and 1992. The loss of the former USSR as the major commercial import market for butter will likely have destabilizing effects on the international butter market for some time to come.

World cheese production decreased by 2½ per cent in 1991 as sharp declines in the former USSR area and other Central and Eastern European countries more than offset production increases in some major producing countries. Cheese exports expanded by 2 per cent in 1991, and a further growth of the same order is anticipated for 1992. World market prices were 13 to 16 per cent above the previous year levels, well above agreed minimum export prices.

Skimmed milk powder production declined by 3½ 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, it recovered in 1992 due to purchases 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. World market prices of milk powders, especially for skimmed milk powder, increased during the first three quarters of 1992 and remained well above IDA agreed minimum levels.

Food aid in dairy products, which had declined over recent years, increased slightly in 1991 and 1992. This was almost entirely due to various shipments of food aid or other forms of non-commercial transactions to Russia and other Central and Eastern European countries. Requests for food aid are expected to remain large. There are concerns that food-aid transactions could adversely affect world dairy markets unless agreed principles for providing aid are fully observed.

The Council took note of reports on the implementation of the Protocol Regarding Milk Fat, the Protocol Regarding Certain Cheeses and the Protocol Regarding Certain Milk Powders. It examined information submitted concerning production, consumption, trade and prices for products not covered by the Protocols and concerning dairy policies and measures affecting trade. The IDA minimum prices for skimmed milk powder, whole milk powder, buttermilk powder, anhydrous milk fat, butter and certain cheeses were reviewed several times during the year. Although a number of participants supported a proposal to increase the IDA minimum prices for milk powders, no consensus was reached and the minimum prices remain unchanged.

At its twenty-seventh session held in September 1992, the Council agreed that its evaluation of the situation in and outlook for the world market for dairy products, based on documentation prepared by the Secretariat, should be released for general distribution as the thirteenth annual report of the International Dairy Arrangement.