

**GENERAL AGREEMENT
ON TARIFFS AND TRADE**

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International Dairy Arrangement

INTERNATIONAL DAIRY PRODUCTS COUNCIL

THIRTY-FIRST SESSION

Report

Chairman: Mr. Jorge A. Ruiz

1. The International Dairy Products Council held its thirty-first session on 20 September 1994.
2. The Council adopted the following agenda:
 - A. Admission of observers
 - B. Review of the functioning of the Arrangement
 - C. Evaluation of the situation in and outlook for the world market for dairy products
 - D. Summary of the results of the Uruguay Round in the dairy sector
 - E. Consideration of Rules of Procedure for the new International Dairy Agreement
 - F. Decision on termination of the International Dairy Arrangement
 - G. Report to the CONTRACTING PARTIES
 - H. Tentative schedule of further meetings
 - I. Note by Chairman on the present session
 - J. Date of next regular session
- A. Admission of observers**
3. The Council welcomed the representatives of Austria, Brazil, Canada, Korea and Mexico. Rule 10 of the Rules of Procedure permits contracting parties which are not signatories to the Arrangement to follow the proceedings of the Council in an observer capacity.
4. As had been agreed by the Council since September 1984, the Economic Commission for Europe, FAO, OECD and UNCTAD had been invited to participate as observers at sessions of the Council. For this session, the Council was pleased to welcome the representative from FAO.

B. Review of the functioning of the Arrangement

Reports of the fifty-eighth and fifty-ninth sessions of the Committees of the Protocols

5. The Council carried out a review of the functioning of the Arrangement as required by Article IV:1(b). For this review the Council had before it the report of the fifty-eighth sessions of the Committees held in June 1994 (DPC/PTL/43). A full report of the regular Protocol meetings was approved by the Committees and would be distributed as document DPC/PTL/44.

6. The Committee of the Protocol Regarding Certain Milk Powders, the Committee of the Protocol Regarding Milk Fat and the Committee of the Protocol Regarding Certain Cheeses held their fifty-ninth sessions on 19 September 1994. An oral report on these sessions was presented to the Council by the Chairman of the Committees.

7. After examining replies to the questionnaires, the Committees reviewed the market situation for products covered by the Protocols. Information and comments regarding milk production and dairy policies were given in the Committees and were recorded in the full report of the meetings.

8. The Committees noted that world production of skimmed milk powder remained stable in 1993, but was expected to decline by 4 per cent in 1994. Production of whole milk powder increased slightly in 1993. World production of butter and butter oil continued its long-term diminishing trend in 1993. World cheese production continued to expand in 1993, encouraged by the continuing rise in demand.

9. World consumption of skimmed milk powder continued to decline in 1993, as world prices remained relatively high. World butter consumption also continued to decline in 1993, although this trend seemed to be levelling off in a number of countries. World cheese consumption continued its long-term growth trend of about 2 per cent per year, and was expected to do so beyond 1993.

10. Exports of skimmed milk powder returned to their declining trend in 1993, whereas those of whole milk powder increased. Exports of butter continued to decline. Cheese exports increased in 1993.

11. World stocks of skimmed milk powder remained low in all major producing countries in 1993 and throughout the first half of 1994. On 1 July 1994, stocks of butter in the main producing countries remained relatively high, even if substantially below the level of 1993. On the same date, stocks of cheese in the main producing countries were lower than a year earlier.

12. World market prices of both milk powders declined somewhat from their relatively high 1992 levels. Prices for butter and butter oil declined further in 1993 and sales of butter below the IDA minimum price level were frequently reported. Prices for Cheddar cheese remained relatively high throughout 1993 and the first half of 1994.

13. In the third quarter of 1994, world market prices for milk powders continued to improve. The improvement in the world market situation was primarily the result of lower production and export supplies from the European Communities, together with increased demand from major importers. World market prices for butter remained firm and a slight increase had been apparent since the middle of the year. However, market activity had been limited. Price levels in the coming months were expected to be determinant of the future trend. World market prices for cheese remained generally steady. In contrast with earlier trends, demand had not been strong. The value of the US dollar remained relatively low compared to other major currencies, which supported the firm market situation.

