

**GENERAL AGREEMENT
ON TARIFFS AND TRADE**

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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 meeting in September 1993 (L/7295, paragraph 12). The report provides a resumé of the activities and considerations of the Council and its Committees since the Forty-Eighth 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 15 October 1993, 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 contracting parties and international organizations have been represented at meetings by observers.

The Council held two regular sessions in 1993, one in March and one in September. At its March meeting, the International Dairy Products Council elected Mr. J. Ruiz (Argentina) as Chairman for 1993 and Mr. K. Luotonen (Finland) as Vice-Chairman. Mr. Luotonen was also re-elected as Chairman of the Committees of the Protocols for 1993.

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. The downward trend in world production of all types of milk continued in 1992 and 1993. Key features of the market situation include:

- (i) Eastern and Central Europe and the former Soviet Union continued to experience significant drops in milk production as a result of the difficulties arising from their economic and political transitions as well as from drought. Moderate output reductions in the European Community, the Nordic countries and Canada were the result of government policies to reduce structural surpluses. Favourable weather conditions and increased use of supplemental feeds resulted in increased production in both New Zealand and Australia, and output also rose in the United States.

(ii) World butter production continued its downward trend, but supplies still exceeded demand in 1992 and 1993. The former Soviet Union had been the principal export market for butter, but since the beginning of its political and economic transition, its commercial import demands have fallen. World butter exports have declined and stocks remain high.

(iii) World production of skimmed milk powder declined in 1992, whereas production of whole milk powder increased. The expansion in production occurred primarily in New Zealand, the European Community, Poland and Australia. Trade remained strong as a number of traditional buyers increased their import demand for milk powders in 1992.

(iv) The demand for cheese continued to expand on a global basis, encouraging further growth in world cheese production and trade.

(v) The United States sharply increased its exports of dairy products in 1992, largely as a result of the Dairy Export Incentive Program (DEIP). Seventy-six countries were eligible to receive these subsidized products. Mexico and Algeria were the major beneficiaries of the programme in 1992.

(vi) Food-aid shipments to Central and Eastern European countries and the former Soviet Union remained relatively large in 1992. 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. Increases in the IDA minimum prices for milk powders were proposed and considered, however, no consensus was reached and the minimum prices remain unchanged.

In June 1993, the Committee of the Protocol Regarding Milk Fat granted a derogation from the minimum price provisions of the Arrangement for butter and butter oil exports to countries of the former Soviet Union. This is valid for quantities up to a maximum of 50,000 tons per participant, for contracts concluded before 31 December 1993 and deliveries made before 31 March 1994.

At its twenty-ninth session held in September 1993, 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 fourteenth annual report of the International Dairy Arrangement.