

**GENERAL AGREEMENT
ON TARIFFS AND TRADE**

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INTERNATIONAL DAIRY PRODUCTS COUNCIL

THIRTIETH SESSION

Note by the Chairman

1. The International Dairy Products Council held its thirtieth session from 21 to 28 March 1994.
2. The Council considered the request for observer status by the representative of the People's Republic of China. The Council decided that China should be invited to participate in an observer capacity in the work of the International Dairy Arrangement, in light of the participation of China as an observer in the Council of Representatives of the GATT CONTRACTING PARTIES. Observers from Austria, Canada, the FAO and UNCTAD also attended the session.
3. The Council considered the proposed revision of the Arrangement, in light of its inclusion in Annex 4 to the Agreement Establishing the World Trade Organization. The Council noted that the proposed changes resulted in a clarification and simplification of the text of the Arrangement and did not affect the basic rights and obligations of participants under the Arrangement. The Council **agreed** to accept the proposed revisions to the Arrangement and **agreed** that the revised text of the Arrangement be opened for signature at the Ministerial Meeting in Marrakesh.
4. 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 also took note of certain information submitted 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.
5. The Council examined the situation and outlook in the world market for dairy products, basing itself on reports from the Committees of the Protocols, on documentation prepared by the Secretariat and on information provided by participants during the meeting.
6. World production of skimmed milk powder declined further in 1993, and a slight decrease in whole milk powder production was also estimated. Consumption of skimmed milk powder fell, and exports of skimmed milk powder are also estimated to have declined in 1993. Whole milk powder exports increased slightly in 1993. World market prices for milk powders declined somewhat in the first nine months of the year, but firmed in the fourth quarter. Skimmed milk powder stocks remained relatively low at the end of 1993.

7. World production of cheese grew by a further 1½ per cent in 1993, and is expected to continue to grow. Consumption continued its long-term growth trend of about 2 per cent per year. World cheese exports grew substantially in 1993, and stocks were estimated to have continued to decline during 1993. International prices for Cheddar cheese remained relatively high in 1993, and are not expected to decrease in 1994.

8. World butter and butter oil production declined slightly in 1993, and consumption also dropped further. Butter stocks in Canada and the United States dropped steeply in 1993. World butter exports and concessional sales are estimated at 815 thousand tons in 1993. At the end of 1993, world butter stocks were substantially below 1992's level, but were still relatively high in many major producing countries. Prices for butter continued to remain relatively low.

9. In June 1993, the Committee of the Protocol Regarding Milk Fat granted a derogation from the minimum price requirements for butter and butter oil exports to countries of the former Soviet Union (DPC/PTL/32). In December 1993, the Committee decided to extend this derogation to permit a maximum of 50,000 tons per participant to be exported, for contracts concluded before 31 March 1994 with deliveries before 30 June 1994 (DPC/PTL/36).

10. The Committee Regarding Milk Fat considered proposals for a suspension and/or reduction in the minimum prices for butter and anhydrous milk fat. The Committee noted the differences in the analysis of the market situation by different participants and could not reach agreement on a change to the minimum prices.

11. The Council took note of the statement by the representative of Australia with respect to their view that the minimum prices for butter and butter oil were not credible and were in need of substantive modification. In the absence of an agreement by the Committee Regarding Milk Fat for the temporary suspension or sufficient reduction of the minimum prices for milk fats, Australia regretted that it had no alternative but to initiate the procedure for its withdrawal from the Protocol Regarding Milk Fat.

12. The Council took note of the Status Report (DPC/W/135) and other documents, as well as of the comments made.

13. The next meeting of the International Dairy Products Council is tentatively scheduled for 21 September 1994.