14. For the third quarter of 1994, the following price ranges were reported (per ton f.o.b.):
- between US\$1,500 and US\$1,900 for skimmed milk powder for human consumption;
 - between US\$1,475 and US\$1,750 for whole milk powder;
 - between US\$1,150 and US\$1,800 for butter;
 - between US\$1,450 and US\$2,300 for anhydrous milk fat;
 - between US\$1,650 and US\$2,100 for Cheddar cheese.

15. The Committees reviewed the minimum export prices for milk powders and cheeses on the basis of criteria established by the Arrangement. There was no decision to change the minimum price levels.

16. As of 4 May 1994, the Committee of the Protocol Regarding Milk Fat decided to suspend the minimum export prices for butter and anhydrous milk fat for a period of up to twelve months. In taking the Decision the Committee agreed to keep the level of world market prices under regular review based on analyses by the Secretariat. Participants agreed to provide to the Secretariat, every two months, the most recent information available to them on their export sales of butter and anhydrous milk fat. The Committee took note of the document prepared by the Secretariat on the basis of information furnished by participants for the period May-June 1994 and July-August 1994 (DPC/PTL/W/146). This document will be revised as new information becomes available.

17. The next regular sessions of the Committees were scheduled for 12 and 13 December 1994, subject to confirmation by the Secretariat.

Submission of information

18. The Chairman noted that on 23 August 1994, the Secretariat sent out an airgram concerning information to be submitted by participants to the Arrangement. Participants who had not yet provided answers to Questionnaires 4 and 5 were requested to do so as soon as possible. A list of the replies to date are given in the Annex to this report. The Council took note of the documentation and comments made on this subject.

C. Evaluation of the situation in and outlook for the world market for dairy products

19. The Council had before it various documents prepared by the Secretariat for its traditional evaluation of the situation in and outlook for the world market for dairy products. These included a status report on the world market for dairy products (DPC/W/140), a table on milk deliveries (DPC/W/141), a note on food-aid operations relating to dairy products (DPC/W/143), and relevant statistical information in summary tables (DPC/PTL/W/143 to 145). Other relevant statistical data was contained in replies to questionnaires which were examined by the Protocol Committees. Comments made in the Protocol Committees concerning powders, butter and cheese would be reflected in the report of these meetings and circulated in the DPC/PTL/- series.

20. The Council took note of the documents provided, as well as the comments made under this item of the agenda.

D. Summary of the results of the Uruguay Round in the dairy sector

21. The Secretariat prepared a document summarizing the results of the Uruguay Round negotiations in the dairy sector, on the basis of the information provided in the published schedules of the Uruguay Round commitments with respect to market access and export competition. The Chairman underlined

the factual content of the paper and emphasized that the document did not constitute an analysis of effects on the world dairy market. Participants were asked for corrections to the presented text.

22. In general, participants welcomed the document as useful, comprehensive and informative. Some participants stressed the public nature of the information and their desire that the Secretariat publish the document as intended, while others advised caution with regard to the official character of the document and the need for more time to check the accuracy of its contents. The Council took note of corrections and comments made. Further corrections and comments were requested by 12 October 1994 at the latest, to permit the document to be released as an annex to the Annual Report. The Council agreed that the Status Report (DPC/W/140) and the Uruguay Round summary, after revision as necessary, be released for general distribution as the Fifteenth Annual Report of the International Dairy Arrangement.

E. Consideration of Rules of Procedure for the new International Dairy Agreement

23. During the negotiation of the new International Dairy Agreement, the Council had agreed that once the text of the new Agreement had been finalized, it would be necessary to examine also the Rules of Procedure for the new Council and Committee. The Chairman noted that the work of the new Agreement would be facilitated if the present Council could tentatively agree on the new Rules of Procedure. For this purpose the Secretariat had prepared a draft Rules of Procedure for the new Agreement to be considered by the Council (DPC/W/142). The formal adoption of the new Rules of Procedure would most appropriately be made by the new Council itself at a later stage.

24. Participants first considered the suggestion that an informal task force be created to examine the number, formats and dates of the questionnaires. A number of the participants were of the view that this would generate unnecessary additional work and, considering the pending transition to the new Agreement, the timing was inopportune. Instead, it was agreed that the Secretariat prepare suggested modifications to the questionnaires for informal consultations with interested delegations.

25. With regard to the new Rules of Procedure, participants welcomed the proposed amendments and changes in general. However, additional time for careful study of the proposed changes was requested. The Council agreed that the proposed Rules of Procedure were *in substance* acceptable, subject to minor changes to be provided to the Secretariat. The Chairman requested delegations to furnish their eventual comments promptly so that the Council would be able to expeditiously approve the new Rules of Procedure at its next meeting.

F. Decision on termination of the International Dairy Arrangement

26. The Chairman noted that the present Dairy Arrangement would expire at the end of December 1994. A further extension of the Arrangement would not be appropriate because of the entry into force of the new International Dairy Agreement. The Chairman proposed that the Council decide to extend the existing Arrangement only until the entry into force of the new International Dairy Agreement, in order to allow a smooth transition from one agreement to the other and to avoid having two dairy agreements in place at the same time. The Council so **decided** (DPC/44).

27. Some participants also made the point that certain transitional problems would need to be addressed at a later stage.

G. Report to the CONTRACTING PARTIES

28. The Chairman recalled that according to a decision of the CONTRACTING PARTIES of 28 November 1979 (BISD 26S/201), the Council was requested to report on its activities since the last session of the CONTRACTING PARTIES in January 1994. It is traditional that the Chairman prepare and present this report on his own responsibility. The Council **agreed** that this tradition be maintained.

H. Tentative schedule of further meetings

29. The Chairman recalled that the Council usually adopted, at its September session, a tentative schedule of further meetings. The following tentative schedule of meetings, which remains subject to confirmation by the Secretariat, was **adopted** by the Council:

1994

12-13 December	Committee of the Protocol Regarding Certain Milk Powders Committee of the Protocol Regarding Milk Fat Committee of the Protocol Regarding Certain Milk Cheeses
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1995

20-21 March	Committee on Certain Milk Products
22 March	International Dairy Council
19-20 June	Committee on Certain Milk Products
18-19 September	Committee on Certain Milk Products
20 September	International Dairy Council
11-12 December	Committee on Certain Milk Products

I. Note by the Chairman on the present session

30. The Chairman presented a brief report on the Council meeting. The report was subsequently distributed as document L/7532.

J. Date of the next regular session

31. The next regular session of the Council will be scheduled as appropriate.

ANNEX

Questionnaire 4

Replies to Questionnaire 4 received in 1994 are the following:

Argentina	DPC/STAT/13/Add.44 and Add.45
Australia	DPC/STAT/12/Add.28
Canada	DPC/STAT/3/Add.32, Add.33 and Add.34
Finland	DPC/STAT/9/Add.14
Japan	DPC/STAT/7/Add.14
New Zealand	DPC/STAT/10/Add.27
Poland	DPC/STAT/19/Add.21
South Africa	DPC/STAT/15/Add.13
Sweden	DPC/STAT/2/Add.15

Questionnaire 5

On 20 September 1994 the inventory included the following:

Argentina	DPC/INV/5/Add.9 and Suppl.1
Australia	DPC/INV/5/Add.3 and Suppl.1
Canada	DPC/INV/5/Add.2
European Community	DPC/INV/5/Add.13
Finland	DPC/INV/5/Add.7 and Suppl.1
Hungary	DPC/INV/5/Add.6 and Suppl.1
Japan	DPC/INV/5/Add.5
New Zealand	DPC/INV/5/Add.1
Norway	DPC/INV/5/Add.8 and Suppl.1
Poland	DPC/INV/5/Add.15
Romania	DPC/INV/5/Add.12
South Africa	DPC/INV/5/Add.4 and Suppl.1 and Suppl.2
Sweden	DPC/INV/5/Add.11
Switzerland	DPC/INV/5/Add.14
Uruguay	DPC/INV/5/Add.10